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Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security:
"Intermodal and Interdependent: The FAST Act, the Economy, and Our Nation's Transportation System"

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Good morning Madam Chairman, Ranking Member Booker, and members of the Committee. I am Stephen Gardner, Executive Vice President of Infrastructure and Investment Development at Amtrak. On behalf of our Chairman, Mr. Coscia, and our CEO, Mr. Boardman, I am honored to appear today to represent the men and women who maintain and operate our 21,000-mile intercity passenger rail system, which serves over 30 million passengers annually.

The FAST Act is a historic step forward for intercity passenger rail and I'd like to begin my testimony by congratulating the full Committee and this Subcommittee for its role in drafting many of the law's most important elements. By including Amtrak and intercity passenger rail programs in the surface transportation reauthorization, Congress, for the first time, set forth a path for a true multimodal transportation policy – and for this, we particularly applaud this Committee and your Senate colleagues.

Today, I'll discuss Amtrak's progress in carrying out the FAST Act's relevant provisions and how we believe the policies advanced through this legislation can help strengthen Amtrak and drive our economy.

About Amtrak

Amtrak serves 500 communities in more than 46 states and three Canadian provinces via our network of high speed, state-supported, and long distance trains. Today, Amtrak serves 90 percent of the top 50 major metropolitan areas in United States, the three largest cities in Canada, and more than 40 percent of our nation's rural population. Amtrak connects communities of all sizes with major urban centers and provides an essential travel option for those seeking an alternative to driving or flying. Overall, Amtrak and its passengers generate $7.9 billion in an annual economic impact (exclusive of fares) to the nation's economy.

The FAST Act characterizes Amtrak's system as two interconnected networks — our National Network and the Northeast Corridor (NEC). Our National Network consists of 26 short distance, "city to city," routes we run through a cooperative partnership with 18 states or regional authorities and the 15 long distance routes that we operate on behalf of the Federal government to link our regions together, including connecting rural areas with major cities. The National

Network provides roughly 62 percent of Amtrak's ridership and 45 percent of our system revenue.

The 457-mile Northeast Corridor (NEC) connects Boston to Washington, DC, providing essential infrastructure for eight commuter railroads, four freight carriers and Amtrak's own *Acela Express*, Regional, and various long distance trains. As an owner of much of this Corridor, Amtrak has a unique dual role: operating our own trains over this route and maintaining the vast infrastructure necessary to support the over 2,000 daily commuter and freight trains that rely on the NEC. Amtrak's NEC train services provide 55 percent of our system revenue and Amtrak also receives additional compensation from commuter and freight railroads for the use or improvement of the NEC.

Performance

System-wide, Amtrak ridership and revenues have followed an impressive trajectory of growth over the past decade.

Amtrak has experienced ten years of record ridership over the past 15 years; ticket revenues have doubled since 2000; and debt has been cut to one-third of 2004 levels. At a network level, state-supported ridership has nearly doubled since 1998 and the NEC set a ridership record in Fiscal Year (FY) 2015.

Although FY 2016 started slowly due to significantly lower gas prices, our ridership through July is up slightly over the same period last year. However, overall revenues are slightly lower than FY 2015. The resulting fiscal challenge we face is partially offset by lower costs for locomotive fuel and control of headcount and associated benefits costs. We remain focused on exploring new ways to grow revenue and control costs to strengthen this year's financial performance.

However despite these headwinds, Amtrak remains a desirable transportation choice. Ridership on our long distance trains is up 3.4 percent over last year and our customer satisfaction scores hit an all-time high in January at 85 percent; they are above 80 percent year-to-date.

Improved on-time performance (OTP), experienced across all three train service lines, is a key component of customer satisfaction scores. On related note, Amtrak is engaged with the ongoing the Surface Transportation Board (STB) processes regarding OTP to ensure that this critical aspect of our performance isn't jeopardized by any changes under STB authority. We have submitted comments to the STB recommending it withdraw its proposed policy statement on preference as it would undermine Amtrak's statutory right to preference over freight trains and negatively impact performance and customer satisfaction.

FAST Implementation

While Amtrak is busily working on opportunities to improve our business, we are also working diligently to fulfill FAST Act requirements. I'm glad to report that, so far, Amtrak has complied with all requirements to date, and is making good progress towards the major requirements due in the coming year. We'll keep this Committee and others apprised of our efforts throughout this process.

Among the Act's most significant changes is aligning Federal funding and Amtrak revenues and expenses into two separate National Network and NEC accounts to support their associated services and business activities. This will provide new levels of transparency and clarity, allowing Amtrak to better articulate the value proposition of each network and clearly establish the needs, opportunities, and challenges each face.

An important related change was creating a single funding authorization for each account rather than the traditional operating and capital grants. This provides Amtrak with flexibility to use our Federal dollars to support each network's most pressing needs and incentivizes improved operational performance by tying net revenue outcomes to capital investment levels.

Collaborating with the Federal Railroad Administration (FRA) to establish this new account structure, we have also begun modifying our internal accounting processes and business practices to support this new framework. As FY 2017 approaches, we are working hard to apply these changes in anticipation that the new account structure will be implemented through our appropriation at some point during the fiscal year. We also expect to submit our FY 2018 grant request in compliance with the new account structure and associated planning requirements, including the 5-year business line plan requirements under Section 11203.

Amtrak is also pleased that the Secretary and Administrator Feinberg have formally established the State-Supported Route Committee required under Section 11204. With participation by the states, Amtrak, and the FRA, this new forum will strengthen the cooperative arrangement between all three groups to improve and expand short distance, intercity service between city pairs across the nation.

Similarly, the FRA and the Southern Rail Commission have made progress in their study of opportunities for intercity service restoration on the Gulf Coast, required under Section 22304. We expect to have an idea of the infrastructure, station, and equipment requirements needed to return service to the route in mid-August and subsequently begin the conversation about necessary investment levels and possible funding sources. Meanwhile, Amtrak has procured a consultant to study route and service planning methodologies to complete recommendations for submission to this Committee in December to meet requirements under Section 11206.

I would also like to take this time to thank, in particular, Ranking Member Booker and Senator Blunt for the important provisions they sponsored to improve the Railroad Rehabilitation and Improvement Financing (RRIF) Loan program and the environmental review and permitting process, respectively. Reforms to the RRIF program include new authority for Master Credit Agreements, loan terms set from substantial completion of a project, eligibility for planning costs, and clarifications regarding using project revenue streams to fund loan repayments.

These changes have the potential to greatly improve the usability of this program, particularly for major infrastructure investments, whether they be for a bridge on the NEC, improvements to Chicago's Union Station, or for the National Network's future fleet needs. Likewise, the FAST

Act provisions relating to the railroad environmental regime help provide clarity and align railroads with the similar requirements found in other modes. We now await action by USDOT to implement these new provisions and request the Committee continue its work with USDOT to ensure the benefits anticipated from these provisions materialize.

We also appreciate the Committee's affirmation, through Sections 11305 and 11306, of the Northeast Corridor Commission's important role in bringing together the Corridor's owners and users and its work to establish a method for fairly allocating NEC operating and capital costs. Since the cost allocation policy was adopted last September, Amtrak has been working with the other NEC railroads to implement the policy this fiscal year through the various access and usage agreements. While we've made some progress — agreements are executed with three commuter agencies — several major agreements remain outstanding. While we recently petitioned the STB to enforce the policy's implementation on one NEC commuter agency, the situation may require further action. However, we hope STB consideration won't be necessary and we will keep the Subcommittee informed on this matter.

I would like to also mention Amtrak's strong support for the three federal grant programs authorized in the FAST Act targeted at infrastructure investment and service restoration and enhancement. These programs offer a great opportunity for Amtrak to build on the success of the HSIPR and TIGER programs, which have helped make critical investments across the Amtrak system. In particular, the Federal-State Partnership for State-of-Good-Repair program is a much-needed vehicle to drive investment to restore and improve the NEC. It is our hope that Congress will provide robust funding to these new grant programs for FY 2017, along with funding the grants to Amtrak for the National Network and Northeast Corridor at authorized levels.

Finally, I'd like to provide the Subcommittee with an update on Amtrak's efforts to complete Positive Train Control (PTC) installation on our system. PTC is in service on the portion of the Northeast Corridor main line we own (save for some segments of low speed trackage in terminal areas) and is in service on the Amtrak-owned Michigan Line and Keystone Corridor. Work is underway to complete PTC equipment installation for use by the freight railroads when they implement their systems. We also plan to begin our PTC installation on the Springfield Line in FY2017.

Risks and Challenges

As Mr. Coscia observed when he testified before this Committee in December, 2014, the improvements in Amtrak's financial performance are not accidental, but rather a product of growing demand, significant demographic shifts, changes in consumer preference and steady management. Although we'd prefer to have forgone this experiment, the recent weakness in demand demonstrates that despite major shifts in huge market drivers like the price of gasoline, travelers still turn to rail in significant numbers when they have a safe, convenient alternative to driving or flying.

Rail is also a key component in the growing system of innovative intermodal connections that have arisen in many areas to respond to demographic shifts, such as movement of millennial populations into urban areas. The demand for investment to accommodate these shifts is projected to grow, but the existing network's condition is cause for serious concern.

This brings us to Amtrak's most significant risk related to the FAST Act — our continued reliance on discretionary funding through the annual appropriations process to deliver the authorized level set forth by this Committee.

After 45 years of operation, many of Amtrak's assets and infrastructure are at, or past, the end of their useful lives. The only way to maintain the level of performance and service that we've achieved is for these assets to be systematically replaced over time.

This is an expensive proposition, but one that must occur if Amtrak is to avoid the distress seen elsewhere in the transportation sector when state-of-good-repair investment and modernization are deferred. Programs of such scope and duration require certainty that is only possible through dedicated, multi-year funding, which I know many on this Subcommittee support. Until that is achieved, ensuring full appropriations of amounts authorized is our most significant request of this Subcommittee.

Nowhere is the peril of underinvestment more apparent than on the NEC, where continuing our ridership and revenue success requires restoring and enhancing a rail system reliant on infrastructure that is over a century old and, in some cases, dates back to the Ulysses S. Grant administration.

Epitomizing this situation is Amtrak's North River Tunnel under the Hudson River between Manhattan and Newark New Jersey, which carries 450 train movements per day and some 200,000 passengers. As the Subcommittee has heard before, this 106-year old tunnel was inundated with millions of gallons of brackish water during Super Storm Sandy in 2012. This means each tube must be closed for more than a year to completely rehabilitate the tunnel. Without a new tunnel, capacity will be reduced by 75 percent, effectively devastating mobility throughout the region and significantly impacting the local and national economy.

Since 2012, Amtrak has made real strides in launching our Gateway Program to address this looming crisis. The program aims to increase track, tunnel, bridge, and station capacity, eventually creating four mainline tracks between Newark, NJ, and Penn Station, New York, including a new, two-track Hudson River Tunnel and a completely rehabilitated North River Tunnel.

While only limited funding has been available in recent years, we used this time to build a new partnership between Amtrak, the States of New York and New Jersey, through the Port Authority of New York and New Jersey and NJ Transit, and USDOT to advance the Gateway Program.

Together, we've started environmental and preliminary engineering work on a new Hudson Tunnel and worked towards creating a new entity to lead the Program on our collective behalf. In addition, we applied to enter the FTA planning process for the Tunnel and Portal North Bridge, thanks to clarification in the FAST Act that ensures projects supporting both intercity rail and transit services are eligible.

We've also made targeted investments to advance program elements that can be addressed now. Thanks to supplemental funding from USDOT following Super Storm Sandy, we are nearing completion on the first two phases of our project to secure the future right-of way for a new tunnel through the Hudson Yards development site on the West Side of Manhattan.

Design is also complete for the Portal North Bridge. Funding is the only remaining obstacle to addressing this critical reliability risk and invest in the future of this region. A $1.2 billion investment to build a new Portal North Bridge would support 19,000 jobs.[1]

Looking Ahead

The outstanding challenge is to obtain the necessary funding and financing mechanisms to carry out multi-year, multi-billion dollar projects, whether for future projects like the Gateway Program or for a new diesel fleet to power our National Network trains. The FAST Act made meaningful changes to give us greater tools than ever to advance such major projects, but there is no substitute for reliable Federal investment and we ask for your continued support to achieve it.

And although infrastructure projects in the Northeast or other regions of the country might seem impossibly distant to many Americans, these investments benefit the entire system with positive economic impacts far and wide. Research by the Northeast Corridor Commission found that funding the Northeast Corridor Five-Year Capital Investment Plan would support jobs in as many as 22 states.[2]

Amtrak is grateful for the contributions made by this Committee and all of Congress as we work to implement the FAST Act.

While the Act requires significant changes at Amtrak, we are working hard to fulfill the various mandates and fully embrace the new paradigm it creates. Most significantly, the decision to include Amtrak in FAST was a major achievement that now sets the stage for a truly integrated, performance-based surface transportation program that can meet the needs of the 21st Century. While Amtrak's highest priority remains elusive — a dedicated and predictable funding stream to efficiently design, engineer, and deliver equipment and critical infrastructure — I hope we can continue to work with you in the coming years to secure support to make these investments for the benefit of the entire nation.

Thank you and I look forward to your questions.

[1] The Northeast Corridor Commission. *Northeast Corridor Capital Investment Plan: Fiscal years 2017-2021*. April 2016. Print.
[2] Ibid.