TESTIMONY

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BEFORE THE

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Good morning, Madam Chair and Mr. Shuster, and thank you for the opportunity to testify before this committee on the subject of freight railroad capacity. Amtrak operates on close to 22,000 miles of track in 46 states. In FY 2007, Amtrak generated over 448 million passenger miles, and 70% of those miles were over tracks owned by 22 other railroads, known as "host railroads." These railroads span the whole range of American carriers from giant Class I systems like Union Pacific and Burlington Northern Santa Fe down to small shortlines like the Buckingham Branch, the Vermont Railway and the New England Central. All of these examples are freight haulers, but Amtrak also operates over commuter authority lines such as the Metro-North Commuter Railroad in Connecticut. It's important to note that eighty percent of the train-miles are run over just four carriers: BNSF, UP, CSX, and Norfolk Southern, in order of magnitude.

I would like to talk a bit about the issue of capacity on the freight railroad system in the context of Amtrak's on time performance. This is a tough issue for us. Amtrak system on time performance outside of the Northeast Corridor has declined almost every year since 2000. Reliability is important to the passenger who expects to arrive at his destination on time, and it's also important to the taxpayer who subsidizes Amtrak. Poor on-time performance translates directly into greater operating costs and lost revenues for Amtrak.

Just last month, at the request of the Senate Commerce Committee, the DOT Inspector General prepared a report that measured the costs of poor OTP. This report notes, correctly, that on-time performance for long distance trains fell from an average of 51% in FY 2003 to almost 42% in FY 2007, while on-time performance for non-NEC corridor routes fell by 10%, from 76% to 66%. The DOT Inspector General calculated that a 75% OTP in 2006 would have had a net positive effect on our operating budget of $122.1 million; if we could have raised OTP to 85%, the net favorable effect for the year would have been $136.6 million. This figure reflects increased revenue from better on time performance and cost savings associated with late trains, and would have meant a decrease of almost a third in Amtrak's 2006 operating loss. I want to commend the Commerce Committee for asking for this information, and the DOT IG for the

effort they put into the research and preparation of this report and for delivering a quantification of the cost of poor on-time performance.

The DOT Inspector General's report did not address the causes of poor OTP, but we at Amtrak have been studying this issue in depth and have identified two principal sources. The first is interference with Amtrak trains by freight trains. This happens when Amtrak trains are routed into sidings or held at railyards or junctions to let freight trains pass, or have to slow down to travel behind slower-moving freight trains – sometimes for many, many miles. The second cause is known as "slow orders," which are essentially restrictions placed on train speed over a stretch of track. These instances arise because of ongoing maintenance but are usually due to track defects and other maintenance issues that host railroads do not prioritize for long periods of time. Freight train interference delays and slow orders are the two biggest components of all delay minutes to Amtrak trains in FY 2007.

Let me give you a little more detail on the topic of on-time performance of Amtrak trains. I would like to provide the committee our monthly system "on time performance" (or OTP) report for the end of Fiscal Year 2007. The report shows an overall improvement in long distance train OTP during the course of Fiscal Year 2007 from 30% of trains arriving on time, to 41.6%; a long distance train is classified as "late" if it fails to arrive at its destination within thirty minutes of its scheduled time – a time that includes a variable number of "scheduled recovery minutes" to allow trains to make up delays *en route*. As of the end of March, we continue to see improvement. I would also like to provide the committee with our monthly system OTP report from March, 2008. This also shows some gains over the same period in FY 2007. Our long distance OTP in March of 2007 was 41.8%; today, it is 58.5%. That's a 16.7% improvement overall, although individual train performance has been variable. This falls into the category of "better by comparison," yet still far below the 80% target which anyone would consider satisfactory.

The numbers I have cited are averages, and I want to start by saying that some host railroads do a good job handling some of our trains. Burlington Northern Santa Fe, for example, does a good job getting our daily *Empire Builder* and *Southwest Chief* across thousands of miles of prairie,

desert, and mountain railroads, while Canadian Pacific dispatches fourteen *Hiawatha* trains a day on the busy route between Chicago and Milwaukee – trains that were on time 89% of the time in FY 2007. These are very different operations, and they're run over very different pieces of railroad. While it is fair to point out that the mix of traffic and the infrastructure configuration play a large role, those differences highlight a point that's of salient importance, and that is that good on-time performance is possible when host railroads use targeted operating and maintenance practices and give appropriate attention to the timely delivery of Amtrak trains.

Poor on-time performance has very real, very measurable effects on Amtrak's ridership, revenue, and costs. As OTP worsens, we need more equipment to protect the same schedules, a trend that's reinforced by the maintenance issues that come with shortened turnaround/servicing times and longer "over the road" times. Those longer over-the-road times translate directly into greater expense for diesel fuel and labor, both of which are becoming more expensive. It's a classic example of a vicious cycle, each event compounding the effects of the others, combining, in this case, to drive our costs up.

Those are the effects of poor OTP, and the principal causes. The issue remains: what is the solution? Let me start by addressing the issue that is the central topic for these hearings today – congestion and capacity. Last year, the Association of American Railroads released a report which contains a discussion of the volume of traffic on freight routes. Page 4-9 notes that about 88% of the national railroad system is operating within its practical capacity, that 12% of it is operating at practical capacity, and that less than 1% of it is over practical capacity. You will see from the map at Figure 4.4 of that report that only a very small portion of the national network is at or above capacity, and very little of that affects Amtrak routes. That is not to deny that there is congestion in some spots along some Amtrak routes, or that investment in expanding capacity is a matter of sound public policy and in everyone's best interests. But congestion is not always the primary cause of poor on-time performance. Where congestion is an issue, I would argue that there are some immediate steps the host railroads can take to provide quick relief.

All of us need a cooperative process, which focuses on individual routes to identify and address the reasons for poor on-time performance specific to each route. To be successful, the process

will need three steps: Address poor dispatching management, address slow orders, and finally, address capacity constraints.

To start with, we must ensure that the host railroads abide by their legal obligation to give Amtrak trains preference over freight traffic. Section 24308(c) of Part 49 of the U.S. Code requires that, except in the case of an emergency, or where an exemption is specifically granted by the Department of Transportation, Amtrak must be given "preference over freight transportation in using a rail line, junction, or crossing." Some railroads such as CSX and NS have made progress on this issue on certain routes. Our experience has been that when top management of a host railroad focuses on this issue and makes the movement of Amtrak trains a priority, the operating discipline of all trains on a route improves, because a well run railroad naturally expedites its trains, as well as our own. This benefits not only Amtrak passengers through improved OTP, but also freight shippers using the same route.

The second step is addressing slow orders. When slow orders accumulate, it significantly reduces the capacity of that rail line and creates delays for Amtrak trains and freight shipments. I believe that Amtrak and freight shippers have a common interest here, because investment in railroad capacity benefits everyone. But there are two things our host railroads can do and should be doing now to improve on-time performance for Amtrak. These are adherence to the dispatching preferences contained in Federal law and the slow order obligations in their contracts with Amtrak.

Since I joined the company, I have been working directly with the freight railroad leadership to address these issues. And with some railroads, it has produced results: when the leadership of a freight carrier chooses to make the passage of Amtrak trains a priority, we see immediate and substantial improvements in performance. I think leadership engagement underpins some of the gains our long distance services made in 2007. Host railroad cooperation and engagement have been keys to these improvements.

Once dispatching management and slow orders are addressed, the third step in improving on-time performance is for Amtrak, host railroads, and potential funding partners such as states to

conduct a joint analysis of the capacity and maintenance situation along a route – model that route, identify any remaining chokepoints, and create a joint plan for capacity improvements. There is precedent for this. Any public investments in host railroad property must be tied to durable and enforceable on-time performance commitments that will protect the public's investments. As the AAR report illustrates, most Amtrak routes currently have capacity to support good OTP today as long as dispatching issues and slow orders are addressed.

In closing, while we have seen improved on-time performance over the past year, we're still not where we want to be, or where we need to be. There have been some gains, but the job is far from finished. We didn't get a 16.7% improvement in performance in one year because of massive capital investment. We got it because some of the freight carriers made some much-needed improvements to maintenance and operating practices, and at the end of the day, I think we all benefited. I hope this pattern of cooperation and joint effort can become a general practice, and I look forward to working with our freight partners on it. I think it's good for us, it's good for them, it will ultimately be good for their shippers and our passengers – and I think it's good for the nation to have a functioning and fluid rail transportation system, especially in an environment of rising fuel costs and growing highway and airport congestion.