



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**

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**May 12, 2008**

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**SUMMARY OF SUBJECT MATTER**

**TO:** Members of the Subcommittee on Railroads, Pipelines, and Hazardous Materials

**FROM:** Subcommittee on Railroads, Pipelines, and Hazardous Materials Staff

**SUBJECT:** Hearing on Amtrak Reauthorization

**PURPOSE OF HEARING**

The Subcommittee on Railroads, Pipelines, and Hazardous Materials is scheduled to meet on Wednesday, May 14, 2008, at 10:00 a.m., in 2167 Rayburn House Office Building to receive testimony on Amtrak reauthorization.

**BACKGROUND**

The National Rail Passenger Corporation, better known as "Amtrak", was created with the signing of the Rail Passenger Service Act of 1970 by President Richard Nixon. The congressionally-chartered, non-governmental, public corporation was created to relieve private railroads of their legal obligations to operate money-losing passenger trains and to preserve and reinvigorate intercity passenger rail service throughout the country. Amtrak began operations on May 1, 1971, using equipment obtained from former passenger train-operating private railroads, and has been the nation's sole provider of regularly scheduled intercity passenger rail service since 1981. Today, all of Amtrak's preferred stock is controlled by the U.S. Department of Transportation ("DOT"), which reflects the Federal Government's role as its creator.

In fiscal year 2007, Amtrak carried more than 25.8 million passengers, the fifth straight fiscal year of record ridership. Increases in ridership were posted across all of Amtrak's services in both corridor and long-distance routes. On average, more than 70,000 passengers ride on up to 300 Amtrak trains per day. Like its ridership gains, Amtrak's financial performance has improved in recent years as the railroad improves its service and operations. In FY 2007, the railroad posted

approximately \$1.5 billion in ticket revenue, a gain of 10.8 percent over FY 2006 ticket revenues and the third consecutive year that ticket revenues increased.

Amtrak is governed by a seven voting-member Board of Directors which approves the railroad's annual budget and grant request that is submitted to Congress each year. The Board also hires a President and Chief Executive Officer ("CEO") to run the Corporation on a daily basis. The Board is made up of the U.S. Secretary of Transportation, or her designee, the President and CEO of Amtrak, who serves as an ex-officio member, and five additional members appointed by the President of the United States and confirmed by the Senate. Currently, the Amtrak Board of Directors has one vacancy and is chaired by Ms. Donna McLean.

**Destinations and Services Offered.** Amtrak currently operates approximately 44 routes over 21,000 miles of track with approximately 19,000 employees that operate trains and maintain its infrastructure. Amtrak serves over 500 destinations in 46 states, with service not offered in Hawaii, Alaska, South Dakota, or Wyoming. Seventy percent of the track miles that Amtrak covers are owned by private railroads and access rights ensured by the Rail Passenger Service Act of 1970 grant Amtrak preferred access over these lines. Amtrak owns 658 miles of track primarily between Boston, Massachusetts, and Washington, DC on the Northeast Corridor ("NEC"), and in the State of Michigan. The remainder of track is owned by state and local government agencies, or small businesses.

There are two types of Amtrak passenger rail transportation services offered: corridor service and long-distance service. These services are generally distinguished based on length and frequency. Corridor services are generally less than 500 miles in length while long-distance services are generally more than 500 miles in length. Corridor services typically serve major business and urban areas with frequent service while long-distance service may occur daily or less and is geared toward the end-point user.

**Corridor Service.** Corridor service focuses on shorter distance markets where intercity passenger rail can offer a reasonable travel time transportation option. The NEC is the busiest corridor on the Amtrak system, carrying more than 10 million passengers in FY 2007. Five other corridors had ridership in excess of 500,000 passengers: the Keystone Corridor (Philadelphia-Harrisburg, PA), Empire Service (New York-Albany-Buffalo, NY), the San Joaquins (Oakland-Fresno-Bakersfield, CA), Amtrak Cascades (Eugene-Portland, OR-Seattle, WA-Vancouver, BC), and the Hiawatha (Chicago, IL-Milwaukee,WI). Amtrak corridor service operates over 6,000 miles of track with state financial support coming from 14 of the 23 states that these corridors serve.

Intercity passenger rail offers several advantages for corridor markets, including:

- Direct service to and from densely developed central cities, which may otherwise involve travel on congested highways and parking challenges or long, unreliable trips to and from airports located in suburban areas;
- Service to and from communities not served by air;
- Use of existing rail rights-of-way; and

- Scalable capacity that can more quickly respond to growth and better match seasonal and day-of-week fluctuations in demand when equipment is available to provide additional service.

**Long-Distance Service.** When Amtrak was created in 1970, Congress directed Amtrak to create a system of long-distance passenger train routes. This route system, designated by the U.S. Department of Transportation, was largely based on routes previously operated by the freight railroads at a significant loss. The operation of these routes was made possible by Amtrak's statutory access to the freight railroads at incremental costs. Many of the routes created in 1971 remain today, with 15 long-distance trains currently operating as part of Amtrak's national network. These routes have become the subject of debate concerning cost, performance, and value as an effective long-distance transportation alternative to air and highway travel. In FY 2008, operation of these trains is anticipated to require federal funding of approximately \$300 million to \$350 million, out of total Amtrak federal funding of \$1.35 billion.

Today, Amtrak's long-distance rail network covers more than 18,500 route miles serving 39 states and the District of Columbia. In FY 2007, these trains carried 3.8 million passengers accounting for 2.5 billion passenger miles – 44 percent of Amtrak's total – and produced ticket revenues of \$376 million. Amtrak's long-distance trains travel as far as 2,800 miles and pass through as many as 12 states over tracks that are owned and maintained by private freight railroads.

Long-distance service serves three unique roles in our national transportation framework:

- *National connectivity* – Collectively, long-distance trains form most of the national network that links different intercity passenger rail services and markets throughout the United States. The preservation of a national network of intercity passenger train service was one of the key reasons for Amtrak's creation. Unfortunately, service elimination/reductions and declining on-time performance outside the NEC have reduced the effectiveness of this national network in recent years;
- *Essential services* - Many long-distance trains serve small communities with limited or no significant air or bus service, especially in remote or isolated areas such as northern Montana and central West Virginia. As a result, rail transportation may provide the only affordable public transportation in such communities. For example, the Texas Eagle, which operates between San Antonio, Texas, and Chicago, Illinois, makes 13 stops a day in each direction in Texas and carries more than 170,000 riders in Texas per year. Many of these travelers do not have viable travel alternatives by other modes of transportation;
- *Redundancy within the multimodal transportation system* – Long-distance trains provide an alternative form of travel during periods of severe weather conditions or emergencies that affect other modes of transportation.

Amtrak's Sunset Limited service, currently operating from Los Angeles, California, to New Orleans, Louisiana, is often singled out as a conspicuous example of the high subsidies needed for the operation of long-distance passenger trains. However, the fully allocated per-passenger costs, touted as proof that long-distance routes are big money-losers, include allocation of corporate overhead, some NEC-related costs, and other expenses. This allocation generally exaggerates the

actual direct operating loss of any long-distance train and is often misinterpreted to mean that the elimination of such a train will result in a savings equal to the fully allocated loss. In fact, discontinuing long-distance trains will not result in a savings of these overhead costs and will require the allocation of more of the total allocated system costs onto the remaining trains, significantly increasing their per-passenger costs. Furthermore, labor-management collective bargaining agreements require that Amtrak continue wage and benefit payments for up to five years for certain employees who are displaced because of train eliminations. Thus, Amtrak will be required to continue paying the largest cost of operating a long-distance train – wages and benefits for the associated employees – once the train is eliminated, without the benefit of any offsetting revenue from that train's operation.

### AMTRAK AS A NATIONAL TRANSPORTATION SYSTEM SOLUTION

Over the next 50 years, the population of the United States will grow by some 120 million people, greatly intensifying the demand for transportation services by private individuals and by businesses. Intercity passenger rail growth and investment will provide the following benefits for the public good:

- *Reduces highway congestion:* Traffic congestion is a growing problem in our interstate highway system. Since 1982, the average delay per highway rush hour traveler has grown from 16 hours to 47 hours per year. Amtrak already removes eight million cars from the road today – a significant impact on traffic. However, despite the increase of infrastructure construction, congestion on roads will continue to strain our transportation systems if alternative options are not further explored.
- *Reduces airport congestion:* Airport congestion is a growing problem. The American Association of State Highway and Transportation Officials (“AASHTO”) reports that in 1993, 23 commercial airports in the United States experienced at least 20,000 annual hours of air carrier delays. In 2003, 32 commercial airports had over 20,000 annual hours of air carrier delays, a one-third increase. Further, in March 2007, only 72 percent of all U.S. flights had on-time arrivals. The Federal Aviation Administration expects air travel congestion only to get worse, reporting that the 63 million take-offs and landings in 2007 will increase to 81.1 million by 2012. Amtrak currently controls 56 percent of the market between Washington, DC, and New York, New York. Strategic investment into corridors of 100 to 500 miles to bring rail infrastructure to a state-of-good-repair can help alleviate airport congestion and help accommodate the country's growing transportation needs.
- *Reduces transportation pollution:* One-third of U.S. carbon dioxide (“CO<sub>2</sub>”) emissions originate from the transportation sector. Current Amtrak trains are 27 percent more efficient per passenger-mile than automobile travel, and 20 percent more efficient per passenger-mile than domestic airline travel. In fact, each full Amtrak train carrying 400 or more passengers removes the equivalent of 250-350 cars from the road, creating a significant reduction in CO<sub>2</sub> emissions and reducing congestion.
- *Creates additional economic benefits:* Significant economic development can be gained from enhanced passenger rail service. An economic impact analysis of the 3,000-mile Midwest

Regional Rail System proposed by nine Midwestern states identified 58,000 new permanent jobs, \$1.1 billion in increased household income, and \$4.0 billion in increased property values around 102 stations served by the system. Washington, DC's Union Station illustrates the potential economic benefits of such stations. Union Station is the most visited site in the city, attracting 23.5 million visitors per year. The station hosts a nine-screen movie theater complex, 125 stores, and numerous options for sit-down dining and fast food. Annual sales at Union Station in 2000 exceeded \$105 million and the station's occupancy rate was over 96 percent.

- *Creates modal redundancy:* In the case of a national emergency, Amtrak provides modal redundancy, which provides greater ability to evacuate populations or bring aid to severely impacted emergency areas.

### AMTRAK INVESTMENT NEEDS

Amtrak is emerging from years of system-wide deferred investment and operational turmoil stemming from major construction projects and the introduction of the Acela high speed train service in the Northeast Corridor in the late 1990s and early part of this decade. Former Amtrak President and CEO, David Gunn, helped to restore Amtrak management capability and credibility and began an aggressive process to return Amtrak's equipment and infrastructure to a state-of-good-repair. Current Amtrak President and CEO, Alexander Kummant, continues these efforts today.

Amtrak's improved physical state and recent focus on customer service, along with growing state investment in passenger rail corridors, increasing highway and airport congestion, rising gas prices, and environmental concerns, have made intercity passenger rail an increasingly attractive option.

**Capital Needs.** Many years of Federal funding at levels below Amtrak's \$1.5 billion average annual operating and capital subsidy needs led Amtrak to curtail capital investments and maintenance spending. In the first half of this decade, the impacts of such deferred investments led to serious Amtrak reliability and availability problems with rolling stock and infrastructure. These problems undermined Amtrak's service performance, downwardly affecting the company's revenue and moderating ridership growth. Over the past several years, Federal funding levels more closely matched to Amtrak's capital and operating needs have helped to eliminate some of the backlog of deferred maintenance and capital projects and the effects on Amtrak's revenues and ridership has been predictably positive. The process of returning the railroad's infrastructure and equipment to a state-of-good-repair has led to the renewal of some Amtrak assets to service and reliability levels not seen in more than 20 years.

In 2005, Amtrak completed a comprehensive catalog of its capital needs, entitled *Engineering State of Good Repair*. The analysis shows a \$4.2 billion backlog of investment (in 2005 dollars) to bring the Amtrak engineering infrastructure system to a state-of-good-repair, excluding some major bridge and tunnel work. With the backlog of major bridge and tunnel work, the backlog approaches an estimated \$6 billion. After a state-of-good-repair is achieved, there is a corresponding annual incremental investment needed to maintain the infrastructure.

Even with adequate funding, resources, and additional equipment however, Amtrak estimates the backlog of work will take 15 years to complete, including maintenance once the construction is complete.

**Debt Reduction.** In recent years, Amtrak has taken great steps to reduce its debt load despite recurring Federal underinvestment. Since 2002, Amtrak has reduced its debt load almost \$600 million to \$3.17 billion. Amtrak has prioritized the reduction of its debt load by cutting expenses and not taking on additional debt since FY 2003. In its FY 2009 grant request, Amtrak requested \$345 million for debt service, which is approximately 20 percent of Amtrak's total \$1.671 grant request for the fiscal year.

**Americans with Disabilities Act Compliance.** The Americans with Disabilities Act ("ADA") required that Amtrak make several changes to its stations, cars, and operations to become accessible to people with disabilities by 2010. According to the September 2007 Government Accountability Office study entitled "Transportation Accessibility", Amtrak is keeping pace with compliance for its vehicles and equipment, but has fallen short in bringing stations up to compliance by the prescribed deadline. According to Amtrak, as of June 2007, 45 percent of the 479 stations that Amtrak serves that are required to be accessible were fully accessible to people in wheelchairs.

In February 2006, DOT released a proposed rule, based on recommendations from the U.S. Access Board, that updated ADA regulations to require commuter and intercity passenger rail to provide level boarding. Level boarding minimizes gaps between train platforms and trains so that disabled passengers can board trains without special equipment at all rail platforms and trains. These new requirements are expected to come at a significant additional cost of \$950 million to \$1.1 billion.

**Choke Points.** Capacity-constrained corridors, or "choke points", outside the NEC hamper Amtrak's service reliability, thereby hurting its ability to retain ridership and be a consistent alternative to highway and air travel. Choke points exist throughout the entire national rail network, including along both corridor and long-distance service.

Choke points are a key contributor to Amtrak's on-time performance. Inconsistency in arrival times due to over-capacity places further strain on Amtrak as it reduces ridership and in turn, depletes revenue. A recent Department of Transportation Inspector General study reported that if Amtrak achieved an 85-percent on-time performance outside the NEC in FY 2006, its operating loss would be reduced by 30 percent, or \$136.6 million. Previous authorizations have not taken into account the increased financial and operational performance benefits from choke point alleviation, so these inefficiencies have only expanded their drag on the entire network.

**Aging Fleet.** Amtrak's passenger cars and locomotives are reaching the end of their useful life. In July 2007, Amtrak reported that the average age of the railroad's passenger cars was 23 years old, with some cars having been in use for as many as 59 years, creating an immediate need for re-investment in passenger rail cars. The average age of locomotives is 16 years and many locomotives are at the end of their useful life of 25 to 30 years. This advanced age, paired with the heightened strain placed on the equipment in comparison to most commuter and freight rail rolling stock, creates a further need for a fleet replacement strategy. Failure to procure new equipment will eventually lead to greatly increased operating costs and lost revenues as failure rates affect service

and decrease equipment availability, generating a correspondingly unfavorable effect on revenues as travelers respond to delays and discomfort.

### AMTRAK REAUTHORIZATION

The Amtrak Reform and Accountability Act of 1997 (P.L. 105-134; 111 Stat. 2570) authorized Amtrak for the period FY 1997 through FY 2002 at a total funding level of \$5.16 billion. This authorization provided only enough funding for Amtrak to continue operations, but little to improve and invest in infrastructure and bringing the network to a state-of-good-repair – where each asset (e.g., rail, rolling stock, bridges, ties, cable, transformers) is maintained and replaced within its design life.

Since the last authorization expired in 2002, numerous bills were introduced in the 107<sup>th</sup>, 108<sup>th</sup>, and 109<sup>th</sup> Congresses to reauthorize Amtrak. The Committee on Transportation and Infrastructure reported several bills to reauthorize Amtrak. Despite strong bipartisan support in the Committee on Transportation & Infrastructure for Amtrak reauthorization, none of the bills were considered by the full House of Representatives.

Since the last authorization expired, Amtrak has continued to operate based on annual appropriations, with no long-term authorization in place. The Consolidated Appropriations Act, 2008 (P.L. 110-161) provides \$1.325 billion in grants to Amtrak and \$30 million to States for an intercity passenger rail capital grants program. In recent years, President Bush has repeatedly requested reduced funding for Amtrak, or its complete elimination, but the administration has been consistently rebuffed by Congress.

Since the authorization expired in 2002, the Subcommittee on Railroads, Pipelines, and Hazardous Materials, and its predecessor subcommittees, has held 11 hearings on Amtrak.

On May 8, 2008, Chairman James L. Oberstar introduced H.R. 6003, the “Passenger Rail Investment and Improvement Act of 2008”. The bill authorizes \$14.4 billion for Amtrak capital and operating grants, state intercity passenger grants, and high-speed rail over the next five years.

Major provisions of the bill include:

- **Increases Capital and Operating Grants to Amtrak.** The bill authorizes \$6.7 billion (an average of \$1.34 billion per year) to Amtrak for capital grants and \$3.0 billion (an average of \$606 million per year) for operating grants. Past inconsistent Federal support has hampered Amtrak’s ability to replace catenaries, passenger cars, bridges, ties, and other equipment necessary for Amtrak to provide service. These capital grants will help Amtrak bring the Northeast Corridor to a state-of-good-repair, procure new rolling stock, rehabilitate existing bridges, as well as make additional capital improvements and maintenance over its entire network. In addition, the operating grants authorized under the bill will help Amtrak pay salaries, health costs, overtime pay, fuel costs, facilities, and train maintenance and operations. These operating grants will also ensure that Amtrak can meet its obligations under its recently negotiated labor contract.

- **Develops State Passenger Corridors.** In an effort to encourage the development of new and improved intercity passenger rail services, the bill creates a new State Capital Grant program for intercity passenger rail capital projects, and based on the New Starts transit capital program administered by the Federal Transit Administration. The bill provides \$2.5 billion (\$500 million per year) for grants to States to pay for the capital costs of facilities and equipment necessary to provide new or improved intercity passenger rail. The Federal share of the grants is up to 80 percent. The Secretary of Transportation would award these grants on a competitive basis for projects based on economic performance, expected ridership, and other factors.
- **Provides Funding for High-Speed Rail Corridors.** The National Surface Transportation Policy and Revenue Study Commission, established to develop a national transportation vision to address surface transportation needs for the next 50 years, recommends that the United States establish a high-speed rail network that spans the entire country. The bill authorizes \$1.75 billion (\$350 million per year) for grants to States and/or Amtrak to finance the construction and equipment for 11 authorized high-speed rail corridors. The Federal share of the grants is up to 80 percent. The Secretary of Transportation would award these grants on a competitive basis for projects based on economic performance, expected ridership, and other factors.
- **Alleviates Rail “Choke Points”.** Many of Amtrak’s service routes outside the Northeast Corridor suffer from poor service reliability and on-time performance because of freight traffic congestion. This congestion prevents Amtrak from retaining and attracting new ridership, and increases Amtrak’s operating costs. The Department of Transportation Inspector General recently reported that if Amtrak achieved an 85 percent on-time performance outside the Northeast Corridor in fiscal year 2006, it would have saved Amtrak \$136.6 million, or almost one-third of its operating budget. Amtrak is required by law to have preferred access on freight corridors; however, freight railroads do not always comply with Amtrak’s access rights. The bill addresses this problem by providing congestion grants to Amtrak and the States for high-priority rail corridors in order to reduce congestion and facilitate ridership growth.
- **Reduces Amtrak’s Debt.** Federal support of Amtrak was cut drastically in fiscal year 2000 and 2001, forcing Amtrak to assume a large amount of debt to stay in operation. Amtrak has aggressively targeted this debt, paying down \$600 million from 2002 through 2007. Our bill helps Amtrak to take further steps to reduce its debt, authorizing \$345 million each year for debt service through FY2013. This funding will allow Amtrak to focus its resources on improving existing services and making additional capital and operational improvements.
- **Establishes a Northeast Corridor Request for High-Speed Rail Proposals.** Section 502 of H.R. 6003 directs the Secretary of Transportation to issue a request for proposals for projects for the financing, design, construction, and operation of an initial high-speed rail system operating between Washington, DC, and New York, New York. Proposals would need to meet certain financial, labor, and planning criteria, as well as a detailed description to account for any impacts on existing passenger, commuter, and freight rail traffic to be considered. If the Secretary receives a cost-effective proposal, she establishes a commission to study the proposal. Finally, the Secretary would issue a report to the Congress on the

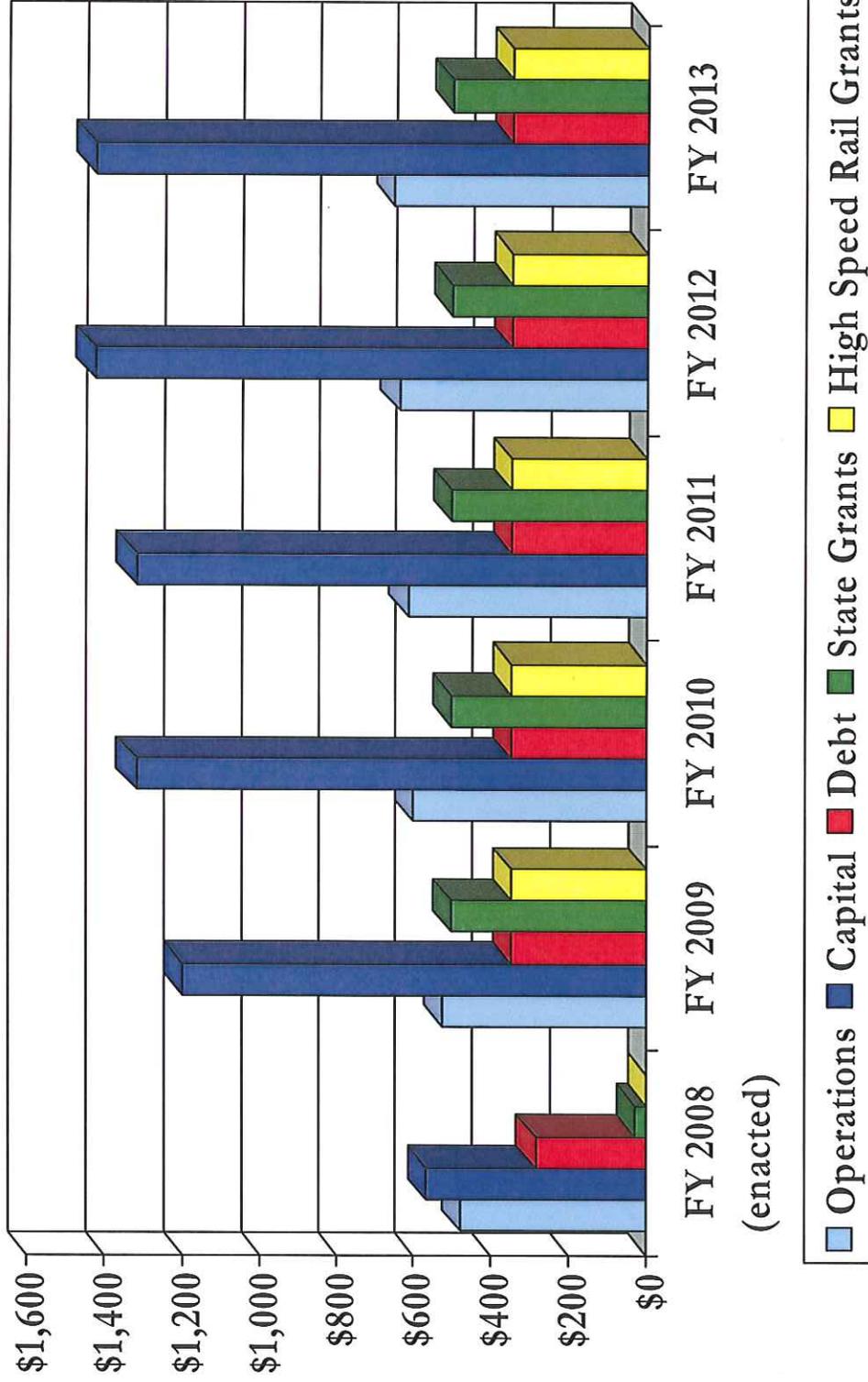
Commission's findings. Any further action on a proposal would need legislative approval by the Congress.

- **Resolves Disputes between Commuter and Freight Railroads.** Currently, no Federal guidelines exist to mediate disputes between commuter rail providers and freight railroads over use of freight rail tracks or rights-of-way, nor is there a standard forum for negotiating commuter rail operating agreements. The bill establishes a forum at the STB to help complete stalled commuter rail negotiations, helping our rail network operate as efficiently as possible. This section is identical to what was included in H.R. 2701, the "Transportation Energy Security and Climate Change Mitigation Act of 2007", as ordered reported by the Committee on Transportation and Infrastructure on June 20, 2007.

Attached is a chart illustrating the funding levels authorized under H.R. 6003.

# Funding Levels of H.R. 6003, the "Passenger Rail Investment and Improvement Act of 2008"

(in millions)



WITNESSES

**The Honorable Frank Busalacchi**  
Secretary  
Wisconsin Department of Transportation

**Mr. Kevin Corbett**  
Vice President  
DMJM Harris-AECOM

**Mr. Jed Dodd**  
General Chairman  
Brotherhood of Maintenance of Way Employees

**Mr. Alexander Kummant**  
President & CEO  
Amtrak

**Mr. Ed Wytkind**  
President  
Transportation Trades Department, AFL-CIO