



**Testimony of Wick Moorman
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**Building a 21st Century Infrastructure for America: Rail Stakeholders' Perspectives
October 4, 2017**

Chairman Denham, Ranking Member Capuano, good morning. It is an honor to be here today on behalf of Amtrak's employees, our Board of Directors, and Co-CEO and President Richard Anderson, who is looking forward to working with you. Richard and I both joined Amtrak to help position this company for the future, and as a lifelong railroader who started out as a track engineer, I have a longstanding interest in rail infrastructure. Amtrak is a critical part of the national transportation network, and we are focused on continuing to transform our business to strengthen our safety culture, improve operational efficiencies, and enhance our customers' experience by improved product delivery and reliability. All of these key elements of our vision for the future rely on a sound, modern, reliable infrastructure to meet the growing demand for intercity passenger rail in the 21st Century.

Since our creation by Congress more than 46 years ago, Amtrak has been this nation's sole intercity passenger operator and is the proven industry leader for the delivery of passenger rail service in the United States – both in our own right, and in partnership with states, commuter authorities, freight railroads, and other diverse stakeholders. Amtrak serves 46 of the 48 contiguous states, and provides a range of services as diverse as the more than 500 cities, towns and communities we reach. In the Northeast Corridor (NEC), Amtrak plays an increasingly important role in regional mobility and the national economy. Over the past decade, we've achieved a succession of record years of ridership and revenue growth, driven particularly by growth and improvements in our state-supported and NEC services. We are now reliably carrying over 31 million customers a year – a significant jump from the average of about 21 million that characterized our first thirty years. After setting a record-low operating loss last year, we are set to achieve even better performance this year. To maintain and grow our market share and economic effectiveness, we are working relentlessly to improve our safety culture, modernize and upgrade our products, leverage our asset portfolio, and strengthen our operational efficiency and project delivery.

But, important as these steps are, a major challenge threatens our ability to continue our path of improvement and growth. That challenge is one of investment – for while passenger rail is a critical part of our nation's infrastructure, capital funding is not keeping pace with the risks facing Amtrak's infrastructure and fleet, both to maintain a state of good repair and answer the demand for additional growth and capacity. From tunnels and bridges to stations and electric power, an extensive array of 100-year old assets now handles 2,200 trains a day – double the number of trains compared to when we took over our piece of the NEC in 1976. The age of our infrastructure and high train volume mean not only higher maintenance costs and less reliability, but also limitations on growth, as we are simply "maxed out" now in key segments of the Corridor. The region is highly dependent on these century-old assets and when there are problems – as the Committee saw this spring in Penn Station – the impacts on the economy and people's quality of life are real. Similarly, significant capacity limitations, inadequate stations and old equipment hamper our ability to perform and grow outside the NEC, where we rely on the nation's freight railroads to provide the infrastructure we need to serve the nation.

We are here today to strongly endorse the development of a comprehensive infrastructure package which features significant rail investments that can support the generational investment in our nation's transportation system that is needed to keep our economy growing, our nation competitive and our quality of life improving. When we can identify funding, Amtrak is capable and ready to build the infrastructure of the future, as demonstrated this summer with our Penn Renewal work. But, without additional funding from Congress and our other public-sector partners, we will not be able to meet the growing needs to maintain the existing network, let alone expand it.

Amtrak's Capital Needs in the 21st Century

Broadly speaking, we believe any infrastructure package should include significant funding for four critical investment areas where we could move forward aggressively, if funding on the necessary scale could be made available. They are:

Rebuild and expand the Northeast Corridor: Amtrak and the Northeast Corridor Commission have identified and highlighted a range of state of good repair and improvement projects that would both sustain the existing structure of the NEC and deliver badly-needed new capacity that will benefit both Amtrak, commuter and freight users. There is a backlog of approximately \$38 billion of projects needed to bring the NEC's infrastructure into what is termed a state of good repair – or prime operating condition. This backlog includes projects of varying scale, from replacing railroad ties to building new tunnels and bridges. Of these, Amtrak has identified five especially critical projects that are or soon will be ready to enter construction and are key to a renewed, modern passenger rail system. These include:

- Gateway Program Phase 1 – Portal North and Hudson Tunnel Project
- B&P Tunnel Replacement
- Susquehanna Bridge Replacement
- Chicago Union Station Master Plan Phase 1 Improvements
- Washington Union Station 2nd Century Plan

As the Subcommittee knows, the Hudson Tunnel Project is of particular importance because of the long-term damage sustained during Super Storm Sandy, nearly five years ago. A partnership between Amtrak and the states of New York and New Jersey has been leading the charge to build a new tunnel which will allow us to repair the existing tunnels without impacting current service levels, but we are quickly approaching the day when a lack of funding could halt the project and increase the risk that the region could eventually face a crippling shutdown. With a strong funding commitment from the Federal government through the existing FRA and FTA programs that can benefit the NEC, we believe projects like this will attract strong state, local, and potentially private participation, and deliver transformative improvements to reliability and capacity across the NEC.

Expansion and improvement of State Supported corridors: Amtrak and its state partners have identified numerous state corridors, particularly in the South, Midwest and West, that would greatly benefit from either the introduction of frequent Amtrak service or the enhancement of existing service. These short-distance, auto-competitive routes carry almost half of Amtrak's total ridership and more than half a billion dollars in revenue. They represent the future of intercity passenger rail and the opportunity for Amtrak to make the greatest contribution to the nation's transportation network. Such new services will require significant investment in

railroad capacity on freight lines or new alignments. We and our 21 partners in 19 states share a common goal to grow ridership and ticket revenue across the network, but we can't do it without strong financial participation from the Federal government.

Long Distance services: Our long distance trains connect important city-pairs and serve communities, large and small, across the nation. To further enhance the value of this network, we're looking closely at our routes and services and searching for ways we can improve our product and the customer experience. One key area that is fundamental to the viability of long distance trains is on-time performance of trains over our host railroads. Without some level of basic reliability, it is impossible to offer a quality product and experience to our customers. Today, 57% of passengers on long-distance trains arrive late at their destinations. While there are several factors contributing this poor performance, 70% of delays off the Northeast Corridor are host-responsible delays, which include freight train interference and slow orders. We have seen host railroad performance deteriorate markedly – and unacceptably- over the past few years and it threatens this entire portion of our business.

To address this, we need help from Congress to strengthen the enforcement of Amtrak's right to preference over freight transportation and to reinforce the obligations of our host railroads to adequately serve Amtrak trains. Additionally, we believe Congress should invest in providing targeted capital funding to Amtrak to fix some of the specific infrastructure bottlenecks that contribute to poor performance. Without intervention of these types, we are deeply concerned about our long-term ability to operate these services as part of our network.

Equipment replacement: Amtrak's rail equipment is aging and run very hard, and the time is approaching for us to decide whether individual diesel locomotive and car fleets will be rebuilt or replaced. We have successfully completed the replacement of our Northeast Corridor electric locomotive fleet, and placed orders for a Next Generation high speed trainset, to be built in Hornell, New York, by an American workforce, with initial delivery expected in 2019. These trains will replace our very popular *Acela* trainsets, which are approaching the end of their useful lives, and will provide the newest technologies, significant improvements in the customer experience, and a 40% increase in capacity.

We want to improve the customer experience across our system, and we are currently working on refreshing our Amfleet I cars, which carry Eastern and Midwestern corridor customers. This equipment is fundamentally sound, which allows us to affordably undertake a refreshing of the car interiors, which will dramatically improve the customer experience. The opportunity exists to address both state of good repair and capacity growth needs through new equipment procurement or major rebuild programs, if funding can be obtained.

Policy and Legislative Proposals

To make significant progress across these four areas will require approximately \$30 billion in reliable and multi-year funding over 10 years for most of the Federal intercity passenger rail share of these investments. A full list of projects and funding priorities was submitted to Congress earlier this spring in our *FY 2018 General and Legislative Annual Report (L&G Report)* and provides more details for the Subcommittee's consideration. Ideally, this funding would come from dedicated rail funds within a transportation trust fund, but the legislative option of advanced appropriations, as discussed in our *L&G Report* would also help to provide a more stable funding environment. Direct appropriations and the

grant programs authorized in the FAST Act are good options for DOT to address funding needs for major infrastructure projects, and we also outlined some of those opportunities in our *L&G Report*.

In order to make the best possible use of this money, several regulatory improvements should also be considered to ensure we can obtain the best possible value for the investment. These would include provisions for expedited environmental clearance processes, similar to those employed on the Hudson Tunnel project. Because so many of these projects would involve both Amtrak and commuter partners, it will be important to harmonize and streamline the funding flowdown requirements across the DOT modalities - FRA, FHWA, and FTA – which today impose different requirements or standards with respect to the same subject areas. This may include Buy America, Disadvantaged Business Enterprise (DBE), and overall grant administration. Generally speaking, we would support efforts designed to address these specific issues, in addition to other improvements that will help to modernize both our approach and the Federal approach to large scale projects.

Financing and loan programs like Railroad Rehabilitation and Improvement Financing (RRIF) and TIFIA also have a role to play, and we believe improvements can be made to these programs. For example, improvements can be made in calculating the Credit Risk Premiums (CRP), the review and approval of a RRIF loan should be more efficient, and federal funds should be allowed to cover the cost of the CRP, in a manner similar to the TIFIA program. In addition, the CRP for Amtrak's repaid RRIF loan should be returned to Amtrak, so we can redeploy those funds back into more capital improvements.

The NEC is primed for an era of intensive renewal so it can effectively and efficiently serve customers well into the 21st century. There is now greater regional coordination through the NEC Commission and thanks to the NEC Future process. Amtrak has worked with state and federal partners to proactively begin the necessary planning and reviews required for these complex, multiyear projects needed to address our state of good repair and improvement needs. Projects of this type would be excellent potential candidates for the Federal-State Partnership for State of Good Repair grant program established by the FAST Act, and funded at the \$500 million level in the House version of the THUD Appropriation bill for FY 2018. These projects are core elements of our business strategy over the next five years. The beginning of this strategy was stated in the FAST Act service line plans we published earlier this summer, which set forth our objectives and measures for the three rail service lines (Northeast Corridor, State-Supported, and Long Distance) and Amtrak's other revenue-generating product offerings such as infrastructure access, real estate, and commercial development.

Our strong financial performance has already allowed us to secure a \$2.45 billion RRIF loan that is financing procurement of 28 Next Gen high speed trainsets for the NEC to support a relaunch of Acela service. We have replaced our entire electric locomotive fleet with 70 new Siemens-built electric locomotives, and several of our state partners, with the help of Federal funds, are purchasing Siemens-built Charger diesels for their services. The first units have entered service in Chicago, powering trains on several of our state-supported services in Illinois and Wisconsin. Programs like these generate or sustain domestic manufacturing jobs. Our electric locomotive order sustained approximately 100 production jobs at Siemens' plant in Sacramento, and the decision to manufacture our new *Acela* equipment has created 400 jobs at the Alstom facility in Hornell, New York, in addition to those supported at 60 suppliers in 20 states.

We are also seeking out opportunities to leverage our nationwide portfolio of assets to generate revenue for reinvestment back into critical infrastructure and operational improvements that benefit our customers. Our Revenue Growth Initiative encompasses a range of opportunities, from direct real

estate transactions to comprehensive partnerships covering a variety of real estate asset types, station operations and maintenance, and master plan improvements. One such example is Chicago Union Station, the fourth busiest Amtrak station, hosting more than 3.2 million riders and generating \$196 million in ticket revenue annually. Amtrak owns Chicago Union Station and recently selected a master developer to oversee the commercial development of the station's parking garage, concourses, air rights, and more than 14 acres of adjacent real estate.

So, as you can see, we are already taking significant steps ourselves to address the backlog of infrastructure need across our system. With more investment in the areas I've highlighted today, we could do so much more to drive mobility and the American economy, all while ensuring today's network remains reliable and safe. Amtrak is ready to build the infrastructure of the future, but together with our commuter partners, as well as local, state and federal officials, we need to identify and obtain the much-needed funds to start construction. The FAST Act acknowledged that intercity passenger rail should be a part of a holistic, multi-modal approach at advancing surface transportation policy for the first time. I applaud the role this committee played in that very wise decision, but we are still in the position of trying to carry out five year plans with single year funding. The need for a dedicated, multi-year funding source has never been more imperative for Amtrak, especially since we now have far greater opportunities to deliver meaningful service to meet a growing public demand than at any other point in our company's history. There is an historic opportunity to invest so that we can help to keep our economy and nation competitive in the Twenty-First Century, and all of us at Amtrak look forward to working with all of you to help make that vision a reality.