

Testimony

of

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Infrastructure, Safety & Security

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Chairman Blumenthal, Ranking Member Blunt, and distinguished Members of the Committee, thank you for inviting me to testify on Amtrak's behalf about the future of passenger rail in America. Today's hearing is timely: Amtrak just completed its fiscal year and the results clearly affirm that intercity rail plays an essential role in America's transportation landscape. With unaudited annual revenues totaling approximately \$3.2 billion, Amtrak achieved its fifth consecutive year of revenue growth and its eighth year of revenue growth in the last nine years. These revenues, coupled with careful cost management, have significantly reduced our reliance on taxpayers for an operating subsidy: in Fiscal Year 2014, our Federal operating funding requirement was \$227 million, more than \$100 million less than in Fiscal Year 2013, and Amtrak's lowest operating requirement ever, in inflation-adjusted dollars. Taken as a whole, the Federal operating subsidy covers only 7% of Amtrak's operating costs, with the balance covered by corporate revenue and state support. In recognition of our strong financial performance, last month, Moody's Investor Service affirmed Amtrak's A1/Stable debt rating.

The improvements in Amtrak's financial performance are not accidental. Amtrak's record financial results have been aided by significant ridership growth, particularly along the company's densely populated intercity routes. The Northeast Corridor (NEC) experienced its highest ridership ever in FY 2014, as did eight other intercity routes. This increase in ridership is in turn attributable to significant demographic trends, with travelers increasingly turning to passenger rail as a way to move between cities quickly and safely, and to avoid congestion on other modes. Passenger rail is especially popular among members of the millennial generation. Recognition is also due to Amtrak's investments in e-ticketing and broadband, all of which improve the customer experience and drive revenue growth. Finally, Amtrak's management has

undertaken a number of initiatives in recent years to manage expenses and improve the company's bottom line. We understand that the continuity of Federal support for Amtrak is tied to our ability to demonstrate that we are using taxpayer funds wisely.

We are pleased with Amtrak's recent performance but it would be a mistake, in my judgment, to rest on our laurels. I believe that intercity passenger rail, given financial support commensurate with demand and a fundamental rethinking of our nation's transportation strategy, can do so much more for America. Amtrak's growth over the past ten years is the tip of the iceberg compared with the true, unmet demand for high-quality rail service connecting America's major metropolitan areas. The success of many foreign systems, as well as our own Northeast Corridor demonstrates that rail is optimally suited to serve the needs of those traveling between major cities within 100-500 miles of each other. Across the globe, high-speed and higher-speed trains are not only an essential mode of transportation in such corridors, but also a significant driver of local development and economic growth. This trend is clearly revealed in Amtrak's own ridership results, where well over 85% of all trips are for journeys less than 250 miles and less than 5% of trips are for journeys more than 400 miles. Even on Amtrak's long-distance routes of 750 miles and longer, the vast majority of riders use our trains to connect to intermediate destinations rather than the end points.

And yet America has yet to fully embrace investments in passenger rail as a tool to grow our regional and national economies, reduce traffic congestion on other modes, and create new travel opportunities. Record Amtrak ridership in the country's mega-regions – not only the NEC, but also the Chicago Hub area, California and the Pacific Northwest – hints at the tremendous opportunity for truly modern passenger rail service links between dynamic city pairs.

Passenger rail could be so much more, our economies could be stronger, and our lives better, if trains were faster, more frequent and more reliable in these regions. This is to say nothing of the regions around the country where little or no high-quality rail connects metropolitan areas – regions like Atlanta to Charlotte, Houston to Dallas, Miami to Tampa, Pittsburgh to Cleveland, and Tucson to Phoenix. As a nation, we are squandering opportunities to improve our economies and quality of life by failing to make investments in the type of high-quality rail service that Amtrak plans for the NEC and that we see in existence or under development in nearly every other major economy in the world.

As we look ahead to the reauthorization of Amtrak and the nation’s intercity passenger rail programs, and the expiration of the Highway Trust Fund, I respectfully submit that Congress should focus on ways to unlock rail’s potential for America’s major city pairs. As discussed at further length later in my testimony, the development of intercity corridors will require Federal leadership, expanded and predictable funding, and a new policy framework. At the same time, we at Amtrak must expand upon the successes that we’ve achieved with intercity rail, especially in the NEC, to other regions around the country, and to orient our business to serving such corridors. In order to achieve this, we will have to continue to improve customer service, strengthen our operations, rethink various aspects of our network, and improve project delivery. We must also think creatively and proactively about utilizing and developing our assets, so that we can harvest the latent potential found in our stations, right-of-way and infrastructure. Moreover, we need to consider opportunities to attract private sector participation in order to access its capacity for swift project execution and capital formation. I look forward to working

with the Members of this Committee to prepare Amtrak for this new challenge, so that we can deliver the benefits of modern intercity rail to the nation.

Before turning to how we can realize the great potential for Amtrak and intercity rail in our nation's transportation future, it is important to highlight a critical point: **Amtrak's operating performance in recent years obscures serious and growing capital challenges.** To put it bluntly, Amtrak does not have sufficient capital to sustain its operating successes to date, let alone to build the sort of intercity rail system that I described. The Federal investment in Amtrak is currently and has always been extremely limited, compared with Federal investments in other modes of transportation. To put this in context, the Federal Government has authorized roughly the same amount of funding for Amtrak, about \$44 billion, over the company's entire 43 year existence, as the Federal Government spends on highways in a single year.

As a result, to the extent Amtrak makes investments in its capital assets, these investments tend to be incremental and largely confined to repairing decades-old infrastructure and equipment. Amtrak has had to defer or delay many capital improvements so that, today, we face major challenges in merely sustaining the infrastructure, rolling stock, and stations that have supported our performance thus far. Unlike other modes of transportation that receive Federal funding, passenger rail has never had access to predictable, dedicated, capital funding and contract authority that would enable us to develop and implement a long-term capital program. Despite the extraordinary growth in passenger rail demand in recent years, the Federal Government has declined to establish a funding mechanism for rail comparable to the trust funds and multi-year authorizations that have supported other modes of transportation. This inhibits

our ability to take on multiyear projects, and forces us to repair infrastructure that really ought to be replaced,

In the absence of a dedicated sustainable funding mechanism, Amtrak has made every effort to work with our partners to make incremental investments in passenger rail. We have worked with state partners to improve existing rights-of-way for higher speed services in places like Illinois and Michigan. We have partnered with these states and California to support the purchase of new equipment for corridor services. And we have been at the forefront of attempts to deal with freight rail congestion in the Chicago area – not only by working proactively with the freight companies but also by convening a blue ribbon panel to examine the problem in its totality and recommend solutions.

In the Northeast Corridor, we have partnered with commuter authorities and states to make incremental improvements in the aging infrastructure that supports approximately 260 million annual commuter and intercity trips. Thanks to one-time actions in 2009 and 2010 to increase Federal investment in rail, Amtrak and state partners are now undertaking improvements in places like Connecticut, New Jersey, New York, Delaware, and Maryland to chip away at the years of deferment and pave the way for improved and increased services. The availability of meaningful Federal resources to improve the railroad helped create a new collaboration and joint sense of responsibility among the Corridor's users and beneficiaries. The Passenger Rail Investment and Improvement Act (PRIIA), much of which was authored by this Committee, has further supported this new partnership by creating the NEC Commission as a forum to bring the NEC's stakeholders together, develop a new cost allocation method for shared investments, and unite the owners and operators of the NEC in a common vision and approach to

ensuring the future success of this essential corridor. Against this backdrop of collaboration, Amtrak is working with our partners in Philadelphia, Baltimore and Washington to create and advance plans to expand and redevelop our stations in these cities, as well as the surrounding neighborhoods. Our aim is to increase rail capacity and enhance services for our customers, improve the company's bottom line – while at the same time fostering development and economic growth in the cities we serve.

All of the corridor-related initiatives I have described are important, even essential, but they also reveal the truly incremental nature of Amtrak's capital investment program. Without a greater, sustained commitment of capital from the Federal Government, Amtrak is on a path that will, at best, hold us in our current situation. The more likely outcome, however, is a slide backward in our company's operating and financial results, as passenger demand further outstrips capacity and deferred investment begins to significantly impact performance.

As Amtrak has previously reported to this Committee, our capital investment deficit is most profound in the NEC. You have heard before about the many major infrastructure assets that are presently at the end of their useful lives and in need of immediate replacement, from the B&P tunnel to the Connecticut River Bridge. The most urgent challenge along the NEC is with the Hudson River tunnel linking New Jersey and New York, where limited capacity, heavy congestion and overburdened and aging infrastructure all converge. This tunnel– two single track tubes built out of cast iron and concrete more than 100 years ago – handle all passenger rail traffic between the two States and form a vital link for the entire Northeast Corridor. Such is the deteriorating condition of the Hudson River tunnels that, since about 1999, Amtrak has closed one every weekend for repairs, on a carefully choreographed 55-hour work outage. As a result,

for many years, transportation planners and officials have stressed the importance of building new rail tunnels, together with an expansion of tracks and platforms at New York's Penn Station, which is already the nation's busiest transportation facility.

The need to address this precarious state of affairs suddenly took on even greater urgency two years ago, when Super Storm Sandy provided us with an illustration of the perils of relying on such century-old infrastructure. After Sandy, we discovered that destructive chlorides from sea water caused and are continuing to cause extensive damage to Amtrak's tunnel under the Hudson River, so major components need to be replaced as soon as possible. In order to perform this work, each of the tubes must be closed for one year or longer, presenting Amtrak, the states of New York and New Jersey, and passengers along the entire NEC who rely on this tunnel a stark choice – either build a new tunnel to maintain capacity to handle existing demand or otherwise significantly curtail Amtrak and daily commuter rail services, impacting millions of passengers every year. Fortunately, Amtrak has already done significant planning to advance what we call our Gateway Program – our plan for doubling capacity under the Hudson River with new and rebuilt tunnels, expanding Penn Station, enhancing reliability and resiliency of this essential infrastructure. What's needed now is Federal leadership and investment to avert a crisis along the NEC and create the new capacity needed to protect today's service and meet the demand for passenger rail in the decades ahead. We critically need the support of this Committee and Congress to advance the Gateway Program and I ask that this be a central focus on your efforts in the coming Congress.

Projects like Gateway are so vast, and their impacts on people and the economy so widespread, that they should not be regarded as “Amtrak projects,” “state projects,” or even

“regional projects.” Rather, they are national projects, which can only be addressed effectively by the Federal Government. As I described earlier, there is an enormous opportunity in developing new intercity passenger rail services throughout the country; if implemented, these services will have profound transportation and economic benefits. What is critically needed, however, is a federal funding mechanism that will help us achieve these attainable goals.

One might reasonably ask how Congress should think about designing a federal funding mechanism for passenger rail, alongside existing funding programs for other modes of transportation. When the new Congress convenes in January, it will need to address the Highway Trust Fund authorization. I believe our country needs to fundamentally rethink how it funds transportation projects of national significance. We need to move away from mode-centric solutions and design a program that can fund multi-modal utility designed to address congestion challenges and support a competitive economy. A carefully redesigned *Transportation* Trust Fund, acknowledging the Federal responsibility for promoting interstate commerce, could at once address our aging infrastructure and our growing travel demand, while generating employment and long-term economic benefits. This is also the solution for Amtrak’s capital challenge: We need access to the predictable, dedicated funding and contract authority, so that we may undertake major multiyear projects to replace outdated, decaying, and increasingly obsolete infrastructure with a passenger rail system capable of meeting the needs of the 21st Century economy.

I believe the United States’ transportation system is at a crossroads, as the investments that brought our nation into modernity in the last century reach the ends of their useful lives. The story is the same across our highways, airports, seaports, railways, and transit systems.

Members of this Committee will be responsible for designing the blueprint that determines the transportation priorities for the next century. As you undertake this important task, I respectfully urge you to abandon any conception of passenger rail as an old and obsolete mode of transport. Countries as diverse as China, England, Japan, Spain, Germany, France, India and Brazil are making investments that suggest that passenger rail is, in fact, a transportation mode of the future. With help from this Committee and across the Federal government, Amtrak can play a vital role in helping America develop and deploy a truly modern passenger rail network. The key is capital investment – not just to sustain the services that underpin today’s business, but those that will help us to sustain America’s future transportation needs. We at Amtrak stand ready to build and operate a passenger rail system that will transport our nation’s economy in the decades ahead.