Testimony by

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AMTRAK®

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Amtrak: Next Steps for Passenger Rail
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Amtrak: Next Steps for Passenger Rail

Good morning Chairman Wicker, Ranking Member Cantwell, and all the members of this Committee. Thank you for holding this important hearing on the upcoming reauthorization of Amtrak and intercity passenger rail.

My name is Richard Anderson. I serve as the Chief Executive Officer of Amtrak, and I am proud to be here on behalf of Amtrak's nearly 20,000 hardworking employees. Today, I want to provide an update on where Amtrak finds itself at the moment, then discuss both the challenges and the benefits of passenger rail, and end with some thoughts about how Congress can help Amtrak modernize, evolve, and expand for the future.

Let me start by saying, the state of Amtrak is strong. From our safety record, to our financial health, to our customer service, Amtrak is operating a sound business that is delivering a strong product and service to many of your constituents. While there are challenges that we will soon discuss, I want to be clear that Amtrak is doing better today than we were even just a few years ago. I want to thank all of you for your support. We appreciate it and hope it continues. There should be a lot of optimism about the future of intercity passenger rail.

The safety of our operations is paramount. Amtrak's industry-leading commitment to positive train control (PTC) has ensured this vital technology is present on 899 of the 900 miles of track we own. The final mile will be done by November 2019. We operate over 20,000 miles of host railroad miles targeted for PTC installation, and of those miles 85% have been completed. Amtrak has continued to implement the Safety Management System throughout our operations in accordance with the System Safety Program Plan submitted to the Federal Railroad Administration in 2018. This plan includes numerous focus areas to enhance the safety of operations. Building on 'Just Culture' principles, Amtrak is engaging its workforce as we build robust, viable, and sustainable safety solutions across the network. We have matured our risk assessment practices to include regular assessments of operational safety during signal suspensions, both in territory without PTC and prior to the initiation of new service. These assessments identified several opportunities to reduce risk through technological enhancements and operational mitigations. Risk assessments are being expanded to include additional focus areas such as operations over grade crossings and reducing trespasser incidents.

In addition, Amtrak is delivering strong customer performance scores, including a systemwide score of 88.5% in April. We know how important on time performance (OTP) is to customer satisfaction. In May, 94% of our trains departed their initial terminal on time and 75% of our customers arrived at their destinations on time, up 2% from the prior year. The exceptions were mostly driven by the chronic freight delays we encounter, which is an existential problem for our national network and something I will discuss in greater detail later. On our *Acela* and *Downeaster* trains, 90% of our customers reached their destinations on time. In our top 100 stations, we have nearly completed our "Customer Now" program and customers are commenting on our improved appearance.

One result of Amtrak's strong operations and business discipline is our strongest financial position ever. We are executing against a plan that demonstrates how far Amtrak has come as an efficient, customer-oriented organization. Targeted promotions and careful yield management have enabled us to reach the end of April slightly ahead of an aggressive revenue plan. When combined with strict cost controls, we reached the end of April $52 million favorable to our operating earnings plan. When Amtrak manages its business this carefully, we can direct a greater proportion of the taxpayers' investments to our Core Capital spend, which is $734.3 million year to date through April (excluding Gateway and fleet acquisition) and almost 12% higher than last year. In an earlier era of Amtrak, the company labored under a significant debt load. Now, we have reached the point where we have sufficient cash and liquid investments available to repay all outstanding debt. At the end of FY 2018 Amtrak's cash and investments exceeded outstanding debt and this will be the case at the end of FY 2019 as well. As we face a daunting capital backlog, this cash is programmed to help advance many of the most critical capital programs.

A prime example of our capital spending can be found north of here, where Amtrak track crews are upgrading 31 miles of the Northeast Corridor (NEC) track between Washington, D.C. and Baltimore, Maryland. This work will enable trains to operate at higher speeds, and include track and curve realignment, track undercutting, and the installation of new rail. Across the NEC, our maintenance of way forces are executing an aggressive series of FY 2019 projects, budgeted at more than $300 million, which includes resurfacing 339 miles of track, undercutting 61 miles of track, installing more than 65 miles of continuously-welded rail, installing more than 158,000 wood and concrete ties, and renewing more than 55,000 miles of electric catenary.

Amtrak is also determined to modernize our fleet to ensure we can deliver to our customers the safety, comfort and convenience that will persuade them to travel with us again and again. These efforts include our ongoing procurement of 28 new American-built, high-speed trainsets which will begin revenue service in 2021. We have also signed a contract for 75 new American-made diesels designed to improve the reliability and efficiency of our state supported and long-distance trains. We are taking delivery of the final units in our order for 130 Viewliner cars, intended for our Eastern long-distance trains. We are also reviewing preliminary vendor responses to replace our Amfleet I equipment, and final vendor responses for this milestone order will be evaluated this summer. We have completed refresh programs on our Amfleet I and Acela fleets, and are working on similar programs on our Amfleet II and Horizon cars. All of these refresh programs are within budget, scope, and schedule.

As most of you are no doubt aware, Amtrak's past two reauthorizations, PRIIA and the FAST Act, helped to address financial concerns and strengthen partnerships. They have contributed to the healthy state of Amtrak today and I am proud to say that Amtrak is on track to break even, on a net operating basis, in FY2021. This is a landmark accomplishment, and one that I am sure many people never thought Amtrak would be able to reach.

As we look ahead to reauthorization next year and think about the future direction of Amtrak, it is quickly apparent that the need for intercity passenger rail service is greater than at any time in Amtrak's 48-year history. This creates an enormous opportunity for Amtrak – provided that the challenges to meeting the growing demand for our service can be overcome.

Changes in demographics, technology and customer preferences are transforming the American travel landscape. Our population is growing, from the current 327 million to a projected 438 million by 2050. Nearly all of that growth is occurring in urban areas, mostly within the eleven megaregions that tie together our largest cities in continuous urban corridors.

Fueling that population growth are the Millennials – the twenty- and thirty-somethings who now comprise our largest age cohort. Ninety percent of them live in urban areas according to the Pew Research Center. A Travelport survey found that they already travel more and spend more on travel than any other age cohort. Millennials care less about owning cars and do not particularly enjoy them: in a study by Arity, 16% of 22- to 37-year olds said they could live without access to a car and more than half said they would rather be doing something other than driving. Millennials are accustomed to arranging their travel with a smartphone app: 55% of urban 18- to 29-year olds have used an app-based ridesharing service according to the Pew Research Center. They expect good Wi-Fi: in a Forbes survey, 97% of Millennials said they had used social media while traveling. Eighty three percent of them prefer frequent trips of short duration over longer vacations according to Priceline.com. Millennials also care more about sustainability: in a OnePoll survey, 77% of 18- to 29-year olds said sustainability influences their travel decisions.

Rapid population growth and increased travel by our country's largest and youngest age cohort will place unprecedented demands on the two primary intercity travel modes: automobiles and airplanes. The Federal Highway Administration (FHWA) projects that vehicle-miles traveled on our highways will increase 27% by 2036, and FAA projects that the number of domestic airline passengers will increase 38% by 2038. What that means for automobile and air travelers is that the congestion and delays they experience today are going to get worse – much worse.

The FHWA projects that the number of interstate highway miles with recurring peak period congestion will triple by 2040. That means that the congestion drivers experience on urban interstates today will become the norm between major cities as well. Increased air travel means more flight delays at major airports, such as the three New York City airports where a quarter or more of the arriving flights were late last year according to the Federal Aviation Administration.

While domestic air travel is growing, there are fewer passengers and fewer flights in most short distance city pairs due to the unfavorable economics of short distance flights and the disproportionate impact of enhanced security screening and other delays on shorter trips. A Bombardier study found that passenger trips in under 500-mile domestic city pairs fell 30% from 2000 to 2016. Increasing capacity constraints and delays are likely to exacerbate that trend, resulting in less air service and higher airfares in short-distance markets.

All of these trends are very good news for the future of Amtrak. Intercity passenger rail is best suited to offer what Millennials are looking for, including stations in city centers, Wi-Fi connectivity throughout their trip, and contemporary food and beverage choices in the café car. Passenger rail is also the sustainable intercity travel mode: Amtrak trains use 47% less energy per passenger mile than automobiles and 33% less than travel by air according to the Department of Energy's Oak Ridge National Laboratory. Increasing congestion on other modes makes rail travel an attractive alternative to driving or flying for short distance travel.

Clearly, there is great potential – and great need – to increase travel by train in under 400-mile corridors between major cities throughout the United States, where Amtrak can advance our statutory mission to provide service that is "trip-time competitive with other intercity travel options." (49 USC 24702(b)). However, in most of the country, the service Amtrak provides today is not fulfilling, or poised to fulfill, that potential.

The Northeast, where the population grew 5% from 2000 to 2016, is the only region in which Amtrak offers high-frequency, high-speed service. In most of the South, where the population grew 22% during the same period, and in the fast-growing Southwest and Mountain West Regions, Amtrak service is limited to a handful of long-distance trains that make a negligible contribution to regional transportation needs.

The map of Amtrak's current route network looks little different from the map of our original network in 1971. It is not designed to meet travel needs and passenger demand in today's fastest growing regions and metropolitan areas, most of which have little or no Amtrak service. Amtrak does not serve Las Vegas, Phoenix, Nashville, or Columbus. A long-distance train operating just once a day provides the only Amtrak service in Dallas, Tampa, Atlanta, Denver, and Salt Lake City. The Houston metropolitan area, population seven million, is served by a long-distance train that operates only three times a week but accounts for nearly 40% of Amtrak's service in Texas, the second largest state. Amtrak has less service in Florida – the nation's third largest state – than it did in 1971, when Florida's population was less than a third of what it is today.

While long distance trains play an important role in some small communities, they suffer from limited frequencies, uncompetitive trip times, and extremely poor on-time performance (OTP) – on average, less than 50 percent. They do not meet the needs of short distance travelers in the growing, vital regions and city pair markets where they provide the only Amtrak service today. They attract very few Millennial travelers, who comprise 31% of the adult population but only 16% of Amtrak's adult long distance ridership.

Speaking of on time performance, just last week during a hearing before this very committee, Chairman Wicker asked the FRA to provide an update on the development of new metrics and standards as required by PRIIA. In response to this question, the FRA stated that it had just formed a commission to begin this important work, which was surprising to me as Amtrak is not part of this commission. It is also concerning; in fact, it appears to be in direct conflict with the law. PRIIA Section 207 clearly states that "…the Federal Railroad Administration and Amtrak shall jointly…" develop the aforementioned metrics and standards. We appreciate that the FRA is looking to move forward with this important work, but Amtrak must have a seat at the table and jointly develop these metrics and standards consistent with the law. It is the process that was implemented in 2009/2010 and it is consistent with what Congress expected of PRIIA Section 207.

In addition, during last week's hearing, the FRA's witness stated that Amtrak's on-time performance (OTP) was 77.9%. Amtrak's actual customer OTP – the percentage of customers who arrived on time – was 73.0% in FY2018. However, that figure includes the Northeast Corridor and other Amtrak-dispatched routes, all of which had OTPs of 80% or more.

Further, the FRA seemed to focus on train schedules. To be clear, these metrics are designed as a trigger for a Surface Transportation Board (STB) investigation, which would examine the schedules as one of many potential factors influencing poor OTP.

If you look at OTP on the long-distance and state-supported routes on Amtrak's host railroads, the picture is very different. Only four of the 41 host railroad-dispatched routes had an OTP of 80% or more. Average OTP on long distance routes was just 43.1%. The worst performing long-distance route – the New York-to-New Orleans *Crescent*, which serves the Chairman's constituents – had an OTP of just 25.1%. It averaged more than two and hours of freight train interference delays per trip and arrived at its destination over two hours late on more than half of its trips. Very few travelers would choose to fly on an airline flight that had such an abysmal on-time performance.

We know from what we have accomplished in the Northeast Corridor, and from working with our state partners elsewhere, what frequent, reliable, trip time-competitive Amtrak service can do to attract new customers in short distance city pairs and alleviate congestion on other modes. Ridership on our state-supported Hiawatha corridor between Chicago and Milwaukee, where our seven daily trains are faster than a car or bus trip on congested highways, has more than doubled since 2003. On our fast-growing Amtrak Cascades service between Seattle and Portland, federal and state investments to improve service and reduce trip times have enabled us to capture 58% of passengers who travel by air or rail.

A recently awarded Consolidated Rail Infrastructure and Safety Improvements (CRISI) grant to the Southern Rail Commission that will facilitate the restoration of Amtrak service between New Orleans, Louisiana and Mobile, Alabama illustrates the types of projects Amtrak needs to be pursuing if we are to contribute to meeting growing transportation demands in underserved regions and corridors. That 145-mile corridor was last served by a long-distance train that was poorly patronized because it operated only three days a week, was invariably hours late, and served Mobile in the middle of the night. The planned new service will operate twice daily during daytime hours. While there is still much more work to complete before this project is fully realized, it is an example of the type of future investments Amtrak could be making across the country.

We are working internally to assess the potential of numerous other markets for operational and financial viability. This work includes: identifying new markets; evaluating frequencies and schedules; forecasting ridership, revenue, and operating expenses; and estimating fleet and infrastructure capital needs. Once we have a better understanding of the market demands and the assets needed to deliver a modern, improved service, then we will be prepared to engage partners, such as state DOTs, local communities, rail advocacy groups and businesses, and host railroads. This work is meant to help Congress determine how it can help Amtrak modernize, evolve, and expand.

While there has been a lot of attention paid to our National Network of state-supported and long-distance routes, we must not forget about the NEC. The NEC is an amazing machine – Amtrak and eight commuter railroads provide 820,000 trips per weekday, and the services there include America's fastest train service, the *Acela*. However, as the NEC Commission recently stated, there is a $42 billion state of good repair backlog. The NEC is both a prime example of the benefits of passenger rail and an illustration of what happens when adequate funding is not provided for essential investments. The traveling public along the NEC does not doubt the value of intercity passenger rail – in fact, Amtrak carries more passengers within the NEC than all airlines combined in the region. However, asset failures, rail traffic congestion, and other factors cost $500 million per year in lost productivity. Without additional capital investment, those losses will only grow. An unexpected loss of the NEC for one day alone could cost the nation nearly $100 million in transportation-related impacts and productivity losses.

At last week's Commerce Hearing, there was some discussion on aspects of the Gateway Program, including environmental review and funding gaps. It is important to understand that funding and an EIS are two separate things. Funding is not required in order to finalize the NEPA process, although finishing NEPA is critical to being able to receive federal funding. The FRA suggested that the Portal North Bridge was ready to go except for funding. However, to be clear Amtrak and our state partners have 100% of our local matches ready to go right now. It is, in fact, the USDOT who is holding up the project from advancing by not committing the necessary federal share. This is especially concerning given the robust funding levels provided by Congress in FY2018 and FY2019 for DOT grant programs, such as the FTA's Capital Investment Grants program and FRA's Federal State Partnership for State of Good Repair program. Let's get Portal North's funding finalized today, there is simply no good reason to wait another day. In addition, the FRA mentioned that the Hudson Tunnel Project FEIS is actively being worked on. This is encouraging; however, we have heard nothing from FRA on the project since the document was submitted in December 2018. I know the FRA mentioned that the process still requires some 27 steps to be addressed after already completing 95 steps, but we're talking about the most urgent infrastructure project in the nation. We need to get this done and stop the unnecessary red tape. Period.

Having outlined our national challenges, here are some of Amtrak's core principles for reauthorization, which we believe should be top of mind for Congress as it decides the future of intercity passenger rail:

- **Principle #1** – Congress should continue to support programs and policies that improve safety throughout Amtrak's rail network.
  - Requiring PTC or PTC-equivalency for all common-carrier, regularly scheduled passenger rail operations nationwide. Amtrak's position remains that PTC should be required for passenger rail operations in the United States. Only in unique cases where it does not make technical or practical sense will we consider a PTC-equivalent solution as a final solution. Amtrak acknowledges that it will take time to implement this strategy. As we continue to collect data from host railroads, our assessments continue to evolve as to whether PTC or PTC-equivalency is most appropriate for any territory. Therefore, for the near term, Amtrak is putting in place non-PTC risk mitigations on these MTEA segments.

- Increased investments in grade crossing safety.

- Amtrak's adoption of its industry-leading safety management system and pursuit of a just culture.

- Development and implementation of new technologies to improve safety.

▪ **Principle #2** – Congress should clarify the role of intercity passenger rail within the nation's transportation system and Amtrak's mission and goals. It should identify what goals it wishes to achieve through the intercity passenger rail network, and how those goals are to be prioritized.

  - Amtrak's focus should be providing a trip time competitive alternative to congested highways and airspace in heavily-populated and growing corridors and regions throughout the nation, as opposed to simply maintaining existing rail service as established many decades ago and which may serve relatively few passengers.

  - Market demand, changing demographics, and ridership (both current levels and future projections) should be the primary drivers for service level decisions.

  - Capital costs for infrastructure, fleet, and stations should also be taken into consideration, as should the subsidy level needed to operate a route and the importance of sustainability.

▪ **Principle #3** – Congress should address Amtrak-Host Railroad challenges.

  - On-time performance (OTP) on much of the National Network is abysmal. In FY 2018, long distance trains OTP was, on average, 47%. A legislative fix is necessary to remedy poor OTP and ensure host railroad compliance with existing Federal law, which requires that Amtrak passenger trains be given preference over freight transportation.

  - In addition, legislation is needed to provide a fair and expeditious process to grant access to Amtrak for new or changed routes and services and for determining access terms. Without such changes, Amtrak's ability to expand services in response to demand and to currently underserved communities will be extremely limited. Access to new tracks and frequency expansion – how to assess capacity and develop neutral, fair estimates of capital upgrade costs.

▪ **Principle #4 –** Congress should ensure Amtrak has access to federal transportation programs and funding and should provide sufficient funding levels to address the challenges across the network.

  - Congress should authorize sufficient funding to advance critical state of good repair and modernization and capacity enhancement projects on the NEC and the National Network. Congress should specifically fund priority investments on the NEC to advance major projects currently in design and to complete acquisition of new passenger cars. Similarly, specific and significant funding is necessary to replace aging fleet across Amtrak's Long-Distance network and to expand intercity passenger rail corridor service in existing and new markets where Amtrak can meaningfully contribute to addressing currently and future mobility challenges.

  - Congress should ensure predictable funding levels consistent with the role and goals it establishes for Amtrak through a trust fund or other multi-year mechanism at levels sufficient to meet the needs of both the NEC and National Network. The nation has underinvested in intercity passenger rail for nearly all of Amtrak's existence. It is the only major surface transportation mode that does not receive dedicated, predicable funding through a trust fund. All FHWA programs, most FTA programs, and most DOT safety programs receive contract authority at levels set by Congressional authorizations, which allows for strong planning and the efficient execution of multiyear investment programs. Amtrak simply seeks parity for intercity passenger rail capital investments.

  - Congress should eliminate the current prohibitions against funding intercity passenger rail projects through existing surface transportation programs. For example, the FTA's governing statute defines "public transportation" as explicitly not including intercity passenger rail provided by Amtrak. This creates confusion and inefficiencies when Amtrak and state partners try to advance rail projects that have shared benefits between commuter and intercity rail. In addition, FHWA programs should be able to fund beneficial intercity passenger rail projects that support the agency's mission. For example, the intent of the Congestion Mitigation and Air Quality (CMAQ) program, is to do what passenger rail does best: improve air quality and reduce congestion by taking cars off the road and promoting alternative transportation options for drivers. However, the current program is limited to eligible costs under Chapter 53 of Title 49, and therefore intercity passenger rail is generally not eligible.

- **Principle #5** – Congress should look at ways to strengthen state partnerships for the benefit of the traveling public.

  - The current Amtrak-State partnership created by PRIIA and enhanced by FAST Act forms the basis for how states in the NEC and the National Network partner with Amtrak. To confront the challenges of aging assets (infrastructure, fleet, and stations), along with the need for network modernization and expansion, States' role in providing intercity passenger rail should be reevaluated to ensure a fair balance between federal and state participation. Amtrak and the federal government must play a greater role in working with states to advance and fund passenger rail expansion in under 400-mile corridors between our country's major metropolitan areas. This may include the federal government covering the capital and operating costs of new short corridor service, including both adding additional frequencies on existing routes and establishing new routes not currently served by Amtrak.

- **Principle #6 –** Congress should allow Amtrak to operate like a business.
  - The Rail Passenger Service Act, as codified at 49 USC 24301(a), clearly states that Amtrak "shall be operated and managed as a for-profit corporation." Amtrak's Mission and Goals, codified at 49 USC 24101(b) and (c), states that our service should be "efficient and effective" and Amtrak "shall use its best business judgement in acting to minimize United States Government subsidies….". However, in recent years, Congress has repeatedly attempted to undue actions Amtrak has taken to modernize our services, reallocate resources to reflect technological advances like e-ticketing, satisfy changing customer preferences and achieve cost savings. It has earmarked Amtrak's funds for specific capital projects. This has increased the losses on our long-distance trains and the costs to our state partners for our state-supported routes, which of course are borne by taxpayers. It has also prevented Amtrak from reinvesting savings into necessary capital investments to improve our customers' experience and provide cost-effective competition with other modes, such as aviation and bus.

Critical investments for equipment and infrastructure are required over the next few years if Amtrak is to maintain current services and meet the increasing demand for passenger rail service in underserved regions and corridors. As a result, Congress will need to make some tough choices in reauthorization.

If Congress intends for Amtrak to meet intercity passenger rail's unrealized potential in short distance corridors throughout the country and make vital investments in the NEC, while continuing to provide without alteration or cost reduction all of the services we provide today, it will need to provide the additional funding required to fulfill all of those mandates. We cannot kick the can down the road while Amtrak equipment and infrastructure deteriorate and congestion on highways and in airspace becomes even worse because the services we provide meet fewer and fewer travelers' needs. With sufficient investment, however, Amtrak can be a "game changer" in America's transportation network.

I look forward to working with each of you. While the challenges described today are difficult, they can be overcome. At Amtrak, we owe our customers and your constituents nothing less. Thank you for the opportunity to appear before you today, and I welcome your questions.