THE FEDERAL RAILROAD ADMINISTRATION'S HIGH-SPEED AND INTERCITY PASSENGER RAIL PROGRAM: MISTAKES AND LESSONS LEARNED

(112–65)

HEARING

BEFORE THE

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HOUSE OF REPRESENTATIVES

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CONTENTS

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December 2, 2011

SUMMARY OF SUBJECT MATTER

To: **Members of the Committee on Transportation and Infrastructure**

From: **Majority Staff on the Subcommittee on Railroads, Pipelines, and Hazardous Materials**

Subject: **Hearing on "The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"**

I. Purpose of Hearing

On Tuesday, December 6, 2011, at 11:00 a.m. in 2167 Rayburn House Office Building, the Committee on Transportation and Infrastructure will receive testimony regarding the Federal Railroad Administration's High-Speed and Intercity Passenger Rail (HSIPR) Program. While the HSIPR Program was launched in 2009, Congress has not funded the program in fiscal years 2011 and 2012. This oversight hearing will provide an opportunity to review the HSIPR program, examine what projects are being developed with the federal funding invested thus far, and discuss concerns with the program's direction and focus.

II. History of HSIPR Program

Legislative History

In October 2008, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) established the groundwork for what would become the Federal Railroad Administration's (FRA) HSIPR Program. Using that framework, the American Recovery and Reinvestment Act (ARRA), passed in January 2009, allocated $8 billion in federal funding, which was used to launch the FRA's HSIPR program in June 2009. The President's stated vision for the HSIPR program was to provide 80 percent of Americans with access to high-speed rail within 25 years.

The ARRA combined two separate PRIIA grant programs, the State Capital Grants for Intercity Passenger Rail Service (49 USC 24402), and the High-Speed Rail Corridor Development Program (49 USC 26106). The two separate programs had different purposes and criteria. The State Capital Grants were available to expand or improve intercity passenger rail transportation, regardless of speed. The High-Speed Rail Corridor program was targeted to designated high-speed rail corridors, and only for rail services that reach speed of at least 110 miles per hour.

Only two months after the passage of the ARRA, Congress appropriated $90 million in the fiscal year 2009 Omnibus for State Capital Grants for Intercity Passenger Rail Service. In Fiscal Year 2010, the two programs were once again combined under HSIPR, and $2 billion in funding was appropriated. However, in the past two fiscal years (2011 and 2012), Congress has not funded the HSIPR Program, and the fiscal year 2011 Omnibus actually rescinded $400 million of unobligated HSIR funds. This pause in funding allows Congress to re-evaluate the merits of the HSIPR Program and take stock of lessons learned from administration of the HSIPR Program thus far.

Project Selection and Obligation History

FRA has solicited applications for the $10.1 billion in remaining grant funding and received applications from over 39 states, the District of Columbia, and Amtrak for over $75 billion. Since January 2010, the FRA has awarded all of the HSIPR Program funding and a majority of those funds have been obligated. The following chart identifies the HSIPR obligations and awards by corridor. It is important to note that, for the most part, each corridor listed consists of a number of different specific projects.

Corridor	Number of Projects	Obligated Amounts	Awarded, Not Obligated	Total
California High-Speed Rail	5	$2.968B	$929M	$3.897B
California-Multiple Corridors	4	$$189M	$0	$189M
California-Capitol Corridor	3	$29M	$0	$29M
California-Pacific Surfliner Corridor	15	$115.8M	$4.4M	$120.2M
Charlotte-Raleigh-Richmond	8	$590M	$106M	$696M
Chicago-Detroit	9	$366M	$229M	$595M
Chicago-Milwaukee-Madison-Twin Cities	6	$50.7M	$40M	$90.7M
Chicago-Iowa City-Des Moines-Omaha	1	$0	$230M	$230M
Chicago-St. Louis	3	$1.156B	$186M	$1.342B
Kansas City-St. Louis	10	$35.9M	$0	$35.9M
Midwest-Multiple Corridor Equipment	1	$268M	$0	$268M
Northeast Corridor	12	$954M	$0	$954M
New Haven-Springfield-St. Albans	5	$196M	$121M	$317M
New York-Albany-Buffalo	12	$167.7M	$77M	$244.7M
Philadelphia-Harrisburg	4	$65M	$0	$65M
Portland (ME)-Brunswick	2	$59M	$0	$59M
Portland (OR)-Seattle-Vancouver (BC)	10	$789.5M	$21M	$810.5M
Tampa-Orlando	1	$67M	$0	$67M
Others (Planning, State Rail Plans, Others)	42	$67.3M	$22.8M	$90.1M

Of the projects that have been obligated funding, only the California High-Speed Rail project would be true-high speed rail, yet that project has recently seen its estimated costs more than double from an original estimate of $43 billion to $98.5 billion, while the estimated completion date has been extended another 13 years. The Committee will hold a separate hearing regarding this project.

Now that federal funding for the HSIPR Program has been cut-off and a majority of the funds have been obligated, the Committee will hear from witnesses about their concerns with the program and identify lessons to be learned from implementation.

III. Concerns with HSIPR Program

Project Selection Issues at the FRA

Numerous concerns have been raised regarding the project selection process at the Federal Railroad Administration (FRA). In March 2011, the Government Accountability Office (GAO) released a report, completed at House Transportation and Infrastructure Committee Chairman Mica's request, examining the extent to which the FRA applied its established criteria to select projects, following recommended practices for awarding discretionary grants, and communicated outcomes to the public, compared with selected other Recovery Act competitive grant programs.

The report highlighted concerns with transparency and other issues with FRA's selection process. Specifically, the report found FRA applied its established criteria during the eligibility and technical review, but GAO could not verify whether it applied its final selection criteria because the documented rationales for selecting projects were typically vague. Without a detailed record of selection decisions, GAO concluded that FRA leaves itself vulnerable to criticism of the integrity of those decisions.

The GAO concluded that establishing a record that provides insight into why decisions were made, rather than merely restating general technical review and selection criteria, including amounts to be provided, would enhance the credibility of FRA's awards decisions to the extent that this record confirms that selected projects alighted with established criteria and goals. By not establishing this record, FRA has raised significant skepticism about the overall fairness of decisions.

Rejection of Federal HSIPR Funds by Ohio, Wisconsin, and Florida

The HSIPR Program experienced strong opposition at the state level from the Governors of Ohio, Wisconsin, and Florida. Respectively, Governors Kasich, Walker, and Scott expressed concerns over a number of issues, including the potential costs to their states.

In Ohio, the proposed Cleveland to Columbus to Cincinnati ("3C") passenger train would have made four runs daily, making six stops including Cleveland, Columbus, Dayton, and Cincinnati over a 258-mile route. The federal government initially committed $400 million to the project. During his campaign, Governor Kasich derided the project's "high speed" moniker. After his election, Governor Kasich appealed to President Obama, requesting that the high speed rail money be used on other infrastructure projects in Ohio, or, in the alternative, be returned to the Treasury for debt reduction. Governor Kasich's requests were denied.

Similarly, Wisconsin Governor Scott Walker campaigned against the Madison to Milwaukee rail line, which would have received $810 million, as a waste of taxpayer money. Walker claimed he did not want to commit the state to annual operating expenses once the line was complete. Walker also claimed the Milwaukee to Madison trains initial average speed of less than 60 mph would not provide an attractive alternative to the modest intercity drive and the rail line itself would create only a few permanent jobs. Governor Walker, like Governor Kasich, had also sought to spend the money on other Wisconsin transportation projects such as roads and bridges. Wisconsin's request to flex these funds was denied.

On December 10, 2010, U.S. Secretary of Transportation Ray LaHood announced $1.2 billion in grants for Ohio and Wisconsin would be removed and redirected to other states. From the redirected funds, California received $624 million, Florida $342 million, Washington $161 million, Illinois $42 million, and 10 other states receiving smaller amounts.

On February 16, 2011, Florida Governor Rick Scott formally announced he would also be rejecting all federal funds to construct a high speed rail project in the state, thereby killing the Florida High Speed Rail project. Governor Scott determined the project would be too costly to taxpayers and that the risks outweighed the benefits. In declining more than $2 billion in federal funds for a proposed Orlando to Tampa line, Governor Scott claimed the federal government's ridership and revenue estimates were too optimistic, meaning that Florida taxpayers would have to subsidize the line. He also suggested that cost overruns could leave Florida taxpayers having to foot a $3 billion bill. Those funds were once again redistributed to other states in May 2011. From the redirected funds, the Northeast Corridor received $795 million, the Midwest corridors of Chicago to St. Louis and Chicago to Detroit received $404 million, California and the Midwest received $336 million for equipment, and California received $300 million.

IV. The Northeast Corridor

The NEC is one the most valuable transportation assets in the United States, providing the only continuous physical link, along with I-95, between the major population centers of Washington, DC, Baltimore, Philadelphia, New York City, and Boston. The Northeast mega-region is the most densely populated area in the United States, with 18 percent of the nation's population living in just 2 percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of $2.59 trillion, and a population equal to the United Kingdom.

Amtrak, the for-profit, yet government-subsidized, intercity passenger rail provider, controls nearly the entire NEC. Of the 437 total miles of the NEC, Amtrak owns and controls 363 miles, with states controlling portions of the route north of New York City.

The NEC falls far short of international high-speed standards. The Acela, Amtrak's high speed service, averages only 83 miles per hour between DC and New York and only 72 miles per hour between New York and Boston. Internationally, high-speed trains can average 150 mph and many nations are upgrading systems to achieve top speeds of 220 mph.

The NEC was finally designated as a federally recognized "High Speed Rail Corridor" in March 2011. The designation gives Amtrak the ability to apply for federal dollars that support high-speed rail projects in the NEC. Previously, only states in the Northeast could apply for stand-alone projects along the Northeast Corridor, but not for a corridor-wide improvement or upgrade to support high-speed rail.

While states along the NEC received funding for a variety of projects, Amtrak did not receive an award for the NEC until May 2011, when FRA awarded it $50 million for NEC power, signal, track, and catenary improvements. Including the grants awarded to states, the NEC has received only $954 million of the $10.1 billion, or approximately 9.4% of the total funding.

Without question, the NEC represents the best opportunity for true high-speed rail in the United States. In general, the highest demand for high speed rail occurs in city pairs that are located 100 – 500 miles apart with large populations and economies, along with the presence of regional and local transit networks to provide connectivity for intercity passengers. The NEC region is home to four of the ten most populous metro regions in the nation – New York, Philadelphia, Washington, DC, and Boston – and 18 percent of the nation's population living in just 2 percent of its land area.

Similarly, some of the competitive advantages of high-speed rail compared to air travel include the ability to bring passengers directly into a city center and to connect local and regional transit networks. High-speed rail systems attract greater numbers of riders if they end in central downtown locations and tie into existing commuter rail and transit systems. The NEC region is home to eight commuter rail systems carrying approximately 350 million annual riders and is home to the two busiest subway systems in the nation (New York and Washington, DC, respectively). From a potential ridership perspective, coupling these factors with the population numbers makes the NEC an ideal candidate for the development of true high-speed rail.

Business travel is also critical to sustaining the ridership of high-speed rail systems, and business travel is highest in places with the most productive economies. Gross Domestic Product (GDP) per capita is the broadest measure associated with both economic productivity and personal income. The Northeast Corridor accounts for four of the ten most productive metro regions in the national and accounts for one-fifth of the nation's GDP. As noted above, the NEC region alone would be the world's sixth largest economy. Developing true high-speed rail in this region, not only makes sense for business travel, but could help grow the economy of the region.

Furthermore, reducing congestion, both at airports and on highways, is another important motivating factor for building high-speed rail. In the NEC region, the I-95 Corridor Coalition estimates that over 60% of the urban road miles of Interstate 95 are heavily congested. Additionally, the airspace above New York is the most complex and congested in the nation. All three New York metro airports are among the five airports in the nation with the worst on-time arrival rate. In total, there are five Northeastern airports in the bottom ten performing airports in the nation for on time performance, including Philadelphia and Boston. With highway routes in a near perpetual state of congestion, and approximately 75% of the nation's chronically delayed flights flying through the New York airspace bottleneck, a more effective intercity passenger rail network, with increased capacity and operating at higher speeds, is needed.

In fiscal year 2010, 10.5 million passengers rode Amtrak Acela and Regional NEC trains, capturing approximately 60 percent of air-rail market share between Washington, DC, and New York. Amtrak, the University of Pennsylvania, and other organizations have performed ridership studies showing that, with the necessary infrastructure improvements, passenger rail ridership on the NEC could double or triple, significantly reducing air and highway congestion by inducing passengers to switch from one mode to another.

All the factors that point to a successful high-speed rail system, be it regional population, regional economy, interconnectivity, or congestion concerns, exist on the NEC. Population density in the NEC region is higher than anywhere else in the Nation, it is home to extensive transit and regional rail systems that complement intercity passenger rail traffic, and boasts productive economies with an extensive existing travel market. Additionally, New York and Washington, DC, are separated by just over 200 miles with two major cities in between – Philadelphia and Baltimore. In summary, the NEC typifies the ideal corridor for high-speed rail.

V. Invited Witnesses

The Honorable Ray LaHood
Secretary
United States Department of Transportation

The Honorable Joan McDonald
Chairman
Northeast Corridor Infrastructure and Operations Advisory Commission

Ken Orski
Editor/Publisher
Innovation News Brief

Richard Geddes
Adjunct Scholar
American Enterprise Institute

Ross Capon
President & CEO
National Association of Railroad Passengers

THE FEDERAL RAILROAD ADMINISTRATION'S HIGH-SPEED AND INTERCITY PASSENGER RAIL PROGRAM: MISTAKES AND LESSONS LEARNED

TUESDAY, DECEMBER 6, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to notice, at 11:06 a.m. in Room 2167, Rayburn House Office Building, Hon. John Mica (Chairman of the committee) presiding.

Mr. MICA. I would like to call to order the House Transportation and Infrastructure Committee, and welcome you to our hearing today. The title and subject of this hearing is "The Federal Railroad Administration's High-Speed and Intercity Rail Program: Mistakes and Lessons Learned." And we have some distinguished panelists.

We have two panels today. And I think in between we are going to squeeze in a small Members panel. We have had a couple of requests for Members to speak who are not on the committee, but their districts are affected by some of these projects. So we are going to provide some opportunity for a couple of the Members after we finish with Secretary LaHood. And then we will turn to our second panel. But we are delighted and pleased this morning to welcome the Secretary of Transportation, Ray LaHood, and my former colleague, who will lead off today for the administration.

The order of business will be opening statements first by Members, and then we will go to Mr. LaHood. And as I said, we will have one or two Members not on the committee who have requested to come forward with some brief comments. And then we will go to our second panel today. So with that, the order of business will be, again, Members' statements.

And I want to open with my statement and, again, thank the Secretary for his participation, and others.

As some of you may know, I have been a long, strong, committed advocate to high-speed passenger rail service in the United States. I was delighted to work in the past to put provisions in PRIIA, which was signed into law by President Bush. That was the first rail operations and Amtrak reauthorization in, I believe, 11 years. And I took great pride in working on trying to set up a blueprint and some guidelines for beginning the process of instituting high-speed rail in the United States.

I was also pleased when President Obama made high-speed rail one of his top priorities. And, in fact, I think it was his commitment and direction in which we had some $8 billion firmly anchored to high-speed rail.

All that being said, I am here today—and actually tried to give some of these projects as much time and leeway as possible to move forward and see what develops—but I am here today in this hearing to say that I am very disappointed in some of the things that have happened. I have to give some credit where credit is due, but as far as high-speed rail we have hit an impasse. I am very concerned about the progress of actually achieving a successful high-speed rail program.

And the failure to date, particularly on high-speed rail, actually sets us, I think, further behind. There are many critics to various forms of public transportation. And unfortunately, it gives them more ammunition to undermine what should be positive alternative means of transportation, which is efficient, which helps with our energy problems, which has a whole host of benefits.

Unfortunately, some of the high-speed rail funds—and we have not only the $8 billion that was in the Recovery Act and committed some 2½, almost 3 years ago now in January, we had $2.5 billion in regular appropriations, bringing the total for high-speed rail in the country and improvements to $10.5 billion. Of that, some $400 million has been rescinded and gone back to deficit reduction.

Unfortunately, three States have returned money for projects that did not get off the ground, or fell off the track, so to speak: Ohio, Wisconsin, and my State of Florida. Actually, it is quite startling that more than a third of the funds have been returned, which is another setback for the program.

More recently, our one hope of actually achieving high-speed rail—and I have given that project as much leeway as I possibly can in trying to see what would develop—but again, the one potential where we had to achieve high-speed rail on an average of at least 110 miles per hour—that is not reaching 110 miles an hour, that is not reaching 150 miles an hour at some point in the journey. I am talking about the average speed, which is the measure by which, internationally, high-speed rail is evaluated.

But our one hope, California, appears to be in disarray. In fact, we are devoting an entire hearing to that next week, to see where that one project is going. We have problems with, first of all, the route that was chosen. I went out with Mr. Denham and actually looked at some of it—Fresno to Bakersfield, mostly populated by agricultural community and interests. We will hear from those folks next week.

But again, the site that was abandoned, southern California or the Bay Area, where you have significant populations to be served and at the present time have incredible congestion, both of those corridors—again, it is an initial operating segment that was chosen.

The more disturbing news is within the last month now the projections on the cost may double the original $40-some billion and reach over $90 billion. Furthermore, it appears that there will be a 13-year delay. We are now looking at, what, 2033, which would mean either subsidization of a “dog operation” and give us more heartburn, as far as anyone ever seeing a viable high-speed rail operation in the United States.

And finally, I was informed last week that even if they built this segment—again, trains to—at the short operating segment, not serve any fixed large population—that the equipment that would be available at that point would only be contemporary slow train vehicles, which could not achieve high speed.

So, I am very concerned about the progress of California. We will hear more about that next week. So we have $3.8 billion, the biggest amount going of the $8 billion and a total of $10 billion, going to California. There is $10.1 billion, as I said, left over after the return of $400 million.

Then the next issue that I have with the whole process of selecting these corridors is—well, of course it is not something I raised, but also GAO in March 2010 said that the process that FRA had followed in selecting these lacked transparency and some of the manner in which these were chosen did not really make a whole lot of sense.

We have three what I call pseudo-high-speed rail projects, and maybe you will hear of those touted as a success, most of them centered in Chicago, two of the three, Chicago to St. Louis. That is going to run an average of 71 miles an hour. Now that is not incremental high speed, that is not high speed. And it doesn't hold much hope for the future. Chicago to Detroit, that route goes at 64 miles an hour on average, a snail-speed train followed by a Portland to Vancouver so-called and named high-speed rail project, which is 65 miles an hour.

These are, again, a bait and switch for high-speed rail, and will continue to give high-speed rail a bad name in the United States because they will not operate at high speeds, and act as merely a mirage of high-speed rail.

Finally, Amtrak and some of the projects—and they are—hosted by them, spread around the country—will get another $3.6 billion. Of that there is $900 million that was redirected to the Northeast Corridor. But if you take that $3.6 billion and amortize it over 3 years, you have a current subsidy of $49 a passenger on Amtrak, and you attribute the cost of that $3.6 billion and amortize it over 3 years, you are looking at a subsidization during these 3 years of $99, just a $1 under $100 per ticket for every Amtrak passenger, based on 30 million, which is their current ridership. So that is disturbing.

So, I have to say, sort of in conclusion, we need a success. I believe that the most logical place to put high-speed rail—have said it before, I am from Florida—is in the Northeast Corridor. You are from—members of the panel—are from around the country. But we can all benefit by a success of high-speed rail in the Northeast Corridor. Unfortunately, there too we have seen delays. It has taken now 3 years to finally issue an RFP to do an environmental study. That environmental study RFP went out in August. To date—and this is December—there is no award for doing the environmental study in the Northeast Corridor. So we still lag behind in moving forward with that project in the Northeast Corridor.

We will all benefit by the Northeast Corridor, one, because it is the most densely populated area—20 percent of the U.S. population resides in that corridor. We own the corridor. It is the only corridor that we own. Between the Federal Government and the States, they own almost the entire distance between Washington, DC, and Boston.

We, of course, operate Amtrak's other service over freight rails, 22,000 miles of them. We also will benefit as a Nation, because 70 percent of our chronically delayed flights are in this area, whether it is summer or winter causing the meltdown of air transportation. And most of it will emanate from the northeast region, so we can all benefit by, again, having one success in our most densely populated area on a corridor that we already own. Half of Amtrak's passengers of the 30 million are in that corridor. So, again, it just makes sense.

Finally, let me say I had offered an alternative and suggested separating out the Northeast Corridor into a separate entity. I did meet a slight bit of resistance on that. And I announced recently that I was willing to look at having Amtrak and—if there wasn't an Amtrak, we would have an Amtrak; I have supported a nationwide service system. But I am willing to work with Secretary LaHood, Mr. Boardman and others to come up with a plan. And we don't have to create a separate entity and transfer the assets out. But what we do need is to attract private sector capital and move this project, which Amtrak now has projected would take 30 years, and would cost $117 billion.

Now, Congress cut off funds to high-speed rail in the coming fiscal year. And Congress certainly is not going to give Amtrak $117 billion, based on its current record, lack of plan or progress in the Northeast Corridor. So we have got to work together and we have got to find a solution to have a success and put high-speed rail and transportation projects where they make sense, and move forward on these important projects.

So, I'm willing to work with the administration, with other Members of Congress, and in an effort to, again, end the failure that we have seen, and hopefully have a pattern for success for high-speed rail in the future.

So, that is my opening, rather lengthy comment. I will defer to Mr. Sires.

Mr. SIRES. Thank you, Mr. Chairman, for holding this hearing today. I represent some of the most densely populated areas in the country. And I want to thank you for being here. I always been a proponent of not only the Northeast Corridor, but especially local train and also freight, because of the district that I represent.

I am sorry to see some of the problems that we are having with Amtrak and some of the expanding—or some of the programs. I wish we could speed it up. But I know that there is progress that is being made. The Northeast Corridor, I think, is probably the only place where you have the population to sustain a real high-speed rail. And that was always my argument with local rail in some of the areas of the country where they don't have the population to sustain intercity rail. You know, my district, I think it is something like a quarter of a million people going through New York City every day.

I just wish that we could speed up some of this—some of the issues that are holding back some of this—the work. And I want to thank you, Secretary LaHood, for knowing that the Portal Bridge going into New York City is one of the bridges that is 100 years old, and is getting a whole face lift and a new bridge. It really means a great deal to my district.

And that is basically what I have to say. Thank you.

Mr. MICA. Thank you so much. We will turn to the chair of the rail subcommittee, the gentleman from Pennsylvania, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. Mr. Secretary, good to see you again. I am going to abbreviate my typical speech that I give on this issue. Mr. Szabo is sitting behind there, smiling. I think he could probably recite it verbatim. But I appreciate having this hearing, and I agree with the chairman and many other Members.

With respect to the President's vision of high-speed rail in this country, I just don't believe it is going to happen because we don't have the money. Number two, I don't really think we have the need to have 80 percent of the American population have access to high-speed rail. I do believe there are corridors in this country that need high-speed rail; we should be focused on them. We should be absolutely focused. And we are not, in this present form that we are taking. We are spreading money all over the country. It is no surprise that Ohio and Wisconsin have turned down these large sums of money, because they realize they are going to be strapped with operating costs that are going to drive them further into debt.

I really believe if we focus on the one true high-speed rail corridor that we have today that desperately needs it, it is the Northeast Corridor. We own the tracks, so we don't have to go round and round with our friends in the freight rails on it. We own the tracks, we can do separations where we need it. And as my friend from New Jersey mentioned, there is a bridge up there, and it is a huge bottleneck. We should focus the money there. Regarding the tunnel in Baltimore, I know some of the money is coming back to make those improvements.

But if we are really serious about getting high-speed rail, we need to find one place to do it in the country to do it right, spend the money to do it right, learn from it, and then take it to these other corridors that will emerge in the future.

The California corridor, the money being spent there, the more I see of it—and you see the numbers; they have gone from $40 billion to $100 billion to maybe 20 years to who knows—and, Mr. Secretary, you have been in Congress, you have been in Government long enough to know that if they are saying $100 billion or $90 billion, you know it is going to be more than that. And I have been to southern California. And they are telling me that between $1 billion and $1.5 billion you could truly have significant impact on intercity rail transportation between San Diego and Los Angeles. That is where we ought to start in California. The northern city of San Francisco and that corridor and the southern California.

So, again, I urge you to go back and sit down with the President and Mr. Szabo and really reevaluate what we are doing here, because I just don't believe that we are going to be able to have high-speed rail across this country because we can't afford it and because the American people really aren't clamoring for that. They are clamoring, though, to have better intercity rail at higher speeds. The Keystone Corridor is a great example. It is not high speed, but the ridership has gone up 40 percent over the last 4 or 5 years, and it continues to grow, Harrisburg to Philadelphia. And that is not high-speed rail, but it is higher speed, more frequency. Those are the things that I think will benefit the traveling public and America, if we focus on those areas.

So, again, appreciate you being here today, look forward to your testimony, and I yield back.

Mr. MICA. I would like to recognize the ranking member, and the gentlelady from Florida, Ms. Brown.

Ms. BROWN. Thank you, Mr. Chairman. And I am glad we are holding this hearing today to focus on progress and pitfalls of implementing high-speed and intercity passenger rail in the United States.

All of our international competitors are beating us to the punch. They have invested billions of dollars in passenger rail systems that have significantly reduced highway and aviation congestion. While here, in the United States, we fail to provide adequate funding for passenger rail, and waste $115 billion a year in fuel and lost time sitting in traffic.

Let's step back and look at this committee progress, or lack thereof. Over the past year we have no surface transportation bill, no FAA bill, no water resource bill. And to top it off, we are here today arguing about a High-Speed and Intercity Passenger Rail Program that has already been defunded by the Republicans.

Our country is building huge infrastructure projects in Iraq, giving tax credits to the company, taking jobs overseas, and building massive bridges in the United States with Chinese steel. Yet, the committee leadership here today is trashing a program that would improve passenger rail throughout the country and put thousands of people to work.

Since today's hearing is titled, "Mistakes in FRA High-Speed and Intercity Passenger Rail Program," I thought I would make a list of a few mistakes that I have seen since enacting the Passenger Rail Investment and Improvement Act of 2008 and Recovery.

First of all, we fail to dedicate any significant funds for passenger rail. Our main competitor, the Chinese, have invested $350 billion in rail. Let me say that again: $350 billion. They see the importance of moving people, goods, and services.

Then we invite private companies that I have had several meetings with over the world, including some of the biggest rail operators and manufacturing business today to invest time and resources into vying for parts of the U.S. high-speed rail market, only to slam the doors in their face by canceling projects and cutting Federal funds.

Look at Wisconsin. Just yesterday, Talgo announced it is going to shut down its Milwaukee train manufacturing operations in 2012, killing over 4,700 jobs because Wisconsin Governor Scott Walker rejected Federal funds for the high-speed line between Milwaukee and Madison when he took office. It is worth noting that—talking about mistakes—that the government later reapplied for a portion of the funds he rejected. That is absurd.

And let me talk about the poster child of mistakes, my home State of Florida. The mistakes started when Governor Jeb Bush shut down the high-speed rail authority in Florida before they were able to study the most desirable Orlando to Miami route. Our current Governor, Rick Scott, was able to come up with one of the biggest acts of stupidity—returning $2.4 billion in awarded funds. A ridership study which was paid for by taxpayers' dollars indicates that it would have made money. The study estimates that the ridership, at more than 3 million the first operating year, would increase to 4.7 million in the 10th year. Revenues were estimated at $4.2 million in the first operating year, rising to $38 million in the 10th year.

And with respect to jobs, something we have all been talking about and are supposed to be focusing on, 30,000 jobs. You know, well, what kind of jobs are we talking about? We are talking about engineering firms, steel, cement factories, and construction jobs. Those are real jobs. What a loss. What a loss. I want to welcome Secretary Ray LaHood, and thank him for his efforts in working out the agreement that averted a possible rail strike during the holiday season. I really think you are one of the bright spots in transportation. And I welcome you here today. And I want to thank you for your leadership.

Mr. MICA. Thank the gentlelady. Mr. Denham, gentleman from California.

Mr. DENHAM. Thank you, Mr. Chairman, thank you for holding this hearing, something that is of great concern to us who are representing California, especially in the Central Valley. Here not only to hear about the mistakes and lessons, but what we always continue to hear about is the investment.

Now, to me, as a small business owner, the investment means there is a return on investment at some future date. So, really, what I think what we have to look at here is: What is the public benefit, and does that outweigh the cost to taxpayers?

The concern that I have in the California project is there is a real failure to plan. There is not a defined Federal obligation. How much of our transportation dollars are we going to spend in California? We have got $3.6 billion right now already obligated. Where do we come up with the other $95 billion on the new costs that have been projected? What is the State's obligation on that? What is the local obligation? And where are the private investors that we continue to hear about?

Recently the ridership numbers have—certainly have been great doubt. They have pretty much fallen apart on the California side of things. And now we have extended it by another 13 years.

So, certainly as we are defining an investment, and we are going to ask a private investor or a private company to invest in this project, we have got to be able to define what the project is. Who is obligated on each of those various areas? And how much are the taxpayers obligated to, as well?

We get compared to other countries quite frequently. There are other countries that are certainly spending billions of dollars on high-speed rail. And their cost per mile of track is much lower than what we have here, in California or across the Nation. So as we start to compare with other countries, we need to look at how they are doing things not only smarter, but less expensive.

In California, we have the CEQA environmental law, which is much greater than NEPA. Why do them both? If the President and the administration's commitment is to do high-speed rail in California, wouldn't we waive some of the high cost of the environmental process that we have seen the Federal Government waive in the past for other priority projects? So those are going to be some things that I will be looking at as we take a look at the investment of our taxpayer dollar.

And then, finally, we have been hearing about shovel-ready jobs for quite some time now. The stimulus package was passed in 2008. And yet in 2011 going into 2012, we still do not have one shovel in the ground. To me, a shovel-ready project means if you are going to go out and ask taxpayers to spend money on a shovel-ready project, that means it is ready to put a shovel in the ground. Three years later, going on 4 years now, still no shovel and no plan on putting a shovel into the ground. I believe that if the high-speed rail project in California is not going to get moving quickly, then that money ought to be diverted to shovel-ready projects that would be committed quickly: goods movement, people movement, building highways. But letting a pool of money just sit out there, I think, is irresponsible.

Mr. Chairman, I yield back.

Mr. MICA. Thank the gentleman. Mr. DeFazio?

Mr. DEFAZIO. I am waiting to hear from the Secretary, sir.

Mr. MICA. OK. Ms. Johnson?

Ms. JOHNSON OF TEXAS. Thank you, Mr. Chairman. I simply want to welcome our Secretary and ask for unanimous consent to put my remarks in the record.

Mr. MICA. Without objection, so ordered.

We haven't yet—we got a little late start.

Mr. RAHALL. I will just ask, Mr. Chairman, my remarks be made part of the record, as well, so we can go ahead with the Secretary.

Mr. MICA. Without objection.

Other Members seek recognition on the Democrat side first? Ms. Edwards. Then we will come back——

Ms. EDWARDS. And the same, Mr. Chairman. I will simply ask that my remarks be made part of the record.

Mr. MICA. Without objection, so ordered.

All statements will be included. Any other comments, Members seeking recognition? Mr. Gibbs, I guess, is next? I am sorry, Ms. Schmidt, not Mr. Gibbs. Sorry.

Ms. SCHMIDT. Thank you. First off, I want to thank the Secretary for coming today.

Mr. Chairman, in your remarks you talked about the subsidies that we have for Amtrak, $49 per rider over a 3-year period. I would like to also highlight another subsidy, and that is the food service. Last year we lost almost $61 million in the food service on Amtrak. If you buy a hot dog for $4.50 it costs $6.60 to produce that hot dog for your plate, which means the taxpayers are left holding the bag of $2.10. I do have a bill that I have given—that I put in the hopper a few weeks ago to correct that. And I do hope that this is a simple fix to save the taxpayers almost $61 million. And I do hope that we can come together and remedy that.

And by the way, I also want to thank you for the signage issue for highways. You have made a whole lot of people in the State of Ohio very, very happy. Thank you for your leadership on that, and I yield back.

Mr. MICA. Another Member on our side? Mr. Gibbs, you are recognized.

Mr. GIBBS. Thank you. Thank you, Mr. Chairman, for holding this hearing. I think it is appropriate that I make an opening statement because when we talk about mistakes and lessons learned, Ohio is probably an example of some lessons learned.

I served on the State Senate during—in the Transportation Committee—during the consideration of our so-called high-speed rail project that would connect Cleveland, Columbus, and Cincinnati. After the details of the project came to light, Ohio rejected the Federal funding, due to the impractical, inefficient, and expensive problems inherent to the project.

First, the supposed high-speed rail was more like snail rail. The proposed Ohio passenger rail service would only reach a maximum speed of 79 miles per hour, with an average speed of 39 miles per hour. According to the 2009 Amtrak study, the estimated travel time from Cleveland to Cincinnati would have been 6 hours and 30 minutes, substantially slower than the 4 hours it would take to drive the car. Combined with the fact that the average round trip ticket was priced—was projected to be $190, it is hard to believe that many Ohioans would see any real savings.

Cost to the taxpayer is another serious issue. A 2009 Amtrak study determined that the project would require $500 million to $700 million in startup costs, plus millions of dollars in annual operating subsidies. Further studies have suggested that ridership would average only 1,315 riders per day, resulting in extremely low rate of return.

Aside from the long travel times and high costs, there are several other impractical elements to the project. For example, unlike some larger cities, Ohio lacks the interconnectivity necessary for passenger rail to work. When a rider gets off the train at a Columbus station, where would they go from there? There is nowhere to go.

Additionally, this proposal would share with freight lines, and any move to go faster than 79 miles an hour would require a totally new system.

In the Northeast Corridor, true high-speed rail may be feasible. Earlier this year I visited the Northeast Corridor with Chairman Mica and members of this committee. And it quickly occurred to me that if true high-speed passenger rail is going to work, it would work in the Northeast Corridor. The Northeast Corridor has the population, the congestion, and the interconnectivity that makes sense for a project like this, as well as the need for alleviating the highly congested roads and airports.

While this region of the country looks promising for cost-effective development, for Ohioans $190 per ticket for a 6½-hour ride from Cincinnati to Cleveland simply didn't make economic sense.

Thank you, and I yield back.

Mr. MICA. Thank the gentleman. Mr. Capuano?

Mr. CAPUANO. Thank you, Mr. Chairman. Mr. Secretary, welcome. Great to see you again. Welcome back to the committee.

Very briefly, I just want to be very, very clear. Anybody who wants to give the money back to you, we will take it in Massachusetts. I just want to be on record very clearly. We will take it, we will use it, we will improve our rail, and we will say thank you to you and anybody else who wants to give it back. And I look forward to a couple of hundred million, maybe, any time you are ready. Thank you.

Mr. MICA. Thank you, Mr. Capuano. And I will be supporting you, as long as it is dedicated towards the Northeast Corridor.

I had one more Member. Mr. Hanna?

Mr. HANNA. Thank you, Secretary LaHood, for being here.

I want to just take a minute and say thank you and recognize the DOT commissioner from my State, New York. And in particular, Joan, I would like to thank you for your responsiveness in the recent hurricane and disaster in our district. You set an example for the whole State with—through Irene, and for the whole country, through those disasters of Irene and Lee. And you expedited permits, and you did things concurrently, and it was a big help, and I am grateful. So thank you for being here, ma'am.

Mr. MICA. Other Members seek recognition? Mr. Cravaack?

Mr. CRAVAACK. Thank you, Mr. Chairman and Ranking Member Rahall, for holding this important meeting today. And I would like to welcome Secretary LaHood, and I look forward to your testimony, sir. I look forward to the fact-based hearing on high-speed passenger rail that includes a discussion of benefits, and perhaps, most importantly, all the costs associated with high-speed rail.

Too often, in some parts of the country, the proponents of high-speed rail exaggerate its collective benefits while downplaying, obscuring, or misrepresenting the actual capital costs and the eventual long-term operating costs to the American taxpayer.

Moreover, I am concerned that the bulk of this administration's high-speed rail plans will only be viable as a result of this administration's energy and environmental policies that are continuing to drive up energy costs to the American public.

Thank you again. I will be brief, and I look forward to your testimony. And I yield back.

Mr. MICA. I think we have now heard from all Members who seek recognition. I appreciate the Secretary, again, being with us and also having an opportunity to hear from some of the members of our committee.

And we will now yield to our distinguished Transportation Secretary, Mr. LaHood. Welcome.

TESTIMONY OF THE HON. RAY LAHOOD, SECRETARY OF TRANSPORTATION, UNITED STATES DEPARTMENT OF TRANSPORTATION

Secretary LAHOOD. Thank you, Mr. Chairman. I am delighted to be back on a committee that I served on for 6 years. And also, to the Ranking Member, Mr. Rahall, to both of you, thank you for your leadership on transportation. Over the last 3 years I think we have worked well together, and I look forward to continuing to do that.

The reason I am here is simple. I asked to be here. High-speed rail is a signature initiative for President Obama and this administration. But most of all, it is an important initiative to the American people, whose representatives have submitted more than 500 applications requesting $75 billion to build high-speed rail projects. And all that since 2009.

In fact, when Florida's Governor decided to send back his State's $2 billion of high-speed rail money, 24 States and the District of Columbia and Amtrak submitted requests for $10 billion. Another powerful testament to America's enthusiasm for high-speed rail.

So, I am looking forward to our conversation about President Obama's vision, President Obama's plan, and 3 years of successes achieved and progress to build on.

The fact is, high-speed rail has been a priority for decades at the local, State, and Federal levels. And among members of both parties. Let me read you something that I just came across. And I quote: "It is the policy of the United States to promote the construction and commercialization of a high-speed rail transportation system." That is a quote from the 1991 transportation bill signed into law by President Herbert Walker Bush.

Just 1 year later, one of my outstanding predecessors, a Republican, former Transportation Secretary Andy Card, designated the first five high-speed rail corridors during a recession. And if you think this was an historic anomaly, I remind you that the Republican House and Republican Senate passed another transportation bill reiterating America's commitment to high-speed rail in 1998. I remember, because I was one of 337 Members of this body who voted for it.

So, what has changed today is that we have a President and a Vice President who are putting their money where their mouth is. We are not just asking—we are not just writing reports and filing them away. We are hiring workers, laying track, and building stations.

High-speed rail is coming to America. It is here. Three years ago, President Obama started with a vision. He envisioned an American in which 80 percent of the people can have access to high-speed rail. And we know that as this system emerges, jobs, economic development, and economic competitiveness will follow.

In the short term, we are creating manufacturing construction jobs. These are American jobs building the next generation of America's infrastructure. Once track is laid and stations are built, we are spurring economic development, quality jobs, and American-owned small businesses all along the United States rail corridors. What is more, our investment in train tracks, in train sets, don't just give travelers more option, they improve existing rail lines for freight cars.

We have invested in the last 3 years a half-a-billion dollars in our Class I freight rail system in America. Now we have done that selfishly, because that helps us get into high-speed rail. But that is the first time that anybody can remember that kind of investment was ever made in what is the best rail—freight rail—system in the world: ours. A half-a-billion dollars.

President Obama's administration is working every day to eliminate bottlenecks and choke points in America's freight rail. I have been to tower 55 in Texas. I have been to the CREATE program in Chicago. All over America we are making investments in freight rail. One-third of our competitive TIGER grants went to projects that speed delivery of products from factories, farms, and businesses to customers across the United States and around the world. And in the long term, high-speed rail will bolster America's economic competitiveness.

You know we are being out-competed right now, today, all over the world, but in particular in Asia, on countries that are building roads, building airports, building bridges, and building high-speed rail. We used to be the leader. If we don't catch up here pretty quick, we are going to be in second place.

We know our Nation will be home to 100 million additional people by the year 2050. That is the equivalent of another California, Texas, New York, and Florida, combined. Our highways and airports simply can't handle the growth. We need to do something, or we will be crushed under the weight of our own expansion.

So, how are we bringing President Obama's vision to life? What is the plan? Well, we have designated an integrated network with trains moving at different high-end speeds, based on the needs of the market, just like in rail systems overseas. Not all the trains overseas go the same speed. Where it makes sense, we are building state-of-the-art high-speed lines on a par with anything in Europe or Asia.

Feeding into this true high-speed core will be regional service. We know that everybody is not going to drive a car to a train station. There will be regional service. There already is, faster than most trains we have today.

Finally, we are building out our energy corridors. This is happening already. These are local lines along which entrepreneurs are opening shops. These rail lines will become economic corridors for jobs, just like the interstate highway was. This integrated approach is exactly what rail operators have done in countries around the globe. Some trains are fast, other trains are faster.

So, how far have we come during these last 3 years? We have put American workers on rail job sites in 32 States and the District of Columbia. Projects in Illinois, Maine, Minnesota, North Carolina, Oregon, Vermont are coming in ahead of schedule and under budget. The same time, we are supporting jobs at manufacturing plants in industrial States like Indiana, and at suppliers in States like Arizona and Arkansas. And everything from tracks to ties to train sets to construction material for new stations is being built by American workers, American workers building America's infrastructure.

From here, the future is bright. During the next 6 months, more than $1.1 billion of new job-creating construction projects will commence. We have invested in increasing the Acela speed from 130 miles per hour to 186 miles per hour. We have invested in bringing 110-mile-per-hour service to the Midwest. We will soon break ground on a new line between Portland and Seattle. We continue planning for a southwest network from—that connects Dallas to Houston and Oklahoma City. And we are committed to helping the people of California achieve their vision for high-speed rail.

This is not Ray LaHood's vision; this is California's vision. This is the people's vision, people that have worked on high-speed rail in California for 15 years. It is not a cheap project, but it is an essential one. Its costs are in line with those of similar projects that have been successful around the world. And we are in it for the long haul. We will not be dissuaded by the naysayers, by the critics, some of whom you are going to hear from later on today. We are not.

High-speed rail is in America, coming to America, and expanding in America. There is no going back. The dollars to support all of this were included and paid for in every budget that President Obama has submitted to Congress. All of this was included in the President's outline for a long-term transportation bill which charted a course in proposed funding for the next 6 years. All of this was included in our push for high-speed rail projects as a part of the American Jobs Act. And all of this is anchored in our shared history.

We have always met tough challenges by doing big things. We have always done big things.

And transportation has always been bipartisan, always. When I was here, sitting where you are sitting, I was voting for two transportation bills. Both of those bills passed with over 400 votes in the House. There are no Republican or Democratic bridges. There are no Republican or Democratic railroads. We have had a rich history in this country of bipartisanship when it comes to transportation, because transportation puts people to work. It puts friends and neighbors to work. That is why it has been bipartisan.

Our blueprint for building high-speed rail is the same as America's blue print for building the interstate system. We are right at the point where America was at when we started the interstate system. We didn't know where all the lines were at. Do you think they knew where all the lines were at when President Eisenhower signed the interstate bill? Of course not. Do you think they knew where all the money was coming from? Of course not. Fifty years later, we have the best interstate system in the world because people had a vision.

When the United States first started going from planning to paving, we didn't know where all the routes were going to be. We didn't know where every penny was coming from. But President Eisenhower set a goal. He had a vision. Through 10 administrations and 28 sessions of Congress—that is when I say, "High-speed rail is coming to America," because through 10 administrations, 10 Presidents, and 28 sessions of Congress, we got it done. That is what America has always been about.

We didn't invest when times were good. We have a proud history investing when times were tough, because transportation puts people to work. Through boom years and bust years, through eight recessions, we built the best roadway system in the world. And we should do no less for high-speed rail.

Members of this committee, our parents and grandparents dreamed big, planned big, built big so we might have the chance to lead. What the previous generation did for us is left us an interstate system. State of the art. We should do no less for the next generation. I am not going to benefit from high-speed rail, but I have four grown children and nine grandchildren. They will. We should do what generations did for us. Think big, build big, and leave the next generation of transportation high-speed rail.

I am happy to answer your questions, Mr. Chairman.

Mr. MICA. Well, thank you, Mr. Secretary. And again, we appreciate your commitment to transportation, and particularly to a successful high-speed rail program.

I outlined some of the problems that we have had, and hopefully—the title of this hearing, again, is lessons learned from some of the mistakes that we have made. And one of the things that you just cited is that—in fact, we built the interstate back in the 1950s, with President Eisenhower. On Tuesday, we heard the President say, "We've lost our ambition, our imagination, and our willingness to do the things that built the Golden Gate Bridge and Hoover Dam and unleashed all the potential in this country."

I went back to look and see how long it took in the planning process and approval process and then the construction process. And then I look at the Northeast Corridor.

For example, it has taken 3 years to get out an RFP on an environmental study, and that hasn't yet been awarded. Can you tell us the status of the award of doing the environmental study for the Northeast Corridor, which is essential to move that——

Secretary LAHOOD. What I will tell you, Mr. Chairman, is we have taken our cues from what you have told us. We are investing in the Northeast Corridor.

Mr. MICA. Yes, and you——

Secretary LAHOOD. We just announced an investment of almost $1 billion. I will get you the specific date when I believe the environmental will be done.

Mr. MICA. Again, if you can't give it to me now——

Secretary LAHOOD. I will give it to you.

Mr. MICA [continuing]. Been helpful. After many, many years we finally got, in March of 2010, the designation of the Northeast Corridor, and I thank you. But we cannot move forward until that is awarded. And I guess back in August, the proposals had come in. We just need an award. So I think that is very important to moving forward.

And then, wisely spending the money. I supported the money for the Northeast Corridor. We heard Mr. Sires, who was here, talk about additional funds and others—Mr. Capuano wants some for Boston. But what we don't want to do is spend that money in a half-baked process without a good plan to build the whole corridor. And I don't think $117 billion over 30 years is the way to go, and in dribbles and drabbles.

Mr. Boardman testified, sat in the same chair and said he believed that we also had to attract private capital into that process. But the whole process is contingent on going forward with just a regular order of environmental study, and that is delayed.

You said not all trains in Europe are high-speed. But every high-speed rail train goes between 110 and 150 miles an hour, on average. We don't have a single proposal to reach that speed with any project that is under consideration. And we have had a setback now in California.

Do you see any way to achieve high-speed rail in an expedited——

Secretary LAHOOD. The line between Chicago and St. Louis will go 110 miles an hour, Mr. Chairman. When——

Mr. MICA. That is the high speed.

Secretary LAHOOD. Let me just finish. In California it will be high speed—it will go 200 miles an hour when that project is finished.

We are also—the investments we are making in the Northeast Corridor will get to higher speeds, which is what I said in my testimony.

So the investments we are making—the figures that you used are the current figures. With our investments, trains will go higher speeds. Are they all going to go the same speed? No. California, 200 miles an hour. Illinois, 110 miles an hour. The Northeast Corridor, higher than they are doing now. That is why we are making the investment.

Mr. MICA. Again, the speeds that I have, average speed, Chicago/St. Louis, 71 miles an hour, on average——

Secretary LAHOOD. That is the current speed, Mr. Chairman.

Mr. MICA. Chicago to Detroit——

Secretary LAHOOD. Before we made the investment.

Mr. MICA [continuing]. Sixty-four miles an hour. Now, these are——

Secretary LAHOOD. Before the investments.

Mr. MICA. Yes. Again, I am just telling you what we are told, that after they make the investments these will be the average speeds. And this is information provided by your department on the project——

Secretary LAHOOD. Mr. Chairman.

Mr. MICA. Yes?

Secretary LAHOOD. After the investments, Illinois, 110 miles an hour. After—when California is complete, 200 miles an hour. On the Northeast Corridor, higher speeds than now once we invest the $1 billion that we just announced.

Mr. MICA. There is a public article about some of the stress and problems by Mr. Phillips and appeared recently in Trains magazine. It talks about the turmoil at Amtrak. One of my concerns is I recently learned that Al Engle, who was the vice president for the high-speed rail under Amtrak was either fired or dismissed, we are not sure. I believe he has been replaced. But the reports are that there is turmoil right now in Amtrak, not only on high-speed rail, but overall.

Secretary LAHOOD. I don't run high speed—I don't run Amtrak, Mr. Chairman. I have plenty of things on my agenda. I am not in charge of Amtrak. Mr. Boardman is. I can't answer for him. I don't have any idea who you are even talking about there.

Mr. MICA. Well, again, we just gave $900 million to Amtrak, and I think that we should conduct some oversight. I mean that is—I can account for about $1 billion going into Amtrak. And when we have reports of the person in charge either being fired or dismissed on that project, it does raise concerns.

Finally, I invite you to again look at some successful models. I would like to see Amtrak more successful. You did help Ms. Brown and I on an Auto Train facility in Florida. We finally made the connection at Lorton. Years ago they put a facility in. People deserve more than a tented, hot—a facility that was a replacement for a storm—we appreciate that. But my concern is that we have a great project like Auto Train, but we don't have people that can manage and expand that service. We should be running a larger number there, and also in the Northeast Corridor of passenger service in other quarters.

Mr. Shuster and I put a provision in the PRIIA law that allowed for the private sector to pick up some of these routes and show what they can do on money-losing routes or successful routes, and make them more successful and less costly to the taxpayers. That process has been slow during the past 3 years. Not much has been done. And I understand a rule is about to be issued.

Is that forthcoming? Can you tell the committee the status?

Secretary LAHOOD. It is about—we are getting close.

Mr. MICA. OK. And if you could give us a—maybe in writing to the committee, the—some specifics on when you plan to make that decision, we would be grateful.

Secretary LAHOOD. Absolutely.

Mr. MICA. All right. With that, I will yield to Mr. Rahall.

Mr. RAHALL. Thank you, Mr. Chairman. Mr. Secretary, I certainly commend you for your testimony today and your—the fact that you asked to be before us.

You are right in your nonpartisan remarks. There are no American bridges, American railroads, or—I mean no Democratic railroads or bridges or Republican bridges or railroads, they are all American bridges. And we all want to be nonpartisan when it comes to transportation. But I still think you are the best Republican in this administration.

Let me——

Secretary LAHOOD. I think I am the only one.

[Laughter.]

Secretary LAHOOD. The bar isn't very high.

Mr. RAHALL. You know, I understand a lot of my colleagues wanting to put everything in the Northeast Corridor. You know, that is not the only part of this country that is experiencing growth. I think we have to look at rural America, we have to look at the West and Midwest. The passenger rail system in this country should truly be a national program. You have compared it to our interstate program, and how it took 60-some years to get our interstate systems to where they are today. And that could be very much the case with passenger rail service, as well.

But there is growth in other parts of our country. There are people aching to be relieved of congestion that exists in rural America. Congestion is just not a big city problem any more. And passenger rail service is a way to alleviate that, along with improved infrastructure. So, I commend you for that national vision that you have, and the vigor with which you have expressed it here this morning.

And, I know your application process, the DOT application process, has come under some severe criticism. But I commend you for that, too. I think you have been very transparent in that process, as confirmed by a GAO report released in May of this year that called the accusations against that program into question, and said—and I quote—that "the FRA selection process was an example of good grantmaking." So, I commend you for that. You have involved all the stakeholders. It has been a transparent process. And bravo to you.

Let me ask you a question about the Buy American provisions. You touched upon that in your testimony, as well, and a lot of us on my side of the aisle have introduced a stronger Buy American bill in the last week or two.

There are loopholes—gaping loopholes, I would call—in the current Buy American provisions that allow companies to subdivide, et cetera, and escape Buy American provisions of current law. Do you think they need to be strengthened? Can we close those loopholes, legislatively?

Yet, at the same time, as my legislation does, it allows you the waiver authority if there is a national interest issue involved. If we are incapable of making the product up to sufficient standards in this country, or we would drive up the cost above a 25-percent increase, it would grant you that waiver authority.

Secretary LAHOOD. Well, Mr. Rahall, I would say this. I think we have a very, very strong commitment at DOT to Buy American. And we have been complimented numerously for the idea that Buy American is very important. We want to make sure that every one of these dollars goes to American companies and American workers. That is our number one goal. And if you want to strengthen that, go for it. We will take any encouragement we can. We are committed to Buy American, more than anything else. These are American tax dollars, and they should go to American workers and American companies. And that is why we have just been very disciplined about making sure that these dollars do go to American companies and American workers.

Anything you can do to help us on that we will appreciate.

Mr. RIBBLE. [presiding.] Thank you. And the chair recognizes the gentleman from Pennsylvania, Mr. Shuster.

Mr. SHUSTER. Thank you very much. Again, Mr. Secretary, it is great to have you here today. And I would point out to the committee there is another Republican in the administration who came from the Armed Services Committee, Mr. McHugh, who is Secretary of the Army. So it is fitting that the Secretary of Transportation is a Republican and former members of two committees that have been bipartisan. And we hope to continue to be bipartisan.

Part of the problem, though, with bipartisanship these days is that we don't have the money. We just don't have the money. And that is when I come back to—as I said, with this—with the way some of this money has been spent on stimulus, you put it out on projects, some of them may get speeds up to 110, others they are not going to get up there. And again, as we pointed out, Wisconsin and Ohio rejecting them because it is just—it is a tremendous drain on their treasury.

So I come back to you talking about the vision. There was a vision Abraham Lincoln had for connecting this country with railroads, an important vision to the entire Nation. And Eisenhower with the highway system, something we had to do to connect this vast, vast country together. Aviation, vast spaces we have to travel. And when you come to passenger rail today the need is not the same as it was in the past. But it is present in some of these corridors, and that is what I come back to: Focus on these corridors.

To send out the money in dribs and drabs as we have I don't think is going to accomplish the President's vision, which I believe is wrong, to think we are going to have high-speed rail available to 80 percent of the country.

So, I get now to my question of the Northeast Corridor. You know, why isn't there a focus? I mean what are you—why are you opposed to saying with all this money—taking the money from maybe even California and focusing it on the Northeast Corridor, when we own the tracks, when the numbers, the number of people who live in the Northeast Corridor, 18, 19 percent of our population on 2 or 3 percent of our landmass, it is absolutely ripe for high-speed rail. So why wouldn't we focus on that like a laser to get it done there, a place that I believe will be highly successful and we can learn tremendous lessons to take it to these other emerging corridors, especially in these times of very, very short, very small budgets that we have to work with?

Secretary LAHOOD. Well, we do believe in the Northeast Corridor. But we also believe in America. We believe there are people in other places in America that would like to have a train to ride. We have just invested $1 billion in the Northeast Corridor. We just had the Northeast Corridor designated for rail. We are paying attention to it.

Look it. When we started this 3 years ago, there were different Governors in different States. I don't have to tell all of you that. You know that. There is a new Governor in New York. He wants high-speed rail. That didn't exist when we started 3 years ago. There is a new Governor in Connecticut. And I have met with these Governors. These Governors are our partners. We need partners.

Amtrak has been a good partner. For all the criticism and how people love to decry Amtrak, Amtrak is making money, ridership is up. I was on a train to New York City this weekend, from Washington to New York, completely full. From New York to Washington on Sunday, completely full. Ridership is up on Amtrak. We are making investments in Amtrak. They are as good a partner as any State that has stepped up and wants to get into the passenger rail business.

We are not going to just invest every dollar in one part of the country. That is not fair. It is not fair to people who get elected to this House who have people in their States that want to get into the passenger rail business. That is simply not fair.

Mr. SHUSTER. You make my case for me. You were on a train from Washington to New York. It was full. Absolutely. That is why we need to focus there.

Secretary LAHOOD. And it was on time. And they made money.

Mr. SHUSTER. The train that exists in California between San Francisco and Los Angeles isn't full. I don't believe there is enough money in California to ever complete that project. You have got a State that is as close——

Secretary LAHOOD. Well, I——

Mr. SHUSTER [continuing]. Close to being bankrupt as you can, and so why don't we—look. I am for passenger rail in this country. I am just not for spending this money on high-speed rail lines that aren't going to be built, that the American people aren't clamoring for.

My good friend from West Virginia said there are people in this country that are aching for relief. You know where they are aching for relief to have passenger rail, where we should be spending some of this money? Los Angeles to San Diego. For half of what we are investing in the central corridor they could have significant improvements to move people around.

And anybody—Mr. Secretary, I know you have been to southern California. All you have to do is walk out the front door of your hotel and you see massive congestion. So, why aren't we really focusing on these places that really have tremendous needs? As far as I can tell from San Francisco to Los Angeles, the roads are not backed up. They are not sitting in tremendous traffic jams. That is occurring in southern California and northern California.

So, I encourage you—again, I am in favor of high-speed rail where it makes sense. I am in favor of improving passenger rail systems. As I say, I use it all the time as an example. I hope you do. I know Mr. Szabo and I have spoken about it. The Keystone Corridor. That is an example of passenger rail, it is not high-speed rail, and people are getting on it.

I am the poster child for railroad passenger rail service. Twenty years ago, as you know, my father sat on this committee and I told him, "I will never get out of my car and ride in a train, because I want the freedom, as most Americans do." But today, if I am going to Philadelphia from Washington or from my district, I go to Harrisburg and get on the train, because I don't want to deal with the traffic.

And I think American people—when you have frequency and reliability you don't have to go 150 miles, 180 miles an hour. And it is a lot less expensive to upgrade those, as we are seeing in some of these corridors in the Midwest. I think that is really where our focus should be.

And I see my time has expired. One other thing I just want to bring up, not to get a response from you, but there is a procurement issue that is coming up. Mr. Szabo and I have talked about it. This is not the right venue, but I hope to stay engaged with you on a procurement issue—Mr. Szabo is shaking his head back there—that is important to the United States when it comes to purchasing locomotives for some of these different routes around the country.

So, again, thank you for being here, and I would urge you to go back and reevaluate the Northeast Corridor and some of these other corridors that have a desperate need today, and we can be successful. And with that I yield back.

Mr. MICA. Thank the gentleman. Yield to the subcommittee Ranking Member, Ms. Brown.

Secretary LAHOOD. Mr. Chairman, if you wouldn't mind, he just——

Mr. MICA. Did you want to respond? I saw you——

Secretary LAHOOD. I do.

Mr. MICA [continuing]. Nod your head affirmatively, and Mr. Szabo——

Secretary LAHOOD. I was not agreeing with him.

Mr. MICA. Oh, OK.

[Laughter.]

Mr. MICA. Oh, I am sorry.

Secretary LAHOOD. Which I will——

Mr. MICA. I apologize. Mr. LaHood——

Secretary LAHOOD. Which I will be very clear about.

Mr. MICA [continuing]. I apologize, go right ahead.

Mr. SHUSTER. I am glad you cleared that up, Mr. Secretary.

Secretary LAHOOD. Mr. Shuster, we don't make this stuff up. The ideas for this map that was included in my testimony today, these corridors, Ray LaHood didn't make this up. These corridors came from people who live in these States who want passenger rail.

So, if you don't like the idea where a rail line is going in California, then you need to talk to the people in California who have been working on high-speed rail for 15 years, including some Members of Congress who have personally come to me and told me where they think there would be a good investment of money, just like the people in the northwest, just like the people in the Northeast Corridor, just like the people in the Midwest, and all—this is a reflection of what people in America are asking for. It is not a reflection of President Obama sitting down at a map and drawing a line, or Ray LaHood.

This came from the people, and the people want this, irregardless of whether you think they do or not. The people in California want this, people that have been working on it for 15 years. People in Mr. DeFazio's area in the northwest want this corridor. We didn't make it up. And we are making investments where we think they are good investments where over time, over a period of time—it took 50 years to build the interstate. We are not going to build high-speed rail overnight. It is going to take some time. We are doing what the people want.

Mr. SHUSTER. Well——

Secretary LAHOOD. And also elected representatives of the people, by the way.

Mr. SHUSTER. With all due respect, Mr. Secretary, my daughter wants a brand new Jeep Grand Cherokee luxury SUV. She can't afford it, nor can I afford it.

Secretary LAHOOD. Well——

Mr. SHUSTER. And that is part of the problem in this situation.

Secretary LAHOOD [continuing]. I am glad you didn't think that when you came to me about the Keystone line, because you thought it was a good idea and we thought it was a good idea, and we found the money to make the investments. And that is what we are doing for other representatives in Congress.

Mr. SHUSTER. You are absolutely right. Where it makes sense. I am not coming to you asking you to invest in high-speed rail from Harrisburg to Pittsburgh. That goes right through my district, and I haven't done that. Where it makes sense I support it. Where it doesn't make sense, again, I think we are wasting our money. And we should be focused on areas where we can see tremendous success stories that are out there—that we will be able to see that.

Mr. MICA. I thank the gentleman, I thank the Secretary. And now we will go back to Ms. Brown.

Ms. BROWN. Thank you, thank you, thank you, Mr. Secretary. Thank you so much for being here. You are just such a bright spot. I have to tell you.

In 1980, Senator Graham—then Governor Graham—appointed me to a committee to bring high-speed rail to Florida. In other words, in Florida we have been working on it for over 30 years. It has been on the ballot, the people passed it, the House of Representatives and the Senate and the Governor at the time signed the bill supporting it.

What I want to know is how can we protect the taxpayers, the Federal taxpayers' dollars, when you have the kind of investments that Florida have made over the years? And how can we—and I am looking at it—how can we recoup? We can't have one Governor coming up and saying, "Well, I don't want it," and all of the investment that we made over the years—how can we get the Federal taxpayers' dollars back? Because regardless of what my colleagues who don't understand say—some of them clearly don't understand—we applied for the funds. No one asked us to apply. And it was extensive—we did environmental work, and studies, and partnerships.

I mean someone thanked you a few minutes ago for a project in Florida—by the way, it was stimulus—you know, we hate the word stimulus, but it was stimulus dollars that put people to work. Thank you, thank you. Florida, that was Florida.

So, can you tell us how can we deal with these States that are causing overall problems, as far as taxpayers' dollars are concerned? I want my money back.

[Laughter.]

Secretary LAHOOD. Well, look it. There was only one person in Florida who didn't want high-speed rail, Congresswoman.

Ms. BROWN. I understand that.

Secretary LAHOOD. Thank you for your leadership, thank you to Mr. Mica for his leadership. I am not going to go into political science 101 about how you get your money back. I think you know more about that than probably anybody on the committee here. So, good luck.

Ms. BROWN. Would you like to talk about—you know, there has been a lot of discussion about where these projects should go, and basically that, you know, it should go to the Northeast Corridor. I support that. This area is already developed. And when you go to Europe, I mean, there are different forms of speed, as you mentioned. And then there are some areas in this country that we can develop that will be true high speed.

But how can we educate people who have, clearly, no understanding of the process? They come here, their vision is one route from one area to the other. They don't understand the importance of getting people out of that little car and getting them into other modes of transportation. I mean that is the future of our country. We are the caboose——

Secretary LAHOOD. Well——

Ms. BROWN [continuing]. And we started the train system.

Secretary LAHOOD [continuing]. We have to continue to make progress. As we make progress, we will show success and we will prove that the vision that we all have about passenger rail is a good vision, and it is one that the people want. It will take some time to do that. We will continue to invest in those places in the country that are ready, willing, and able to move ahead with it. And as we have success, I think that will tell the story.

Ms. BROWN. And all the hearings that we have had here, when people come from other countries, they have indicated once you have some success then the other part of the country will demand it.

Some people that live in some areas have not even gone to the outskirts of their town. So, they have no idea of the freedom—for example, being able to get on a train in Orlando and go from Orlando to Tampa, or from Orlando to Miami, 200 miles, 1 hour and 15 minutes.

I mean that is the future of our country. It is going to happen. And it is going to happen for Floridians. One person will not stop us. It is going to happen.

I mean the amount of people that could be working now. I saw a "60 Minutes" piece where a person was unemployed, living homeless, a construction worker. How many jobs would that project have generated in Florida, construction jobs?

Secretary LAHOOD. Thousands of jobs for the people that were going to build the rail lines, thousands of jobs for people that were going to build the cars. And all along the corridor, all of the small businesses that would have benefitted from that, that would have hired people. Thousands and thousands and thousands of jobs.

Ms. BROWN. You know, I have heard people say, "Well, those are temporary jobs." What are they talking about?

Secretary LAHOOD. Every job in America is important. And the idea that people that were going to build the rail line was a temporary job—it was an important job, and it was a job that would have paid a good salary and given people the opportunity to get experience and then—you know what the plan was. Once the Orlando to Tampa, then Orlando to Miami. That would have been the next leg, and would have provided more jobs, with experienced workers who built the Orlando to Tampa.

Ms. BROWN. Well, tell me about the study that was done that we paid for, the Federal Government paid for. Can you just briefly—we had it up on the——

Secretary LAHOOD. The ridership study?

Ms. BROWN. Yes, sir. Yes, sir.

Secretary LAHOOD. Yes, the ridership study showed that the ridership would be there for the rail plan from Orlando to Tampa. And everybody, including the newly elected Governor, knew that. He knew the ridership would be there. On the day that the Governor made the announcement in Florida there were nine companies——

Ms. BROWN. Yes.

Secretary LAHOOD [continuing]. From foreign countries who were ready to invest in Florida high-speed rail. As soon as the agreement was signed they were ready to invest in American jobs, and Built-in-America in Florida. And that all went away.

Ms. BROWN. Yes, sir. In closing, I understand the day that he made the announcement members of the Chinese Government were in Tampa with CSX, and they wanted to know what was the problem, when money was not the issue. If money is not the issue, what is the problem? Why it is that we turned back $2.4 billion? It is a disservice to this country.

I yield back the balance of my time.

Mr. MICA. I thank the gentlelady. Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman. Happy birthday, Mr. Secretary.

Secretary LAHOOD. Thank you, thank you.

Mr. DENHAM. I don't think anybody has said that to you yet today. Thank you for sharing your birthday with us today.

Secretary LAHOOD. Thank you. My birthday present will be when I win you over, Mr. Denham.

[Laughter.]

Mr. DENHAM. I hope the facts can win me over. That is my biggest concern right now.

And, you know, I agree with you, that you know, these projects, these roads, these high-speed rail, they are not Republican or Democrat. But the question is, are they good investment or bad investment? And that is where I have been trying to get the proof on.

California, you know, you continue to talk about that being a good investment, although the numbers have ballooned to $98.5 billion. So my question to you is, sir, where does that money come from?

Secretary LAHOOD. There is not enough money here in Washington to do what the people in California want to do. And so we have encouraged companies that were going to invest in Florida and other places to go to California. I have had a couple of meetings with Governor Brown about this. I have arranged meetings with Governor Brown and investors from China and Japan that could possibly—discussions are still going on—come to California, establish opportunities for jobs to build the infrastructure, to build the train sets so that these Californians can go to work. They are doing them.

It is going to take private investment, there is no question about it. And there are companies that are in discussions with California officials to make investments.

Mr. DENHAM. But you do agree with the $98.5 billion number, that at least that—we are dealing—we are starting with a factual baseline of that was going to be the true cost.

Secretary LAHOOD. It is going to be expensive to build the high-speed rail. If that is the figure today, that is the figure today. It will be different tomorrow. Look it. The longer——

Mr. DENHAM. Well——

Secretary LAHOOD. These—there is an inflation factor here. When this project started it wasn't $95 billion, it was less than that.

Mr. DENHAM. No, it was $33 billion.

Secretary LAHOOD. And when——

Mr. DENHAM. Now it has over tripled.

Secretary LAHOOD. When we are here 3 years from now, it is going to be higher than that. So the answer is you got the right figure today.

This is an expensive project. But all of the money is going to American workers to build American infrastructure. It is not as if the money—it is going to our people. It is going to your friends and neighbors. It is going to your constituents to pay their salaries, to build the train sets, to build the infrastructure. That is where the money is going to.

Mr. DENHAM. At what——

Secretary LAHOOD. And if we can get private investors—pardon me?

Mr. DENHAM. At what cost? So I am with you. I want to create American jobs, too. The shovel-ready projects that we talk about, I would love for the shovel to actually be in the ground creating these jobs. But at what cost?

I mean if it is a $98.5 billion project, are we saying $1 million a job is a good job, $2 million a job is a good job? At what price do we throw money at a project that you can't define numbers on?

Secretary LAHOOD. This money is going to small businesses, going to big businesses, going to contractors, and going to American workers.

Mr. DENHAM. Yes, sir.

Secretary LAHOOD. That is where the money is going.

Mr. DENHAM. I understand that. And my time is limited. My question is the American public wants to know at what cost. Is it $98.5 billion? And if that is really the cost, where does that money come from? Because right now, California voters that approved a $9.95 billion bond, 10 percent of the overall cost, they want their money back. Today's Sacramento Bee shows that 64 percent of the people are now opposed to it. People that went to the ballot box and voted for the $9.95 billion bond are now opposed to it, and want that pulled back.

So, if the Federal Government's commitment is $3.6 billion, which they have already allocated as stimulus dollars that haven't put a shovel into the ground, where does the other $95 billion come from? If there is a private investor out there that wants to spend $95 billion, bring them on. Give me their names, I would love to see the plan that they have. I would love to see them not only invest, but I would like to see them get a return on their investment. But we continue to talk about investing with no plan on what the return to the taxpayer is.

So, you know, every transportation project we look at, we have a plan. We know what it is going to cost in the environmental phase, the planning phase, construction phase. We know how many jobs we are going to create. But yet, this big picture of high-speed rail, which sounds warm and fuzzy, isn't sounding warm and fuzzy any more, because we don't have any concrete numbers.

So I would assume that, if you are going to throw more stimulus dollars, if you are going to throw more of the taxpayers' dollars at this project, that you have to have some kind of plan, other than maybe there is a private investor out there that might want to put some money into this.

Secretary LAHOOD. California has a plan. I will be happy to share it with you. I would suggest you talk to Jim Costa about it. He has worked on it when he was a State assembly person, he has worked on it since he has been a congressman. Governor Brown has a new team of people in place. California has a plan. That is why we are funding it.

Mr. DENHAM. Mr. Secretary, do you have a plan?

Secretary LAHOOD. Absolutely. Here it is in pictures. And I can give it to you in writing, too, if you like.

Mr. DENHAM. I would—I am here to not debate you, but to understand what the Federal Government's obligation is. Right now you have obligated $3.6 billion of stimulus dollars to a project that is not shovel-ready. If California has a plan, they must be relying on the Federal Government somewhat for an additional lump sum of money above the $3.6 billion. What is that number?

I think not only as a member of this committee I should have that number, but my taxpayers in the district that have committed $9.95 billion should understand what that number is.

Secretary LAHOOD. We will share it with you.

Mr. DENHAM. I look forward to seeing it.

Mr. SHUSTER. [presiding.] The gentleman's time has expired.

Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. First, Mr. Secretary, I would like to congratulate you. You mentioned Buy American. But I would point out that the Federal Transit Administration, under the leadership of the former Secretary and President Bush, was actually using Federal taxpayer dollars with routine waivers to build prototype transit vehicles overseas. That came to an end with this administration. We are not funding research and development for manufacturers in other countries. That was crazy.

I appreciate the tightening up the Buy American, and we have some of the tightest rules here in rail, and we need to tighten up elsewhere. Like what happened in California, I hope the gentleman shares the same sense of outrage about the so-called segmentation of the Oakland Bay Bridge and the Chinese getting a new factory paid for by U.S. taxpayers. And we will offer him an opportunity to cosponsor a bill that will fix that loophole in the future.

I just want to talk, and I don't have many questions. I have been quiet, which is unusual for me. But, look, these things take a long time. I remember talking to former Senator Hatfield, a good friend, about him riding an electric train in Oregon over to the main electric line and being able to go to Portland or down to Eugene when he was a kid in times that rivaled today's interstate highway, without an accident or an interruption.

We lost that. We are trying to get it back. We have been a little slow coming up with the funding in Oregon, but we have now bought two Talgo train sets with help from the Federal Government. Washington State has two. We have a plan partnering with Washington State—and we have been working in partnership with the mainline rail roads to build sidings and things so we can move our trains more quickly. And the biggest problem is at-grade crossings, and it takes a long time and a lot of money to deal with at-grade crossings. But we have a plan that is feasible, with a little Federal help, to get to 79 miles an hour going to Portland.

Now, that doesn't sound like any big deal, but guess what? If we can do that, I won't be driving my car to Portland any more because about every other time now there is an accident, there is a delay, it is so congested. That will be faster than I could make it on an optimal day. That is a viable plan. But it is going to take continued partnership with the Federal Government, and more planning.

This is where we are looking for some Federal help. We are looking at using that old electric rail line, our heritage, which is now a Class II railroad and not very frequently used, and upgrading that to have true high-speed rail. So we have a short-term plan with the power, with the plan to do the at-grade crossings, with the plan to partner with the main line to improve the speeds.

And we have had growing ridership, despite the pathetic speeds we get now. I rode the train up to Portland last year. It took 2½ hours. If we get to 79 miles per hour, we are going to do it in an hour and 30 minutes or less. So, you know, we cannot break faith.

I got this corridor designation working with a guy named Al Swift who used to be in Congress. We were one of the first of five high-speed rail corridors proposed in the country, back when nobody wanted one. Well, guess what? Everybody wants one now. It is kind of funny that this is such a bad idea, yet everybody in America wants one of these things. My State has finally gotten on board with some investment, in partnership with the Federal Government. Washington State has done a much better job. And it isn't just the Portland to Vancouver, to correct one thing; it is the Eugene to Vancouver, B.C., vision that we put in place back then.

But it is going to take a little patience, and a little more time. We spent 70 years ignoring and destroying the rail system in this country. And we are only in the second year of trying to rebuild it. Now, I don't want to just throw money willy nilly, but for people who have good plans in a region that isn't only the Northeast United States—which, by the way, last time I checked has relatively declining population compared to States in the West; I think they are losing representatives all through that region, so I think that means we are growing faster.

Yes, it is congested, and yes, I want to help them. But we got to help the rest of the country, too, especially the parts that are growing faster, where the problems aren't as expensive to deal with before we become that congested.

So, Mr. Secretary, if you have any response to any of that, I would be happy to hear it.

Secretary LAHOOD. Well, Mr. DeFazio, on the Buy American, we certainly thank you for your support and your leadership on high-speed rail. On a number of other transportation issues you have been an outstanding leader, and we appreciate your support.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Mr. SHUSTER. Thank you, Mr. DeFazio. And again, the gentleman from New Jersey piped up down there and said, "Congestion, density, population density, that is where high-speed rail needs to focus on." And I have no—if you have a good plan, as I said to the Secretary, and as the Secretary pointed out, the Keystone Corridor makes sense. I went to the Secretary because I support that and said, "Let's spend money where it makes sense." So it is about where—making sense. And I don't hear people all over the country clamoring for high-speed rail. In some parts they do, but it is not something that is a phenomenon happening all around the country.

And with that, who is next in the lineup? The gentleman from Minnesota.

Mr. CRAVAACK. Thank you, Mr. Chair. Thank you, Mr. LaHood. I appreciate your passion today.

A big thing I have got a question on. I agree with you 100 percent. This is not a Republican issue, it is not a Democrat issue, it is an American issue. Because it is the American taxpayer that has to foot the bill, and that is one of the big things. To pay for these jobs and projects, to pay for these, the money has got to either be taxed, or it has got to be borrowed to pay for these projects.

The high-speed rail makes sense where it is, you know, high-density areas. It doesn't make sense in other areas. The high-speed rail is what the people want. I have heard you say this again. But we have to discern wants versus needs. It is imperative that we do that.

How do you set your priorities? Especially when we have decaying roads, we have decaying bridges—in Minnesota we are a little sensitive to that—and we are trying to get NextGen off the ground, as well. How do you set your priorities of where we are going to spend the precious taxpayers' dollar, and to which project?

Secretary LAHOOD. Well, we set our priorities with our partners, and that includes the Congress, people that sit on this committee, people that sit on committees in the Senate, and our partners in the States, Governors and transportation officials. That is how we set our priorities.

And, look it, we know there is not an unlimited amount of money. But in a country where you have a $3 trillion budget, over $3 trillion, you have to have priorities. And the purpose of the Transportation Committee is to set those. And we follow the guidance of Congress in—when you write a transportation bill, when you hopefully some day pass an FAA bill we can get to NextGen, which is a priority for us. That is our number one priority, when it comes to the FAA. We need a bill.

So, I would encourage all of you, before the next deadline, pass a 5-year bill. We haven't had a long-term plan for 5½ years. We set our priorities with you. That is where we get our priorities.

Mr. CRAVAACK. You said a $3.5 trillion budget; $1.6 trillion of that money is borrowed. Forty-seven percent of our debt is foreign-owned. Thirty percent of it just ticked up recently to the Chinese. You say you are concerned about the next generation, but you seem to have no problem about putting the burden of the expense of these projects on the back of the next generation. That is what I am very concerned—that is why I came to Congress. I am concerned about how much money that we are placing on the next generation.

In 2025 Medicare, Medicaid, Social Security, and the interest that we pay on the debt is going to take 100 percent of the revenue incurred by the United States. So my question is, do we want to increase—are you saying to pay for these projects we should increase taxes to pay for it? Should we borrow more from foreign entities that really don't like us that much? Or should we be able to analyze what is a need and what is a want in this great United States, and make sure we take care of our roads, make sure we take care of our bridges, and make sure that we don't have airplanes flying into one another and congested airports.

Now, I understand the difference between a want and a need. And right now, what I don't see is a dramatic need to create a high-speed rail system throughout the United States at this point in time in some rural areas, where they just don't need it.

For example, in between Duluth and Minnesota, if you want to—Minneapolis. If you want to put a high-speed rail that goes in between there, you better leave another car for a boat, because every third car that is on that 35 Highway that is going up and down between Duluth and Minnesota has a boat behind it, because people go up there for tourism. They are not going to take the train between Minneapolis and Duluth for that.

Now, I understand it is a sensitive issue. My—again, sir, as a leader, as the Secretary of Transportation of this great country of ours, I ask you to put that in part of your purview in making a package of what we, as the American people, need to spend our money on, and what we are willing to "indebt" future generations of this great country to pay for, because that is exactly what we are doing. A newborn baby born today this very second, their part of the bill is 50 grand. Since I started campaigning about 2½ years ago, that has gone up $5,000.

So, that is just my message to you, sir. I look forward to any response you may have.

Secretary LAHOOD. You have—you all decide what the priorities are, pass the transportation bill, figure out where the money is coming from, and we will follow your guidance on this.

Mr. CRAVAACK. Thank you very much, sir. And I will yield back.

Mr. SHUSTER. Thank the gentleman. And Ms. Johnson from Texas.

Ms. JOHNSON OF TEXAS. Thank you very much, Mr. Chairman, and thank you, Mr. Secretary, for being here.

I have listened with interest and understand full well these are very, very austere times. But I am also trying to find a project that yields response before investment. In my judgment, you have to make the investments first, but there has to be some project that this—especially the Republicans—think we can do without revenue first.

Can you give me an example of how we can enhance revenue and create jobs without first making an investment?

Secretary LAHOOD. Well, if we continue to make investments with transportation dollars, we know that that creates jobs. It doesn't just create projects, and it doesn't just solve transportation. It does create jobs. The one thing we know creates jobs would be a transportation bill, an FAA bill, either one of those. And we hope you all will pass both of those, soon, so we can get America back to work. We know what we do puts America to work.

Ms. JOHNSON OF TEXAS. Thank you. I believe that very sincerely. But it appears to me that many of the people on this committee think that we can get all that done without first making an investment.

Secretary LAHOOD. You have to make the investment.

Ms. JOHNSON OF TEXAS. Thank you very much. Thank you, Mr. Chairman.

Mr. SHUSTER. Mr.—oh, excuse me.

Ms. BROWN. Do you yield the rest of your time?

Ms. JOHNSON OF TEXAS. I would like to yield the remainder of my time to Congresswoman Brown.

Ms. BROWN. Thank you. Mr. Secretary, yesterday I mentioned in my presentation that Talgo announced that they were closing down the Wisconsin manufacturing plant because of what has happened in Milwaukee. Is there anything that we can do to encourage them to relocate in areas where we are making some investments?

Secretary LAHOOD. Well, I know there are a lot of Governors that are trying to encourage them to come to their States. So we will see where they end up.

Ms. BROWN. But, do you think at this point they are just going to shut down?

Secretary LAHOOD. I didn't see that news account, Congresswoman, so I don't know much more than what you have just told me. But I know there are Governors that have talked to Talgo about relocating.

Ms. BROWN. Yes. I mean the point is when you have these companies that want to invest, invest in the United States, they want to partner—I mean we talk the talk, but the point is, when we are shutting down and cutting programs, it is just not worth the investment. That is what they are telling me—particularly what has happened in Florida—over and over again, where it costs money to even apply to be partners.

And, you know, it is a long-term investment. And when we cut it off, it is a problem for them. They can't trust the Federal Government as real partners—or necessarily the Federal Government; it is the State, you know——

Secretary LAHOOD. I think that these companies that I have talked to from China or Japan or other places in Europe, they think we are pretty good partners at the Federal level.

Ms. BROWN. Yes, sir.

Secretary LAHOOD. And I think, as these Governors approach them from different States, they will have to make a judgment about whether it is in their best interests to do that.

Ms. BROWN. Thank you. OK, I yield back.

Mr. SHUSTER. The gentleman from New Jersey, Mr. Sires.

Mr. SIRES. Mr. Secretary, first of all, let me just say I never had the pleasure of serving with you here. But now that you are here, and your passion and determination and your commitment to transportation, it is commendable.

Secretary LAHOOD. Thank you.

Mr. SIRES. I wish I had served with you.

Secretary LAHOOD. Thank you.

Mr. SIRES. And I have to say that, as someone who has been a local official and worked on a local issue of transportation, I hope the—this focus on speed rail does not take us away from passenger rail. It seems to be a big focus. Because in my district, passenger rail has been a godsend.

I remember being a local official in what they call the Hudson Bergen Light Rail. And all the comments that were made about where we were going to get this money, how long is it going to be, I have to tell you it has been the best thing that has happened in my district. Because growth along all the stations is immense. Jersey City has just—it is the gold coast. And it is all because the light rail—Hoboken, New Jersey, there was just one part was developed, now the west part of it, because of the light rail, that moves people around and takes you into the city.

I know we had a little incident with the tunnel going into New York recently—I hope you don't hold that against us when we do the next tunnel, because the driving engine in my region is New York City, in terms of creating jobs. People come as far back as Pennsylvania into New York City.

And one of the things—you know, people talk about debt. I have to tell you. I was sick when I first got here, voting on—there was a vote for the war in Iraq, where we were placing $100 billion for 5 years, infrastructure construction in Iraq. And my district, it needs all the infrastructure money it can get. And we are spending $100 billion when they are going to blow it up 3 months later, and not paying for it.

I mean those are the kind of things that just make me sick, you know, when we talk about this debt that we incurred. I just feel that, you know, the creation of jobs, transportation, areas that really need it certainly are a worthwhile investment. And, obviously, what is $50 billion today is going to be 60 tomorrow. But if it creates jobs, it brings business to the area, where the business hire people, I think it is an investment that America cannot miss.

So, I don't really have a question. And I love the fact that we are buying stuff made in America. I think that really tops it off. So let's invest not only in passenger rail, but also freight. You know, the Lincoln Tunnel in New Jersey now is $12 to get through. And they had a big billboard—and I think I told this to the chairlady—just before going into the tunnel, and it had President Lincoln on it. And you know what the billboard said? It said, "President Lincoln. A great President. Lousy tunnel." And now it is $12. So you can imagine how important this was to have light rail, passenger rail bringing people into the city.

So, I commend you for your determination. I commend you for your—you know, I can see why the President picked you. Thank you very much.

Secretary LAHOOD. Look it. New York and New Jersey are the transportation Meccas in terms of airports, in terms of rail, in terms of highways, and also in terms of light rail. We are going to continue to make investments.

One of the things that I told Governor Christie, when he and I finally agreed on how we were going to resolve the ARC project, is—because he said something that—similar to what you just said. We have big transportation needs, what he said, and he said, "I hope you don't—this issue with the ARC and our disagreement doesn't disadvantage us."

And my statement back to him was, "Absolutely not. Where we have Governors and mayors and congressmen and Senators that want to get something done on transportation, we will be a partner." And we are going to continue to be partners in New Jersey, because New York and New Jersey has huge, huge transportation issues. And where we have leadership, like we have now in the New York Governor's office, and in the New York mayor's office, and in offices all over New Jersey, including Members of Congress, and in the Senate and in the House, you will have good partners with us.

Mr. SIRES. Thank you very much.

Mr. SHUSTER. Just—you talk about New Jersey and New York and some of the problems they face there. Seventy percent of the chronically delayed flights come out of that air space across the country. So high-speed rail in the Northeast Corridor, getting some of these flights out of the air from Washington to Boston, Washington to New York, would be a great help to the air space.

Secretary LAHOOD. Mr. Chairman, you just made the case for passing an FAA bill.

[Laughter.]

Secretary LAHOOD. If we want to get to NextGen, we don't need any more extensions.

Mr. SHUSTER. I am all——

Secretary LAHOOD. We have had 22 extensions. We have gone 5½ years beyond the time of the last bill. We need an FAA bill. I hope you will pass it.

Mr. SHUSTER. We did pass it in the House. I think a couple of times we have tried to do that. But we are all committed to passing that, because I agree with you 100 percent.

And with that, I yield to Mr. Denham 5 minutes.

Mr. DENHAM. Thank you, Mr. Chairman. Mr. Secretary, again, thank you. I am looking forward to getting the plan on how this money is going to be invested. I would ask that you submit that to us before next week's hearing, which is specifically on California high-speed rail.

On the overall picture of transportation funding, you had said something I found interesting. I am a freshman here. This is my first year, my first transportation bill. I do believe that Congress should have a set of priorities. And certainly Congress should have a pool of money for transportation projects. I do believe that improving our infrastructure can create American jobs.

But you had mentioned Congress presenting that, coming up with the presentation. I would assume, just like in California, when I served in the State Senate, the Governor comes up with his proposal on priorities, that the administration would come up with a list of priorities on what you think the transportation projects should be across the Nation, and how money should be best spent, as well as where the revenue for that would come from. Do you have a plan on the overall transportation project?

Secretary LAHOOD. Yes, sir. I will be happy to share it with you. It is a $550 billion plan that the President has put forth. It is a comprehensive transportation program, and we will be happy to share it with you.

Mr. DENHAM. Thank you. And the pay-for on that?

Secretary LAHOOD. The pay-fors will be included.

Mr. DENHAM. So there is a revenue stream for——

Secretary LAHOOD. Absolutely.

Mr. DENHAM. And do you——

Secretary LAHOOD. You want—do you want to get into great detail? I think it would be better if I just—I will share it with you, and then if you want me to come and visit with you about it, I will be happy to do it.

Mr. DENHAM. I would love to see it. I would love to—I would welcome the meeting. Can you give me just an example of the broader aspects? Are we—I don't need to go line by line on the revenue, but I would like to at least get a good understanding of whether or not——

Secretary LAHOOD. Use of the highway trust fund, which has been diminished over the years, but is set aside for the use of transportation. It is the way we have always paid for it. And then there are some other provisions in there. And I don't have them at my fingertips, but I will be happy to share them with you.

Mr. DENHAM. How much is in the trust fund, currently?

Secretary LAHOOD. How much is the trust fund? Well, look it. It fluctuates. I mean I don't have the figure today. I will get it. I will put it on the record for you. I am sure one of those smart staff people up there knows exactly what the figure is.

Mr. DENHAM. He says 220. So, ballpark, where does the other 330 come from?

Ms. BROWN. Excuse me——

Secretary LAHOOD. Congressman, I will be happy to share the revenue part of it with you, as well as the plan. Look it, if I say something here on the record and it is not quite accurate, somebody is going to point that out. I will share it with you, so I can get it accurate.

Mr. DENHAM. OK. But are we looking at—I mean that is a big number. Are we looking at bonding? Tax increases——

Secretary LAHOOD. If—you asked me if the President has a plan. The answer is yes. Does he have the revenue to pay for it? The answer is yes, and I will be happy to share it with you.

Mr. DENHAM. Thank you.

Secretary LAHOOD. Actually, the committee has it. I mean we have submitted it.

Mr. SHUSTER. I appreciate the gentleman's questions. And again, we are going to have a hearing on California next week.

And so, we certainly would look forward to making sure we have it. I don't know for sure, but we would like to have it in our hands before next Thursday's hearing.

And with that, Mr. Capuano?

Mr. CAPUANO. Thank you, Mr. Chairman. Mr. Secretary, again, thank you for coming and doing this today.

I want to be real clear. I am a big supporter of high-speed rail. I particularly like the national long-term vision. I think it is the right vision, and I think it is the right goal to have. At the same time, it is also a goal, like anything else, that you and I both know can't be achieved quickly. It is going to take some time, as the interstate highway system was done. It was done over a long period of time. And we are now into the next round of repairing some of the things we have. And for me, that is where the Northeast Corridor comes in.

I understand fully well and support the concept of bringing rail all across this country, including intercity and everything else. But when it comes to the Northeast Corridor, the only way—and I guess here has been my concern—the problems that I have found on the Northeast Corridor are like anything else. It is already in a—the most heavily congested area in the country, it is difficult to deal with some of these issues.

Right now you are dealing with one of the most important ones, it is that junction in New York City. We talked about how New York impacts air traffic, but it also impacts rail traffic to a great degree. I will tell you. I ride the rail from Boston to New York, and as often as I go I don't do it from Boston to DC because of the hold-up in that New York area. It just makes the ride too long and too unpredictable.

Some of the things you are doing are fine. Some of the things, however, will need national leadership from the FRA and others, which is not the natural bent. And I will give you an example.

I mean if there is a stretch of rail in Connecticut that needs to be addressed, some people in DC want to see it as a Connecticut problem, when the fact is it is not. It is national problem, because it prevents Amtrak and others, the high-speed rail, from actually being a high-speed rail.

Even as we have now, I will tell you—I guess they have stopped doing it, but I laughed the first time that I rode the high-speed rail, when they announced for a matter of 30 seconds that the train had hit a speed of 100 and whatever miles an hour, and then we slowed right down. And then we sat outside of Penn Station for an hour. Now, this is several years ago and, again, that is being addressed.

But what I guess I want to say is as you are doing the long-term vision—and I also want to say one other thing before I forget it. As far as the amount of money that goes, you are never going to have enough money to do it. You know it and I know it. The demands we have for transportation are significant, we will never meet them. So I am not worried about how much. We will debate the how much in the greater scheme of things. But to me, the questions to you are most properly addressed in whatever it is you get, if it is $1, $1 billion, or $10 billion, what will you do with it? Priorities, that is the issue.

Some of them you do need to come to us for, and I appreciate that and I agree with it. Some of them you don't. And for me, the question is—and it is not really a question but a comment—when you do these things, I would strongly encourage you to talk to your people to let them know that sometimes a Federal vision, a national vision, requires national muscle to tell local and State people that these are the priorities you are going to have.

If you have to go to a given State or a given region and say, "This is what we are doing, because this is a problem"—again, this junction that you are doing in New York, I can't remember the name of it, is a classic example. It may not be seen as a problem by the very people in that State—in this case it would be New York—who say, "Well, it is not a problem for us, it is your problem." It is the same thing—and I think that is the problem all along the Northeast Corridor, is that it was built not as a national rail. It has kind of become one over the years.

But the only way to get through some of these things, and to make this money worth spending, is for the Federal Government to get in there and say, "Here is what we are doing. Here is what we are doing now. This is the tunnel we are going to fix. This is the intersection we are going to fix. This is the holdup we are going to fix," to actually take what we already have and make it into what it could be, which is a true—maybe not true, but as close as we can get to a true speed rail. And I know you are doing it, but I really just wanted to take my time to encourage you to do it more.

And as far as the other projects go—and I am not even kidding—it is going to take many, many Members of Congress from my seat, and many, many Members—and many Secretaries of Transportation to get this done. In the meantime, as you are fighting, trying to get the California and the northwest and all the other projects done, as they get held up, as you have debates in California—the truth is, I don't know how I feel about the California rail. I know there is issues, I have heard some of them. But rather than sitting and just pushing it, which you should do, in the meantime don't let the others go south.

And a classic example is the northeast rail. We had to wait, really, to get the scraps from other States to get much done. And there is still money that is not obligated, and there are projects on the Northeast Corridor that need to be done. And all I am saying is while you are fighting the—which I agree with—don't let the existing structure go unimproved when we know what to do, and we know how much it is going to cost.

And with that, Mr. Secretary, it is not really a question, more of an encouragement.

And also a thank you. You have done it, I just want you to do it even more.

Secretary LAHOOD. Thank you.

Mr. SHUSTER. I know the Secretary had a hard stop about an hour ago, he got twice what he bargained for. But I just want to encourage them——

Secretary LAHOOD. Donna has been here from the beginning.

Mr. SHUSTER. I know she has. And I just want them to know the Secretary has been here an hour longer than he—than we negotiated. So if you would ask your questions, we want you to have that time. But if you can put anything in writing to shorten it, I am sure he would appreciate it.

Secretary LAHOOD. Take your time.

Mr. SHUSTER. Go ahead.

Secretary LAHOOD. Take whatever time you want.

Mr. SHUSTER. Ms. Edwards, one of the great players of the congressional football team.

[Laughter.]

Ms. EDWARDS. Thank you, Mr. Chairman.

Mr. SHUSTER. She played football, too.

Ms. EDWARDS. Thank you. And—middle linebacker, thank you very much.

[Laughter.]

Ms. EDWARDS. Thank you, Mr. Secretary, and I appreciate your time and your passion, and I really do share it.

I was looking at, you know, some of the numbers, and appreciate also that Maryland was a recipient of about $90 million for bridge work and tunnel work, as part of the Northeast Corridor. And while I share the view and the passion of so many of our colleagues on this committee for the Northeast Corridor, I also understand the importance of creating a national vision. And we wouldn't want to take away from that.

I looked at the numbers for the initial grantmaking. First of all, about—you had $57 billion in requests for $8 billion that was available. I happen to have believed, at the time when we created this, that we needed to have more of an investment, because I knew that the demand was there. And I think that, from your testimony as well, speaks to the demand.

I also note that of the $8 billion, the overwhelming majority of it actually did go to the Northeast Corridor, if I am correct in looking at those numbers. And so I am a little bit unclear—and I will just go right to the question—when the interstate highway system was developed, and the vision had to spread out across the Nation, I remember looking at a documentary several years ago about a small—the story of a small town that had fought tooth and nail not to be part of that highway system. And this documentary told the story of that town and how it died over time, because it wasn't included in the vision.

And so, I wonder if you could talk about the vision for a national rail system, with that in mind, and understanding that it is going to take us some time to get there, even though there are some profitable corridors in which to invest.

And then, secondly, I would like you to address, if you would, why it is you think that the Northeast Corridor didn't receive an application for private investment. I find that curious because, frankly, I have always thought that, really, if you want infrastructure as a Nation, that the citizens of Montana and Maryland ought to invest in our infrastructure as a Nation, and not necessarily be dependent on private investment. And so I am curious as to why the most profitable and dense corridor of our rail system didn't receive applications for private investment.

Secretary LAHOOD. I think that during the last 3 years there has been new leadership at Amtrak, and they have put a team of people together. And I think during that process maybe they were busy trying to straighten a few other things out. But now they have straightened things out. Ridership is way up, profits are up. They are making money. And I think that they understand that they need to find some other partners that can be helpful to them.

But—and the other part of it is that the Federal Government has basically been the only partner that Amtrak has really had. And—but I think Amtrak now understands that they need to look around and see what other opportunities are there.

I can—Congresswoman, I can cite you examples of light rail, bus service, streetcars, high-speed rail. If you build it, they will come. The ridership will be there.

And all along these corridors, what happens is what happened along the interstate system. Lots of small businesses that hire 4, 5, 6, 12 people. And these really become the opportunities for people all along these communities. These corridors, whether they be rail or streetcar or light rail or bus or high-speed rail become economic corridors, once they are there, because of all the people that are using the services and the small businesses that pop up along train stations or next to train stations.

And the classic example here in Washington, DC, is Dulles Airport. I am sure people thought whoever had an idea to build an airport out there, they thought that person was crazy. Why would you do that 50 miles from Washington, when you have an airport right in downtown Washington? And look what happened? Look at the corridor that exists there now.

The Silver Line will be complete. But the Silver Line will be used mostly by working people who can't afford a car or a gallon of gasoline, but are going to the airport to work, or going to one of those businesses that are along the corridor there. That corridor is a corridor of economic development, and those exist all over America, where people had good visions for what happens when you build a road, build a bus line, build a light rail, build a streetcar line, or whatever.

Ms. EDWARDS. Mr. Secretary, thanks for your leadership.

Secretary LAHOOD. Thank you.

Mr. SHUSTER. Ms. Richardson.

Ms. RICHARDSON. Yes. Thank you, Mr. Chairman. And, Mr. Secretary, let me start off by saying you looked quite dashing last night.

Secretary LAHOOD. Thank you.

Ms. RICHARDSON. Three quick questions for you, and one comment to my colleagues.

First of all, I just want to remind everyone that all roads to glory always lead west. So we appreciate your efforts. And I thank Ms. Edwards for at least allowing California to stay on the map.

Mr. SHUSTER. Will the gentlelady yield? Did you mean western Pennsylvania when you said that?

[Laughter.]

Ms. RICHARDSON. No, sir. I meant the real west, where the gold was found, and——

Mr. SHUSTER. Just want to check.

Ms. RICHARDSON [continuing]. And you know, the shores of California.

But my three questions are very brief. First of all, sir, my question is I know Mr. Denham—I had an opportunity to participate in a hearing with transportation with Mr. Mica. And initially in our proposal in California it started off that the segment would be in the Central Valley. There has obviously been multiple discussions. And it is my understanding that any future proposals has to include the Central Valley.

Are you still, you know, committed that it has to be the Central Valley? Or is there openness to other potential routes?

Secretary LAHOOD. It is the Central Valley. And again, this is not stuff we make up. We go to the stakeholders that have been involved in these projects for 15 years, and we take our cues from them.

But we also have made investments in—we made a $450 million investment in Transbay. That is not in the Central Valley, by the way. It is at the other end. It is at the start.

So the idea that we are just—this is kind of a dead-end thing in California is not accurate. We made a half-a-billion-dollar investment in Transbay, which is in San Francisco, in downtown San Francisco, which is one of the demarcation points for the high-speed rail. Everything is not in the Central Valley, but we are in the Central Valley. We have made a commitment there. That is where people want us to be. And so until somebody tells us differently, or they have a different plan, that is where we are going to be.

Ms. RICHARDSON. OK. I just wanted to clarify. My other two questions were not related, but I think very important, timely.

If we have a CR, one of the things I found with the airports is that some jobs are not considered essential positions. And I went to a particular room where people, if there is an accident or a major issue—one lady was retiring and I was told that they weren't able to backfill her position.

Have you had an opportunity to reevaluate if there is any positions that are currently not listed as essential that could be included if—in the event our budget success is not as we hoped?

Secretary LAHOOD. We need for Congress to pass an FAA bill. We do not need any more extensions. We simply do not. We need Congress to pass a transportation bill. We have gone 2½ years beyond the last bill. There is nothing that we can do creative right now in transportation, because we are operating on a bill that expired 2½ years ago.

There are certain provisions that OPM uses to define essential employees, and that is what we go by.

Ms. RICHARDSON. OK. And then my final question is regarding TIGER funding. I know we are in our second round here, and it is very positive, and State and local governments are excited about the opportunities.

I just wanted to point out to you in my particular region it is my understanding that—like, let's say if the Port of Los Angeles receives TIGER funding, then the Port of Long Beach, because it is within the same region, even though on its own merits they are the two largest ports in the country, Port of Long Beach would be somewhat in a disadvantage, because of some of the wording. Are you familiar with that concern?

Secretary LAHOOD. Well, a port would not be disadvantaged if another port got a TIGER grant.

Ms. RICHARDSON. OK. It is my understanding in the funding——

Secretary LAHOOD. You know, I would just say this. We are right in the middle of our deliberations. I don't know if these ports have submitted TIGER grants or not. But I really shouldn't be talking about specific projects, but I will say this. A project will not be disadvantaged because of its proximity to another project.

Ms. RICHARDSON. OK. That was not what was communicated to——

Secretary LAHOOD. Well, if I have it wrong, I will correct the record and I will get back to you this afternoon. I will check it out.

Ms. RICHARDSON. Thank you sir, and thank you for your service——

Secretary LAHOOD. Thank you.

Mr. SHUSTER. And if—the gentlelady from Florida has one question I believe she wanted to——

Ms. BROWN. Thank you. Thank you again, Mr. Secretary, for coming, being so gracious with your time, particularly on your birthday. I want to say happy birthday.

Secretary LAHOOD. Thank you.

Ms. BROWN. And I do want to mention—I didn't mention it earlier, because I didn't think it was appropriate, but you did look very nice last night.

Secretary LAHOOD. Oh, thank you, Ms. Brown.

[Laughter.]

Ms. BROWN. Goodness. But the last question. The GAO report mentioned that the good grantsmaking process was very transparent, and you all did a good job. They did make some recommendations. Many of my colleagues want to tell you where to put different, you know, funds and how to do the grants, and we don't like the way you've done it, then we have some problems with it.

Do you want to say anything to that? Because I think you all did a yeoman's job. And I mean you have been just such a bright spot, I have to tell you——

Secretary LAHOOD. We have tried to make these decisions based on the merits of the projects. And—but look it. As a former Member of Congress, I know these projects are important. And I am not offended at all when a Member of Congress calls me to put in a plug for their project. And—but they all get fair consideration.

And I am very proud of the fact that the $48 billion that we got under economic recovery has all been spent. And there hasn't been one bad story about this money. There were no boondoggles, no earmarks, no sweetheart deals. We created 65,000 jobs with 15,000 projects. I am proud of that.

It goes to my point: Transportation creates jobs. You pass a transportation bill, a lot of friends and neighbors will go to work. We proved it with $48 billion, all spent correctly, all spent by the way Congress told us to spend it.

Ms. BROWN. I think one of the problems is for the first time ever in the history of the United States you have people that really don't want America to succeed, really don't want to put people to work, because we know that if we invest in transportation for every billion dollars we spend, we generate 44,000 jobs. And for the first time ever, we have a committee that is just not committed to putting people to work.

And my position is let's get to work. Like you say, let's pass the FAA bill. Let's pass the transportation bill. Let's put American people to work. Thank you so much for your leadership.

Secretary LAHOOD. Thank you, thank you.

Mr. SHUSTER. It is always good to have the gavel, because you get the last word. And there are people in this Congress that want to put America back to work, we just don't think that the Federal Government spending money helped to create jobs. In fact, we have got a tremendous debt crisis. You know, our financial house is in disarray. There is incredible uncertainty out there amongst our small businesses. That is why they are not investing in their businesses.

So, you know, there is a group of us up here that really want to see America succeed, because we know that the Federal Government is not going to be the job creator, it is the private sector. But there are things the Federal Government is charged to do that we should do and we should invest in, and one of those is transportation. That is why I am on this committee, because I believe.

If only that stimulus bill that was passed would have really been serious about creating jobs, serious about rebuilding our infrastructure, we wouldn't be having this discussion here today. We would probably be slapping each other on the back and saying what a great job it was we rebuilt this highway, we rebuilt that, we expanded this, we built that. I mean it would have been a tremendous story to tell, if we would have spent just maybe $250 billion out of the $800 billion, instead of $60 or $70 billion, depending on how you calculate it.

So, again, there are those of us in Congress that really want to put the American people back to work in a meaningful way that will be sustainable, and that is by keeping taxes low, putting regulatory certainty out there, and investing in transportation and infrastructure.

So again, Mr. Secretary, thank you for spending your birthday with us. You got twice what you bargained for. And again, I will have to concur with my colleagues. You did look dashing last night.

[Laughter.]

Mr. SHUSTER. So again, happy birthday, and thanks for coming.

And the next panel, as soon as the Secretary makes his way from the table, we will get you set up for the next panel.

Ms. BROWN. Excuse me. I do want to tell you that the Talgo news—yes.

Mr. SHUSTER. Are we missing Mr. Geddes? Mr. Geddes missing in action out there? Well, we are going to go ahead and get started. But yes, we are going to go ahead and get started with our second panel.

And then our second panel is made up with the Honorable Joan McDonald, who is the chairperson of the Northeast Corridor Infrastructure and Operations Advisory Commission; Mr. Ken Orski, editor and publisher of Innovation NewsBriefs; right on cue, Mr. Richard Geddes is the adjunct scholar at the American Enterprise Institute. And Ross Capon, the president and CEO of the National Association of Railroad Passengers.

Thank you all for being here with us today. And with that, we will start with Ms. McDonald. You may proceed. And please keep your testimony to 5 minutes. Thank you.

TESTIMONY OF JOAN MCDONALD, CHAIR, NORTHEAST CORRIDOR INFRASTRUCTURE AND OPERATIONS ADVISORY COMMISSION; KENNETH ORSKI, EDITOR AND PUBLISHER, INNOVATION NEWSBRIEFS; R. RICHARD GEDDES, ADJUNCT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE; AND ROSS B. CAPON, PRESIDENT AND CEO, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Ms. MCDONALD. Good afternoon, Mr. Chairman, Representative Brown, and members of the committee. I am Joan McDonald, commissioner of the New York State Department of Transportation and chair of the Northeast Corridor Infrastructure and Operations Advisory Commission.

The commission is made up of 18 commissioners representing 8 States, the District of Columbia, U.S. DOT, and Amtrak. Another five States, four freight railroads, and one commuter agency are nonvoting representatives. We all bring unique perspectives to the table. We all agree the Northeast Corridor and its connecting feeder services are critical transportation assets, and are closely tied to the economic future of the entire northeast region.

As has been mentioned earlier today, the Northeast is the densest region in the Nation. It is home to 4 of the 10 largest metropolitan areas, generating 20 percent of the U.S. GDP. However, this density creates significant transportation challenges for the region.

Some 260 million commuter and intercity riders, and an estimated 30 million ton-miles of freight are moved over the corridor each year by more than 2,200 daily trains. The service we have today is not enough to meet the future needs of our region and our Nation. The corridor is congested in many locations, and demand for rail service is growing.

For much of its history, the Northeast Corridor has suffered from underinvestment. We now face a considerable backlog in state-of-good-repair needs that require billions of dollars of investments. Amtrak's Northeast Corridor master plan estimated that $52 billion is needed over the next 20 years, just to maintain reliable service for all users of the corridor.

Addressing capacity needs beyond 2030 will add substantially to that total. While our corridor's needs are significant, there is not a clear consensus long-term vision for the future of the corridor. The charge of the commission, as we see it, is to bring together diverse interests, develop a unified, long-term vision for the corridor, and establish that consensus on a plan to secure the public and private investments needed to implement the vision. By coming together to coordinate these activities, the States, Amtrak, and the Federal Government can achieve a level of success that far exceeds the potential reach of any individual entity.

Critical to the process is the passenger rail corridor investment plan being led by the FRA in cooperation with the commission, the Northeast States, and Amtrak. The Northeast is a compelling market for high-speed rail service, and compares favorably to other nations that have successful implemented high-speed rail. The question we need to answer is: What is the right path forward? And how do we fund it?

The commission's approach is cooperative, fact-based, and nonideological. We will look to do what is best for the long-term economic growth of the northeast region. We will seek opportunities to partner with the private sector, while ensuring that the public interest is protected.

The Northeast Corridor benefitted from the $1.3 billion in capital funds appropriated to Amtrak in the economic recovery act, and received another billion dollars in high-speed rail program grants. And I must add that during that process each State endorsed the other States' proposals for consideration to U.S. DOT. These projects are creating jobs and helping to improve rail service.

In my home State of New York, under the leadership of Governor Cuomo, we are advancing a number of important projects on the Northeast Corridor mainline, and our empire corridor, an important feeder. One of my short-term goals, as chair of the commission, is to facilitate close cooperation between FRA, the States, and Amtrak, to ensure that all of these projects move forward as quickly as possible.

Despite the importance of the funding we have received so far, much more is needed. The commission is working to identify priority projects that need to move forward as soon as possible.

On behalf of my fellow commissioners, we appreciate this committee's strong support for the Northeast Corridor, and look forward to working with you. A strong Federal partnership is critical to our success. Thank you, and thank you for the opportunity to testify today.

Mr. SHUSTER. Thank you, Ms. McDonald.

And with that, Mr. Orski.

Mr. ORSKI. Thank you, Mr. Chairman, for the opportunity to testify before you. As requested, I shall only briefly summarize the key points of my testimony. The committee, I believe, has my full statement.

Mr. Chairman, let me state at the outset that I do not question the merits of or the need for the intercity passenger rail service, nor do I question the desirability of high-speed rail, a technology that I believe we should pursue in this country. What I do question is the manner in which the administration has gone about implementing its $10 billion initiative.

The administration's first misstep, in my judgment, has been to misleadingly represent its program as "high-speed rail," thus conjuring up an image of bullet trains cruising at 200 miles per hour, just as they do in western Europe and the Far East. In reality, the administration's rail program will do no such thing. A close examination of the grant announcements shows that, with one exception, the program consists of a collection of planning, engineering, and construction grants that seek incremental improvements in existing facilities of Class I freight railroads in selected corridors used by Amtrak trains.

Now, those improvements may result in some cases in top speeds of 110 miles per hour. But the average speeds will increase only modestly. Average speed is a more accurate measure of performance and service quality than top speed, for it determines trip duration, which is, after all, what really counts, from a traveler's perspective.

Had the administration candidly represent the HSR program for what it is—and that is an effort to introduce useful but modest enhancements in existing intercity Amtrak services—it would have earned some plaudits for its good intentions to improve train travel. But by pretending to have launched a "high-speed renaissance," when all evidence points to only small incremental improvements in speed and trip duration, the administration, I believe, has suffered a serious loss of credibility. Its pledge to bring high-speed rail to 80 percent of Americans is not taken seriously any more.

The administration's second mistake, in my opinion, has been to fail to pursue its objective in a focused manner. Instead of identifying a corridor that would offer the best chance of successfully deploying the technology of high-speed rail, and concentrating resources on that project, the administration has scattered $9 billion on 145 projects in 32 States. Indeed, the program bears more resemblance to an attempt at revenue sharing than to a focused effort to pioneer a new transportation technology.

Ironically, the Northeast Corridor has received scant attention. And yet, as other witnesses and members of the committee have pointed out on repeated occasions, this is where high-speed rail has the best chance of succeeding. It is probably the only rail corridor in the Nation that has all the attributes necessary for viable high-speed rail service, and it is also the only corridor where passenger trains do not have to share track, and thus are not slowed by freight traffic.

Now, to its credit, the administration belatedly recognized the potential of the Northeast Corridor, and made some useful grants. Now, these grants are a small beginning in what will hopefully become a restructured high-speed rail program refocused on the northeast program—corridor.

Finally, a comment about the role of the private sector. As Chairman Mica and you, Mr. Chairman, have observed more than once, there is a clear need for substantial financial participation by the private sector, in view of the constraints of the Federal and State budgets. The density of travel in the Northeast Corridor and its continued growth should, in principle, generate sufficient stream of revenue to attract private capital.

However, this is still an untested hypothesis. We simply do not have enough experience with public-private partnerships in the passenger rail sector to confidently predict the response of the private investment community, its assessment of the risk, rewards, and expected rate of return on investment in such an enterprise.

Thus, I believe that an early step, Mr. Chairman, in the process should focus on thoroughly exploring the potential of private financing and ascertaining the private investors' interest in this venture, both domestically and internationally. And this, I might add, should include an examination of the lessons learned from the Channel Tunnel project, the largest rail infrastructure project totally financed by the private sector. Thank you, Mr. Chairman.

Mr. SHUSTER. Thank you, Mr. Orski.

And with that, Mr. Geddes, you are recognized.

Mr. GEDDES. Thank you, Mr. Chairman, and all the members of the committee, for inviting me to once again appear in this hearing. My name is Rick Geddes, and I am an associate professor in the department of policy analysis and management at Cornell University, and a visiting scholar at the American Enterprise Institute.

Let me state from the outset that I am a firm supporter of high-speed passenger rail in the United States, and those corridors and on those routes where it makes economic sense. Such corridors are likely to have the population densities, the proven ridership or the indications thereof, and the public transportation options at stations necessary to yield positive social benefits to additional investment.

The hearing today focuses on concerns about recent attempts to expand high-speed rail through the High-Speed and Intercity Passenger Rail Program. I believe that two errors were made. The first, which has been highlighted, is the issue of trying to spread taxpayer funds out over too many projects across the country, rather than focusing resources on improving existing corridors with demonstrated demand. The second was in not creating the institutional structure and public policies necessary to attract and retain private investment. I wish to discuss each of these in turn.

The social returns on investing in high-speed rail are likely to vary widely across different possible routes. In particular, the market population must be sufficiently dense to support high-speed rail. And for several reasons, the Northeast Corridor is likely to yield the highest social returns to additional investment.

First, population densities in areas served by the Northeast Corridor are very high, with over 50 million people living in the corridor, even though it represents only 2 percent of the Nation's landmass.

Second, one of the main concerns in constructing any new high-speed rail line is forecasting ridership. This issue has not been discussed today, and I think it is critical. How is ridership going to be forecast? The record of ridership forecasting for new passenger rail lines around the world is very poor. The estimates typically are overestimated, while the costs of construction are typically underestimated. This has been documented in detail by a professor at Oxford University, Bent Flyvbjerg. Ridership in the Northeast Corridor is known. So only changes in ridership induced by new investment need to be estimated. A major hurdle is thus already overcome.

Third, much of the necessary right of way is already in hand. Although additional right of way may be needed to accommodate improved high-speed rail service, this greatly reduces uncertainty regarding the cost of installation. Uncertainty surrounding both the costs and the benefits of additional investment in the Northeast Corridor are low, relative to new lines.

Fourth, cities along the Northeast Corridor, such as Washington, New York, and Boston, feature well-developed local transit systems that facilitate passengers' use of intercity passenger rail systems.

These considerations all suggest that scarce public dollars should be directed first to making much-needed improvements to high-speed passenger rail in that corridor. That is likely to—where the marginal returns are the highest.

In my view, the second concern was a failure to create the institutional structures necessary, and to focus on those structures to attract private investment to high-speed rail, and instead relying almost exclusively on taxpayer funding. There are many advantages of including private participants, which I outline in my written testimony. Private investment, I believe, can play a major role in improving passenger rail on the Nation's entire network. But I believe it is important to separate the Northeast Corridor financially from the rest of the system, because that corridor is most likely to be able to operate without subsidies, without operating subsidies, and because the rest of the system operates mainly on freight train tracks, unlike the Northeast Corridor.

On the Northeast Corridor I believe a public-private partnership should be structured so that firms wishing to operate passenger rail service would bid against one another on the basis of the size of an upfront concession payment for the right to operate. That upfront payment could then be used to help fund necessary improvements to the infrastructure on the corridor.

This approach is also fair, since future riders would effectively be paying for the physical infrastructure improvements that they would be using. Private investment in passenger rail infrastructure can also be used on other parts of the network. But the nature of the bidding must change. That is why I believe it is important to do the Northeast Corridor separately. I am happy to explain that later.

Future efforts to improve high-speed passenger rail in the United States should focus on attracting private investment and on first renovating existing routes, where I believe the social returns to the next dollar of investment are the highest, rather than on constructing a—or trying to construct a number of new lines. Those returns are likely to be highest for renovations and improvements on the Northeast Corridor.

To mitigate taxpayer costs, improve performance, and enhance innovation, the private sector should be engaged as a full partner through public-private partnerships, and I believe that is possible.

Thank you once again, and I look forward to answering your questions.

Mr. SHUSTER. Thank you, Mr. Geddes.

And with that, Mr. Capon, who has been here before a number of times. Good to have you back. You may proceed.

Mr. CAPON. Thank you for having me back. Thank you, Mr. Chairman and Ms. Brown. I wanted to acknowledge the presence of the volunteer chairman of our association from Fort Myers, Florida, Bob Stewart.

Perhaps the most singular "lesson learned" is that it takes a Federal partner to advance passenger train improvements. In our view, it was essential that a substantial part of the funds in this program go to upgrading conventional services. In spite of pleas from the States for over 15 years, Federal funds generally have not been available to support State investments in conventional intercity passenger trains. One exception, a happy exception, is the Keystone Corridor, where Amtrak was able to match, dollar for dollar, I believe, Pennsylvania's investment. And that became a success story.

But back in 2002, AASHTO put out a fairly thick book, their first report on intercity passenger rail transportation, that documented the many conventional corridors around the country that were crying out for investments. President Obama, when he launched this program, made it clear that part of the funds would go to upgrading conventional service. The administration also, of course, made an effort, in Florida, California, and more recently the Northeast Corridor, to do "true" high-speed rail.

But back to conventional rail. The need for conventional rail as an important part of the transportation network is illustrated both here and abroad. There is a table on page 2 of my statement that shows that in France, where they have a well-developed TGV high-speed rail system, the non-TGV share of intercity rail is 70 percent. That reflects the fact that it is the network that counts, and high-speed rail works, as I think the chairman has pointed out, where there is a network not just of commuter trains, but also of connecting intercity trains.

In this country, California's three conventional corridors, the ones that exist today, account for 18 percent of all Amtrak passengers. The Downeaster, I think, deserves particular mention—this is the train between Boston and Portland. Before this train started running, so many people said it would be a flop. It was too slow. It wouldn't go to Boston's South Station, it wouldn't go beyond Portland. It makes too many stops. And today, it is considered very successful. In fact, I have heard that a major reason that—the second major reason that Massachusetts students go to University of New Hampshire is because of the accessibility that the Durham station on the Downeaster line provides to the university.

The conventional rail projects also improve the freight network because the added track capacity that results from these projects is available 24/7, whereas the passenger trains are not using those tracks 24/7.

The elimination—the trends in the aviation industry underline the growing need for passenger trains. And just on November 29th it was reported that as Southwest Airlines gets out of the Pittsburgh-Philadelphia market, the nonrefundable round trip fair for US Airways apparently is going to jump from $118 to $698.

I have heard people talk in Ohio about how they really wish there was a train to take from Columbus to Cleveland, especially when they are trying to drive on a nasty day.

Nearly 90 percent of the portfolio, as the Secretary's written statement points out, is invested in five key corridors. So I don't see this as revenue sharing. I see this as being concentrated, for the most part, on conventional lines that desperately need and have been waiting for improvements. A lot of this investment is just beginning to take place. And the silver lining, as I point out in my written statement, is that at a time when a lot of cries are heard for more stimulus, the rail program is just starting to generate valuable jobs in a much bigger way. In fact, North Carolina DOT has a chart that shows that 2013, 2014 is going to be when employment for its rail projects peaks.

The GAO report said that the administration "established a fair and objective approach for distributing these funds and substantially followed recommended [grantmaking] practices used throughout the Government," and that "an application's technical review score was largely the basis for the selection deliberations." So we think that the administration did, on balance, a good job.

The fundamental problem that we have, as you have pointed out, is the shortage of money. But that is just as much a problem with the Northeast Corridor. If 100 percent of the money had gone into the Northeast Corridor, people would still be looking at the price tag on getting the job done, and they would see a gap between needs and available funds perhaps even bigger than the gap that has already been observed with regard to California.

But we commend the committee for holding this hearing and for its tremendous interest in intercity passenger rail, and we look forward to working with you as the program goes forward.

Mr. SHUSTER. Thank you. Thank you very much. And with that—before I go to Ms. Brown—let Ms. Brown start the questioning—just your last, very last point there. I believe that if you take care of the bridges that cross New Jersey to New York, you take care of the Baltimore Tunnel, and you take care of the catenaries on the Northeast Corridor, I have been told you can reduce the time from New York to—from Washington to New York by 15 or 20 minutes. And if you are—when you get 15 or 20 minutes, you get more—I think you start to incrementally also get more people riding the train. So I think that that is a step in the positive direction.

You know, obviously, it is going to be a big bill to do the Northeast Corridor the way it is. But I think along the way—and I will give you a chance to rebut that, if you want to, but——

Mr. CAPON. OK.

Mr. SHUSTER [continuing]. Let me get Ms. Brown first to go ahead.

Ms. BROWN. Thank you very much. I am going to start with Ms. McDonald. I think this is the second time I have heard you or someone from your organization this year, because I came up to New York for the hearing. And let me just thank you all.

You know, when I listen to my colleagues, or experts that is, they call themselves experts on the discussion, they act as if the Northeast Corridor is just one area. How many different cities, communities, groups are involved? And they act as if they can just go into these communities that are already developed and just say, "Well, we are going to run through there at 200 miles an hour." They don't have a clue. And it is not my job to give them a clue.

Ms. MCDONALD. Well, you know, we are in a Federalist country, and we have—as I stated, the commission has 18 members. It is a collection of eight States, the District of Columbia, U.S. DOT, and Amtrak. And I think, you know, in a part of the country that is very much home rule-oriented, the fact that these States come together, and major cities in this country—Boston, Philadelphia, New York, Washington, Wilmington, Baltimore, and work collectively for the corridor is extremely important, because when you get on a train you don't know when you are crossing a State line.

You know, when you get on a road, you don't know if it is a State road or a local road. It is the transportation network. And the Northeast Corridor commission is looking at it as a network, and it is highly critical that we keep that message clear.

Ms. BROWN. And I agree with you. I mean I was in Connecticut, I was able to get on a train at 5:00 in the morning or 6:00 in the morning and go to New York. The key is not just how fast it will go. In the testimony that I have heard, it is knowing that it is going to be there at a certain time every day. Reliability.

And that is—and it is also homeland security. I mean when we had 9/11 or other incidents, the only thing that was moving was the train.

Ms. MCDONALD. And to that point, reliability is a key factor on determining whether someone will take a train or not. And as I mentioned in my testimony, on the corridor it is 2,200 trains a day. And that includes freight rail, commuter rail, and intercity passenger rail.

Ms. BROWN. And the key is to keep it separated. Keep it safe.

Ms. McDONALD. The key is to keep it reliable and safe. That is correct. And it is—and as many people have said today, when the goal on a high-speed rail line—it is an average speed—is to make sure that when you say you are going to leave your destination at a certain point in time and arrive at your final destination, that that reliability is there.

Ms. BROWN. Yes. And of course, when I have been on trains in other countries, that has also been the key. They run a certain speed going into the cities, but it is different when you are out in the countryside. But they also have it separated so that cars can't integrate into the system. There are many factors.

If we could fix some of those tunnels, which is very expensive, that would cut down on the time. And bridges.

Ms. McDONALD. Yes, in the Northeast we have some of the oldest infrastructure in the country, and—except for the tunnels, which have their own interesting challenges, we suffer from severe weather changes. So all those are factors. And, as I mentioned, the disinvestment that has occurred over the last decades contributes to why the need is so great.

Ms. BROWN. Thank you. Mr. Capon, I have a question about the Talgo—the announcement that I mentioned. Talgo is shutting down its Milwaukee train. This was announced yesterday in the Milwaukee paper. And we are going to lose 4,700 jobs because Governor Scott Walker rejected Federal funds for the high-speed rail line between Milwaukee and Madison when he took office. It is worth noting that he went back and tried to apply for a portion of that $810 million he had earlier rejected.

Can you give me some insight as to what we need to do, dealing with the politics of the time and the investment that let's say this company made or the community made in bringing this, the Talgo, to this community?

Mr. CAPON. Yes. Well, I was actually at that plant within the past 2 months. And I believe the city of Milwaukee put $22 million into restoring it. It was an old automobile plant, I believe. And obviously, we disagreed with the Wisconsin Governor's decision.

I think that one of the things—one of the most encouraging things that I have seen in the 30-plus years I have been doing this job—is the number of places where trains have become established and accepted where they didn't exist 10 or 20 years ago. And in fact, we earlier this year gave our Golden Spike awards to the two Republican Senators from Maine, because of their strong support of Amtrak and the Downeaster.

Downeaster is a classic example of a service that did not exist before 1991. Mainers were watching the legislation that the House Appropriations Subcommittee had this year that would have eliminated the ability of Amtrak to provide any support for the State-supported trains. I got a phone call on Sunday night November 13th from a Portland, Maine, reporter—just before the appropriations deal was announced—who was—you know, just wanted to get any glitter of information he could, because the Downeaster is such an important fixture up there now.

So, my theory, the best success is success. In other words, if we have more and more Downeasters, more and more people that have trains in their lives, that makes it much harder to turn it into a partisan issue, which—I think really did happen in Florida, because we heard, you know, about high-speed rail for 15, 20 years.

Ms. BROWN. Thirty, sir.

Mr. CAPON. Thirty.

Ms. BROWN. Thirty.

Mr. CAPON. Excuse me. And then all of a sudden in the last——

Ms. BROWN. I was—30.

Mr. SHUSTER. Could you wrap up, please? We want to get to the next questioners.

Mr. CAPON. The last X months it was no longer "high-speed rail," it was "Obamarail."

So I think that getting more of these projects going, and getting more satisfied customers is the key, ultimately, to getting more support.

Mr. SHUSTER. Thank you very much.

Ms. BROWN. I agree with you, and thank you very much.

Mr. SHUSTER. Thank you.

Ms. BROWN. And let me just say I am going to figure out what we are going to do. Because when we invest taxpayers' dollars, we have got to make sure that we have a way of recouping, and taking the politics out of it.

Mr. SHUSTER. That is awfully tough to do, but we will work with you on that.

Ms. BROWN. Thank you.

Mr. SHUSTER. A question for—first of all, the—my colleague from Florida brought up that it is not always about speed, it is about reliability. And I was—related to me that the folks at Virgin Rail that run one of the western rails from Manchester to London, they—it is—one of their lines, it was about an hour and 15 minutes, and they thought they could get it down to 55 minutes by some improvements. So as any good company that provides a service to people, went to their customers and said, "Hey, we want to reduce the time from an hour and 15 to 55."

And overwhelming, the response came back as, "No, we don't want it to be less than that," and it perplexed them. So they looked at it even closer. Well, why, exactly? And the average commuter said, "An hour and 15 minutes gives me time to get on the train, get my coffee, set up my computer, and I get about an hour's work done. If you have 55 minutes, I get my coffee, I sit at my computer, I got maybe 40, 35 minutes." So they rejected it.

So, it is not always about speed. It is about the service, the reliability, what makes sense to the traveling public. So you know, I think that is an important point that my friend from colleague pointed out—or my friend from Florida pointed out.

My question first is just a yes or no to all of you, just yes or no. Do you believe that Amtrak needs significant reform? It is a yes or no. If you don't think—it is a question of significant reform. I will take that as a——

Ms. MCDONALD. I can't say maybe?

Mr. SHUSTER. No.

Ms. MCDONALD. Yes.

Mr. SHUSTER. Mr. Orski?

Mr. ORSKI. Yes.

Mr. SHUSTER. Geddes?

Mr. GEDDES. Yes.

Mr. SHUSTER. Mr. Capon?

Mr. CAPON. No.

Mr. SHUSTER. I believe it does. And you know, it is—and we can talk about a lot of the underinvestment over the years, and there has been some significant underinvestment. But we still need to find ways—one of my colleagues today pointed out about the fact that you buy a hot dog for $4.50, and it costs them $6 to produce it. I mean that is just stupid, if we are operating a business like that. So, I believe that it needs significant reform.

Mr. Orski, you have said—and I agree with you, and I wonder if you could talk a little bit about the administration 25 years, 80 percent. That is really a false expectation. Based on what they have been doing over the past year, can you—do you still have that same thought, or do you think it is worse? What are your thoughts on that?

Mr. ORSKI. Yes, Mr. Shuster. I do think that, had the administration candidly represented the HSR program for what it is, it could have earned some credit for doing useful things by improving rail service incrementally. Its biggest mistake has been to really hype the program to represent it for what it really is not. It is not a high-speed rail program, it is a program of passenger rail improvements which, in themselves, are a useful measure. But it is certainly not what the administration and the President himself had represented from the very start.

Mr. SHUSTER. I agree with that. Mr. Geddes, in your study—one question I ask. I don't know if you have looked at this, but you talked a little bit about forecasting, its poor forecasting. Do you know and have you looked at when they are forecasting, do they take price elasticity into their equation to determine if people are going to ride or not ride? At what price they are going to ride or not ride?

Because I have been on the Keystone—I ride the Keystone Corridor. And in prime time it is $39 one way and in off times it is $29. And I have just, you know, sketched out the cost for me to go to Harrisburg to Philadelphia, what it costs me in the car with parking and all those things. And it seems to me that they could raise the price. And especially the business—the traveling business people are going to pay $5, $10, $20.

So, in your looking at Amtrak and pricing and forecasting, do you know if they take price elasticity into figuring that out?

Mr. GEDDES. Yes. Thank you, Mr. Chairman. I think that there are actually two different academic literatures that we would be referring to. One is the literature on forecasting ridership for a new project, sort of a mega-project, and what would the likely ridership be on that. The other literature would be regarding exactly what you are referring to of price elasticities on existing lines. And suppose we were to raise the price by 10 percent. How many riders would we lose? And would that increase or decrease our revenues? So I am certain, you know, there is a literature for passenger rail on elasticities.

But there is this other literature that I am referring to in my testimony that has been reviewed exhaustively by Bent Flyvbjerg at Oxford about we are going to build a new big project. What do we expect the ridership to be? And then he goes back and looks at what the actual ridership was. And he finds that many of the ridership projections were wildly overstated. And particularly relevant for today's discussion is that they were most overstated on a lot of the passenger rail projects. So you have to be very, very careful about the ridership projections for new passenger rail projects.

Mr. SHUSTER. Right. And I think you were all here for the Secretary. I don't believe the Secretary is making up any of his numbers, but I believe the folks in California on the high-speed train, they are making stuff up. Because I have seen, you know, their—the price they are charging is low, the numbers are inflated. I mean it is crazy. So I think that is a real problem, and across the board with Government. When the Government is involved in pricing things out, they never get it right.

Mr. GEDDES. I am happy to follow up with any elasticity information——

Mr. SHUSTER. Sure.

Mr. GEDDES [continuing]. That would be helpful.

Mr. SHUSTER. I thank you. I appreciate it. Now, you mentioned about bidding, the bidding process. Can you expand upon that?

Mr. GEDDES. Yes, certainly. So one of the key things in public-private partnerships is how the bidding is conducted, what the nature of bidding is. And what I was suggesting in my testimony is that a logical approach to bidding for the Northeast Corridor on the right to operate the trains—a concession—you mentioned Virgin Rail in the UK, and you know, that would be an example of a private operating company that could come in. And Amtrak could be another bidder, as well. Perhaps a concession might last 10 years, or something of that nature. But you would lay out all the terms of service in detail.

Reliability has been a point of emphasis here. You could lay out exactly what schedule you want, with enforceable penalties and rewards for bad or good performance, and then bid on the basis of which company will give you the biggest up front concession payment.

I am thinking about some lease—this is not fantasy, this has been done on toll roads around the world where, you know, there is an existing toll road. You get an upfront lease payment in exchange for a private operator to operate the road. And I am suggesting in this case to use that lease payment to help improve the infrastructure in the Northeast Corridor. And the effect of that is to have future riders paying for the infrastructure improvements that they will be using, which I think is an inherently fair approach.

Now, bidding off the Northeast Corridor may have to take a different structure, because I don't believe that the other non-Northeast Corridor routes are self-sustaining, even in an operating cost type of a sense. Some people would say, "Oh, well, you can't use a public-private partnership in that case." Well, that is false. You can still use a public-private partnership, even if it requires an operating subsidy. It is simply that the nature of the bidding for the PPP has to change.

Mr. SHUSTER. Right.

Mr. GEDDES. You bid on the basis of the lowest subsidy you will accept, rather than the biggest payment you will make. And that has a wonderful, I think, public policy outcome, in that you get not only transparency in exactly what the subsidies are, but you get the least subsidy, the smallest subsidy you need to operate that route. So taxpayers, in effect, get the most value for money through this bidding type of approach, even on non-Northeast Corridor routes.

Mr. SHUSTER. Well, thank you for that. And I am going to have another round of questions for myself. So, Mr. Capon, I am going to give you, the next time, an opportunity to rebut me.

And with that, Mr. Cravaack, if you——

Mr. CRAVAACK. Thank you, Mr. Shuster. Mr. Capon, you claim that if—in your testimony—that if the high-speed rail program focused solely on the Northeast Corridor, national support and enthusiasm for the program could not have been sustained.

So, are you saying that the program was correct to spread the money thinly over numerous projects in the interest of garnering political support, rather than focusing on the Nation's best opportunity to actually have a high-speed rail system?

Mr. CAPON. Well, I am saying two things. I am saying if all the money had gone to the Northeast Corridor, you would not have begun to address the list of projects that Mr. Shuster just asked me about. The magnitude of the needs in the Northeast Corridor are that great.

Number two, I am saying that, as the Secretary said, 90 percent of the money went to five major projects. There are small amounts of money that went to States to start rail plans that don't have rail plans, which I think is worthwhile. But that was a tiny fraction of the money. The 90 percent of the funds, the five projects are the Pacific Northwest, the Cascades, the California routes, the Midwest, the Northeast to North Carolina. These are all projects—these are all lines that are heavily used, heavily used trains where the improvements are needed.

And I can agree that some of the rhetoric that the administration has used does not track, as he said, with all of these projects. But that does not mean that the projects are not worthwhile.

Mr. CRAVAACK. Fair enough. And I am all for making sure that our Federal dollars are spent in the right places. Whatever makes sense, let's go into—explore that. What doesn't make sense, I think, we are wasting the Federal dollars.

And I have a—I am kind of curious. In March of 2011 the GAO noted that the Federal Railroad Administration applied its established criteria for weighing the merits of rail projects during the eligibility and technical reviews. But the GAO could not verify if this criteria was used for the final selection process, because the rationale given for the final selection was typically vague.

In your testimony, you described how the GAO found that the FRA established a fair and objective approach for distributing act funds and substantially followed recommended discretionary grand award practices used throughout the Government.

To clarify, or perhaps reconcile, do you know how these priorities were set in this administration's decision to award high-speed rail funding?

Mr. CAPON. First of all, the stuff that I said was—were quotes from the report. But I realize that——

Mr. CRAVAACK. Right.

Mr. CAPON [continuing]. It was also the points that you made. I do not know the details of that. I know, from having worked this job for over 30 years, where the States had established successful programs, and when the money goes to those programs and I see the ridership generated—intuitively, it looked like commonsense good decisions. But I can't give you the nuts and bolts answer that I think you were looking for.

Mr. CRAVAACK. Right. OK, great. This fiscal climate kind of alluded to Secretary LaHood. Where do you propose the Federal Government obtain the funding for this ongoing Federal commitment? I mean we committed $1 billion to Amtrak. I mean that is a commitment, as far as I am concerned. But where you find, in regards to what our debt is, how do we justify spending hard-earned American taxpayer dollars into rail projects—and I don't mind doing that, providing it makes common sense. And that is my—so where do you think we should be able to get the funding?

Right now we have a $3.5 trillion budget. And unfortunately, $1.6 trillion of that money is borrowed. In 10 years we are handing our children a $23.5 trillion debt. That is what we have done.

Mr. CAPON. Right.

Mr. CRAVAACK. So we have to be very judicious with our—with the American taxpayer dollars, and not spend ourselves—we are in the shadows of Greece. We are in the shadows of Italy. And if we don't have a viable economy and we do not have a Government that is not imploding, I mean these trains aren't going to mean a thing.

So, where do you see this funding coming from?

Mr. CAPON. Yes. First of all, I heard two parts of the question. One is how do we justify the expenditure. And I think the justification for the expenditure goes to some of the points the Secretary made, in terms of the population growth that is expected, the fact that we can't pave over the country and try to do this all with highways and aviation and still have a quality of life that is worth living. So I think that the justification is there.

Now, where do you get the money? Everyone says that the gasoline tax increase is a nonstarter. But it is worth noting that the U.S. Chamber of Commerce is in favor of a gasoline tax increase. Also, Maryland just opened this toll road, the InterCounty Connector. I bought an E–Z Pass for my car, even though I only use it twice a year to cross the Bay Bridge. I firmly believe that tolling highways is another source of revenue that is going to be used a lot more.

I am not necessarily in favor of what is entrapment, speed traps that are designed to raise revenue, but that is another issue.

I could create, I guess, a lot of enemies by getting beyond transportation and talk about the subsidies in the energy field and agriculture. I mean I guess everyone has their list of somebody else's ox that they would like to gore. But from a good Government standpoint I would say that, as an automobile driver, we are not paying our full share, and that that is one of the major potential funding sources.

And there was a TRB report, Transportation Research Board, from about 12 years ago that said where you could show impact on aviation congestion that you could justify using aviation user funds on high-speed rail development.

Mr. CRAVAACK. Thank you, sir. My time has expired, I yield back.

Mr. SHUSTER. Thank you. And with that, Ms. Brown for another question.

Ms. BROWN. Thank you, thank you. I would just like to continue to say that this is transportation, and this is investment, and that is what we need to be doing here. I mean the fact is we have our debt—we ran two wars on the credit card, and all of a sudden we want to pay for it out of social security and transportation. And transportation is what puts people to work. And all of the economists indicate that what we need to do is invest and put people to work to grow the economy.

But Ms. McDonald, let me just ask you a question. There has been a lot of criticism regarding the transparency of the program. Can you describe the New York experience? And would you agree that this is an example of good grantsmanship? Because basically, what experience did New York have in applying for the grant? The stimulus money, I think that is what we are talking about.

Ms. MCDONALD. Sure.

Ms. BROWN. That, you know, we need shovel-ready projects, as if you can go out and start digging before you do the environmental studies and other things that go into it. I don't have time to educate the Members about what goes into having it ready. But if it is ready, then if there is funding, when it comes along, there is a lot of prior planning. None of this happened overnight. In Florida we have been working on high-speed rail for 30 years. All right.

Ms. MCDONALD. Sure. New York State DOT released a rail plan which covered all aspects of rail, both freight rail, intercity passenger, and commuter rail in 2009. And that served as the basis of our requests for funding from Federal Railroad Administration.

We actually found—and most of this process was initiated before my tenure began on February 1st of this year—we found the process extremely—I won't say easy, but extremely straightforward to navigate, putting in the grant applications to the Federal Railroad Administration. What I applaud FRA on was the fact that for each grant that you were requesting, you had to identify service outcome agreements. And those are tied to whether they claw back the money or not in the future.

And in New York's instance, particularly on the Empire corridor between New York City and Albany, New York, that right of way is partially owned by Metro North Railroad, our commuter railroad, and partially owned by CSX. We had——

Ms. BROWN. I know.

Ms. MCDONALD [continuing]. A very intense negotiation with——

Ms. BROWN. I know.

Ms. MCDONALD [continuing]. CSX, Amtrak, and New York State DOT, and I am here to tell the committee that it was an extremely favorable outcome. And——

Ms. BROWN. Well, I can tell you it took a lot of work.

Ms. MCDONALD. It did take a lot of work.

Ms. BROWN. It really did.

Ms. MCDONALD. But I will quote our colleagues in FRA and some of my new friends at CSX Railroad that said this agreement that normally takes—a negotiation that normally takes 3 to 5 years we completed in 4 months. And it was with the guidance of FRA all along the way. So it was a very productive process. It will result in improvements to freight rail, and it will result in improvements to passenger intercity rail and commuter rail all along that corridor.

Ms. BROWN. OK. Mr. Capon, I want to ask you that—you know, there is a lot of discussion about high speed, as if it was just one grants program. But it was high-speed and intercity passenger rail. Can you talk about the difference between the two?

And do you happen to know how much the United States has invested in passenger rail compared to highway and aviation? Because it is just a lot of discussion about how rail doesn't pay for itself. No form of transportation pays for itself, the last time I checked. It is the Government deciding that we are going to compete. And we are not competing in Florida with Mississippi and Alabama, we are competing with people from other countries. And it is important for us to understand the importance of moving goods, people, and service, and keeping them separated, and keeping it safe.

Mr. CAPON. Difference between high-speed rail and what some people call higher speed rail, which is, you know, improving conventional, I guess there are different definitions. I think there is one in the Federal statute that is 110 miles per hour.

The point I was going to make is that for the traveler, they are not necessarily looking at the top speed or the average speed, they are just looking at the running time. How long does it take me to get there? What does that tell you? That tells you that you can get a Seattle-Portland businessman on board a train at a lower speed than a Chicago-St. Paul businessman.

And, by the way, when I first came to Washington, 3 hours was the limit. You know, you couldn't get a businessman to ride more than 3 hours. I think the tolerance is now more than 3 hours.

You asked also about funding. I think that there was actually an article yesterday where Senator Lautenberg said that the Federal highway spending last year of $40 billion was more than the Federal Government had spent on Amtrak in its entire history. And I think during that same period the Federal investment in highways was about—over $1 trillion. And there was actually a fact checker that said—check with the FAA—and gave the approval for the accuracy of what the Senator had said.

Ms. BROWN. Well, sir, just don't confuse us with facts up here. Thank you.

Mr. SHUSTER. I thank the gentlelady for pointing that out to the witnesses.

First of all, I will go to Mr. Capon, and you can rebut. As I think you said, talked about the Northeast Corridor, it is a massive bill. And my response was it is massive, but it is beneficial, I think, to take—if you are able to reduce it by 20 minutes with several billion dollars, let's do it, and that will improve ridership and hopefully revenues. I believe it will.

So, you can rebut that——

Mr. CAPON. Yes, well——

Mr. SHUSTER [continuing]. But you can't take my whole 5 minutes. I know you are passionate about trains, but be succinct.

Mr. CAPON. No, I certainly support the investments in the Northeast Corridor. My point was the projects that you listed will go well beyond the $10 billion.

And probably job one over everything is that some of the investments, including ones that you mentioned, if they don't get done within our lifetimes, the corridor is going to collapse and shut down, and that would be the worst outcome possible.

Mr. SHUSTER. Right. And that is why I think spending this money all over the country was wrong. It should have been focused where we get the best bang for the buck.

And with that, I forgot Mr. Hanna. I apologize. I yield you 5 minutes for questions.

Mr. HANNA. Thank you, Chairman. Mr. Geddes, what is the rationale behind allowing a company that is not financially stable, like Virgin Rail in Europe, of course, to bid on a project where you can't predict the stream of income, either positive or negative, whether it is a subsidy or a pay-in by the company? How can you justify that when the—at the end of the day, the only backstop is the U.S. Government?

Mr. GEDDES. Sure. I don't want to comment on Virgin Rail's financial condition, specifically, but——

Mr. HANNA. Better than Amtrak's.

Mr. GEDDES. Right. But in general, in terms of private involvement, I think your point is very well taken, because there is inherent risk in any investment, whether it is investment in maintenance and upgrades in a track, or investment in an entirely new high-speed rail line. It is always risky.

The question—and the risk doesn't go away simply because it is entirely public investment. The risk is simply borne on the back of taxpayers. The risk is still there. That is a critical point. It is just borne by taxpayers. When you include the private investor, you get equity investors, typically, who bear some of that risk in return for an expected rate of return. But they take some of the risk off of taxpayers and bear it themselves. Some projects will perform well, some projects will perform poorly.

Mr. HANNA. Right, I get that. And that is kind of obvious. The point is, where do you go when the money is gone? How do—where—shouldn't there be some threshold of capacity, some bond, some potential to go somewhere for that amount of money?

Mr. GEDDES. You mean if the project fails——

Mr. HANNA. If the——

Mr. GEDDES [continuing]. And the private investor——

Mr. HANNA. If the project fails to make money, and the public demands the service, the Government is left with its back against the wall to pay the bill.

Mr. GEDDES. Well, first, I mean, it would be like any typical hierarchy in a bankruptcy proceeding, where the first people to go are these—like equity investors.

Mr. HANNA. But the point is—excuse me—you typically don't let people in on a project that aren't viable, regardless. To bid something—Ms. McDonald would not let a—someone bid a DOT road that didn't have a bond, that wasn't bondable. How do you come up—shouldn't we be looking for companies—multinationals, perhaps—that are large enough to actually be the backstop, as opposed to the U.S. Government, over some——

Mr. GEDDES. Oh, sure——

Mr. HANNA [continuing]. Period of time?

Mr. GEDDES [continuing]. Absolutely. Yes. I think you and I are in complete agreement on that. I believe we should be. And there are—I mean a lot of them are outside the United States. But internationally, there are very large companies that are—Transurban and Fluor are building the hot lanes on the DC Beltway. So they are the backstop.

Mr. HANNA. Mr. Capon, do you—can you tell me how you would estimate the value of the pressure it would take off—and I apologize, as I am late, if you have already discussed this—the pressure this high-speed rail project would take off of, say, LaGuardia and Boston and the Thruway, and all the roads in between?

I mean how do you add that value into what we can use to justify doing this?

Mr. CAPON. You asking me?

Mr. HANNA. Yes, sir. I am sorry.

Mr. CAPON. Well, the overall transportation efficiency of the network becomes greater to the greater extent that air traffic—short distance air traffic is inefficient. The airline executives know it. And they are—they would love to have the slots at LaGuardia for longer flights. And if—so that if the proportion of short trips on taking on rail dramatically increases, that increases——

Mr. HANNA. No, obviously. But I am talking about the math itself.

Mr. CAPON. OK.

Mr. HANNA. How do you attach a value to that? Have you ever looked at that side of the equation?

Mr. CAPON. The only thing I can tell you off the top of my head is that I know the German Government about 10 or 15 years ago did a fairly elaborate and forward-looking analysis of the rationale for their rail investment that I think guided some of the kinds of things that you are alluding to.

Mr. HANNA. But it has not been done, that you know of? Do you know—something to look at, maybe. Thank you.

Mr. CAPON. Thanks.

Mr. HANNA. I yield back.

Mr. SHUSTER. I thank the gentleman. I think that is an interesting point you bring up, and something we ought to look into.

Ms. McDonald, I want to make sure I am clear. Your position on public-private partnership with the Northeast Corridor, is that something you support?

Ms. MCDONALD. I do. I support looking at all alternatives——

Mr. SHUSTER. OK.

Ms. MCDONALD [continuing]. For making it viable.

Mr. SHUSTER. So I think it is—you are obviously—New York, you are on the commission—it is critical to make sure that New York is on board. Because I think, in the end of the day, it is——

Ms. MCDONALD. Yes.

Mr. SHUSTER [continuing]. Something we have to do.

Ms. MCDONALD. And, you know, we—I think we, all of us that are in the transportation industry, we will be able to see the benefit of——

Mr. SHUSTER. Right.

Ms. MCDONALD [continuing]. Of some of the successes and failures over the last 10 years of these public-private partnerships that——

Mr. SHUSTER. Right.

Ms. MCDONALD [continuing]. Really looking at the revenue stream, and what it can generate, and what impact that has on fares. You know, some of the experience on the automobile toll side, the revenues haven't realized—so a lot of interesting——

Mr. SHUSTER. Right.

Ms. MCDONALD [continuing]. Issues that would need to be addressed.

Mr. SHUSTER. And Mr. Orski, private companies being involved is critical?

Mr. ORSKI. Yes. Very much so, Mr. Shuster. Nevertheless, I think this is still an untested hypothesis, that the private sector is willing and able to participate, let us say, in the Northeast Corridor.

There is some experience, however, internationally. And I did cite to the Channel Tunnel, a project that was supported totally by private capital. So I would suggest that in any analysis of private participation in the Northeast Corridor, one of the first things we should do is investigate the interest of private investors, both domestically and internationally, in participating in the project.

Mr. SHUSTER. Well, you are absolutely right. And that leads to my next and final question to Mr. Geddes.

In your research, have you found out there are companies, private companies, interested in investing not only in the Northeast Corridor, but some of these other rail lines that we—I put in some language in legislation to go and find some of these nonprofitable lines and see if there is interest out there in the public sector—in the private sector.

Mr. GEDDES. Yes. My research indicates to me that it is, in some sense, very mechanical. If the private sector investors are compensated for the risks that they are assuming, they will invest. And if they are assured of getting that—we are—typically here we are talking about long-term investment. This is not 1 or 2 years, this is a long-term investment. They have to be assured of getting that investment over that long period of time. That is why I emphasized the institutional structures that you need to make public-private partnerships work, particularly in something like passenger rail.

But I believe it is almost mechanical, in the sense that if that return is offered to compensate for the risk that you are assuming, they will invest. And if it is not, they won't. They will go look overseas, which is what—tragically, in my view—infrastructure investment in the United States, with the deepest and broadest capital markets in the world, is going to other countries.

Mr. SHUSTER. Right.

Mr. GEDDES. China and India, we talk about them constructing infrastructure. They are building it through private investment, largely.

Mr. SHUSTER. Right. And I have talked to some of these—Herzog is a company that is interested in the United States. Of course, Virgin Rail, they have been in to see me. Veolia, Keolis, all doing that. All—some of them have operations already in this country and they are up and running.

So, again, I have got to get to another meeting, so I am going to end this. I appreciate all of you being here today.

As long as you don't filibuster me, Mr. Capon. I know you have a passion for passenger rail. Thirty seconds, go.

Mr. CAPON. OK. I just want to make clear that my no answer to your question on Amtrak reform does not mean I regard Amtrak as a perfect organization.

Mr. SHUSTER. That is——

Mr. CAPON. And I would like also to put something in the record for—in response to Mr. Hanna's question. I think I may have something that——

Mr. HANNA. OK.

Mr. CAPON [continuing]. That deals with that.

Mr. SHUSTER. That would be great. Again, thank you very much. And I appreciate with respect to your passion for passenger rail. But you sometimes go on like a Senator.

[Laughter.]

Mr. SHUSTER. And in the House we have got the 5-minute rule, which I try to adhere to.

Again, I want to thank all of you very much for coming today. I really appreciate you taking the time and helping to educate us here and bring us up to speed on some of these issues that we are discussing.

So, again, thank you very much. And it is—I ask for unanimous consent for Members to submit statements and questions for the record within 3 business days.

And with that, the meeting is adjourned. Thank you very much.

[Whereupon, at 2:17 p.m., the committee was adjourned.]

Donna F. Edwards

Opening Statement of
The Honorable Donna F. Edwards
"The Federal Railroad Administration's High-Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"
December 6, 2011

Chairman Mica and Ranking Member Rahall,

Thank you for calling this important hearing to look at the Federal Railroad Administration's High-Speed and Intercity Passenger Rail Program. I thank Secretary LaHood and all of our witnesses for being here today and look forward to their testimonies.

Transportation is one of the most important issues facing Congress today. Every bit of our lives revolves around how we get from one place to another, how long it's going to take to get there, and what time of day you have to leave to do it. That is why creating a national intermodal transportation network is so vitally important to the economic future of our country.

We know too well that investments in transportation, and in rail specifically, yield enormous returns by creating jobs, attracting investments, and saving money in energy costs. Every $1 billion in high-speed rail projects could create 24,000 jobs, according to the American Public Transportation Association.

Unfortunately, America's infrastructure is crumbling and outdated, posing an increasing threat to our global economic competitiveness. Today, Amtrak continues to share the track with freight and cargo while the development of high-speed rail in other countries has left us in the station.

This under-investment in high-speed rail has caused the United States to fall behind many of our international competitors. China is planning on making a $120 billion investment to double its high speed rail network and Spain is committed to spending a comparatively modest $15 billion on high speed rail over the next 10 years.

The United States is in a unique position and time where we could turn the corner in high-speed rail development and utilization. Investing in high-speed rail will provide American companies the opportunity to create the latest generation of high-speed train technology. In doing so, they will become 21st century leaders in the development of advanced signaling and communications systems, interoperable networks, and high-tech track components. These benefits will also be transferred to diverse fields and create jobs across other industry sectors.

High-speed rail must become an essential link in America's transportation system that moves people in an efficient and environmentally-friendly manner, as well as a strategic asset during times of national emergency. Congress has an opportunity to make long-term investments in our future and our children's future. I believe that America is exceptional in our ability to create, to innovate, and to lead; as legislators, we must recognize the important opportunity presented in high-speed rail to demonstrate that truism.

Rep Bob Gibbs

Thank you Mr. Chairman,

I want to thank you for calling this hearing today on the Federal Railroad Administration's High Speed and Intercity Passenger Rail Program.

In my home state of Ohio, I served in the state Senate during consideration of a so-called high speed rail project that would connect Cleveland, Cincinnati, and Columbus. After the details of the project came to light, Ohio rejected the federal funding, due to the impractical, inefficient, and expensive problems inherent to the project.

First, the supposed "high-speed" rail would be more like "snail rail". The proposed Ohio passenger rail service would use only reach a maximum speed of 79 mph, with an average speed of only 39 mph. According to a 2009 Amtrak study, the estimated travel time from Cleveland to Cincinnati would be 6 hours and 30 minutes – substantially slower than the 4 hours it would take to drive in a car. Combined with the fact that the average round-trip ticket price was projected at $190, it's hard to believe that many Ohioans would see any real savings.

Cost to the taxpayers is another serious issue. A 2009 Amtrak study determined that the project would require $500-700 million in start-up costs, plus millions of dollars in annual operating subsidies. Further studies have suggested that ridership would average only 1,315 riders per day, resulting in an extremely low return on investment.

Aside from the long travel times and high costs, there are several other impractical elements to the project. For example, unlike some larger cities, Ohio lacks the interconnectivity necessary for passenger rail to work. When a rider gets off the train in the Columbus station, where do they go from there? Additionally, this proposal would share with freight lines and any move to go faster than 79 mph would require a totally new system.

In the Northeast Corridor, true high-speed rail may be feasible. Earlier this year, I visited the Northeast Corridor with Chairman Mica and members of this Committee, and it quickly occurred to me that if true high-speed passenger rail is going to work, it would work there. The Northeast Corridor has the population, congestion, and interconnectivity that makes sense for a project like this, as well as the need for alleviating the highly congested roads and airports. While this region of the country looks promising for cost-effective development, for Ohioans, a $190 ticket for a 6 and a half hour ride from Cincinnati to Cleveland simply doesn't make economic sense.

Opening Statement of
Congresswoman Eddie Bernice Johnson
House Committee on Transportation & Infrastructure
Tuesday, December 6, 2011
Hearing on
The Federal Railroad Administration's High Speed Intercity Passenger Rail Program

In response to the economic recession and the critical need to address America's infrastructure deficiencies, the American Recovery and Reinvestment Act (ARRA) provided $8 billion for high-speed and intercity passenger rail grant programs. This initial funding commitment represented a new focus by the Congress and the Obama Administration to develop a national comprehensive high-speed rail network, a network that would help meet the transportation challenges of the 21st century.

In response to the funds provided by ARRA, the Federal Railroad Administration (FRA) received 259 applications from 37 states and the District of Columbia, applications totaling $57 billion in funding requests for the $8 billion available. I would suggest that the number of applications from the various states speaks to both the support of the federal rail programs, as well as the existing needs states have.

In reviewing the applications and selecting recipients, the FRA created merit review panels to evaluate the applications based on factors such as the transportation and economic benefits of the projects, the ability to sustain the projects, and the timeliness of the projects' completion. During the review process, the Department of Transportation held various regional stakeholder meetings in an effort to provide assistance during the grant writing process and timely updates. In its 2011 review of the process, the Government Accountability Office (GAO) noted that the FRA "established a fair and objective approach for distributing these funds and substantially followed recommended discretionary grant award practices used throughout the government." Since the report was issued, DOT has incorporated GAO's recommendations on how to further improve the program.

It is a worthwhile endeavor for this hearing to review the programs and the grant making process, and it is indeed the role of the Congress to provide rigorous oversight of Federal agency programs. But I believe that our efforts would be better served by examining what goals were achieved in making these awards, and how continuing to fund high speed and intercity passenger rail programs will provide innovative solutions to addressing congestion and provide the kinds of manufacturing jobs this country desperately needs.

I would like to thank Chairman Mica, Ranking Member Rahall and Members of the Committee for having this hearing. Likewise, it is also a pleasure to work with Ray Lahood, my former colleague and current Secretary of Transportation.

I am fortunate to represent a diverse district that has three major public universities, a strong manufacturing base, and Fortune Five-Hundred corporations. While thousands of college students are the base of passenger rail service, with a population of 1.8 million central Illinois has plenty of residents who also use rail to travel. The 15th District of Illinois is a very large district with both urban and rural regions.

I believe the success of high-speed rail depends on proper planning and development, not only with the routes but in the areas it impacts as well. Normal, IL, a town in my district located on the St. Louis to Chicago line currently under construction, is proof of the impact high-speed rail can have. Several years ago, Normal developed a comprehensive plan for the redevelopment of its downtown with the Normal Multimodal Transportation Center as the heart of this plan. When completed next year, the Multimodal Center will provide a focus for eight transportation modes including the city bus system, inter-city and charter buses, Amtrak service to Chicago and St. Louis, airport shuttles, taxis, park and ride facilities, and pedestrian connections to the downtown and Illinois State University campus.

All of this was made possible by a $22 million Transportation Investment Generating Economic Recovery grant, more commonly referred to as TIGER grants. The town of Normal also worked very closely with the business community, Illinois Department of Transportation, and federal agencies to ensure that funding for this project came from a variety of sources.

The Town of Normal is just one example of how the development of high-speed rail goes beyond the tracks the trains run on. I share the concerns of many in Congress about our nation's spending. However, I believe we can develop our transportation infrastructure by working with local communities, local businesses, and local governments to plan, finance, and build high-speed rail. I am concerned that if we do not determine a path for high-speed rail, the same inconsistent federal support that has hampered development of passenger rail will impede our ability to develop high-speed rail.

I disagree with the Chairman's assessment that the St. Louis to Chicago currently being upgraded in my home state of Illinois is not a high-speed line. While true that this line will not reach the two-hundred mile an hour threshold that many people define high-speed rail by, the 110 mile speed that this line will reach is a substantial improvement on the current Amtrak train speeds. In fact, this route has seen an increase in passengers over the last few years, even while under construction.

The American people continue to pay more for their right to use transportation through higher fuel prices, ever more congested highways, and consolidations and cuts to airlines. Now is the time to develop high-speed rail. While not perfect, countries throughout the world have shown that high-speed rail can be a quick, efficient, and environmentally friendly alternative for travelers. We continue to lag behind our international contemporaries in the development of high-speed passenger rail. Our focus on transportation should look at current needs and address future development.

Timothy V. Johnson
Member of Congress

David Price

Rep. David Price
Statement for the Record
House Committee on Transportation & Infrastructure
Hearing: The Federal Railroad Administration's High Speed Intercity Passenger Rail Program – Mistakes and Lessons Learned
December 6, 2011

I would like to thank the distinguished Chairman and Ranking Member for their interest in the Federal Railroad Administration's (FRA) High Speed and Intercity Passenger Rail (HSIPR) program. I appreciate this opportunity to offer my views on the program.

I believe that passenger and high speed rail simply must play a more prominent role in our nation's overall transportation system, moving us forward the way the highway system did in the mid-20th century. The need is great: our highways are congested and sure to become more so, and the capacity of our aviation system has only shrunk as airlines have reduced frequencies and completely cut service to points around the country.

High speed rail offers a safe, efficient and environmentally-friendly transportation choice for moving people and goods travelling between major cities. In addition, high speed rail investments have a synergistic impact: they upgrade our rail infrastructure, improve mobility of goods and people, reduce dependence on foreign oil, and create jobs – both in the short-term (planning, engineering, manufacturing equipment) and in the long-term (operations and maintenance). It is estimated that $1 billion spent on high speed rail creates 34,000 jobs, and rail investments are also a catalyst for attracting state, local and private capital, which in turn creates more jobs.

Unfortunately, without a clear federal policy or dedicated funding source, the U.S. has lagged behind other countries in developing its high-speed rail infrastructure. We have a major competitiveness gap in this area: the U.S. spends only 2.4 percent of GDP on infrastructure; China spends 9 percent.

We made some good headway with the Recovery Act, which provided the first *ever* major infusion of support for rail outside the northeast corridor. That $8 billion investment is helping to develop or lay the groundwork for 13 new, large-scale high-speed rail corridors across the country in numerous states. But it has not been an entirely smooth process: the Administration had to stand up a brand new program with minimal administrative funds or staff to administer the grants, and it took a while to get things up and running. I believe they have made very good progress to-date on the Recovery Act funds and expect that most, if not all, of the Recovery Funds will be obligated well before the funds expire in FY 2012. These funds are critical to laying the groundwork for future high speed rail.

I have seen first-hand these funds being put to use in my home state of North Carolina. Since the Southeast High Speed Rail Corridor was designated 20 years ago, states have had to fight for a share of an annual $25 million funding pot, but even with limited federal investment, North Carolina has been able to make consistent incremental improvements on the corridor. Work, including the construction of new train stations and track improvements, has already helped reduce travel time between Raleigh and Charlotte by one hour These new federal dollars are already on the ground helping to decrease travel time and frequency of service between Charlotte and Raleigh by half again. But we also have ambitious plans to extend the corridor to Richmond, VA and Washington, DC, ultimately linking the Southeast to the Northeast.

I know that there is the interest and capacity to do much more, and that there are other worthy rail projects nationwide ripe for investment. I also know that the public support for high-speed rail is strong and growing.

If we want to stay competitive in the international economy, we simply cannot continue to lag behind countries like China in developing a 21st Century infrastructure. A vision of a 21st century transportation system with high speed rail is not "pie-in-the-sky." We can make it a reality, but it will not happen overnight. Instead, it will require that we work together to implement a fundamental shift in our transportation policy at the federal level. I look forward to working with you on this effort.

Nick Rahall

Statement of the Honorable Nick J. Rahall, II
Full Committee Hearing on the "Federal Railroad Administration's High-Speed and Intercity Passenger Rail Programs: Mistakes and Lessons Learned"
December 6, 2011

I am pleased to be here this morning to discuss the Federal Railroad Administration's (FRA) high-speed and intercity passenger rail programs.

Some today will say it was a "mistake" to spread the available funding across the country and that it should have all been directed toward the Northeast Corridor. We have heard time and time again from certain quarters that the Northeast Corridor represents the best and only opportunity for true high-speed rail in the United States.

But I would like to remind my colleagues that this Congress needs to remain focused on developing a national program. Investment in a national intercity passenger rail system will help relieve the congestion that cripples our economic competitiveness and it will provide convenient alternatives for Americans across the country, not just those living along the East coast.

After all, it was a national vision that led to the creation of the world's most advanced highway and aviation networks – helping to spur unprecedented economic growth, foster new communities, connect cities, towns, and regions, and create millions of jobs. The Federal Government, States, local communities, and the private sector all worked together to realize that national vision.

So it will require big and bold investments of a national scope to continue to create a rail system that is fit for tackling the demands of the 21st century economy. But I would also like to remind my colleagues that the creation of the Interstate Highway System did not happen overnight. In fact, it took 60 years and trillions of dollars to get where we are today with our highway and aviation systems. But if we do not make the significant investments today, it may be too late to compete with our competitors down the line.

The investments made through the FRA's high-speed and intercity passenger rail grant programs are projected to create hundreds of thousands of good-paying jobs nationwide. As many Americans continue to recover from the worst economic recession since the Great Depression, these job creation initiatives play an important role. In addition to creating construction jobs, strict Buy America requirements will help spur economic growth in the rail manufacturing industry, to create jobs and develop a globally competitive industry.

We continue to hear claims that the DOT application selection process was not transparent, but a GAO report released in May 2011 calls these accusations into question and, to the contrary, said the FRA selection process was an example of "good grant making."

With the establishment of and subsequent funding provided for the high-speed and intercity passenger rail programs, the FRA had to transition overnight from a primarily rail safety agency to an agency that could oversee a multibillion dollar grant making process. In a short time, FRA developed an extensive and multi-layered review process to review hundreds of applications. DOT also engaged in significant nationwide outreach efforts to all stakeholders. I am pleased to learn that the DOT has incorporated all of the GAO recommendations into their selection process; already implementing them for their last two rounds of application selection.

For the first time in decades, we have a grant program that has set forth a new path to meet the growing demands for passenger rail across the Nation. At a time when we need it most, this program has the potential to create thousands of jobs and improve our national infrastructure. It is time we stop trying to derail this program and realize this national vision by working with all stakeholders across the country.

Thank you and I look forward to hearing from the witnesses.

Congresswoman Laura Richardson

Statement at Committee on Transportation and Infrastructure,

Hearing on "*The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned*"

2167 Rayburn House Office Building

Tuesday, December 6, 2011

11:00A.M.

Thank you Chairman Mica and Ranking Member Rahall for holding this hearing on the Federal Railroad Administration's role in the development of high speed and intercity passenger rail. I would also like to the Secretary Ray LaHood for joining us this morning to discuss an issue that I know is very important to him.

As a member of the Railroad subcommittee, a co chair of the California High Speed Rail caucus and vice chair of the Bicameral High Speed Rail Caucus, the development and implementation of a national high speed rail system is one of my highest priorities. Right now China is operating thirteen high speed railways and has more than 20 under construction. By 2020 this network will cover nearly 10,000 miles. This committee is tasked with developing and maintaining our nation's infrastructure as well as creating jobs in the process, yet

today we are discussing why high speed rail grant programs can't work in the United States and should be limited to one corridor. We didn't develop a space program with words like <u>can't.</u>

Today we are going to discuss the mistakes and lessons learned by the FRA in the funding process for high speed rail grants. In a May 2011 report issued by the GAO regarding the funding process, they cited concerns about vague explanations as to why projects were or were not selected for funding. I agree with the report's conclusion that more substantive reasons are needed for increased transparency.

However, I was pleased to see this same report concluded that the "FRA also substantially followed recommended practices when awarding grants, including communicating key information to applicants prior to the competition, planning for the competition, using a merit review panel with certain characteristics, assessing whether applicants were likely to be able to account for grant funds, notifying applicants of awards decisions, and documenting the rationale for awards decisions." In addition to these steps the report goes on to say that the FRA "conducted extensive outreach to potential applicants, including participating in biweekly conference calls, providing several public presentations on the program, and conducting one on one site visits with potential applicants. In my opinion I believe the FRA acted in the best interest for the country.

In fact the report states that "FRA officials used LESSONS from a number of other grant programs when developing its approach to reviewing and selecting projects.

After this extensive review process and the awarding of billions of dollars to develop high speed rail corridors some money was sent back by states. These states since the awarding of the grant money all had a change in political leadership – primarily to conservative governors of the Republican Party. Something I imagine is not accounted for by the FRA when making the decision to award grants. So to say a program has made mistakes or had a poor decision making process because states rejected the grants - I believe is false. The decision these states made to reject high speed rail funds – I believe were political.

Under the new leadership in the House we have seen an attempt to sell the North East Corridor (NEC), the closest form of high speed rail this country has, and we have seen the cut of high speed rail grants all together. I find this deeply troubling because I know there are tremendous opportunities to develop high speed rail in other portions of the country such as California. The NEC region serves the sixth largest economy in the world with a GDP of $2.59 trillion and about 18 percent of the US population. These figures make a strong case for the establishment of high speed rail alternatives to I-95. However, at the same time the state of California alone has the ninth highest GDP in the world, first in the US, and represents about 12 percent of the country's population. California is also home to some of the largest and most congested highways in the country

which are desperate need of repair and are estimated to cost hundreds of billions of dollars to repair and expand as California's population continues to boom. Some portions of California offer a landscape that make true high speed rail speeds, like those achieved in France and China, possible to the US.

The fact is Mr. Chairman our nation's infrastructure is inefficient and inadequate. Whether it is 8 to 20 mph on Interstate 5 or Interstate 95 – our country's most vital highways are parking lots. A recent Urban Mobility Report by the Texas Transportation Institute (TTI) found that the cost of these slow speeds, long delays, and endless congestion continues to cost the United States over $100 billion annually. Now is the time to make investments for alternatives to congested highways and to simultaneously create jobs.

The ACELA service is one of those alternatives and though it may only be able to achieve average speeds of 83 mph along the NEC but that trumps the long delays and crawling speeds our nation's major interstate system achieves. The NEC should be treated as a first step to developing a national high speed rail network not an ending point.

I want to thank all of our witnesses before the committee today and I look forward to hearing your testimony about this important issue.

I yield back.

Louise M. Slaughter

Congresswoman Louise Slaughter Statement
House Committee on Transportation & Infrastructure
Hearing on "The Federal Railroad Administration's High-Speed & Intercity Passenger Rail Program: Mistakes & Lessons Learned"
December 6, 2011

Chairman Mica, Ranking Member Rahall and members of the Committee, I would like to thank you for the opportunity to testify about the high-speed and intercity passenger rail program.

This program has been a great success and I am thankful for the leadership and vision of Secretary Ray LaHood, Deputy Secretary John Porcari and FRA Administrator Szabo.

> They have been, and I'm sure will continue to be, committed to moving forward the Administration's historic and bold initiative to modernize our nation's passenger rail infrastructure.
>
> They understand the status quo is unacceptable and that we are at the beginning of a long and critical journey to create a high-speed and intercity passenger rail network across the country.

Throughout my career I have strongly advocated for the development of high-speed rail in New York and across the country.

> However, not until this Administration has there been a bold vision to fund and build a passenger rail network.

Without the passage of ARRA and the Department of Transportation's implementation of the HSIPR program, New York's passenger rail program would have remained stagnant.

> Instead, New York to date has received $456.5 million through the HSIPR program for the improvement of passenger rail infrastructure along both the Empire Corridor and Northeast Corridor.
>
> This investment will allow Upstate New York to improve the reliability and service of passenger rail with the construction of a second track between Albany and Schenectady this spring.
>
> After decades of having just one track for an 18 mile stretch, we are finally putting an end to this bottleneck thanks to the success of the HSIPR program.

The funding of these types of passenger rail projects in states across the country will benefit people and local communities.

> Through increasing passenger rail speeds to 110 mph or more, increasing frequency of trains, improving on-time performance and reducing travel time, we will make commuting easier.

By making the workforce more mobile, it creates a powerful recruitment tool to help attract new business to local communities.

The promise of high speed rail affords people the opportunity to live in one city and work in another and permits businesses to draw from a larger labor pool.

History has shown us that as transportation improves so too, do local economies.

In fact in New York, we are looking to build high speed rail along a corridor that connects our largest Upstate cities which were at one time connected by the Erie Canal.

Linking them once again and connecting them with other hubs throughout the Northeast and Canada will result in an unrivaled economic development zone across our region.

While I am aware of the resistance among some to spend money in our current economic environment, only bold investments in our nation's infrastructure will help us build a foundation for a stronger future and compete in the global economy.

We have the chance to design nothing less than the transportation and economic foundation of the next 50 years.

But if we instead choose for "limited" and "targeted" investments in high speed rail, we will be left with nothing but novelty projects and only "limited" and "targeted" benefits for our country.

Quite simply, a high-speed train in California and a high-speed train on the Northeast Seaboard does not make a foundation.

When our nation's interstate highway system was built, we invested in a transportation network that passed through every state in the union, benefitting commerce and private citizens alike.

The interstate highway system project was neither "targeted" nor "limited";

it was a bold step towards an American future, and the investment paid-off.

The interstate highway system helped to secure America's position as the dominant economic world power throughout the remainder of the 20^{th} Century.

Sixty-five years after the passage of legislation to build our interstate highway system, we face another opportunity to boldly win the future.

Now and in the years to come and I intend to continue to work with my colleagues to ensure we fund this vital program.

Thank you again for the opportunity to testify on the importance and success of the HSIPR program.

Testimony of

Ross B. Capon, President & CEO
National Association of Railroad Passengers

"The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"

Before the
Committee on Transportation and Infrastructure
United States House of Representatives

December 6, 2011

Chairman Mica, Ranking Member Rahall, Railroads Subcommittee Chairman Shuster, and Ranking Member Brown, Thank you for the opportunity to appear today, and for scheduling a hearing on this vital program.

Perhaps the most singular lesson learned is that it takes a federal partner to advance passenger train improvements. We regard the program as critically important, successful, and appropriate to the current stage of U.S. passenger train development.

We understand that, for some, the term "high speed" has created expectations at odds with reality, since this term is often used to refer to trains going faster than 150 mph.

It was essential to use a substantial part of these funds on upgrading conventional services. That is partly because, in spite of pleas from states for over 15 years, federal funds generally have not been available to support state investments in conventional intercity passenger trains. It is hard to generate state funding for rail capital improvements when the federal match is zero, even as the federal government provides generous matches for road and aviation investments. One notable exception is also a success story -- the Keystone Corridor, where Amtrak was able to match Pennsylvania's investment.

At an April 16, 2009, news conference, President Obama stated in part, "The first round of funding [will use] infrastructure to increase speeds on some routes from 70 miles an hour to over 100..." Also, the program name became "High Speed *and* Intercity Passenger Rail" (HSIPR) to emphasize that upgrading conventional lines not generally considered "high speed" is an important part of the program. Some use "Higher Speed" (HrSR) to refer to conventional upgrades. Indeed, since both types of service are intercity, the program name might well be

"High and Higher Speed Intercity Passenger Rail." But semantic quibbles should not obscure program's valuable, ongoing work.

The need for conventional train development can be observed in nations with well-developed high-speed rail, and in the U.S.

Intercity Passenger Rail Travel in France	Annual Ridership (millions)
Domestic intercity	360.076
International	23.819
Total intercity	383.895
TGV	114.395
TGV share of total intercity rail	29.8%
Non-TGV share of total intercity rail	70.2%
Commuter	*694.2*

Source: International Railway Statistics, 2009 *(UIC)*

In the U.S., the point is made by the existence—in spite of federal policy—of well-developed, successful passenger train programs that enjoy strong support. California's three corridors, for example, account for 18% of all Amtrak passengers (not passenger-miles) nationwide. The *Downeaster* service between Portland ME and Boston, which many in advance had predicted would flop, had more than 519,000 riders in Fiscal 2011, up 8.6% from 2010.

While a handful of states improved their train services without federal help before 2009, the scale of work needed for an efficient network depends on federal leadership backed by an ongoing financial commitment.

The glaring hole in federal policy began to be fixed in a small way with $30 million in Fiscal 2008 and $90 million in Fiscal 2009. The big break for passenger rail came with the Recovery Act in February, 2009, and $2.5 billion in regular Fiscal 2010 appropriations.

It is not surprising that the huge, sharp jump in program size had its time-consuming growing pains. FRA simultaneously had to ramp up staffing and to make sure that a solid foundation would be laid for an ongoing program. Since much of the funding supported public investments in private-sector railroad facilities, there were predictable tensions between the railroads looking out for their shareholders and FRA's responsibility for protecting taxpayers' interests. It is disappointing that CSX has yet to sign an agreement. The projects are required to maintain the fluidity of the freight network and generally *improve* freight operations because added track capacity is available 24/7 but added passenger trains only use this capacity a part of that time.

Based on our conversations with the states, and on the agreements in place, FRA handled this well. As California Division of Rail Chief Bill Bronte told us, FRA

> "was given an almost impossible task in switching from a regulatory/safety agency to a brand-new grant program. There was general guidance in PRIIA that gave them a very, very skeletal framework to work from: setting up evaluation standards, the various types of rail (HSR vs. HrSR)...All things considered, given what they did in the time they had, it was incredible. Have we always agreed with them? Heck no. You'll run into that with any program, but more so with a brand-new one. For all the things they had on their plate that they got done, you can disagree with the policies, but not with the efforts and the outcome."

There was an inevitable conflict between the desire that we all had to see money flowing quickly, and FRA's concern about developing that "solid foundation." There has also been concern that FRA could have been more flexible in dealing with states that had already-well-developed rail programs as opposed to those which did not.

But here is the silver lining. Now, when many cry for "more stimulus" and Americans need more jobs, the rail program is just starting to generate valuable jobs in a much bigger way.

Aviation Trends Highlight Need for Passenger Train Development: Some have been predicting the collapse of short-distance aviation when the next oil price spike hits. This prediction seems to be coming true already, in a gradual fashion. Department of Energy statistics show that even undercapitalized Amtrak is 14% more energy efficient per passenger-mile than domestic airlines [Amtrak 2,435 BTUs per passenger-mile vs. airlines 2,826; Table 2.12, 2009 statistics in *Transportation Energy Data Book: Edition 30-2011*, Oak Ridge National Laboratory].

The following reports suggest that, unless passenger rail development is strangled by inadequate funding, demand for trains will continue to rise.

- AP on Nov. 29: "US Airways' round-trip fare from Pittsburgh to Philadelphia will jump nearly 500 percent early next year once Southwest Airlines drops its nonstop service between the two cities. The nonrefundable round trip fare, not including taxes and fees, is now $118, but will jump to $698 after Southwest ends its service on Jan. 8, the Pittsburgh Post-Gazette reported Tuesday [Nov. 29]...Travelers willing to fly through airports in Detroit or Washington, D.C., will still be able to get fares under $200 – but with travel times of four to six hours, counting layovers. That means it will likely make sense for many frequent travelers to drive the 300 miles between the cities." Or, NARP would add, they might consider the train, particularly if service expanded beyond today's single departure.

- AP reported Nov. 27, "The little planes that connect America's small cities to the rest of the world are slowly being phased out. Airlines are getting rid of these planes — their least-efficient — in response to the high cost of fuel. Delta, United Continental, and other big airlines are expected to park, scrap or sell hundreds of jets with 50 seats or fewer in coming years. Small propeller planes are meeting the same fate. The loss of those planes is leaving some little cities with fewer flights or no flights at all... [Jet fuel prices are] at $3.16 per gallon today, up from 78 cents in 2000. That's changed the economics of small planes...A Delta 50-seat CRJ-200 made by Bombardier takes 19 gallons of fuel to fly each passenger 500 miles. Fuel usage drops to just 7.5 gallons per passenger on Delta's 160-seat MD-90s over the same distance...Lynchburg, Va., lost Delta's three daily flights on 50-seat jets earlier this year, although US Airways still flies similar jets there...Lynchburg is the home of the 2,000 workers for French nuclear services company Areva, and its largest international destination had been Paris by way of Delta's Atlanta hub...Continental's effort to get rid of its 37-seat planes shows how eager airlines are to quit flying them. It has 30 of the jets under lease, some until 2018. Twenty-five are grounded. The rest are subleased for $6 million less than Continental is paying for them."

- *Financial Times* [Nov. 30 print edition] quoted analyst Helane Becker, with Dahlman Rose, on the AMR Corporation bankruptcy: "During restructuring, AMR should remove unnecessary aircraft and capacity and [that] will allow AMR's competitors to [push] load factors and pricing higher."

"Steak vs. Peanut Butter": We understand Chairman Mica's strong support of the development of the Northeast Corridor (NEC). We also support that development both in the Northeast Corridor and elsewhere. Richard Harnish, Executive Director of Midwest High Speed Rail Association and a member of our board, testified before your Railroads Subcommittee on April 20, 2010, "At 220 miles per hour, we can achieve a transformative tipping point where journeys become commutes and business travelers can spend a productive day in a distant city and still be home for dinner."

We believe that the HSIPR program must be national, regardless of how few states are currently ready for very high speed trains. Only 18% of the US population lives within 25 miles of an NEC Amtrak station. If the HSIPR program had been focused solely on the NEC, national support for and enthusiasm for the program could not have been sustained and many projects elsewhere would not have been funded. Moreover, the needs of the NEC greatly exceed the totality of the funding that has been provided, thereby limiting the impact the program could have had on the NEC.

Tax Treatment of Transit Fares vs. Parking: Again, intercity trains at any speed depend on good connections for their viability. Thus I would like to take this opportunity to express concern about the December 31 expiration of the Recovery Act provision equalizing the maximum allowed pre-tax transit and parking benefits. This would hurt the financial viability of transit systems already under stress. It would worsen urban traffic congestion. Letting this provision sunset would reinstate yet another "hidden" subsidy for motorists. Such a policy change would hurt those who cannot or choose not to drive, and would result in a less safe and efficient overall transportation system. Today's *Washington Post* coverage includes the following:

> Metro General Manager Richard Sarles called it "nuts" that Congress would allow the parking benefits to increase while the transit benefits decline.
>
> "We're trying to encourage people to use transit," he said. "To take away half of the benefit doesn't make sense, especially in the worst traffic congested area."
>
> Metro officials have said that the reduction in transit benefits could cause a 2.8 percent annual drop in ridership.
>
> "We're still suffering ridership going down because of the economy," said Jeff McKay, an alternate board member from Fairfax County. "How much ridership will we lose if we raise rates, too?"

Thank you very much for this opportunity to present our views.

Appendix: One Funding Possibility

Build America Bonds: We support restoring this program and making it more rail-friendly. As originally authorized in the Recovery Act, it subsidized 35% of a state or local government's interest payment on the issuance of debt, either through direct cash payment from the Treasury to the issuer, or through a tax credit from Treasury to the bondholder. While BABs could generally be used to finance surface transportation infrastructure, its structure limited the program's ability to help states finance High Speed & Intercity Passenger Rail grants. This was due to the unique public/private nature of most U.S. passenger train operations, coupled with the expectation that any surplus revenue generated from a high-speed/intercity passenger rail facility should be used to pay off construction debt.

As structured, passenger investments from BABs could only happen if the infrastructure financed was 90% owned and operated by a governmental entity, or if 90% of the debt was paid back with public revenue. A state would essentially be required to operate its own railroad in order to qualify as a government use. A service operated by Amtrak is considered a private business use. Given the likelihood of private business use, a state would then have to assume at least 90% of the debt obligation and could not use more than 10% of any revenue generated from the facility to pay-off or secure the debt.

The Internal Revenue Code includes a class of "qualified" private activity bonds, including one for high-speed intercity rail facilities, but the Recovery Act excluded all private activity bonds from receiving BAB assistance. The best way to ensure that high-speed/intercity passenger rail projects are eligible under a future BAB program is to establish the high-speed intercity rail facilities bond as an eligible obligation under the Build America Bonds program.

We also recommend:

- Modifying the definition of high-speed intercity rail facilities in the Internal Revenue Code by lowering the speed requirement from 150 to 110 mph to encompass a broader range of projects and ensure consistency with the definition of 'high-speed rail' in PRIIA; and by including rolling stock (the current definition specifically excludes rolling stock).
- Considering whether other modifications to benefit freight rail projects would be appropriate.

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Responses for the record, Ross Capon, National Association of Railroad Passengers:

Response to Mr. Hanna's question

Mr. Hanna asked me about measuring the relief that high speed rail could bring to airports and highways in the Northeast Corridor.

Within the Northeast Corridor, we are not aware of specific, objective estimates of exactly how improved HSR would affect the region's airports and highways.

Another approach to answering the question is to identify what happens if there is no action or no innovative approaches. That is the approach taken by the Transportation Research Board's Airport Cooperative Research Program (ACRP) Report 31, *Innovative Approaches to Addressing Aviation Capacity Issues in Coastal Mega-regions*, done in 2008 and published in 2010. This report was undertaken at the request of the FAA when its own study found that traditional airport planning solutions would not be adequate to address aviation congestion in East and West Coast mega-regions. FAA concluded that airports could not plan or build or do operational reforms that would be adequate to handle projected growth. So they asked TRB to look at innovative solutions – i.e., taking multi-modal approaches to helping airports solve their projected capacity problems.

Among the ACRP Report's conclusions (quoting from the Executive Summary at pages 1 and 2):

1. "...there is a serious lack of usable aviation capacity in the mega-regions..."
2. "To gain access to alternative forms of short-distance trip-making capacity, the aviation planning system could benefit from becoming more multimodal. Chapter 2 reviews the extent to which aviation planning is inherently intertwined with the planning and analysis of capacity increases in other longer distances modes, specifically HSR and highway planning."

Also from the Executive Summary:

- "Using a range of economic assumptions, the cost of air travel delay in the future (2025) would range from about $9 billion to about $20 billion, if none of the present capacity constraints were addressed—that is, the cost of doing nothing." [The report states that the cost range in 2007 on the same assumptions was "about $3 billion per year to a high of over $9 billion per year."
- Table S1 at page 6 shows "2007 Airport flight delay cost estimates" at 12 major airports on both Coasts.
- Table S3 at page 9 shows "possible diversions from air to rail in the East Coast Mega-region."
- Text at page 9 states, "The implementation of alternative policies towards HSR could have massive impacts on air passenger demand and should be explicitly modeled in the aviation forecasting process."

- At page 10, "The research summarized in Chapter 2 suggests that only a *combination* of lowering actual air travel with a well-developed program to optimize the efficiency of the airports will bring about the policy objective of lowering congestion and producing the kind of 2025 aviation capacity the industry has been seeking."
- The report found that expanded highway capacity would not be effective in accommodating excess aviation demand. "The California analysis shows that, even with the creation of an aggressive future highway network, fundamental long-distance intercity travel times do not improve."

Some work that drew upon the above study was "boiled down" in a brief report that is available at http://www.coneg.org/reports/regional_context.pdf

For the California High Speed Rail project, the programmatic environmental impact statement contains specific estimates regarding investments avoided in other modes due to building HSR, including five airport runways and about 3,000 highway lane-miles.

In the U.K., perhaps the most recent work of this type was done. This was in connection with the government moving ahead with a serious examination of "High Speed 2." This would be the U.K.'s second high speed line (following the London-Channel link for Eurostar) and would run north from London towards Scotland. Below are some quotations from this work.

From http://www.hs2.org.uk/assets/x/77832, page 5:

Some commentators have suggested that the strong growth we have seen in air and rail demand is due to mode shift and not to increases in the total number of long distance trips. Others have suggested that it is due to changes in travel patterns with more trips being made to locations in city centres, for which rail is often a more attractive option than car. The view of HS2 Ltd is that the long distance travel market will continue to grow overall according to past trends and there will be particularly strong growth for rail. However constraining growth in the car or air markets would have only a limited impact on the economic case for HS2. As most people on HS2 would most likely be existing rail users, the key driver of the economic case is the growth in the number of long distance rail trips.

Page 14: Air is not an option for trips between the West Midlands and London, as there are no flights. For point to point trips between Manchester and London rail already has 76% of the rail-air market. On the West Coast corridor, it is mainly for trips between London (and the South East) and Scotland that rail and air compete, because journey times are comparable. The best journey times by rail between London and Glasgow today are around four and a half hours and *of today's total rail and air market between London and Glasgow is about 17% by rail and 83% by air. With HS2 operating between London and the West Midlands the rail journey time would reduce to around four hours, in the region where it begins to be strongly competitive (Figure 4).*

Page 10: One way to accommodate some growth in demand for domestic air travel would be to use larger planes. However, if this is not feasible, domestic air demand will begin to experience limits on available capacity with consequences for the availability and price of tickets: flights may sell out earlier, meaning that passengers have less choice of travel times, may be required to purchase tickets further in advance and may force increased ticket prices for the busiest flights.

Page 2: The slow down in growth of distance travelled [from 1972 to 2009] is very much driven by a slow down in the growth in car travel, with people's total distance travelled by car (passenger kilometres) growing by only 9% between 1996 and 2009. This compares with rail travel where there has been an increase in passenger distance travelled of 56% since 1961.

From http://www.hs2.org.uk/assets/x/77834, page 9: We forecast that by 2043, around 11,000 long-distance car person trips per day would be likely to transfer to HS2. For example, traffic flows on the southern section of the M1 motorway would fall by around 1%, leading to a reduction in congestion and therefore slightly quicker journey times. We also include an estimate of any increase in congestion that might occur around HS2 stations. We estimate the aggregate benefit of road decongestion would be £1,800 million, in 2009 prices.

Page 14: A transport scheme such as HS2 could improve links between firms, which would have the effect of bringing more related businesses closer together. This phenomenon could support enhanced knowledge sharing, a greater specialisation of staff resources, and enhanced competition between suppliers. Such productivity benefits to business support the wider economy of an area.

Page 8: Surveys conducted by Passenger Focus, the consumer watchdog for rail passengers, suggest that unexpected longer journey times because of train cancellations or late running of services are rail passengers' second highest priority for improvement after value for money fares. This lack of journey time reliability means that passengers may have to build in *contingency into their schedule – perhaps travelling on an earlier train to ensure they arrive on time. This has a real cost, just as a longer journey would.*

Speaking generically, It is about moving large numbers of people reliably and efficiently in the future. The road and aviation capacities are limited and congestion will increase. Airport build outs are going to range from difficult to infeasible and hugely expensive.

HSR development may reduce the rate of increase in airport/airway congestion but not reduce congestion. There is likely to be a change in the mix of airport traffic, with an increase in longer-distance flights offsetting any reduction in short-distance flights. That change is good for the airlines, since their shortest flights are generally the least economic. The addition of rail is good for travelers as it gives them more choices. My understanding is that most studies show that intercontinental international flights add more value to the local economy than domestic flights. To the extent that HSR "frees" up space for international flights there is a net gain to the local economy. This, of course, would be more relevant at Logan than at LaGuardia or Reagan National.

The impact of HSR on highway congestion is less significant, since local travel predominates on most highways. However, highway congestion certainly adds to the stress and inconvenience of intercity road travel. Thus, the addition of HSR gives intercity travelers a way to avoid much highway congestion.

Looking at capacity, using realistic assumptions:

- one track of HSR equates to eight to 10 lanes of freeway capacity (one way); or in other words:
- a double track HSR alignment equates to 16 to 20 lanes of freeway capacity.

The capacity (including capacity reserve for decades to come when you reduce headway all the way down to three minutes) established by a HSR line in the NEC removes the need to widen highways. Indeed, widening highways and expanding airports in the Northeast may not be feasible due to the enormous space requirements of these facilities.

SNCF (French National Railways) has useful information at

- http://californiaconnect.com/ see Fast Facts: Environment, Wide, wider, widest

- http://californiaconnect.com/facts/view/wide-wider-widest

Amtrak On-Board Food Service Costs

The comments about food and beverage subsidies bring to mind the hearing the Railroads Subcommittee held on this in 2005. At that time, Amtrak Senior VP—Operations William Crosbie testified that the primary purpose of Amtrak's food and beverage service "is to enhance ticket sales and ridership, not serve as a profit center." In other words, a meaningful portion of ticket revenues would disappear if food and beverage service did not exist. Therefore, elimination of food and beverage service would not reduce Amtrak's operating grant requirement by $61 million but could actually increase that requirement. Incidentally, $61 million represents just 3.6% of Fiscal 2010 ticket revenues.

In considering the economics of on-board food sales, it is important to note that the seller is restricted to passengers on board the train, some of whom have brought their own food or—in the case of short trips—may not eat anything on board. In addition, on-board employees must be trained to handle emergencies as they are first responders in an emergency. After a semi ploughed into the side of the California Zephyr at a Nevada grade crossing on June 24, Amtrak food service employees won praise for the help they provided to evacuate and care for passengers.

Presumably, Amtrak charges $4.50 for hot dogs because passengers are willing to pay that much unlike at, say, National Capitals games where the hot dogs are $7.

American Enterprise Institute
for Public Policy Research

Testimony before the
House Committee on Transportation and Infrastructure

"The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"

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The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Mica, Ranking Member Rahall, and Members of the Committee:

Thank you for the opportunity to submit testimony to the House Transportation and Infrastructure Committee hearing entitled, "The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned."

I am R. Richard Geddes, associate professor in the Department of Policy Analysis and Management at Cornell University, visiting scholar at the American Enterprise Institute, and the author of *The Road to Renewal: Private Investment in U.S. Transportation Infrastructure* (AEI Press, 2011).

High-speed passenger rail (HSR) is a commendable public policy objective that can provide valuable public benefits. I strongly support HSR in the United States for those lines and routes where it makes sense. In this testimony, I justify that view by addressing some fundamental economic issues regarding HSR in the United States, as well as the use of private investment in passenger rail through public-private partnerships, or PPPs. This is important because, in my view, the most recent attempts to fund HSR in the United States did not include adequate provisions to attract and retain the private investment that is critical to conserving scarce public resources.

Self-sustaining HSR projects

The standard measure of the benefits that users, or consumers, receive from a good or service is their willingness to pay for it. Consumers in this case are HSR riders, and the price is the fare charged. Revenue received from fares (along with associated revenue from activities related to passenger rail, such as station naming rights and concessions) measures the value riders receive from the service. If riders receive substantial value from the service, they will be willing to pay much for it, and revenue will be high. Conversely, revenue will be low if few riders choose to use the service.

The benefits of HSR to its riders must be compared to its costs. The costs of a HSR project are usefully separated into capital costs and operating costs. Capital costs refer to one-time costs associated with installation of the system, such as the purchase of right of way, the laying of track, and the construction of stations. Operating costs are the ongoing costs of running the system, such as electricity, wear and tear, and wages.

A project is economical if the revenue from all sources is sufficient to cover operating costs while making a contribution to capital costs, including paying off debt and providing the investors who financed its capital with an adequate return on their investment. This is true regardless of whether the investors in question are private individuals or taxpayers.

If a high-speed rail project is economical in this sense, then private investors will be willing to fully fund its capital and operating expenses, and taxpayer subsidies will be unnecessary. In this case, the government's task is to create policies that attract and retain private infrastructure investment for the long term, and to monitor performance on the PPP contract.

Public-Private Partnerships in High-Speed Passenger Rail

Public-private partnerships are the main vehicle for incorporating private investment into the provision and operation of infrastructure. It is important to first define PPPs in general. The term "public-private partnership" refers to a contractual relationship between a public-sector project sponsor (where the project may include operation and maintenance of passenger trains as well as improvements to the underlying infrastructure) and a private sector firm or firms coordinating to provide a critical public good or service. The PPP contract is subject to all of the standard rules of contracting, and it is useful to think of a PPP as one application of a broader contracting approach.

Before discussing the benefits of the PPP approach, I review the structure of PPPs, and how they can be adapted to meet differing social objectives. A passenger rail PPP, either on the Northeast Corridor (NEC) or on lower-density, less economical routes, can be structured in different ways depending on the objective of the public PPP sponsor. Under one approach, the public sponsor may wish to maximize the amount of private sector investment available for infrastructure renovation, such as upgrading tracks and expanding rights-of-way, which reduces the amount of public dollars necessary for that upgrade. This can be accomplished if the public project sponsor conducts competitive bidding for the grant of a concession or lease of operational rights, while retaining responsibility for infrastructure.

The public project sponsor would then determine all the key attributes of the desired service, such as train speed, frequency of service, allowable rates, lease length, and other contractual details. This proposed contract would also allocate various risks between the private partner and the public sponsor, such as the risk of cost overruns on system expansions and renovations.

Although some commentators focus on revenue from rates paid by riders, there are additional possible sources of revenue that can be used to attract private sector investment, which may make private investment in HSR more feasible than first imagined. For example, the winning private partner could be granted commercial or residential real estate development rights in areas adjacent to stations. Other possible revenue sources include naming rights for stations and bulk purchases of tickets by corporate entities, among many others.

The public PPP sponsor may have a goal other than maximizing private investment in passenger rail infrastructure. The goal may be obtaining the best fare/service quality combination, for example. In that case, the sponsor can set the basic parameters of the contract, announce the precise criteria on which the winner will be determined, and accept bids. The key insight is that the PPP contracting approach is flexible enough to accommodate a variety of public sector sponsor objectives. I next review several salient benefits of the PPP contracting approach.

The introduction of competition. One important social benefit of the PPP approach is that it allows for competition to be introduced into HSR service provision. Competition encourages firms to provide quality service at a low cost, to be responsive to customer's needs, and to encourage competitors to innovate. The competitive benefits of PPPs can be realized on both NEC and non-NEC routes.

The articulation and enforcement of clear key performance indicators. An important social benefit of the PPP approach is simply that a contract exists. The contract includes details regarding what actions constitute adequate performance on the contract. The PPP approach thus encourages the public sponsor to reflect upon, and articulate, what specific actions by the private partner constitute excellent, or poor, performance. This will improve service provision. This may include metrics about major issues, such as the reliability and frequency of train travel, but also more detailed considerations such as the cleanliness of cabins, restrooms, and dining cars.

The provision of fresh capital. One key consideration is that the PPP approach allows fresh capital to be injected into passenger rail in the United States. In many cases, the public sector simply does not possess the necessary resources. Reliance on private capital is thus the only way to complete necessary renovations, upgrades, and maintenance that result in safer, faster, and more efficient service. But it also results in substantial savings, since a project will be completed faster under the PPP contracting approach where the private capital is readily available to get work done quickly.

The introduction of new technologies and the fostering of innovation. One key advantage of the PPP approach is that the private sector has incentives to develop new technologies, and has the resources to implement them. This results in lower costs and improved service.

The assumption of risk by private partners. Under the current approach in the United States, taxpayers assume virtually all the risks associated with designing, constructing, operating, and maintaining passenger rail systems. In a PPP, some of those risks can be allocated to the private partner, which reduces risks borne by taxpayers.

Private participation in the provision of passenger rail service in the United States through PPPs should be encouraged. Unfortunately, recent attempts to expand funding for HSR in the United States did not include appropriate mechanisms to attract and retain private investment in rolling stock, stations, or rail infrastructure. It is important that future efforts to improve the nation's HSR system include such mechanisms.

In thinking about future efforts, two useful distinctions in the use of PPPs for HSR in the United States should be made. The first is between provision of the underlying infrastructure versus operating services. PPPs can be applied to operations in a straightforward manner. This includes such tasks as actual train operation, ticketing, advertising and marketing, as well as providing new rolling stock where necessary. It may also include the maintenance of right of way and stations. As noted, competitive bidding among private train operating firms can take place on the basis of various criteria, such as the lowest fares or, if optimal fares are pre-determined, on the basis of the size of an upfront concession payment that can then be applied to infrastructure improvements.

A second type of PPP is already in widespread use, which utilizes private assistance to design, build, and renovate the rail infrastructure on which passenger trains operate. In bidding out this second type of PPP, policy makers should pay close attention to how the design of the rail infrastructure affects train operations.

Another distinction necessary for PPPs to be used effectively in the United States is between the Northeast Corridor (NEC) and the remainder of the passenger rail network. This is because, as I discuss below, the NEC is the country's most economical line. As such, it is likely that the NEC is the only part of the nation's network that can be operated without direct taxpayer subsidies. This affects the nature of the PPP bidding that takes place, so a fundamentally different set of policies should be utilized on the NEC.

High-Speed Rail in the Northeast Corridor

True high-speed passenger rail in the United States is likely to be most economical in the highly traveled Northeast Corridor (NEC) between Washington, DC and Boston. In fact, it may be the only corridor in the United States that meets the necessary requirements to have self-sustaining HSR. This conclusion is based on the following characteristics of the NEC:

- Sufficient population density: There are currently in excess of 50 million people in the corridor, which constitutes less than 2% of the U.S. land mass.

- Demonstrated demand as measured by existing intercity auto, bus, air, and rail traffic: Three of the top 25 U.S. intercity air travel city pairs are among NEC cities, 60% of the top 25 U.S. intercity air travel pairs include one or more NEC cities, in excess of one-third of all of Amtrak's intercity traffic is among NEC cities, and NEC intercity bus traffic growth has been explosive in recent years.

- Unfettered access to the rights-of-way necessary to enable HSR trains to achieve sufficient speeds between stations.

- Existence of robust local transit systems, which facilitate potential passengers' arrival at or departure from HSR stations along the route: The NEC route encompasses Washington, Baltimore, Philadelphia, New York, and Boston, all of which possess local transit systems that are among the most extensive in the U.S.

The demographics and demonstrated ridership within the NEC make it an appealing route for both public and private investment. HSR makes economic sense on such a route since the revenues from rates paid by riders, as well as other revenue sources generated by HSR activities, are likely to be sufficient to cover the costs of providing HSR. It is thus socially beneficial for investment dollars to flow into the highly used NEC. Recent attempts to improve HSR in the United States have, however, not focused public resources on critical renovations within the NEC, or on leveraging private investment there.

Bidding among private competitors for a concession to operate trains on the NEC would likely generate substantial concession payments, which could then be applied to infrastructure improvements within the corridor. This in effect allows future riders to pay for the infrastructure improvements they will benefit from through the fares they will pay, since the concession payment in part reflects the discounted present value of those fares. The task of policy makers should be to provide the institutional structure necessary to attract that investment, particularly when public funding is unavailable. U.S. public policy has yet to create such as an institutional structure for HSR (although it is being created for highways).

Amtrak, which already has substantial experience in operating trains in the NEC, can either participate on equal footing as a bidder or be the entity that conducts the bidding, but undertaking both would present a clear conflict of interest. Therefore, if Amtrak is to participate as a bidder, it will be necessary to create a new entity, which explicitly represents riders, to conduct the bidding and ensure that contracts are enforced as agreed upon. Competitive bidding conducted by a representative of riders has the additional benefit of clarifying that the NEC is to operate in the interest of its customers.

This analysis suggests that the NEC should be financially separated from longer-distance, lower-density routes because those routes are unlikely to generate revenue sufficient to cover operating costs. This necessitates a different type of PPP bidding, which highlights the flexibility of the PPP approach. I next discuss bidding on non-NEC routes.

Private Participation off the NEC

Many non-NEC routes are characterized by longer distances and lower density of ridership. Such routes may be unable to operate without direct taxpayer subsidies. There is a perception that PPPs cannot be used on routes that do not cover capital or operating costs. This is false. PPP bidding on routes that do not cover their costs must take on a different form, however. Competitive bidding should take place on the basis of which private participant is willing to accept the lowest direct taxpayer subsidy in order to provide a pre-determined level of service. This will provide the greatest value for money to taxpayers. The fiscal challenges currently facing the United States also suggest that offering the lowest possible subsidy to achieve a particular well-defined objective is important.

Direct taxpayer subsidies can be reduced as ridership on the route increases. Once ridership is sufficient to cover all costs, taxpayer subsidies can be phased out entirely. This type of least-subsidy bidding (combined with phase-outs as traffic increases) has been used in other transportation contexts, such as on toll roads in Spain.

There is a second reason why it is important to separate the NEC from the rest of the network for financing and policy purposes: Amtrak controls the majority of the NEC, but outside the NEC Amtrak operates predominantly on tracks shared with freight trains. Amtrak currently has priority for trackage use, which requires freight trains to move to sidings so that an Amtrak train can pass. This imposes a major cost on freight train operations. Because of their inherent efficiencies in moving freight, care must be taken in any competitive bidding arrangement to ensure that additional costs are not imposed on freight train operations.

There are three key principles regarding subsidies that are relevant for the use of public-private partnerships in passenger rail.

First, *any proposed subsidies should be well justified on public policy grounds.* There are many reasons for this, but chief among them is that it is costly to raise tax dollars. The system of raising tax revenue is costly to administer, but taxes also generate social costs by distorting taxpayers' choices. A common rule of thumb is that such costs constitute at least a third of the revenue raised. A dollar of expenditures on taxpayer subsidies therefore must produce more than $1.33 in social benefits to justify those subsidies. This should be kept in mind when policy makers are considering subsidizing HSR riders directly.

Second, *subsidies should be as explicit and transparent as possible.* Transparency is now a well-accepted principle in accounting, and applies equally to the use of taxpayer dollars. Taxpayer subsidies that are not transparent and readily measurable should be avoided. Transparency in the provision of subsidies allows taxpayers to know how much they are allocating to various competing projects, and to assess which provide the best value. That is, transparency of subsidies is critical so that taxpayers can make educated judgments about the best use of their limited tax dollars. One of the main advantages of the lowest-subsidy bidding outlined above is that it increases the transparency of any subsidies provided to HSR riders.

Third, policy makers should ensure that *the smallest possible taxpayer subsidy is used to achieve the desired goal.* This follows directly from the fact that it is socially costly to raise tax revenue. Utilizing the lowest subsidy possible ensures that taxpayers are receiving the greatest possible value for their expenditures, or the greatest value for money. The most effective way to ensure that subsidies are as small as possible to get the job done is by creating competition among alternative providers.

Subsidies for HSR on non-NEC routes should be provided only if they meet those three conditions.

High-speed passenger rail is a potentially viable service that could offer the public a valuable alternative to current transportation options. The above analysis suggests that precious taxpayer dollars should be allocated to where they will yield the greatest benefit, which is likely to be through improvements to the Northeast Corridor.

Those improvements will be costly. To mitigate taxpayer costs, the private sector should be engaged as a full partner through public-private partnerships. Unfortunately, recent attempts to expand and improve HSR in the United States have not created the institutional structure necessary to attract the available private investment.

STATEMENT OF

THE HONORABLE RAY LAHOOD

SECRETARY OF TRANSPORTATION

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned

December 6, 2011

Chairman Mica, Ranking Member Rahall and Members of the Committee, it is my pleasure to be here today to discuss the High-Speed Intercity Passenger Rail (HSIPR) program. In this testimony, I will first explain why we believe high-speed rail is critical to our transportation future, and then discuss the current status of the HSIPR program. I will conclude by describing the path forward for the HSIPR program and the United States' passenger rail network.

Why are we investing in high-speed rail?

The nation faces significant transportation challenges that require new approaches and bold, innovative solutions:

- **Population growth:** By 2050, the U.S. Census Bureau projects that an additional 100 million people will reside in the United States. The vast majority of this growth will be concentrated in a small number of "mega-regions."
- **Energy consumption:** In 2010, the United States used more than 13 million barrels of oil every day for transportation. U.S. citizens consume nearly twice the oil per capita as citizens of OECD member nations, and approximately 50 percent of this oil is imported.
- **Energy costs:** The inflation-adjusted cost of oil increased 129 percent from 1990 to 2010. As a result, Americans spent $630 million more *per day* on oil for transportation than they did 20 years earlier—an average annual increase of nearly $750 for every American. The Energy Information Administration expects crude oil prices to rise an additional 50 percent between 2011 and 2035.
- **Environmental protection:** The *U.S. Climate Action Report 2010* found that the United States emitted 17 percent more greenhouse gases in 2007 than it did in 1990; 32 percent of all greenhouse gas emissions are now from the transportation sector.
- **Mobility:** Highway and aviation congestion has risen dramatically in recent years, with an estimated economic impact of $125 billion in lost time, productivity, and fuel. In many places with the worst congestion levels, expansion of airports or highways tends to be prohibitively expensive (e.g. the fifth runway at Atlanta Hartsfield cost $1.3 billion, and the 7.5-mile Woodrow Wilson Bridge Reconstruction project outside of Washington, D.C. cost more than $2.5 billion).

Not addressing these challenges is simply not an option if the United States is to retain its position as a global economic leader. The World Economic Forum (WEF) notes, "Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy... Well-developed [transportation] infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions." Unfortunately, the United States is stumbling in this arena—the WEF ranks the U.S. 23rd in quality of overall infrastructure, down from 7th place in 1999 and below nearly all western European nations as well as Taiwan, South Korea, and Oman.[1] The American people recognize the central role that our transportation system plays in both our economy and quality of life, with almost 19 of 20 people concerned about the state of our infrastructure, and approximately 84 percent supportive of additional investment.[2]

In recognition of these challenges, this Committee crafted the landmark Passenger Rail Investment and Improvement Act (PRIIA), signed by President George W. Bush in 2008, which created a framework for advancing the role of rail in the nation's intermodal transportation network and established the foundation for the High-Speed Intercity Passenger Rail (HSIPR) program. Since this legislation was passed with broad bipartisan support,[3] the need for rail has only grown:

- The U.S. added an estimated 5.25 million people from 2008-2010 – more than the entire population of Colorado.
- A gallon of gasoline cost $1.98 when the American Recovery and Reinvestment Act (Recovery Act) was passed in February 2009; in November 2011 the average was $3.37, an increase of 70 percent.
- Average minutes of delay at JFK, LaGuardia, Atlanta Hartsfield, and Chicago O'Hare have increased by more than 8 percent since 2009—and since these are major hub airports, delays have a strong ripple effect across the entire aviation system.
- Highway congestion in the nation's largest cities increased 5 percent from 2008 to 2010—resulting in an annual congestion cost increase of $226 million.
- As highway and airport congestion grows, intercity rail ridership has risen. Nationwide ridership surged past 30 million in FY 2011 (the highest total in Amtrak's history, and an increase of 44 percent since 2000), with 26 of 44 services setting all-time records. These records are being set even before HSIPR-funded service improvements come on-line.

The Administration, and DOT believe passenger rail should serve a larger role in our multimodal network and will address many of today and tomorrow's transportation and economic challenges. In addition to providing a large amount of transportation capacity with a limited environmental footprint, rail yields other significant public benefits. Utilizing domestic and international best practices, DOT's Federal Railroad Administration (FRA) recently analyzed the benefits that would accrue from Fiscal Year 2010-funded HSIPR investments in four corridors.

[1] World Economic Forum, "Global Competitiveness Report, 2010-2011," http://www.weforum.org/issues/global-competitiveness, Table 2.01.
[2] U.S. Department of the Treasury and Council of Economic Advisers, "An Economic Analysis of Infrastructure Investments," October 11, 2010, http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf.
[3] The final vote in the House of Representatives was 311-104, and in the Senate was 74-24.

The following table highlights many of the direct project benefits. In addition to these direct benefits, economists generally agree that large-scale, long-term infrastructure investments invariably have wider—even transformational—economic benefits that are likely to have important and long-lasting effects, such as spurring growth in regional productivity and competitiveness.[4]

Benefits	Preliminary Benefit Estimates Over 40 Years* (2011-2050)			
	Chicago-Detroit	Chicago-St. Louis	Chicago-Iowa City	California (2022-2061)
Passenger Travel Time Savings	19 – 24 million hours	12 – 16 million hours	*n/a*	2.8– 3.5 billion hours
Passenger Cost Savings	$220 – $280 million	$260 – $320 million	$560 – $720 million	$7.6– $9.6 billion
Safety	36 – 48 fatalities, 800 – 1,000 injuries, and 1,650 – 2,100 accidents avoided	24 –32 fatalities, 760 – 1,050 injuries, and 1,600 – 2,050 accidents avoided	4 – 8 fatalities, 600 – 800 injuries, and 1,350 – 1,750 accidents avoided	720 – 920 fatalities, 120,000 – 170,000 injuries, and 280,000 – 360,000 accidents avoided
Pollution Reduction Savings[5]	$140 – $190 million	$140 – $180 million	$48 – $64 million	$11– $15 billion
Mobility / Congestion	Reduction of 760 million – 1 billion vehicle miles travelled (VMT)	Reduction of 760 – 960 million VMT	Reduction of 640 – 800 million VMT	Reduction of 130– 170 billion VMT

*Undiscounted sum of benefits over this period.

What has been accomplished to date?

The HSIPR program is only a couple of years old—PRIIA (which provided the underlying legislative framework) was passed in October 2008, and the Recovery Act (which provided the initial $8 billion in funding for the program) in February 2009. In this short amount of time, FRA has developed a sophisticated grants management apparatus for one of the largest discretionary infrastructure programs in the U.S. The Government Accountability Office conducted a thorough review of this structure and found that "FRA established a fair and objective approach for distributing [Recovery Act] funds and substantially followed recommended discretionary grant award practices used throughout the government."[6]

Over a 20-month period, FRA received nearly 500 applications requesting over $75 billion from more than 39 States, demonstrating an enormous level of interest from every region in the nation. From these applications, the HSIPR program has distributed $10.19 billion in Recovery Act, FY

[4] See, e.g., Ahlfeldt, Gabriel M. and Arne Feddersen, "From Periphery to Core: Economic Adjustments to High-Speed Rail," London School of Economics and University of Hamburg, 2010. http://mpra.ub.uni-muenchen.de/25106/1/MPRA_paper_25106.pdf.

[5] Includes reductions in sulfur dioxide, carbon dioxide, particulate matter, nitrogen oxide, and volatile organic compounds.

[6] U.S. Government Accountability Office, *Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grant Making Practices*, GAO-11-283, May 2011.

2009, and FY 2010 appropriations to 32 States, D.C., and Amtrak. While funding has gone to a number of different grantees—with the objective of improving upon existing services, spurring new passenger rail capabilities, and initiating long-term planning activities—nearly 90 percent of this portfolio is invested in five key corridors.[7] Additionally, 95 percent of all HSIPR funding is committed to corridors that will operate at 90 miles per hour or faster.

The current portfolio of HSIPR projects is comprehensively addressing all aspects of passenger rail development, including: 1) designing and building world-class systems operating at over 200 mph; 2) improving speed and reliability and increasing frequencies on existing services through enhanced track, signal systems, and station facilities; and 3) planning for new services and developing a pipeline of future projects. These projects will ultimately lay thousands of miles of track and ties, build new stations and make existing facilities more functional, comfortable, and accessible for all passengers, install advanced signaling and communications systems, and procure hundreds of modern and more efficient and comfortable locomotives and passenger cars.

Since the first project selections were announced in January 2009, FRA and its grantees have been hard at work refining project scopes, budgets, and schedules as part of the award obligation process. To date, the Department has obligated nearly 92 percent of total HSIPR funding, including more than 97 percent of Recovery Act funding,[8] most of which has been obligated at least a year before the legislative deadline (end of FY 2012). With the passing of this important milestone, we are now starting to see real, tangible, on-the-ground accomplishments throughout the nation:

- **Projects underway:** $1.4 billion in construction is underway for HSIPR-funded projects around the country, creating jobs and supporting local economies and construction businesses, as well as domestic rail manufacturers. For example, the Illinois DOT is finishing its second construction season laying track on the Chicago to St. Louis corridor, with preparation for summer 2012 work underway. Once completed, passenger trains will operate at speeds up to 110 mph. In Maine, extension of the Boston-Portland service to Brunswick is underway; Brunswick has already seen $100 million of real estate investments in the area around the future station, partially in anticipation of the new rail service. Other construction is developing in California, North Carolina, Oregon, Minnesota, and Vermont.

  Projects funded by an additional $1.2 billion in HSIPR grants are scheduled to begin construction activities during the first few months of 2012. Additional trains in Washington State, station improvements in New York, Michigan, and Wisconsin, a new bridge over Missouri's Osage River, and relocation of the historic *Vermonter* corridor in western Massachusetts, among other projects, will reduce travel times and improve safety, comfort, and accessibility of these services.

  California continues to move forward on the nation's first world-class high-speed rail system. The California High-Speed Rail Authority is close to completing several major

[7] Seattle-Portland, Los Angeles- San Francisco, the Chicago Hub, Charlotte-Washington, D.C., and the Northeast Corridor (D.C.-New York City-Boston).
[8] As of December 2, 2011.

milestones, including the finalization of the 2012 Business Plan (a draft released in November is currently going through a public comment period), completion of major environmental studies in the first half of 2012, and initiation of construction in the Fresno area by late 2012. In mid-November, the Authority issued an RFQ for a $1.5 - 2 billion design-build construction contract.

In addition to the projects breaking ground around the country, 93 percent of the selected planning projects, engineering studies, and environmental analyses are underway. These projects are also creating jobs for engineering and design professionals, and the studies and plans that result will lay the foundation for future construction projects and service improvements.

- **Manufacturing:** Dozens of manufacturers and suppliers are beginning to receive orders from project sponsors, delivering jobs and other economic benefits to a variety of states and communities, even those without HSIPR projects in their regions. For example, Progress Rail's plant in Sherman, Texas, is supplying switches for the Portland-Seattle corridor. On the Northeast Corridor, more than 100 miles of wire, hundreds of catenary poles, and large volumes of electric equipment (such as transformers) are being procured for an upgrade project between Trenton and New York. Caterpillar has committed to building locomotives at its subsidiary in Indiana, while companies like Nippon Sharyo and National Railway Equipment Company have committed to manufacturing rolling stock in Illinois.

  General Electric (GE) Transportation recently announced that they would hire an additional 250 workers for their rail manufacturing facility in Erie, Pennsylvania, and that the company would also build a new plant in Fort Worth, Texas employing another 500 people. For the plant in Erie, every GE job supports close to 3 additional jobs. GE's annual economic impact is $2.7 billion on Erie County and $4.6 billion on the entire State—an annual economic impact larger than the combined impact of all Pennsylvania-based professional sports teams ($1.4 billion) and the State's mining, oil, and gas extraction industries ($1.8 billion).

- **Planning:** Although planning projects represent only a small fraction of HSIPR funding (about 1%), the completion of these studies is vital to identifying cost-beneficial investments and maintaining a "pipeline" of projects, as well as for developing rail engineering and project development expertise at the State and local levels. The first step, as required by PRIIA, is to develop a State rail plan that comprehensively defines a vision for the future role of rail and identifies projects that will promote these goals. To date, 42 State rail plans have either been completed or are underway, with many of these funded through HSIPR grants. Additionally, 22 corridor plans are underway, evaluating how best to implement new (or improve existing) rail services. Nearly a dozen of these projects are scheduled to finish in 2012.

- **Agreements with Infrastructure Owners:** FRA has helped facilitate critical multi-party, performance-based agreements with five Class I freight railroads and three Class 2 and 3 railroads. These Service Outcome Agreements ensure that HSIPR projects will protect taxpayer investments by delivering real and lasting public benefits while also preserving the business interests of the freight railroads. These agreements among private railroads, service operators, and project sponsors mark the beginning of a new paradigm of collaboration and cooperation on shared-use rail corridors.

Where do we go from here?

The HSIPR program is currently focused on three key priorities:

1. Executing high-quality projects
2. Developing institutional capacity
3. Laying the foundation for sustainable long-term passenger rail improvements

Priority #1. Executing high-quality projects

First and foremost, the Department is strongly focused on ensuring that the current $10.19 billion grants portfolio results in high-quality projects that are delivered on-time and on-budget. With 92 percent of HSIPR funding currently obligated to 35 grantees,[9] construction, planning, and engineering activities are now underway across the country. FRA has implemented a grants monitoring plan, and has developed a comprehensive strategy for using Monitoring and Technical Assistance Contractors (MTAC) to support the effective oversight of HSIPR grants.

FRA's HSIPR oversight approach leverages the best practices from other grant-making agencies, and seeks to strike the appropriate balance between protecting taxpayer investments while still providing grantees with the necessary flexibility to adapt to changing conditions and project innovations. A key element of this approach is fostering strong partnerships between FRA and the grantees. By working collaboratively to track milestones, identify emerging issues, and evaluate challenges, FRA and the grantees will work together to resolve concerns in the most efficient and effective manner possible. While no infrastructure grant is without risk, FRA's strategy ensures that those risks can be identified and mitigated early in the project delivery process.

Priority #2. Developing institutional capacity

There is no question that our passenger rail industry—from engineering expertise to manufacturing prowess—has atrophied over the past several decades. The Department considers capacity-building to be a national strategic objective, and views this need as two-fold: building organizational and industrial rail capacity.

<u>Organizational capacity</u>

- **Training and technical assistance**: DOT understands that this is a new program and a new area of responsibility for many of our grantees. Coupled with the fact that many of

[9] As of December 2, 2011.

these investments are among the most complex rail infrastructure projects undertaken in decades, the need for technical guidance and assistance is great. Providing comprehensive training opportunities and other forms of assistance—on issues ranging from grants management and organizational structures to engineering and project delivery—is critical to the long-term success of the program. As current HSIPR projects are implemented, FRA will identify common pitfalls and challenges, and develop a variety of resources to address these systemic issues.

- **Technical guidance**: FRA is developing additional technical guidance for current grantees and prospective program applicants regarding service development planning, state rail planning, engineering documentation, and other issues. These guidance documents will help ensure greater consistency in the methodologies and assumptions used by project sponsors across the nation.

- **Information sharing and coordination with grantees**: Since the start of the program, FRA has held biweekly conference calls with grantees and has organized or attended dozens of workshops, conferences, webinars, and other venues for sharing information and best practices with all stakeholders. These efforts will continue, and will evolve based on the latest challenges and successes occurring on-the-ground.

- **Site visits**: During site visits, conducted as part of our oversight strategy, we look for opportunities to advise grantees on organizational capacity issues and approaches.

Industrial capacity

- **Equipment specifications**: FRA has played a major role in the Next Generation Corridor Equipment Pool Committee established under PRIIA Section 305. The Committee has now issued specifications for four types of passenger rail rolling stock: diesel-electric locomotives, single- and bi-level coaches, and trainsets. These specifications enable standardization, thus lowering unit costs, providing manufacturers with greater certainty in their designs and factory investments, and permitting equipment interoperability across corridors and states.

- **Buy America**: As noted above, rail manufacturers and suppliers across the nation are beginning to benefit from HSIPR investments—even in places not receiving HSIPR construction grants. Strict Buy America policies are ensuring that the HSIPR program contributes to boosting domestic rail manufacturing capacity, which will pay both short- and long-term dividends to the industry as a whole and to the communities in which they operate. The United States was once a global leader in rail manufacturing—these investments are helping us to regain this strong competitive position.

- **Manufacturing Extension Partnership**: DOT is teaming up with the Department of Commerce's Manufacturing Extension Partnership (MEP) to connect American manufacturers with American suppliers through transportation investments. MEP serves more than 30,000 American suppliers, helping them to compete in the global marketplace and sell American-made products all over the world. MEP will identify suppliers' production and technical capabilities and match them up with viable business opportunities that may otherwise have gone to foreign suppliers, ensuring maximum domestic economic benefits from federal transportation investments. MEP Centers are already working on local outreach strategies; for example, the MEP Center in Kansas is planning to hold a national forum for prospective rail industry suppliers that would include addressing workforce training issues, and MEP Centers in Illinois, New Jersey, and Michigan are also actively planning similar development activities.

Priority #3. Laying the foundation for sustainable long-term passenger rail improvements

Finally, the Department is developing the organizational and institutional tools and strategies that will ensure a solid long-term foundation for continued improvement of the nation's rail network—where these improvements make financial and transportation sense—regardless of whether those improvements are made through HSIPR grants, state projects, or private sector investments.

- **Comprehensive equipment strategy**: One of the largest-ever investments in new intercity passenger locomotives and rail cars is currently underway through $1.7 billion in HSIPR, Amtrak, and state funding. FRA is playing a central role in developing a comprehensive strategy to coordinate procurements, manage fleets across corridors and states, and develop technical specifications to promote standardization.

- **Northeast Corridor planning and environmental studies**: The Northeast Corridor (NEC) is the nation's busiest passenger rail service, and serves as a critical transportation backbone for a region of nearly 50 million people. Rail now serves 73 percent of the air/rail market between New York and Washington, D.C., and demand clearly exists for further service improvements. While the NEC has received nearly $1.8 billion from the HSIPR program and Recovery Act grants through Amtrak (in addition to a $563 million loan from the Railroad Rehabilitation and Improvement Financing program), it is clear that a consensus long-term vision—and a strategy for achieving that vision—is needed.

  To set the stage for this next phase, FRA is working with stakeholders to develop the NEC Passenger Rail Corridor Investment Plan (PRCIP). The NEC PRCIP will define the investments necessary for implementing world-class high-speed rail as a core component of a better integrated, more efficient, and higher capacity regional transportation network. The PRCIP is comprised of two components: 1) a Service Development Plan that articulates the overall scope and approach for future service, and 2) service-level National Environmental Policy Act (NEPA) documentation. Once completed, these documents will provide the foundation and consensus necessary for implementing significant service changes and improvements on the Corridor.

- **Other planning analyses**: FRA is undertaking a variety of analytical studies and evaluations that will help states and industry stakeholders better understand how to successfully integrate high-speed rail into regional transportation networks. These analyses will yield valuable insights and data regarding HSR ridership and revenue models, service planning approaches, engineering issues, and other important factors, all within a U.S. context.

Conclusion

The HSIPR program is now a couple of years old. At this same point in the life of the Interstate Highway program, skeptics asked: "Is the program too big? Who will pay for the program? Is such a public-works program an anti-recession measure? Will the program further extend the power of the federal government?" (*Fortune Magazine*, 1958). These are all perfectly valid questions, which were addressed as the program has evolved based on new ideas, new priorities, new technologies, and new challenges. The HSIPR program can—and should—follow a similar trajectory of evolution and adaptation.

The Administration remains fully committed to addressing the need for improved rail transportation. Thirty-two states, the District of Columbia, and Amtrak are hard at work on over 150 projects, many of which are among the most substantial capital improvements to the nation's rail network in decades. Americans will soon begin seeing significant travel time, frequency, and reliability improvements, in addition to upgraded stations and equipment. We are only at the beginning of this multi-generational process—the simple fact is that the transportation challenges that are driving increased demand for rail are not going away. The Department looks forward to working with Congress and all stakeholders to improve upon the HSIPR program and to ensure we find the most innovative, cost-effective, and practical policies for building a world-class rail network.

I would be happy to address any questions the Committee might have.

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"The Federal Railroad Administration's High-Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"
December 6, 2011
Questions for the Record, to Secretary Ray LaHood

From Chairman Mica:

1. **QUESTION: FRA advertised a request for proposals on August 26, 2011, for a contractor to develop a Northeast Corridor tier 1 environmental impact statement and service plan, including an analysis of the costs and benefits of each alternative considered. FRA is the lead agency for this effort. What is the status of the EIS?**

   ANSWER: The Federal Railroad Administration (FRA) is currently going through the final selection process to procure contract support for this effort. Planning activities, which will include the development of a Tier 1 Environmental Impact Statement (EIS) and a Service Development Plan, will begin in early 2012. While FRA is the lead agency for this effort, it will be heavily coordinated with the NEC Infrastructure and Operations Advisory Commission and their efforts.

2. **QUESTION: What is the status of the NPRM on section 214 of PRIIA, establishing a pilot program for alternative passenger rail service providers on up to 2 intercity routes?**

   ANSWER: FRA issued a final rule on December 13, 2011 to implement section 214 of PRIIA. This rule was published in the *Federal Register* on December 14, 2011 as 49 CFR Part 269 and is available under Docket No. FRA-2009-0108; Notice No. 2. The rule will go into effect on February 13, 2012.

From Rep. Denham:

1. **QUESTION: What is your plan for California High Speed Rail? How much additional federal funding will be required to fund the high speed rail program (besides the $3.6 billion in stimulus funds)?**

   ANSWER: The Initial Construction Segment that will build the critical backbone infrastructure in the Central Valley is fully-funded through current federal grants and state bond proceeds. The California High Speed Rail Authority's draft 2012 Business Plan, which lays out a realistic phasing strategy consisting of several interim stages, assumes no additional federal funding is needed or expected for this project until 2015. Future phases will rely upon a mixture of funding sources including federal grants, loans, tax credits, or other innovative finance tools; state and local funds; and private capital.

   It is unusual for large-scale, multi-decade infrastructure projects to have a finalized financial plan that covers the full project build-out at the very beginning of the implementation process. This plan allows for flexibility over time, so the Authority can adapt to new financial tools, programs, and innovations. FRA will continue to work with the Authority and other stakeholders to further refine the plan for reaching the next phase of this long-term project.

   In the FY 2012 budget proposal, the Administration proposed a 6-year, $53 billion investment in the Nation's passenger rail network, of which approximately $38 billion would be available for constructing new corridors or substantially improving existing corridors.

2. **QUESTION: What is your understanding of the State of California's comprehensive financing plan for the California High Speed Rail project? How much in excess of the Proposition 1A bonding authority will be required from the State of California?**

ANSWER: The Authority's draft 2012 Business Plan does not assume any State of California funding for the project beyond the Proposition 1A bonding authority (see Chapter 8, "Funding and Financing" http://www.cahighspeedrail.ca.gov/assets/0/152/302/c7912c84-0180-4ded-b27e-d8e6aab2a9a1.pdf).

3. **QUESTION: What additional funding resources are identified in the Obama Administration's surface transportation authorization proposal? What is the delta between current Highway Trust Fund receipts and the HTF-funded program total?**

ANSWER: The President's FY 2012 Budget Request called for a 6-year, $556 billion reauthorization proposal, including $50 billion in up-front funding for highway, transit, safety, and rail programs as well as an Infrastructure Bank. The Administration is committed to working with Congress on a bipartisan basis to a select a revenue source that would restore solvency to the trust fund and ensure funding increases for surface transportation programs are fully paid for and will not add to the deficit. The President has also proposed the American Jobs Act (AJA) which consists of $60 billion in transportation investments and is fully paid for through other deficit reducing proposals.

In the President's FY 2012 Budget Request, the Administration had estimated that the Highway Trust Fund could support a $240 billion program over the next six years under current revenues, compared to the current $286 billion program. This is because outlays continue to outpace revenues. For example, in FY 2011 receipts coming into the Highway Trust Fund were $36.9 billion and outlays from the Highway Trust Fund were $44.5 billion. These estimates may change in the President's FY 2013 Budget Request which will be released in February 2012.

4. **QUESTION: What is the current balance of the Highway Trust Fund, and when will it become insolvent?**

ANSWER: As of November 25th, 2011 the balance in the Highway Account of the Highway Trust Fund was $11.5 billion and the balance in the Mass Transit Account of the Highway Trust Fund was $6.7 billion. Assuming current revenue and spending levels, DOT's August 2011 estimates showed that the Highway Trust Fund would experience a cash shortfall in FY 2013. As noted above, these estimates may change in the President's 2013 Budget Request which will be released in February 2012.

From Rep. Richardson:

1. **QUESTION: How are TIGER grants selected? Will ports that are physically close to one another be disadvantaged if they both apply?**

ANSWER: The August 12, 2011, Federal Register Notice of Funding Availability summarized the criteria used to evaluate TIGER III Capital Grant applications. The criteria for evaluating TIGER and TIGER II Capital Grant applications were very similar. Additional guidance on the selection criteria and the selection process is provided in the Federal Register Notice.

> TIGER Discretionary Grants will be awarded based on the selection criteria as outlined below. There are two categories of selection criteria, "Primary Selection Criteria" and "Secondary Selection Criteria." The Primary Selection Criteria include (1) Long-Term Outcomes and (2) Job Creation & Near-Term Economic Activity. The Secondary Selection Criteria include (1) Innovation and (2) Partnership.

For all three rounds of TIGER Discretionary Grants, TIGER I, TIGER II, and TIGER III, "equitable geographic distribution" was a statutory requirement. To achieve equitable geographic distribution, the U.S. Department of Transportation (USDOT) divided the country into four regions (East, South, Central and West) and ensured that the total dollar value of TIGER Grants awarded in each region was in proportion to that region's share of the US population. An otherwise meritorious project in one region would not be selected if the total amount approved for other projects in the region was at or over geographic equity target for the region. Additionally, in TIGER II and TIGER III, $140 million was designated by Congress for projects in rural areas, leaving a maximum of $460 million in TIGER II and just under $386 million in TIGER III for projects in urban areas.

The proximity of ports to one another would not necessarily disadvantage them if they all applied for TIGER. However, they are more likely to be funded if there is regional cooperation and/or where there would be an net increase of port activity and associated job creation.

From Rep. Buschon:

1. **QUESTION: President Obama recently announced that 80% of Americans should have access to high speed rail. What exactly is "access" to high speed rail?**

   ANSWER: The Administration's proposal is to create a series of regional passenger rail networks centered on the Nation's "megaregions," which have the greatest concentrations of population and economic activity. Similar to international rail systems, these regional networks would consist of a mix of high-speed Core Express corridors, frequent and fast Regional corridor services, and conventional Emerging corridors, depending on the needs of the markets being served. For purposes of measuring progress toward the President's goal, FRA is defining the population living within roughly 40 miles of a station as having access to these networks.

2. **QUESTION: Can you give me a date when you expect High Speed Rail is expected to go through Evansville, Indiana?**

   ANSWER: Under the Passenger Rail Improvement and Investment Act (PRIIA) of 2008, which provides the legislative framework for the HSIPR program, States are responsible for deciding whether to pursue intercity passenger rail improvements. Project sponsors submit applications, and DOT selects projects based upon the criteria identified in PRIIA and further defined in program guidance. To-date, Indiana has submitted two applications to the HSIPR program, and neither requested funding to establish high-speed rail service to or through Evansville, Indiana.

   PRIIA also requires States to develop a State Rail Plan that presents priorities and strategies to enhance rail service in the State and serves as the basis for future Federal and State rail investments. It is FRA's understanding that Indiana is currently updating its State Rail Plan. If high-speed rail service to Evansville is a priority for the State, this goal should be included in Indiana's State Rail Plan.

3. **QUESTION: It's my understanding that high speed rail is decades away from rural areas, so why isn't the Department of Transportation making an equal focus on improving rural infrastructure? When can we expect an equal investment in this type of infrastructure?**

   ANSWER: The USDOT is indeed focused on improving transportation infrastructure in rural areas. In addition to substantial investments made through traditional Federal formula-based programs, USDOT has supported transportation infrastructure development in rural communities through its competitive grant programs – particularly the TIGER Discretionary Grant Program. Since its conception under the American Recovery and Reinvestment Act (ARRA), there have been three rounds of TIGER, which together have provided over $373 million in support of multimodal transportation projects in rural communities.

   USDOT's high-speed passenger rail investments, specifically, will ultimately enhance both transportation infrastructure and economic development in rural communities – in the short and long term. It is important to understand that, as denoted in its title, the High-Speed Intercity Passenger Rail (HSIPR) Program is "intercity" in nature, and will traverse communities of various sizes as it connects cities. To this end, the development of HSIPR lines will require strategic capital investments in a number of rural communities to facilitate the full build-out of the six identified key corridors. Strategic investments, which include the construction of rail tracks and supporting infrastructure, will result in the creation of thousands of jobs within these rural communities.

Once operational, the six identified key corridors will not only connect major regional metropolitan areas, but also intermediate communities (similar to existing Amtrak service) and neighboring communities. The HSIPR Program's design offers three tiers of service within the six corridors to provide access for communities of all sizes – including rural communities. *Core Express* service will operate on trunk lines and connect major metropolitan areas; *Regional* service will operate on feeder lines that connect mid-sized and major metropolitan areas; and *Emerging* service will connect smaller communities with larger ones, and to the high-speed rail network as a whole. As the Program develops, the high-speed rail network will grow accordingly – increasing mobility, connectivity, and access for metropolitan and rural communities alike.

4. **QUESTION: With over $2 billion set aside for all three phases of Tiger grants, the state of Indiana has only received $2million, despite over 30 projects in my district and over 100 statewide applications for the money. Can you explain to me the criteria used to determine the recipients so I can understand why Indiana continues to get denied this funding?**

ANSWER:

After three rounds of TIGER, every State along with Puerto Rico and Washington, DC, has received at least one grant. However, several States have received only one. Indiana, however, has received two grants totaling $22,320,000:

- TIGER I, Indianapolis Bicycle and Pedestrian Network- $20,500,000
- TIGER II, Waterloo Station Improvements - $1,820,000

The August 12, 2011, Federal Register Notice of Funding Availability summarized the criteria used to evaluate TIGER III Grant applications. The criteria for evaluating TIGER and TIGER II Capital Grant applications were very similar. Additional guidance on the selection criteria is provided in the Federal Register Notice.

TIGER Discretionary Grants were awarded based on the selection criteria as outlined below. There are two categories of selection criteria, ''Primary Selection Criteria'' and ''Secondary Selection Criteria.'' The Primary Selection Criteria include (1) Long-Term Outcomes and (2) Job Creation & Near-Term Economic Activity. The Secondary Selection Criteria include (1) Innovation and (2) Partnership.

1. Primary Selection Criteria

(a) Long-Term Outcomes: DOT will give priority to projects that have a significant impact on desirable long-term outcomes for the Nation, a metropolitan area, or a region. Applications that do not demonstrate a likelihood of significant long-term benefits in this criterion will not proceed in the evaluation process. The following types of long-term outcomes will be given priority:

(i) *State of Good Repair*: Improving the condition of existing transportation facilities and systems, with particular emphasis on projects that minimize lifecycle costs.

(ii) *Economic* Competitiveness: Contributing to the economic competitiveness of the United States over the medium- to long-term.

(iii) *Livability*: Fostering livable communities through place-based policies and investments that increase transportation choices and access to transportation services for people in communities across the United States.
(iv) *Environmental Sustainability*: Improving energy efficiency, reducing dependence on oil, reducing greenhouse gas emissions and benefitting the environment.
(v) *Safety*: Improving the safety of U.S. transportation facilities and systems.

(b) Job Creation and Near-Term Economic Activity: While the TIGER Discretionary Grant program is not a Recovery Act program, job creation and near-term economic activity remain a top priority of this Administration; therefore, DOT will give priority (as it did for the TIGER and TIGER II Discretionary Grant programs) to projects that are expected to quickly create and preserve jobs and promote rapid increases in economic activity, particularly jobs and activity that benefit economically distressed areas as defined by section 301 of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3161).

2. Secondary Selection Criteria

(a) Innovation: DOT will give priority to projects that use innovative strategies to pursue the long-term outcomes outlined above.
(b) Partnership: DOT will give priority to projects that demonstrate strong collaboration among a broad range of participants and/or integration of transportation with other public service efforts. The TIGER Grant program is very competitive.

Under TIGER I, II, and III, the Department received 3250 applications requesting about $90.3 billion in funding. We were able to award grants for 172 projects totaling $2.611 billion.

We encourage applicants to contact the TIGER Program Office or the Department's Office of Governmental Affairs to schedule a debriefing on their TIGER applications. Such debriefings can be useful in helping applicants strengthen their applications for possible future rounds of TIGER grants.

5. **QUESTION: The State of Indiana has an Amtrak service that goes from Indianapolis to Chicago. With travel time over 4 hours, when it takes 3 hours to drive, ridership is low. The Indiana Department of Transportation has expressed interest in finding another provider for that corridor, but DOT has refused. Can you explain why this administration does not support a state's right to find a cheaper provider of this under-utilized service?**

ANSWER: Any State may contract with the intercity passenger rail service provider of their choice for State-supported corridors; no Federal laws or regulations prohibit this ability. DOT has not "refused" this right to Indiana or any other State, and Federal approval is not required for these decisions.

In the Administration's FY 2012 budget submittal, DOT proposed allocating operating assistance funding directly to States for State-supported corridors, to aid in the transition of PRIIA Section 209, which requires States to begin paying the operating and capital costs for State-supported corridors. This proposal would provide further flexibility to States in determining the appropriate operating and financial models for their corridor services.

Testimony of Joan McDonald
Commissioner, New York State Department of Transportation
Chair, Northeast Corridor Infrastructure and Operations Advisory Commission

Before the Committee on Transportation and Infrastructure
U.S. House of Representatives
"The Federal Railroad Administration's High Speed and Intercity Passenger Rail Program: Mistakes and Lessons Learned"
December 6, 2011

Good Morning Mr. Chairman, Ranking Member Rahall, and Members of the Committee. I am Joan McDonald, Commissioner of the New York State Department of Transportation and Chair of the Northeast Corridor Infrastructure and Operations Advisory Commission (Northeast Corridor Commission). I am pleased to have the opportunity to come before you today to discuss the Northeast Corridor.

The Northeast Corridor Commission is made up of 18 commissioners representing eight states, the District of Columbia, the U.S. Department of Transportation, and Amtrak. Another five states, four freight railroads, and one commuter agency are represented on the Commission as non-voting representatives. While we each bring our own perspectives to the table, all of us agree that the Northeast Corridor and its connecting feeder services are a critical transportation asset and that the entire Northeast region's economic future is closely tied to the future of the Northeast Corridor. Each member of the Commission is committed to working cooperatively to improve the Corridor and achieve the goals that Congress has set in our enabling legislation.

The Northeast is the densest region in the nation and home to four of the ten largest metropolitan areas. This density has enabled incredible economic productivity with two percent of the nation's land area generating 20 percent of its gross domestic product. However, this density has also created significant transportation challenges for the region. Our highways, railways, and airways already exceed their capacity in many places and face major renewal needs as much of the region's transportation infrastructure is at or approaching the end of its useful life.

The Northeast corridor is one of the world's busiest and most complex rail corridors and serves as a critical transportation link in our region. Some 260 million commuter and intercity riders and an estimated 30 million ton miles of freight are moved over the Corridor each year by more than 2,200 daily trains.

But the service we have today is simply not enough to meet the future needs of our region and our nation. The Corridor is already congested in many locations and demand for rail service is growing. If the Northeast is to maintain and improve the levels of mobility that have supported this region's position as the nation's financial and political capital, the Northeast Corridor is going to have to play a larger role in moving people and freight in the future. This is due in part to the fact that rail has an inherent advantage in densely populated regions due to its relative efficiency in moving large numbers of people over limited rights of way.

The increased role for rail also simply reflects the reality that adding significant capacity to any mode of transportation in this densely populated region will be very challenging. Each mode will have to augment its capacity in the coming decades. Doing nothing is not an option. Investments in the Northeast Corridor today will yield many decades of economic benefits to not just our region, but to the nation. The alternative is to see productivity, quality of life, international competitiveness, and economic growth all diminish.

In 2008, the I-95 Corridor Coalition released a report entitled, *"A 2040 Vision for the I-95 Coalition Region".* The basic conclusion was that continuing a "business as usual" approach to transportation would lead to dire consequences. Recognizing the existing constraints to adding capacity to the region's highway network, and in order to promote increased mobility and economic growth, more efficient land use, reduced energy consumption, and better quality of life, the report recommended that the region increase by 20 percent the ton miles carried by freight rail, triple transit ridership, and increase intercity rail ridership eight-fold.

Much work needs to be done if we are to achieve such targets and significantly increase intercity, commuter, and freight use throughout the Northeast Corridor. For much of its history the Northeast Corridor has suffered from underinvestment and we now face a considerable backlog in state of good repair needs that require billions of dollars of investments simply to maintain and improve the safety and reliability of the existing, heavily utilized services.

Recently, Amtrak worked with the states to develop a Northeast Corridor Master Plan that looked at the Corridor's comprehensive needs through 2030. This process identified over 300 projects needed to reach a state of good repair, increase intercity and commuter capacity, and reduce trip times. Total capital requirements were estimated at $52 billion over the next 20 years just to maintain reliable service for all users and keep up with moderate growth forecasts. Addressing capacity, high speed rail, and freight needs beyond 2030 will add substantially to that total.

The reality is that while the Northeast Corridor's needs are significant, there is not a consensus long-term vision for the future of the Corridor or the Corridor's role in helping meet the growing transportation needs of the Northeast region. This, in large part, is why the Commission was created. In recognition of both the importance of achieving a faster, higher-capacity and more reliable Northeast rail corridor and the inherent challenges of coordinating, financing, and implementing major system improvements that cross jurisdictional boundaries, Congress directed the Secretary of Transportation to create the Northeast Corridor Infrastructure and Operations Advisory Commission.

The charge of the Commission, as we see it, is to bring together diverse interests, identify shared objectives, develop a unified long-term vision for the corridor, establish consensus on a plan to secure the federal, state, local and private investments needed to implement the vision, and provide a centralized source of information about the Northeast Corridor. The expectation is that by coming together to coordinate these activities, the states, Amtrak, and the federal government can achieve a level of success that far exceeds the potential reach of any individual organization or entity.

Critical to the process of developing such a vision will be the Passenger Rail Corridor Investment Plan being led by the Federal Railroad Administration in cooperation with the Commission, the Northeast states, and Amtrak. This planning effort will include a Tier I Environmental Impact Statement and a Service Development Plan to support a decision on the vision and implementation of a major investment in the Northeast Corridor.

This critical study will help us analyze alternatives and define a long-range vision for faster, more reliable, and more frequent intercity and commuter rail service, as well as expanded capacity for improved freight service.

Key inputs into this process will be the work Amtrak is now undertaking to develop a proposal for Next Generation High Speed Rail service in the Corridor and the ongoing efforts to update the Master Plan. The process of developing a Passenger Rail Corridor Investment Plan will allow us to delve much deeper into the costs, benefits, and broad impacts of various proposed alternatives.

There is no doubt that the Northeast is a compelling market for high-speed rail service. The size and densities of the Northeast's metropolitan regions compare favorably to regions in other nations that have successfully implemented high-speed rail. In fact, Amtrak's existing rail service already serves well over 50 percent of the air-rail markets between Washington and New York and New York and Boston. The existing capacity constraints on our highway and aviation systems make a greater reliance on our rail corridor a necessity. The question is, what is the right path forward and how do we fund it?

My intention is that the Commission's approach to developing a long-term vision for the Corridor be cooperative, fact-based, and non-ideological. We will look to do what is best for the long-term economic growth of the Northeast region and will seek opportunities to partner with the private sector while ensuring that the public interest and public resources are protected. We hope our work can serve as a model of multi-state cooperation for other corridors throughout the country.

However, while we are undertaking this longer-term visioning and planning process, there are significant funding needs in the short-term simply to maintain existing rail service.

I have mentioned the backlog in state of good repair needs and the history of underinvestment in the Corridor. On the positive side, we have seen some modest progress in recent years due to Amtrak's receiving more consistent capital appropriations levels and added funding from the economic recovery bill and the high-speed rail program.

While we no doubt could have used more funds, the NEC benefited from the $1.3 billion in capital funds appropriated to Amtrak in the American Recovery and Reinvestment Act and another approximately $1 billion in high-speed rail program grants from the FRA for projects on the NEC main line between Boston and Washington. In addition, Northeast states received almost $700 million in grants for connecting rail corridors.

In my home state of New York, under the leadership of Governor Cuomo, we are preparing to construct a new grade-separated "flyover" at Harold Interlocking, where Amtrak, New Jersey Transit, and Long Island Rail Road trains converge north of Penn Station New York at the busiest junction on the Northeast Corridor. The $368 million removal of this bottleneck is funded in part with a recently awarded $295 million high-speed rail grant.

In addition, with the support of $83 million in "TIGER" grant funds, New York, in partnership with Amtrak and private developers, is in the early stages of construction of $267 million of improvements to passenger access under what is planned to be a new "Moynihan Station" on the site of the former Farley Post Office adjacent to the existing Penn Station, the busiest rail station in the country.

New York is also preparing to implement additional projects totaling over $250 million to improve reliability, comfort, speed and capacity on our Empire Service route between New York City, Albany, and Niagara Falls.

These funds are creating good construction and engineering jobs and helping improve rail service in the Northeast. One of my short-term goals as chair of the Northeast Corridor Commission is to facilitate close cooperation between the FRA, the states, and Amtrak to ensure that these projects move forward as quickly as possible.

However, despite the importance of the funding we have received for these projects, much more is needed. The Commission has created a number of committees to advance our efforts, including an Infrastructure and Operations Committee that is working on identifying priority projects that need to move forward as soon as possible regardless of the longer-term proposal that we put forward. These projects include replacing bridges and tunnels that average more than a century in service, including the Portal Bridge in New Jersey; Susquehanna, Gunpowder, and Bush River bridges in Maryland; the Connecticut River Bridge, and the Reconstruction era B & P tunnel in Baltimore. The Portal and Susquehanna Bridges, and the B&P Tunnel replacement, are moving forward in environmental review and design phases with high-speed rail grant funds, but funds for construction have not yet been identified.

New York's Penn Station is operating at capacity today, and additional track, platform, and station capacity will be needed to accommodate any growth beyond current levels of service. This includes new trans-Hudson tunnels, as proposed under the "Gateway" program, and completion of Moynihan Station. The combination of these two projects will better serve passengers, help relieve extreme overcrowding in the existing Penn Station, and add capacity for commuter and intercity service, including potential future high-speed rail service.

The Commission expects to have a preliminary report to Congress identifying these and other priority projects along the Corridor this spring.

Speaking on behalf of my fellow commissioners, we certainly appreciate this committee's strong support for the Northeast Corridor and look forward to working with you as we develop a long-term plan for the future. A strong federal partnership is essential for our success. Let me assure you that the Commission is dedicated to our task ahead and intends to work expeditiously with Congress and the key stakeholders to advance the short and long-term needs of the Northeast Corridor in a way that brings maximum benefit to the region and to the entire nation.

Thank you for your leadership and support and thank you for the opportunity to testify today.

PREPARED TESTIMONY OF KENNETH ORSKI, EDITOR AND PUBLISHER OF INNOVATION NEWSBRIEFS, BEFORE A HEARING OF THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE ON "THE FEDERAL RAILROAD ADMINISTRATION'S HIGH SPEED AND INTERCITY PASSENGER RAIL PROGRAM: MISTAKES AND LESSONS LEARNED," DECEMBER 6, 2011.

Mr. Chairman, Members of the Committee,

Thank you for the opportunity to appear before you and testify about the Administration's High-Speed Intercity Passenger Rail Program.

My name is Kenneth Orski, and I am editor and publisher of Innovation NewsBriefs, a transportation newsletter currently in its 22^{nd} year of publication. My 40-year career in transportation includes a stint as Associate Administrator of the Urban Mass Transportation Administration; a State Department assignment with responsibilities in the field of international cooperation in transportation, and more than three decades as head of a consulting firm advising federal, state and local governments on matters of transportation policy and practice.

Our newsletter broadly covers surface transportation and focuses on policy and legislative developments. As part of our coverage, we have closely followed the Administration's high-speed rail (HSR) program and over the past two years have published numerous commentaries dealing with various aspects of the program. For the record, I attach a list of these articles at the end of my testimony.

###

Let me state at the outset that I do not question the merits or the need for intercity passenger rail service. Railroads have been an integral part of the nation's transportation system for a century and a half and they continue to play a vital role in the economy. Nor do I question the desirability of high-speed rail. Having personally experienced high-speed train travel in Europe and Japan I have come to appreciate the benefits of this technology and believe that we ought to pursue it in this country — thoughtfully, cost-effectively and in the proper places (or, as Chairman Mica would say, "where it makes sense.")

What I do question is the manner in which the Administration has gone about implementing its nine billion dollar rail initiative— or what the White House proudly calls "President Obama's bold vision for a national high-speed rail network." My criticism can be summarized under two headings: 1. Misleading representations; and 2. Lack of a focus in pursuing the high-speed objective.

Misleading Representations

The Administration's first misstep, in my judgment, has been to falsely represent its program as "high-speed rail," thus, conjuring up an image of bullet trains cruising at 200 mph, just as they do in Western Europe and the Far East. It further raised false expectations by claiming that "within 25 years 80 percent of Americans will have access to high-speed rail." In reality the Administration's high-speed rail program will do no such thing. A close examination of the grant announcements shows that, with one exception, the program consists of a collection of planning, engineering and construction grants that seek incremental improvements in existing facilities of Class One freight railroads in selected corridors used by Amtrak trains.

While some of the projects funded with HSR dollars may result in modest increases in speed, frequency and reliability of Amtrak services, none of the awards, except for the California grant, will lead to construction of new rail beds in dedicated rights-of-way. As any railroad operator will tell you, dedicated track reserved exclusively for passenger trains, is essential to the operation of true high-speed rail service— such as the service offered by the French TGV, the German ICE and the Japanese Shinkansen trains, that run at top speeds of 200 miles per hour and higher.

Lately, the Administration has toned down its rhetoric. It no longer claims that high-speed rail is "just around the corner" (Sec. LaHood's own words of some time ago) but rather that the HSR grants are "laying the foundation for high-speed rail corridors." But even that claim seems overblown. While track upgrades will allow Amtrak trains to reach top speeds of 110 mph in some cases, *average* speeds— which is a more accurate measure of performance and service quality, for it determines trip duration — will increase only modestly.

For example, while a $1.1 billion program of track upgrades between Chicago and St. Louis will enable Amtrak trains to increase top speeds to 110 mph, average speeds between those two cities —slowed by the need of Amtrak trains to share track with freight traffic — will rise only 10 miles per hour, from 53 to 63 mph. The four-and-a-half hour trip time will be cut by a mere 48 minutes. In France, TGV trains between Paris and Lyon, cover approximately the same distance (290 miles) in a little under two hours, at an average speed of 150 mph. Yet, federal officials did not hesitate proclaiming the Chicago-St. Louis project as "historic" and hailing it as "one giant step closer to achieving high-speed passenger service."

Had the Administration resisted the temptation to hype its rail initiative, had it candidly represented the HSR program for what it is — an effort to introduce useful but modest enhancements in existing intercity Amtrak services— it would have earned some plaudits for its good intentions to improve train travel. But by pretending to have launched a "high-speed renaissance," when all evidence points to only small incremental improvements in speed and trip duration, the Administration has suffered a serious loss of credibility. Its pledge to "bring high-speed rail to 80 percent of Americans" is not taken seriously by anyone.

Lack of a focus

The Administration's second mistake, in my opinion, has been to fail to pursue its objective in a focused manner. Instead of identifying a corridor that would offer the best chance of successfully demonstrating the technology of high-speed rail, and concentrating resources on that project, the Administration has scattered its nine billion dollars on 145 projects in 32 states, and in all regions of the country. (A complete list can be found at www.fra.dot.gov/rpd/HSIPR/ProjectFunding.aspx). Only a few of these awards (CA, IL, NC, WA, NEC) are of a sufficient scale to produce any appreciable service improvements. The remaining grants, many of them under ten million dollars, will support minor facility upgrades, preliminary engineering, and planning and environmental studies. Indeed, the program bears more resemblance to an attempt at revenue sharing than to a focused effort to pioneer a new transportation technology.

Ironically, the Northeast corridor, where high-speed rail has the best chance of succeeding, has received scant attention. And yet, this corridor is probably the only one in the nation that has all the attributes necessary for effective and economical high-speed rail service.

First. The NE Corridor has no less than six city-pairs that are major population centers and travel generators (Boston-New York, New York-Philadelphia, NY/Philadelphia-Baltimore/Washington). *Second*, the distances between these cities are less than 300 miles which makes them neither too close nor too far from each other to successfully compete with car and air travel. *Third*, each of the cities has an extensive metropolitan-wide transit system that can carry travelers from the rail stations to their ultimate destinations. *Fourth*, the corridor suffers from high levels of highway and airspace congestion that makes rail service improvements a matter of some urgency. *And lastly*, it is the only rail corridor in the nation where passenger trains do not have to share track — and thus do not come into conflict with— freight trains.

In sum, no other travel corridor in the nation offers better conditions for a successful implementation of high-speed rail service, or a more compelling case for moving forward with an ambitious investment program.

To its credit, the Administration has belatedly recognized the demonstration potential of the Northeast Corridor and decided to make up for its past neglect by awarding a $450 million grant to Amtrak for track, signal and catenary improvements in a heavily used sections of the corridor, between New Brunswick and Trenton NJ. These improvements will allow top speeds of up to 160 mph and significantly boost average speeds between Philadelphia and New York. Another $295 million grant will eliminate a major bottleneck and source of delay in rail traffic (the so-called Harold Interlocking in Queens, NY) between New York and Boston.

These grants are but a small beginning in what will hopefully become a redirected HSR program, with a focus on the Northeast corridor and consisting of a staged program of improvements which, progressively over the years, would raise *average* speeds between city pairs to 150 mph.

The need to involve the private sector

In view of the constraints on the federal budget, any such program will of necessity require a substantial participation of the private sector. The density of travel in the NE Corridor and its continued growth should, in principle, generate a sufficient stream of revenue to attract private financing and create opportunities for public-private partnerships.

However, this is still an untested hypothesis. We simply do not have enough experience with public-private partnerships in the passenger rail sector to make confident predictions about the response of the private investment community— its assessment of the risk, rewards and expected rate of return on investment in such an enterprise. Thus, I believe that an early step in the process should focus on thoroughly exploring the potential of private financing and ascertaining the private investors' interest in this venture— both domestically and internationally. Only such an exploration would provide the required level of confidence that the decision to proceed has a sound financial basis.

The California decision

One also could question the Administration's role in the controversial decision by the California Rail Authority to begin construction of the initial 130-mile operable segment of California's HSR system in the sparsely populated Central Valley between Merced and Bakersfield.

California legislature's Legislative Analysts's Office (LAO) questioned this decision and suggested several alternative segments in more populated areas (such as LA-Anaheim or SF-San Jose) that could generate more ridership and be of benefit even if the rest of the project does not get built. At LAO's urging, the Rail Authority asked the US DOT for more flexibility in deciding where to construct the initial segment.

However, the U.S. Department of Transportation turned a deaf ear to the request. As a senior DOT official stated at the time, once major construction is underway, the private sector will have "compelling reasons to invest in further construction," a judgment that proved to be overly optimistic (May 25, 2011 letter from Undersecretary Roy Kienitz to the California Rail Authority). The Administration's primary motivation seems to have been a desire to get construction underway as quickly as possible and in a place that would offer the least local opposition. As such, it sealed the California Rail Authority's decision to proceed with a rail project that makes little economic or transportation sense.

Federal officials are fond of reminding us that construction of the interstate highway system also began "in the middle of nowhere" — in that particular case, in the middle of Kansas. But they ignore a fundamental difference between the two decisions: the interstate highway system was backed from the very start by a dedicated source of funds, thus ensuring that construction of the system would continue beyond the initial highway segment in the wheat fields of Kansas.

The California project has no such financial backing. Should money for the rest of the system never materialize— as is likely to happen— the state will be stuck with a rail segment unconnected to major urban areas and unable to generate sufficient ridership to operate without a significant state subsidy. The Central Valley rail line could literally become a "Train to Nowhere" — a white elephant and a monument to wasteful government spending.

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While the Administration's handling of the high-speed rail program has— understandably and justifiably— made Congress reluctant to support this initiative any further, I hope that under the Committee's leadership, and with the help of the NEC Advisory Commission, Amtrak and the several participating states, a reformulated high-speed rail initiative— focused on the NE Corridor and involving a public-private partnership— could begin taking shape.

One often hears these days that we, as a nation, have lost the will to think big— that we no longer have the ambition and imagination to mount "bold new endeavors" that capture the public imagination— the kind of motivation that caused our parents' and grandparents' generation to build the Hoover Dam and the Interstate Highway System. Launching a multi-year public-private venture to usher in true high-speed rail service in the Northeast Corridor, a project of truly national significance, offers us an opportunity to prove the skeptics wrong.

NewsBrief commentaries dealing with high-speed rail, 2010-2011

2010

NewsBrief No. 12, June 16, 2010
Is the High-Speed Rail Program at Risk?

NewsBrief No. 13, June 30, 2010
The Rail Debate Intensifies

NewsBrief No. 14, July 5, 2010
The Accidental Legacy of High-Speed Rail

NewsBrief No. 18, August 26, 2010
Congratulations to FRA on a Sensible Decision

NewsBrief No. 26, November 1, 2010
High-Speed Rail Debate Refuses to Quiet Down

NewsBrief No. 27, November 10, 2010
The Federal High-Speed Rail Program: A Post-Election Reality Check

NewsBrief No. 29, December 1, 2010
The Unraveling of the High-Speed Rail Program

2011

NewsBrief No. 1, January 5, 2011
The Uncertain Future of the High-Speed Rail Program

NewsBrief No. 2, January 12, 2011
Skepticism About High-Speed Rail is Growing

NewsBrief No. 5, February 8, 2011
A $53 Billion High-Speed Rail Program to Nowhere

NewsBrief No. 7, February 23, 2011
Mainstream Media Opinion Turns Against the High-Speed Rail Program

NewsBrief No. 10, March 25, 2011
The End of the Line: The High-Speed Rail Program Has Hit the Buffer of Fiscal Reality

NewsBrief No. 12, April 12, 2011
A Requiem for "High-Speed Rail" : An Editorial Point of View

NewsBrief No. 13, April 25, 2011
Fast Train to Nowhere

NewsBrief No. 15, May 11, 2011
Pragmatic Funding Decisions Mark the Final Round of Rail Grants

NewsBrief No. 16, May 31, 2011
California's Bullet Train --- On the Road to Bankruptcy

NewsBrief No. 21, August 1, 2011
Bullet Train to Nowhere

NewsBrief No. 27, October 3, 2011
For High-Speed Rail It's the End of the Line

NewsBrief No. 31, November 13, 2011
Califormia's Bullet Train in the Court of Public Opinion

Chair, ***Paula Hammond***, Washington DOT
Vice Chair, ***Bill Bronte***, California DOT
Secretary, ***Caitlin Hughes Rayman***, Maryland DOT
Treasurer, ***Ron Adams***, Wisconsin DOT

SPRC
States for Passenger Rail Coalition

Alabama
Arizona
California
Connecticut
Delaware
Florida
Georgia
Illinois
Indiana
Iowa
Kansas
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
New Hampshire
New York
Nevada
North Carolina
Oklahoma
Pennsylvania
Rhode Island
South Carolina
Tennessee
Texas
Vermont
Virginia
Washington
Wisconsin

California Capital Corridor

Northern New England Passenger Rail Authority

Southern High Speed Rail Commission

STATEMENT FOR THE RECORD OF PAULA J. HAMMOND
CHAIR, STATES FOR PASSENGER RAIL COALITION
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HEARING ON
"THE FEDERAL RAILROAD ADMINISTRATION'S HIGH SPEED INTERCITY PASSENGER RAIL PROGRAM: MISTAKES AND LESSONS LEARNED"

December 6, 2011

Chairman Mica and Ranking Member Rahall, I thank you for the opportunity to submit a statement for the record on behalf of the States for Passenger Rail Coalition (SPRC), an alliance of 33 state leaders from across the United States who work together to support the development and growth of intercity passenger rail service for America. Established in 2000, the SPRC advocates for passenger rail initiatives and federal funding, supports current and long range plans for passenger rail advancement, and facilitates cooperation and coordination among state officials and between the public and private sector at all levels.

The topic of today's hearing, "The Federal Railroad Administration's High Speed Intercity Passenger Rail Program: Mistakes and Lessons Learned," is timely and important. Since the passage of the Passenger Rail Investment and Improvement Act (PRIIA) in October 2008 and the first infusions of funding in February 2009 from the Recovery Act, we have seen $10.19 billion invested in passenger rail projects across the country. As the entities responsible for delivering many of those High Speed Intercity Passenger Rail (HSIPR) Program projects, we have a unique and significant story to tell.

The SPRC member states that are moving forward with HSIPR funding include states that are planning service to achieve speeds in excess of 200 mph; others that are taking an incremental approach to improve speed and reliability, add trains and increase frequencies on existing service; and those for which capital improvements on the Northeast Corridor are of critical importance for safety and continued passenger, commuter and freight operations, as well as for expansion and development of a modern, high capacity service.

While the name of the FRA's program is the "High-Speed and Intercity Passenger Rail Program," we are concerned that the focus on the "high-speed" component of the title has overshadowed the less-showy but no less-valuable "intercity passenger rail" element. Media emphasis on "high-speed" created expectations that cannot be met with the amount of federal seed money that Congress has provided to date. And it has allowed critics of the program to deride many projects that, while they won't get to speeds above 110 mph, will significantly improve existing passenger rail service, thereby giving travelers a reliable, viable, and travel-time competitive alternative to driving or flying. These work-horses of the passenger rail program may not be flashy but they offer a modal alternative that is very much desired by the public and highly appropriate for most areas of the country.

Indeed the whole categorization of passenger rail service based on speed may be misplaced and a market-based definition might be preferable. The metric for such market-based service is trip time or travel time. Secretary LaHood's written testimony provided very good examples of travel time reductions on intercity rail service. This metric uses the concept of value of travel time as a key, though not the only, benefit of the service and service improvement. Strategies to reduce travel time can be found in rigorous service development plans. High performance intercity passenger rail, rather than high-speed rail, reduces travel time and creates modal shift. We would encourage the Committee to explore this approach further.

While there are HSIPR-funded projects that will develop true high-speed rail, many other projects are increasing the frequency of trains, improving on time performance, reducing travel times, and increasing economic development, particularly around train stations:

- In my own state of Washington, we are investing federal funds to improve our existing successful Amtrak Cascades service, which operates along the Pacific Northwest Corridor between Eugene, Oregon and Vancouver, British Columbia. We will add two additional daily round trips between Seattle and Portland, for a total of six trips starting in 2017, and we will reduce travel time and improve reliability throughout the corridor. We will reach these goals by constructing 20 projects that will do things like add capacity through new bypass tracks, make multiple upgrades to existing track – including slope stabilization to prevent delay-causing mudslides –and through the purchase of eight new locomotives and one new train set.

- In North Carolina, they are using HSIPR funding to improve existing service by adding 28 miles of double track and two new passing sidings, and improving corridor safety by building 14 new bridges, closing 24 public crossings and improving all private crossings, and eliminating a major bottleneck with a grade separation of two Class I railroads. The added network capacity will support at least five service frequencies between Charlotte and Raleigh by 2017. Already completed are locomotive rebuilds, passenger car refurbishments, station expansion projects and a new mid-day service frequency.

- In Illinois, HSIPR funds are being invested in track and signal upgrades on the Chicago to St. Louis (CHISL) rail corridor to allow for higher operating speeds with improved safety and reliability. At the same time, the groundwork is being laid for similar investments to re-establish intercity passenger rail service between Chicago and the Quad Cities, a long-term goal of area communities. Both corridor projects also feature investments in rolling stock, crossing safety and station facilities, including construction of several multi-modal transportation centers. Having previously completed the required preparatory work and established a partnership with the host railroad, Illinois was able to begin construction on the CHISL corridor in August 2010, making it the first HSIPR-funded rail project in the nation to get underway. By December 2010 the project had improved 76.5 miles of track, followed by the completion of the 190 mile project during the 2011 construction season. Spring 2012 will see upgrading work on the 37-mile corridor segment between Dwight and Joliet, as well as the installation of grade crossing improvements and the reconstruction of passing sidings to provide for more efficient train meets and better schedule reliability. When complete, the Chicago-St. Louis project will allow the operation of three round-trips at speeds up to 110 miles per hour and a travel time reduction of up to one hour less than the current five and one-half hours with at least 85% reliability.

All three of the above service examples have seen increases in ridership in recent years, demonstrating the popularity of passenger rail as a travel mode. The 2010 ridership for the Pacific Northwest's Amtrak Cascades was up ten percent from 2009, and is on track in 2011 to increase from those numbers. Additionally, farebox recovery grew from 54 percent in 2009 to 64 percent in 2010. In North Carolina, last year ridership on the corridor increased 40 percent and the program's farebox recovery topped 80 percent. And patronage on all Illinois corridors has increased steadily over the past decade with sizeable upticks following service increases in late 2006. Illinois' total ridership rose nearly 11 percent from 2009 to 2011. Despite delays and service interruptions during project construction, ridership on the Chicago-St. Louis corridor actually rose in 2010 and fell only slightly in 2011. The onset of higher speed service after 2014 is expected to increase demand in the range of 20-30 percent with further ridership growth over the long term.

During the hearing, Congressman Shuster characterized the Keystone East service in Pennsylvania as highly commendable. SPRC agrees with this assessment. Sharing some of the operating characteristics of the Northeast Corridor main line, the Amtrak-owned and -operated Philadelphia–Harrisburg segment (104 miles) is a mature passenger corridor, with frequent intercity trains (13 round trips per average workday, most of which operate on the Northeast Corridor beyond Philadelphia to New York) and commuter trains for part of the route near Philadelphia. This line has multiple tracks, full electrification, and almost complete grade separation from the highway grid. The three remaining public highway grade crossings on the Philadelphia–Harrisburg segment are being eliminated through current projects. Speed on the line is now up to 110 mph and Amtrak is planning additional improvements. Ridership and revenue continue to grow on the route in large part because the service has many of the preconditions of a mature market-based system that is focused on performance: speed, frequency and reliability.

In the Northeast, where riders have a choice between intercity passenger rail and high speed Acela service, demand is strong and steadily increasing for both types of service. Our colleague Joan McDonald, Commissioner of the New York State Department of Transportation and Chair of the Northeast Corridor Infrastructure and Operations Advisory Commission, testified about the investments being made to improve service in the Northeast Corridor and in the state corridors connected to it that are also experiencing ridership gains. Amtrak's Thanksgiving week demand on the Northeast Regional service was up 4.7 percent this November compared to 2010, and the near-capacity Acela trains were able to squeeze in a few more riders for a 0.5 percent increase over last year's Thanksgiving holiday week travel. Dramatic gains of 6 percent and more were seen on the Northeast's state-supported routes, including the Keystone Service (New York - Philadelphia - Harrisburg) and the Downeaster (Portland, Maine – Boston), and 3 percent and more on the Ethan Allen (Rutland, VT - New York) and Adirondack (New York – Montreal). In addition, Virginia routes, which feed into the Northeast Corridor, had sizable gains over Thanksgiving 2010 with the Washington-Lynchburg route up 24.6 percent and the Washington-Newport News route up 11.9 percent. This holiday-time snapshot is no anomaly – year-round figures for ridership in the Northeast Corridor continue to grow at a healthy pace despite the steady decline of the aging infrastructure.

As noted during the hearing, Amtrak service on the Northeast Corridor serves well over fifty percent of those who travel between Washington, New York City and Boston. The Corridor is already congested in many locations and demand for rail service is growing. This Corridor is also the busy home to commuter rail service and freight rail activity in a dense, populated and congested region. The HSIPR program is providing much-needed infrastructure improvements in the northern and central sections of the Corridor and studies for critical bridge and tunnel replacements in the southern sections. Connecting state corridors will also see service improvements from the federal investments being made to improve reliability, speed and capacity. A continued strong federal partnership to support the economic growth of the region and nation is essential in meeting the future funding needs of the Northeast Corridor and its connecting state corridors.

In addition to investment in track and station improvements to improve service and reliability, the HSIPR program has also provided for the procurement of next-generation equipment; locomotives and train cars that will not only improve the quality of passenger rail service in America, but will reenergize our domestic manufacturing base and create American jobs. A Request for Information for the purchase of 130 cars – 90 for the Midwest and 40 for California – was issued in October and it is expected that a Request for Proposals (RFP) will be issued in early 2012 with a Notice to Proceed to be issued in the fall of 2012. Additionally, the process has begun for the procurement of 36, 125 mph locomotives, with the RFP to be released in early 2012. If all proceeds according to plan the first car delivery should occur by the summer of 2015.

The task the FRA has been given – to establish and implement a new, large grant program within a short period of time – is herculean, and the FRA has done an admirable job given limited resources and staff. It is a staggering task to shift from being a safety and regulatory agency to a grant-making and project-oversight agency, and the FRA made the transition in a matter of months. In implementing this new program there is also the added challenge of negotiating with private freight railroads, which own the infrastructure passenger rail uses outside of the Northeast Corridor, in order to get grant agreements signed. While many have been helpful partners who negotiate in good faith, that is not always the case and adds another layer to contract negotiations not present in many other federal grant programs.

FRA has done a commendable job given the circumstances, but there is always room for improvement within a new program, especially one with as large a mission as the HSIPR program. With that in mind, we have the following concerns, comments and suggestions for how it can be improved.

- **Increase Staffing Levels:** The FRA has been limited in the number of staff they can hire to implement the HSIPR program, which means long waits for document approval and sign off. These delays in FRA decisions and approvals translate to schedule impacts to the total program, making it difficult to meet construction deadlines and transferring program risk to the states.

- **Provide Written Guidance and Templates:** Because the FRA hasn't published program guidance, grantees have no written direction for what is expected of them and no map for next steps to follow. The lack of published guidance means there is no template to be used for information the FRA is seeking, which often leaves grantees having to guess at what the FRA wants when they ask for information. Additionally, the FRA has no template for the various required grant agreements and has been reluctant to share an agreement reached with one state with other states to use as a model. With no written templates or guidance in place, FRA adds steps to the project development and implementation processes, for which FRA is understaffed and under-resourced. This again has the effect of transferring risk to the states. The impact is worsened as some reviews and processes are defined and some are not. Later, when large numbers of projects are under construction, it will be far more difficult and more costly to recapture momentum and adhere to schedules. In this area, at a minimum we urge that executed agreements be offered as models for other states' use.

- **Reduce Micromanagement of Performance-Based Contracts:** As grant recipients, in addition to cooperative agreements to obligate the funds, states have signed service outcome agreements with the FRA that commit them to a certain level of service. With these performance-based contracts in place, the FRA should then step out of the way and allow the states to execute the contract and build the projects. Instead, they continue to require sign off on project decisions, down to small details like the type of rail ties to be used. We understand there is a necessarily high level of scrutiny of this new program, but when a state signs a performance-based contract that holds them to meeting certain metrics, it should be left alone to make project-level decisions. State DOTs have a tremendous amount of experience managing large scale construction projects under federal guidelines. The FRA's only concern should be that the service outcomes are met.

- **Accountability for all Parties:** These new grant agreements are creating greater performance-based expectations of all parties – states, freight railroads, and Amtrak – and the expectation is that all will need to be accountable. While states are responsible for building the projects and meeting the requirements laid out in their contracts, as the operating partner Amtrak needs to ensure their reporting is accurate and timely in order to properly measure performance outcomes as required by the Recovery Act. For instance, train delay data must be accurate in order for any necessary changes to be made to meet service outcomes. Amtrak's cost accounting must also be transparent and verifiable in order to ensure we achieve the best results possible for the federal funds invested in these routes. Similarly, freight railroads must be accountable for ensuring service outcomes are met.

While there is room for improvement, the HSIPR program has been a success and will help states and Amtrak improve upon their record ridership growth. Intercity passenger rail ridership has grown in recent years as travelers look for alternatives to congested highways and airports. Nationwide, ridership surged past 30 million in FY 2011 – the highest total in Amtrak's history and an increase of 44 percent since 2000. Americans want passenger rail and through the HSIPR program states are delivering. What's more, now that the majority of the program funds have been obligated, states will ramp up project construction in 2012, creating thousands of family-wage jobs during these tough economic times. These are American jobs that can't be exported, investing in American infrastructure that will be enjoyed by generations to come.

The investment in the HSIPR program under the Recovery Act marked the first significant investment by the federal government in intercity passenger rail systems. Generally speaking, up until then federal funds had not been available to support existing state investments in intercity passenger trains or to improve the Northeast Corridor. Although Congress has declined to invest in the program for fiscal years 2011 and 2012, we hope the federal government will return as a funding partner in FY 2013 and beyond. If Congress were to walk away from future investment in this program, the billions of federal dollars put forward for planning and development, and the significant money and staff time provided by the states in support of these applications and the implementation of these project will have been wasted. As witnessed in prior rounds of applications, there is plenty of enthusiasm and demand for a federal funding program to support the development of state intercity passenger rail services. It is only through continued partnership that we can build, expand and improve passenger rail service that is safe, frequent, reliable, and travel-time competitive. This will create both jobs and a vital modal alternative for our citizens, while spurring lasting economic development.

Thank you for the opportunity to provide a statement for the record. We will continue to work with the railroad industry, Amtrak and the FRA to implement the HSIPR program and to ensure its continued success.