FREIGHT AND PASSENGER RAIL IN AMERICA'S TRANSPORTATION SYSTEM

(113–4)

HEARING

BEFORE THE

SUBCOMMITTEE ON
RAILROADS, PIPELINES, AND
HAZARDOUS MATERIALS

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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ADDITION TO THE RECORD

† The report entitled "Critical Infrastructure Needs on the Northeast Corridor" can be found online at http://www.nec-commission.com/wp-content/uploads/2013/01/necc__cin__20130123.pdf.

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

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Washington, DC 20515

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March 1, 2013

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM:	Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE:	Subcommittee Hearing on "Freight and Passenger Rail in America's Transportation System"

PURPOSE

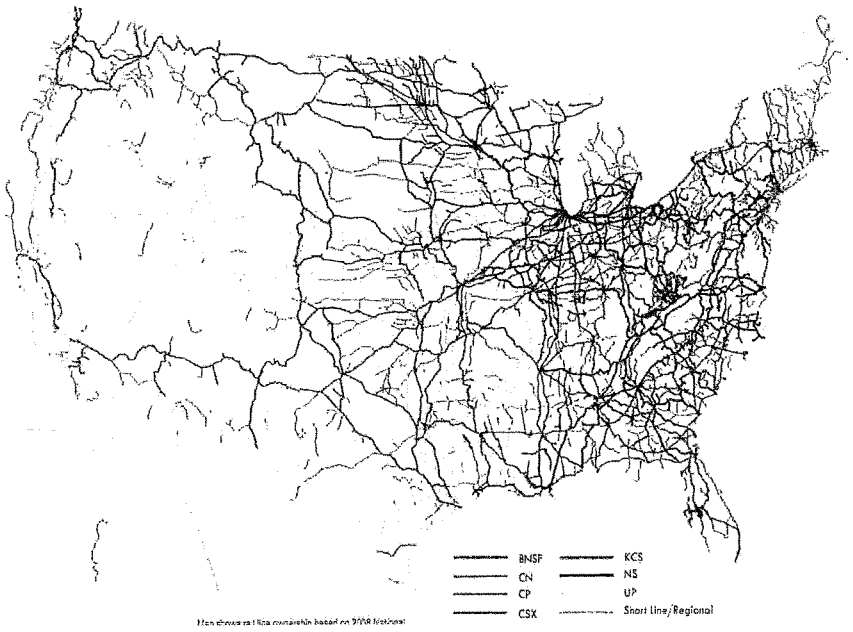
The Subcommittee on Railroads, Pipelines, and Hazardous Materials will meet on Tuesday, March 5, 2013, at 11:00 a.m. in Room 2167 of the Rayburn House Office Building to receive testimony related to the role of railroads in America's transportation network. At this hearing, the Committee will explore the importance of railroads to the U.S. economy and introduce Members to the roles of the Federal government in rail. The Committee will hear from the Chair of the States for Passenger Rail Coalition, Chair of the American Association of State Highway and Transportation Officials' (AASHTO) High Speed & Intercity Passenger Rail Leadership Group, and Secretary of Transportation for Washington State, Paula J. Hammond, P.E.; President and CEO of the Association of American Railroads, Edward R. Hamberger; National Legislative Director for the United Transportation Union, James Stem; and President and CEO of Amtrak, Joseph H. Boardman.

BACKGROUND

From the outset of the Nation's founding, the facilitation of commerce has been the role of the Federal government. Specifically, the Constitution grants Congress the power to regulate commerce among the States. Integral to interstate commerce is a robust infrastructure network that connects the country for trade and travel. Railroads are an integral part of North America's infrastructure network and, in turn, our economic competitiveness. From the building of the Nation's first railroad in 1828 – the 13-mile Baltimore and Ohio Railroad – through the driving of the Golden Spike in 1869 until now, both passenger and freight railroads have played a central role in our Nation's development.

Freight Rail

America's freight railroad network is the envy of the world. There are approximately 565 freight railroads in the country employing nearly 180,000 workers. These are privately owned companies that operate over more than 200,000 miles of track throughout the Nation. Freight railroads are divided into three groups, called classes, based upon their annual revenues. Generally, a Class I railroad is defined as having an annual carrier operating revenue of $250 million or more; a Class II railroad is defined as having an annual carrier operating revenue between $20 million and $250 million; and a Class III railroad is defined as having an annual carrier operating revenue of less than $20 million. In accordance with Federal regulations, the annual carrier operating revenue is measured in 1991 dollars. There are seven Class I railroads: BNSF Railway; CSX Transportation; Canadian National; Canadian Pacific; Kansas City Southern; Norfolk Southern; and Union Pacific. The majority of railroads, however, are Class II and III railroads, known generally as regional or shortline railroads. The map below provides a visual overview of the freight railroads.



While Class I railroads generally provide long-haul services, the Class II and III railroads often provide the first and last mile of rail freight movements. The products moved by rail, include everything from automobiles, agricultural goods, and consumer products to chemicals, lumber, and energy resources. In all, freight rail carries 43 percent of intercity freight, which is more than any other mode, and for every one rail job, 4.5 other jobs are supported elsewhere in the economy.

Unlike other modes, the freight railroads own the infrastructure over which they operate, meaning they also invest heavily in those networks. In 2012, the freight railroads spent over $13.8 billion in capital expenditures to improve and expand their networks. This investment is due in large part to the movement toward de-regulation of the freight railroads beginning in the 1970s through the Staggers Rail Act of 1980 (P.L. 96-448), and culminating in the Interstate Commerce Commission Termination Act of 1995 (P.L. 104-88). Deregulation allowed the freight railroads to price competitively and respond to market forces, which has increased productivity, enhanced safety, lowered average rates, and freed over $500 billion for private investment back into the freight network. Furthermore, particular to the Class II and III railroads, deregulation has grown that industry from 8,000 miles of track in 1980 to over 51,000 miles today. Class II and III railroads are now the feeder and distribution lines for the network, reaching into small town, rural America to preserve those areas' connection to the national network.

Passenger Rail

Intercity passenger rail service in the U.S. is primarily provided by Amtrak, a corporation established by Congress in 1970, to take over passenger rail services that private railroad companies were previously required to operate. Today, Amtrak runs approximately 300 weekday trains over 21,100 route-miles, mostly in collaboration with other railroads – 70 percent of train-miles run on other railroads, while Amtrak owns 363 miles of the 457-mile Northeast Corridor (NEC) and 97 miles of track in Michigan. Amtrak serves 46 states and 3 Canadian provinces, carrying over 31 million riders in 2012, 3.5 percent more than in 2011. Amtrak made $2.3 billion from private sources such as ticket revenue while the Federal government provided $466 million in operating subsidies and $952 million in Capital and Debt Service grants.

Amtrak currently runs three major operating lines of business: NEC Operations, State Supported Services and Long Distance Services. Trains run on the NEC between Washington and Boston, and carried more than 11.4 million passengers in fiscal year (FY) 2012. Specifically, ridership on the Northeast Regional service (lower speeds with more stops) was 8.0 million and the Acela Express (faster speeds with less stops) was nearly 3.4 million.

The State Supported Services are routes where Amtrak partners with state and regional agencies to provide travel between points less than 750 miles apart. Continued operation of these state-supported routes is subject to annual contracts and state legislative appropriations. State-supported and other short distance routes carried 15.1 million passengers in FY 2012.

The state-supported routes are:

State	Route	City Pairs
California	Capitol Corridor Pacific Surfliner San Joaquins	San Jose–Sacramento/Auburn San Luis Obispo–San Diego Bakersfield–Sacramento/San Francisco/Oakland
Connecticut	Knowledge Corridor	New Haven-Springfield
Illinois	Lincoln Service Illini & Saluki Illinois Zephyr & Carl Sandberg	Chicago–St. Louis Chicago–Carbondale Chicago–Quincy
Indiana	Hoosier State	Chicago–Indianapolis
Maine/Massachusetts/New Hampshire	Downeaster	Portland –Boston
Michigan/Indiana	Blue Water Père Marquette Wolverine	Chicago–East Lansing-Port Huron Chicago–Grand Rapids Chicago–Pontiac
Missouri	Missouri River Runner	Kansas City-St. Louis
New York	Adirondack Empire Service Maple Leaf	New York–Montreal New York–Niagara Falls New York–Toronto
North Carolina	Carolinian Piedmont	Charlotte–New York Charlotte–Raleigh
Oklahoma/Texas	Heartland Flyer	Oklahoma City–Fort Worth
Oregon/Washington	Cascades	Eugene–Seattle–Vancouver, BC
Pennsylvania	Keystone Corridor Pennsylvanian	New York–Harrisburg New York–Pittsburgh
Vermont/Maine/New Hampshire	Vermonter	Washington, D.C.–St. Albans
Vermont	Ethan Allen Express	New York–Rutland
Virginia	Mid-Atlantic Regional	Washington, D.C.–Lynchburg/Richmond/Newport News/Norfolk
Wisconsin	Hiawatha Service	Chicago–Milwaukee

Amtrak's Long-Distance Services consist of 15 interstate routes of 750 miles or more. This service carried more than 4.7 million passengers in FY 2012. The long-distance routes are:

Route	City Pairs	Route	City Pairs
Silver Star	New York - Miami	Texas Eagle	Chicago - Los Angeles
Cardinal	Chicago - New York	Sunset Limited	Los Angeles – Orlando
Silver Meteor	New York – Miami	Coast Starlight	Seattle - Los Angeles
Empire Builder	Seattle – Chicago	Lake Shore Limited	Chicago - New York/Boston
Capitol Limited	Chicago - Washington D.C.	Palmetto	New York – Savannah
California Zephyr	San Francisco – Chicago	Crescent	New York - New Orleans
Southwest Chief	Los Angeles – Chicago	AutoTrain	Lorton, VA - Sanford, FL
City of New Orleans	Chicago - New Orleans		

Railroad Labor

As noted above, the U.S. freight railroad industry employs nearly 180,000 workers. More than 160,000 are employed by the seven Class I freight railroads, which are the largest U.S. railroads; another 20,000 are employed by the 558 short line and regional freight railroads. Amtrak, which is also a Class I railroad, employs approximately 19,000 workers, while commuter railroads operating on freight- and Amtrak-owned infrastructure employ an additional 29,985 workers.

The U.S. rail industry is heavily unionized. Approximately 83 percent of Class I employees and around 60 percent of non-Class I employees belong to a union and thus are subject to collective bargaining agreements. Collective bargaining agreements between railroads and their employees are governed by the Railway Labor Act (RLA), which was first passed in 1926. Collective bargaining for most other industries is governed by the National Labor Relations Act.

Most Class I railroads and a number of non-Class I railroads bargain on a "national handling" basis. National handling covers more than 90 percent of the Nation's unionized rail employees. Under national handling, a group of railroads acting as a unit negotiates with a union or group of unions for an agreement that applies to all those who participate in the bargaining. Amtrak also negotiates on a national handling basis. The members of each union, however, must ratify their contracts on an individual basis once a tentative agreement is in place. There are currently 13 major unions that represent rail workers.[1]

[1] The 13 major rail unions are: the American Train Dispatchers Association, the Brotherhood of Railroad Signalmen, the International Association of Machinists and Aerospace Workers, the International Brotherhood of Boilermakers, Blacksmiths, Forgers and Helpers, the International Brotherhood of Electrical Workers, the National Conference of Firemen and Oilers - SEIU, the Sheet Metal Workers International Association, the Transportation Communications International Union, the Transport Workers Union of America, the United Transportation Union, UNITE-HERE, the Brotherhood of Locomotive Engineers and Trainmen Division of the International Brotherhood of Teamsters, and the Brotherhood of Maintenance of Way Employes Division of the International Brotherhood of Teamsters.

Federal Roles

The Federal government currently plays several key roles within the railroad industry. Through the Federal Railroad Administration, a modal administration within the U.S. Department of Transportation (DOT), the government oversees railroad safety and manages rail infrastructure programs. Independent of DOT, there are three Federal government boards: the Surface Transportation Board, which administers economic regulation of the railroads; the Railroad Retirement Board, which manages railroad retirement and unemployment programs; and the National Mediation Board, which administers the RLA to ensure interstate commerce is not interrupted by railroad-labor disputes. In addition to these governmental agencies, Congress also provides support to Amtrak through annual appropriations.

INVITED WITNESSES

The Honorable Paula J. Hammond, P.E.
Secretary of Transportation, Washington State
Chair, States for Passenger Rail Coalition
Chair, AASHTO's High Speed & Intercity Passenger Rail Leadership Group

Edward R. Hamberger
President and Chief Executive Officer
Association of American Railroads

James Stem
National Legislative Director
United Transportation Union - SMART

The Honorable Joseph H. Boardman
President and Chief Executive Officer
Amtrak

FREIGHT AND PASSENGER RAIL IN AMERICA'S TRANSPORTATION SYSTEM

TUESDAY, MARCH 5, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 11:04 a.m. in room 2167, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The subcommittee will come to order. First let me welcome our distinguished witnesses and thank them for their testimony today. We invited you because each of you represents a key stakeholder group involved in our Nation's rail industry.

As you know, passenger and freight rail, coupled with railroad suppliers and union workers play important and dependent roles in our Nation's economy, and are vital to its success. As you all may know, Chairman Shuster and I are committed to rail reauthorization this year. I say again, "this year." And hopefully, this hearing will be a productive start to a bipartisan effort.

We need to be pragmatic and transparent, and we will need all parties to participate in order to deliver the best bipartisan product to the House floor. We want to make it a point to welcome all ideas from many viewpoints, in order to make the most robust and comprehensive reauthorization. We thought an educational hearing on our Nation's rail industry would be the best way to start and really have a very productive conversation.

Railroads are an integral part of North America's infrastructure network and, in turn, our economic competitiveness. From the building of the Nation's first rail in 1828 until now, both passenger and freight railroads have played a central role in our Nation's development. It is important to note that the U.S. freight rail system is the number one in the world, with our passenger rail system also increasing ridership yearly.

Our witnesses include representatives of freight and passenger rail, as well as representatives of States and labor. And they will describe their interdependent roles in this important industry. Since I don't want to repeat their testimony, let me very briefly describe the current Federal role in the railroad industry.

First, the Federal Railroad Administration, a modal administration within the U.S. Department of Transportation, oversees railroad safety and manages rail infrastructure programs. Independent of DOT, there are three Federal Government boards: the Surface

Transportation Board, which administers economic regulations of the rail; the Railroad Retirement Board, which manages rail retirement and unemployment programs; and the National Mediation Board, which administers the Railway Labor Act to ensure interstate commerce is not interrupted by railroad labor disputes.

Finally, Congress also provides support by authorizing and subsidizing Amtrak, which operates intercity passenger rail and owns a majority of the Northeast Corridor. Our goal for this year is to re-examine the Federal Government's role and discuss and analyze what has worked in the past, and what needs to be reformed.

The purpose of this is to be an educational hearing. So I ask the witnesses and Members to try and save their policy preferences for future hearings. Again, I thank the witnesses for being here with us today.

I would now like to recognize Ranking Member Corrine Brown from Florida for 5 minutes to make any opening statements she may have.

Ms. BROWN. Thank you, Mr. Chairman, and I want to thank you for holding this hearing today. I know that you are committed to improving our Nation's freight and passenger rail system, and I am looking forward to working with you and this Congress for important legislation. This hearing will be very helpful to our new Members, and a good start in preparing to re-authorize the Passenger Rail Investment and Improvement Act.

I truly appreciate what freight and passenger rail have done and will continue to do for our country. And I am pleased again to serve as ranking member of the subcommittee for the 113th Congress. My top priority for rail is to continue to increase investment in freight and passenger rail, expand passenger and high-speed rail throughout the country, ensure a safe workplace, and, most important, put America and the entire community back to work.

I will also continue to fight to ensure minority participation in leadership and contracting throughout the transportation industry.

The fact is that railroads are the backbone of the North American transportation network. From the building of our Nation's first railroad in 1828 to the creation of Amtrak in 1970, railroads have played a central role in our Nation's economic development. Every year, American freight railroads invest billions of dollars of their own capital, not taxpayers' money, to maintain bridges, lay new tracks, purchase equipment, and upgrade signal systems.

In fact, railroads spend five times more on capital expenditures than the average U.S. manufacturer. In 2013, railroads plan to spend $24.5 billion in maintenance, growth, and modernization of the network.

Amtrak is also investing, thanks to an increased funding authorization by the Passenger Rail Investment and Improvement Act of 2008, and provisions that provided appropriations in the American Recovery and Reinvestment Act of 2009. In 2012 Amtrak carried a record number, 31.2 million passengers, a 55-percent increase since 1997. Meanwhile, their request for operation assistance has decreased.

Together, our Nation's freight and passenger rail employs about 250,000 people. Railroad suppliers employ about 95,000 workers. Thanks to these hard-working men and women, we literally have

the greatest freight rail system in the world. I hear this from transportation leaders across the globe. In fact, any time you travel, they want to know about our freight rail system.

In addition to easing highway congestion, shifting freight from trucks and passengers from cars to rail have substantially environmental and energy benefits. Freight trains are at least four times more fuel-efficient than trucks, and can move 1 ton of freight 436 miles with a single gallon of fuel.

Is my time up?

[Laughter.]

Ms. BROWN. In closing, I want to welcome today's panelists, especially Mr. Boardman—we should have a witness chair named after him for being here so many times. I am looking forward to hearing your testimony and your ideas for preparing our rail system for the future.

Thank you very much, and I will yield back my time and ask any additional questions at the proper time.

Mr. DENHAM. I now call on the chairman of the full committee, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. I just want to welcome the folks here, the witnesses today. Appreciate you being here. And I just want to echo what the ranking—distinguished ranking member said about—we have the finest rail freight system in the world, and we want to make sure that it continues to be, that it continues to not have to rely on the Federal Government for funding, and that they continue to be prosperous and invest 18 to 20 percent of their revenues back into the system.

But also, appreciate the help—the chairman having this hearing to not only talk about freight rail, but passenger rail. I think it is pretty clear—I have made it pretty clear I really want to try to do something to reform Amtrak, to make sure that—it may never make a profit, but we need to make it move in that direction. I appreciate what—some of the things Mr. Boardman has done over his tenure as CEO at Amtrak, but we need to sit down—labor, management, Congress—and figure out how we need to move forward, and focus on those areas that I believe can be—or that are profitable, and build on that, and look at other areas that aren't, and figure out ways to correct them or spend them or reform them in such a way that we can be moving in the right direction.

I think it is critical that we have passenger rail in this country, some places a lot more than others. And, of course, it is no secret the Northeast Corridor is one of those places that should shine, even more than it does now. And just full disclosure, I do not live along the—western Pennsylvania is not in the Northeast Corridor. So for those folks that say that is, you know, parochial interest, it is not. I think it is of interest to anybody who lives in that corridor, that population density, that we continue to see significant improvements to Amtrak and its operations there, as we move forward.

So, I am going to be working very closely with the chairman as we move forward to do a rail reauthorization bill this year.

So, Mr. Chairman, thank you for yielding me the time. I yield back.

Mr. DENHAM. I now call on Mr. Mica, former chair of the full committee.

Mr. MICA. Well, just a minute. First, I want to thank Chairman Shuster, Chairman Denham, and Ranking Member Brown for conducting this meeting, and doing an assessment from all the stakeholders.

Just 1 second to remind folks that the last time we did a rail reauthorization it took us 11 years. And working in a bipartisan manner with Mr. Oberstar, we were able to pass the current PRIIA legislation we all worked on, which had some good elements, the high-speed rail, a whole host of improvements that we really need to look at again.

So, I think it is very important that we work together. This could be, I think, one of the most important things that we do. We weren't able to get reforms like RIF in the final MAP–21. We tried to do that rail section, we had some disagreements. But I think that we can resolve those differences, so I salute Chairman Denham, Chairman Shuster, Ranking Member Brown, and look forward to working with everyone as we move this important legislation forward. And thank you.

Mr. DENHAM. I would like to again welcome our witnesses here today. Our first panel will include: Mr. Ed Hamberger, president and CEO of the Association of American Railroads; the Honorable Paula Hammond, who holds three titles as the secretary of transportation of Washington State, the chair of the States for Passenger Rail Coalition, and the chair of AASHTO's High-Speed and Intercity Passenger Rail Leadership Group; James Stem, national legislative director of the United Transportation Union; and once again, our frequent visitor, the Honorable Joseph Boardman, president and CEO of Amtrak.

I ask unanimous consent that our witnesses' full statements be included in the record.

[No response.]

Mr. DENHAM. Without objection, so ordered. Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Mr. Hamberger, first I would like to take the opportunity to recognize you and the association for your participation in the Veterans Jobs Caucus and the rail industry's commitment to hiring our veterans. Thank you for your efforts. And with that, please proceed.

TESTIMONY OF EDWARD R. HAMBERGER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF AMERICAN RAILROADS; HON. PAULA J. HAMMOND, P.E., SECRETARY OF TRANSPORTATION, WASHINGTON STATE; CHAIR, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS HIGH-SPEED AND INTERCITY PASSENGER RAIL LEADERSHIP GROUP; AND CHAIR, STATES FOR PASSENGER RAIL COALITION; JAMES A. STEM, JR., NATIONAL LEGISLATIVE DIRECTOR OF THE TRANSPORTATION DIVISION OF THE SHEET METAL, AIR, RAIL, TRANSPORTATION UNION (SMART); AND HON. JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK

Mr. HAMBERGER. Thank you, Mr. Chairman. It is something that we are focused on. One in four employees is a veteran. And last year we hired 5,000 returning veterans. Thank you for the opportunity to appear before you this morning. Joe Boardman is here. Amtrak is a member of the AAR. Joe sits on our board. So I will focus my comments on the freight side of the house this morning, but I am ready to talk about either side during Q&A.

If I can impress upon this committee one important salient fact about the freight railroad industry, it is this: we are privately owned. Unlike highways, barges, and airports, we operate on our own right-of-way, which we pay taxes on, which we pay to maintain, and which we pay to upgrade. From 1980 through 2012 we spent $525 billion—"b," as in "boy"—in private capital to upgrade and modernize this infrastructure. We continue that trend in 2013. Projected spending will be $24.5 billion back into the infrastructure.

And this is the literal foundation over which passenger rail operates. Outside of the Northeast Corridor it is the foundation for Amtrak moving around the country. So these investments are not only for the benefit of our freight customers, but they have benefits for passenger movement, as well.

What has this investment meant? Well, first of all, and most importantly, it has dramatically improved our safety. 2012 has been the safest year on record, in terms of accident rate, grade-crossing incidents, and, most importantly, employee injury rate. In fact, it is safer to work on the freight railroads and passenger railroads than in any other mode of transportation, and many other industries, including the one comparison that I love: It is safer to work on a railroad than it is in a grocery store.

But there are accidents and there are fatalities. We are focused on improving our safety, working with labor, and working with the Federal Railroad Administration—FRA. We are doing lots of research at the Transportation Technology Center, where this subcommittee has held hearings in the past. I invite you again to travel to Pueblo, Colorado, to see the new technologies that we are working on there.

Second, our investment has paid dividends for a cleaner environment. We can move 1 ton of freight almost 500 miles on 1 gallon of fuel. In fact, Mr. Chairman, it would take just about 6 gallons to move a ton of freight from your home district to the U.S. Capitol. And Ranking Member Brown, it would take about a gallon-and-a-half to get something from Jacksonville to here.

We are, therefore, 75 percent cleaner, in terms of greenhouse gas emissions than the trucking industry. If we could get just 10 percent of the freight off the highways onto the railroads, we would save 1 billion gallons of fuel and 11 million tons of CO2 not emitted into the air every year. We think that that would be a good goal. And, in fact, it is a goal of the draft freight rail plan at the Department of Transportation.

Third, freight rail service has never been better. We are able to give the best service in history to our customers, making them competitive in global markets. But in addition to great service, rates for our customers are lower. Railroads are moving commodities today at an average rate that is 45 percent less than when railroads moved that commodity in 1980. Railroads are moving twice as much today as they did in 1980 for half the cost. That is the impact of the investment our freight railroad members have made.

And I mentioned 1980 to you because none of these successes and none of this investment would have occurred were it not for the Staggers Rail Act of 1980. In 1980, 25 percent of the industry was in bankruptcy. Congress was considering whether or not to nationalize the industry. Instead, they passed the Staggers Rail Act, which resulted in a balanced regulatory system, and has led to this heavy investment, increased service, increased productivity, increased safety, and lower rates for our customers.

As you take a look at policies going forward, we strongly urge you to avoid enacting policies that would discourage this necessary and critical private investment in the rail infrastructure—investments that boost our economy and enhance our global competitiveness.

This is my first opportunity to appear before you, Chairman Denham. I have been here many times in the past, but I look forward to working with you, other members of the subcommittee, the full committee, the administration, and, of course, other stakeholders, to address the challenges we have in the future. Thank you.

Mr. DENHAM. Mr. Hamberger, thank you.

Ms. Hammond, you may proceed.

Ms. HAMMOND. Thank you, Chairman Denham and Ranking Member Brown, for inviting me to participate. States have a unique story to tell. As we sponsor intercity passenger service on largely private freight rail networks, we work with Amtrak to operate and deliver passenger rail service, and we work with our freight railroads to deliver projects. And, in some States, we own commuter rail service.

Today I will talk about Washington's freight rail network and our Northwest Amtrak Cascade's passenger rail program. In Washington the evolution of railroads have mirrored that of the national trends. In 1870, the Northern Pacific began construction on its first set of tracks in the Washington Territory. And by the turn of the century, railroad's connections enabled people in Washington to have rail access to commercial centers across North America.

Today, BNSF Railroad and Union Pacific Railroads are the main Class I railroads operating in the State, carrying freight and passenger rail. I will talk first about our freight rail in Washington State.

We have a robust freight rail system and a strong partnership with Burlington Northern Santa Fe, which owns the main line that runs north and south through our State, largely along Interstate 5. In addition to that main line, we have 30—excuse me, 23 short-line freight routes. Of those short-line routes, the State owns the Palouse Coulee City Railroad, a 297-mile short-line railroad spanning 4 counties in agricultural-rich eastern Washington.

The combination of the short-line routes and the main-line routes provide a very essential link for our agricultural and manufactured goods to market. And it is one that supports not only the economic vitality of the State, but also of our Nation.

In 1990, a national shortage of rail hopper cars made it difficult and costly for Washington State farmers to get grain to market. To help alleviate the shortage of grain cars, the State used Federal funds to purchase 29 used grain cars to carry wheat and barley from loading facilities in eastern Washington to export facilities in Washington and Oregon. From that time we have grown to own 113 railcars, which have been self-supporting, and the operating cost has developed and enabled that program to grow. This was a kind of a partnership with our ports in eastern Washington that has enabled us to continue to get heavy loads on rail to market, which then reduces the damage that is caused on our State highways.

The State Freight Rail Assistance bank is an important program in our own State. It is a loan program that we have for public sectors intended for small projects, or is a small contribution towards larger projects. And we have programs administered by WashDOT that also allows for grants and loans through freight rail assistance. Sometimes that is the only ability for our rail shippers and our growers to find the ability to make improvements on short-line railroads and the main line to enable improvements that will help goods get to market better.

Let me talk a bit about our Amtrak Cascades service, as well. Washington first partnered with Amtrak in 1994 in the connection and coordination of a passenger rail program. From that time, our vision and our goal from the Amtrak Northwest Cascades program, which spans from Eugene, Oregon, up to Vancouver, BC, was to grow incrementally a service of passenger rail programs which today serves six round-trips between Seattle and Portland, two round-trips between Seattle and Vancouver, BC, and carries over 890,000 passengers a year. It was the ability for us to have a program that enabled us to be ready for the Federal rail grant when it came, which we were able to successfully get $800 million for improvements to our Burlington Northern Santa Fe rail line, which will add increased trips, speeds, and reliability.

As this body considers and discusses PRIIA, the reauthorization, I would want to make sure that we mention that the Section 305 coordinated equipment purchase program is a very good thing for our States. It enables us to get lower cost, economy of scale for equipment. It enables us to have partnerships across the United States, to deliver projects and programs and higher speed passenger rail service, as an opportunity for our States to continue to serve the public in a growing population that we have.

Thank you for your time.

Mr. DENHAM. Thank you, Ms. Hammond.

Mr. Stem, you may proceed.

Mr. STEM. Thank you, Mr. Chairman. We appreciate the opportunity to testify today about our views on rail transportation policy. We want to readily acknowledge that although I am here representing SMART transportation division today, these remarks are intended to represent the input and the equity that all of our railroad employees have earned in the industry.

All of rail labor has a long history of supporting our industry and working in partnership with the industry on a variety of issues. We understand and readily acknowledge that the most secure job is one in a profitable company that provides service that America needs. We have participated in many successful partnerships with this committee and with our industry on equipment safety standards, hours of service improvements, railroad retirement, pension reforms, and many opportunities to grow our freight and passenger rail industries.

We think one of the success stories that this committee rarely hears about that should be acknowledged today is the success of the Rail Safety Advisory Committee that was sponsored by the Federal Railroad Administration during the Clinton administration. It was the first time that rail management, rail labor, rail suppliers, and the Federal Railroad Administration were all gathered together in an informal setting to participate in problem-solving exercises, an exchange of thoughts and an opportunity for suggestions on improved safety. RSAC continued to function well through the Bush administration, and continues today. Our rail industry today has improved safety processes in place and our safety record has significantly improved because of the RSAC process.

We are proactive in our support for the industry, take an active role in policy discussions supporting the expansion of freight and passenger rail across the country. We also work with all segments of our rail and transit industries and legislative activities designed to highlight the advantages of rail. Our rail employees today have earned equity in the rail industry, and are very aggressive in long-term growth and stability of our industry.

Passenger and freight railroads today are vital parts of America's transportation system, which require a level of skill and professionalism in the operation and maintenance of our industry that translates into tens of thousands of good career jobs for railroad employees. It takes many years to train and qualify most of the safety-critical railroad employee class. Our industry now focuses on hiring military veterans. We readily acknowledge that decision not only is that a patriotic decision, but military veterans bring something else to the table. They understand the discipline necessary to operate in a safety-critical environment, and they readily accept their role in the overall safety of the operation.

The decision to focus on military veterans has proven to be a win-win situation for all involved. Raises our hiring standards, the railroads get a stable and mature employee that readily accepts instructions and the safety-critical responsibilities. Once they are trained and qualified, these military veterans then have transferable skills that are very much in demand.

Railroad jobs are not just a job. They are careers where a person can earn a living wage to provide for their family and send their kids to college. Our rail industry enjoys the lowest turnover rate of any blue-collar industry in the country. In spite of the 24/7 operations in all types of weather, working on the railroad is more than a job, it is a way of life that was chosen. We are expecting the influx of new military veterans to even further reduce our turnover rate, and also to contribute to improved safety performance.

We look forward to working with this committee during the RSIA and PRIIA reauthorizations. We have a few technical corrections to suggest for your consideration, and are working with your staff to do that.

Mr. Hamberger mentioned the importance of coal for generation. Twenty percent of our jobs in this industry are directly related to the movement of coal, the use of coal. We encourage the committee to continue to look at alternatives for the use of coal, and the fact that the United States has 28 percent of the world coal reserves.

I need not remind this committee about the importance of Amtrak. It is America's passenger railroad. Amtrak is a partner with our private freight railroads.

Hazmat. Hazardous material shipments are also an integral part of what our industry does.

I thank you for the opportunity to address the committee, and I look forward to answering any questions the committee may have. Thank you.

Mr. DENHAM. Thank you, Mr. Stem.

Mr. Boardman, you may proceed.

Mr. BOARDMAN. Thank you, Mr. Chairman, Ranking Member Brown. In 1966 I rode a Penn Central passenger train from Rome, New York, to Syracuse, New York, as I volunteered to serve the country in the Air Force. Four years later, Penn Central was bankrupt, along with many others. And over the next 10 years, Congress repeatedly reorganized the industry.

First came passenger rail, with the Rail Passenger Service Act, and Amtrak was created. Then there was deregulation. The implication was that railroads were no longer railroads, they were freight railroads, commuter railroads, and Amtrak. I spent the first 25 years of my career operating and managing passenger transportation, beginning in college as a bus driver, then a city transit manager, a public transit authority CEO, a county transportation commissioner, and then my own business, where I was the first employee.

We had 11 different systems in New York State and 300 employees when I left. And one of the critical pieces of what we did was to reduce the cost for social service agencies throughout New York State. We hired travel trainers, and we used every source of public transportation, including Amtrak, to move the people to reduce the cost.

Each year a new Congress, a changing administration, freight railroads, commuters, NARP, real estate developers, vendors, advocates, extreme critics, global management companies, States, cities, counties, public authorities, rail labor all exist at various intersections with Amtrak. The result of those intersections, things like

guidance and policy, requirements, often outlive both their authors and the circumstances that produce them.

This is the world Amtrak inhabits. Amtrak will soon celebrate its 42nd birthday. And when that happens, I will have been the second-longest CEO in Amtrak's history. And that is 4½ years. That is largely due to the world that Amtrak inhabits, based on the constant change fostered by these intersections.

Ridership is up, revenue is up, while Federal operating subsidy is down, and so is our debt level. But the need for capital investment underpins operating cost improvements all along this industry. As Mr. Hamberger talked about, the private freight railroad capital investment in the long-distance network this year is over $24 billion.

I came here to Amtrak on November 26th in 2008. I came here because I was committed to improving intercity passenger service in the United States. And it is for the same reason that I left my job as commissioner of transportation for George Pataki in New York, and joined the George W. Bush administration as a Federal Railroad Administrator. I love my country, and I know that safe, reliable, connected public transportation is a critical element of the common good needed by our people in support of our economy and the global competition we are in.

When I got here there was no plan for fleet replacement, no strategic plan for the business, no vision for what could be. Today all of those things exist. And if this Congress works with us, I believe we can move all of those things forward for our Nation.

Our strategic plan defines operational business lines. First in the Northeast Corridor, which needs tremendous capital investment today. But it is generating enough revenue above the rail to help reduce operating subsidies. But without that Federal capital investment, we are beginning to eat our assets into early retirement, and may have to reduce our speeds instead of increasing our speeds.

It is 10 miles from Newark to Penn Station, New York City, 500 trains a day on 2 tracks with 2 tunnels. In Penn Station over 1,000 trains a day on 21 tracks, the busiest station in North America. When one Hudson tunnel is out of service, 50 percent of our capacity is lost. When both are out, New York and New England essentially are severed from the continental United States.

The rural portions of our Nation are being abandoned, both by intercity buses and by airlines today. Most rural folks are driving today, and buses have a new business model as hub-to-hub carriers, like Megabus. Airlines must depend on Federal subsidies, some direct and some indirect, just like the highways. But it is Amtrak's long-distance trains that provide the backbone of connectivity for the people in the United States. Serving 40 percent of the rural population, 15 percent of our ridership comes from handling that——

Ms. BROWN. Excuse me, Mr. Boardman. Mr. Chairman, I would ask for 2 additional minutes for Mr. Boardman.

Mr. BOARDMAN. I am going fast enough, I can——

Ms. BROWN. I know it, that is why I want you to slow down. We want to hear what you have to say.

Mr. BOARDMAN. OK.

[Laughter.]

Ms. BROWN. Thank you.

Mr. BOARDMAN. We provide the only service available for half of our stations in half of the States that we serve. This is the system you see today that we operate above here, and it is hard to pick out the colors. The long-distance are the lighter blue, the red is the Northeast Corridor, and the darker blue are systems like Paula operates.

This next slide identifies what we lose on each of the long-distance trains. And if Congress were to tell us today to get rid of any of the lines that cost $10 million or more per year, it would be the top six routes on this chart.

This next slide would be the initial result of the Nation, and would be divided at the Mississippi River. The common good of our Nation, its scattered families, and our belief in the United States of America truly demands a connected surface transportation service. That is Amtrak. Thank you.

Mr. DENHAM. Thank you, Mr. Boardman. We will now commence with 5-minute questions from each of the Members. I would ask each Member, as we are starting this committee off, to follow those timelines so that we do not have to handle the gavel strongly from this end.

Let me start first with Ms. Hammond. From a national perspective, how has the States' relationship with Amtrak evolved over the past 5 years?

Ms. HAMMOND. We have, as I said, in Washington State had a relationship with Amtrak since 1994. As the incremental service and additional operating opportunities have come about, we have increased our partnership with Amtrak.

It wasn't until the investment and the $800 million we received for high-speed rail was the opportunity for us and Amtrak and Burlington Northern Santa Fe to talk more about the measuring performance-managed opportunity that we have, and the commitment our State had taken on in accepting the capital money.

With Amtrak, we now—and with Burlington Northern—have performance measures that we expect and are working through on service, speed, and reliability for the service. It has been difficult a bit at times, as Joe knows, as we have been working through a new accounting system that Amtrak has developed. But with the States now taking on, in 2013, 100 percent of the operating cost of our passenger service, contracting with Amtrak, we have made sure that we are getting it right on how our agreements between our service from Amtrak and how the States' contribution to Amtrak for that service is right and fair and equitable for the taxpayers of our own State.

We in Washington State have been in performance management for many years, since 2001. And for us to see MAP–21 take on the requirements for a closer, more heavily managed performance for investments, as well as performance management for decision-making, we think it is the right step to go.

We appreciate the partnership we have with Amtrak, we are struggling through the details on how much of the cost of operating that we will be taking on. But I would say it is a strong partnership, particularly strong with the relationships we have with the

Northwest Amtrak staff and leadership, and we appreciate the opportunity to continue to work with them.

Mr. DENHAM. Thank you. And certainly we recognize that it is a big adjustment. As chair of AASHTO's High-Speed Rail and Intercity Passenger Rail Leadership Group, are you getting the details that you need to implement Section 209 of the Passenger Rail Reinvestment——

Ms. HAMMOND. We have been working closely—and one of the things that we did that was smart and right was, as a group of States, we banded together to work with Amtrak as a body. So, as we set forth the criteria and the requirements that we would need for information for negotiating and understanding our operating costs that we are assuming, we are doing that as a Nation and as a group of States, which I think is the right way to go.

We have had our moments. I wouldn't say that we haven't always seen eye to eye. But one of the important characteristics to work through together is that we pay for the costs to operate the system that we are enjoying and those benefits, and then continue to work with Amtrak as they work on the long-range and long-distance service that also comes through our State.

Mr. DENHAM. Thank you. Mr. Boardman, the Northeast Corridor route is the most profitable—the only financially profitable line in your business. How can you improve upon its success and how do you use its profits?

Mr. BOARDMAN. Right now we can call it profits if we talk about above the rail. If you look at the infrastructure necessary, capital investment in the infrastructure, there would be no profits. And I know you know that, Mr. Chairman, just to—but to be clear on the element of it.

We are clearing between $200 to $300 million above the rail, in terms of revenue. And that revenue has gone right back into the subsidy for reducing our debt, and also reducing the amount of operating assistance money that the Federal Government—that you—have chosen to give us.

We also receive a different set of dollars for investment in the infrastructure in the Northeast Corridor. What would help us improve the revenues is more capital infrastructure investment for the future, to allow us to have an increased capacity and to increase speed.

Mr. DENHAM. Thank you. And how do you view the relationship between Amtrak and its State partners, especially with the implementation of 209?

Mr. BOARDMAN. I think that we have a very good working relationship with our State partners. It is especially so in the Northwest—and I think Ms. Hammond pointed it out. Kurt Laird, for example, who is our general superintendent in the Northwest, has a solid relationship with those States that he is responsible for. And that exists across the country in different locations.

We have had difficulty, as she has identified, really identifying the charges for overhead, the necessities for us to cover our costs, and for them to make sure that they are paying the right costs. That has been a battle at Amtrak for probably 40 of the 42 years that it has existed, just because of the way that railroads really account for their costs, and where we are going. But we have had a

very transparent process, and I think we get closer and closer to the end of where we need to be to make this happen.

Mr. DENHAM. Thank you. Ms. Brown.

Ms. BROWN. Thank you. My first question is for Mr. Hamberger. In 2013, American freight railroads planned to invest $24.5 billion in rail networks. And that is to be commended. That is a wonderful thing. But we in the Federal Government have done well with the TIGER grants. Many Members don't feel that it is a good investment of taxpayers' money, and we have three major projects, and one of them Ms. Hammond is talking about, but—one that I visited with. Can you tell us the importance of those kinds of investments?

Mr. HAMBERGER. Thank you, Congresswoman Brown. To put it in context, the TIGER grants do not go to the railroads. The TIGER grants go to the States. And at least in the American Recovery and Reinvestment Act—ARRA—they were general fund revenues, not Highway Trust Fund revenues. So the argument is if there are general fund revenues going to the State, shouldn't the State have the right to make the determination where best to spend that money to get the best return on that investment in the area of transportation?

One of the things that has happened in the past decade is the involvement of public-private partnerships. The poster child of a successful public-private partnership is the CREATE program in Chicago. It began about 10 years ago, when we, as a freight rail industry, stepped forward and said that we would put over $300 million of our own money on the barrel head. Since then both the State and the Federal Government have come forward with money, and some of that funding was through a TIGER grant.

And so, what this money is is a way to enable the State to provide the public money into the public-private partnership project. It is important and particularly true in CREATE that the idea is for the private sector to pay for the private sector benefits and the public sector to pay for the public sector benefits, such as cleaner air, less congestion, more fluid movement through the city by building grade crossing separations, for example, which that money is used for, oftentimes.

So, if indeed public-private partnerships are a way to increase investment in infrastructure—and I believe they should be—then TIGER grants are one way to provide that public money for public-private partnerships.

Ms. BROWN. Thank you. Mr. Boardman, there has been a lot of discussion about Hurricane Sandy and Amtrak involvement. And what did you do to recover, and whether or not the Federal Government provided the kind of assistance that Amtrak needed.

Mr. BOARDMAN. Well, we found out right away, Ms. Brown, that we were a private railroad. That is what the Corps of Engineers told us. And, as a result of that, we began recovery on our own, and we recovered as quickly as we could. Now, toward the end of the process we did receive some help for Substation 41—which is a pretty large concern—from the Corps of Engineers.

But to get the tunnels pumped out, that was Amtrak's doing. And then, actually, in cooperation with some of the freight railroads and their assistance, and other commuter railroads, we

moved forward quickly, restoring service by the next night into New York City. And within 3 days, back to Boston.

Ms. BROWN. So you were able to resume operation within 2 weeks, or——

Mr. BOARDMAN. Oh, yes. And we were, actually, in operation within the next day or so. A limited operation, because of some of the difficulties we were facing.

Ms. BROWN. Everyone up here is talking about the sequester. And people at home are talking about jobs. Can you tell us how that is affecting your operation?

Mr. BOARDMAN. We began to look several months ago at how this might happen. Sequestration was not a new idea. It was going to potentially happen, and Amtrak always thinks that whatever the worst is, it probably will happen, so we need to do something about that. And we began immediately to look at how we would get through and what the numbers might really be for us.

So, we looked at our capital program first. We now are reducing the inventory that we had available of ties, for example, and what we will do for the work this year. And as long as this doesn't go on for a long period of time, we are going to get through without any service cuts. It is anathema for Amtrak to start service cuts, because it becomes a double-edged sword. We lose the revenues that we are receiving, and we lose the opportunity for continuing service.

Ms. BROWN. Thank you. I yield back the balance of my time.

Mr. DENHAM. Before I recognize Mr. Duncan, while we are on sequestration, can you just tell us what, in your opinion, a "long period of time" would be?

Mr. BOARDMAN. Well, what—we thought about it this way, Mr. Chairman, is if the—if the continuing resolution goes forward from fiscal 2012, then we think that our hole is somewhere in the neighborhood—and I know some new numbers have come out now that I haven't evaluated, and Mike might even help me on this—but we were at around the $37 million amount that we would have to cover. Part of that was sequestration, and part of it was the losses we had because of Sandy that weren't reimbursed, and that may be reimbursed but may be sequestered, as well. That would allow us to get through, basically, this year with a very low level of cash and with a very low inventory.

If we go to a 2013-style budget, where there was a reduction from what we received in operating assistance, which I believe in 2012 was $466 million, and we were working toward a $375 million level, and we don't have enough time to make adjustments, then we are probably going to be in trouble in the June/July timeframe. But some of those things may have to be answered in a more complete, written response—especially if I am seeing I might be off a little bit on numbers.

Mr. DENHAM. Sure. And just to be clear, to give the committee a baseline, you know, obviously, every committee is talking about sequestration right now. But under the Senate budget, you would receive $400 million plus the $30.4 million, which was authorized by FEMA. Under sequestration, you would receive $442 million. So you would actually receive an increase under sequestration, above what the current budget levels would be.

Mr. BOARDMAN. If it stays in the 2012 amount, yes.

Mr. DENHAM. So your bigger concern is not sequestration—I don't want to put words in your mouth, but your concern would be the CR, or the new appropriations bill coming out of the Senate.

Mr. BOARDMAN. Yes. And if that gets sequestered as well—and I don't know the facts of how that really works—then we saw that as the worst case.

Mr. DENHAM. Thank you. Mr. Duncan.

Mr. DUNCAN. Well, thank you, Mr. Chairman, and congratulations on assuming the chairmanship of this very important subcommittee. And I want to thank all of the witnesses for their testimony.

And I will tell Mr. Boardman this past weekend was my wife's and my 35th anniversary. And I rode the train up to New York City and met her on Friday, and rode back on Monday. I rode the regional train on Friday and the Acela train back on Monday. I had a very comfortable, pleasant, on-time experience. So I just wanted to tell you that.

[Laughter.]

Mr. BOARDMAN. Thank you, Mr. Duncan.

Mr. DUNCAN. Anyway, and I wanted to welcome my long-time friend, Mr. Hamberger. I have always said that I just don't think the freight rail companies toot their horn nearly enough, because they are important to everybody, even people that never think—who never think about the rail system in this country. You have told some interesting statistics. I never heard that about it being safer than working in a grocery store. I have worked in a grocery store all through high school, as a bag boy at the A&P. But anyway, and to think that you are moving twice as much now for half the cost as in 1980.

Many people here today don't remember Congressman Staggers, but he was a leading Democratic chairman who led the deregulation—or at least partial deregulation—of the rail industry.

And—but I have always heard that railroads are leading indicators, and I am curious as to what the next few months look like for your industry, Mr. Hamberger. And in light of what Mr. Stem said about how 20 percent of your business is due to coal, if we decrease the use of coal in this country, what happens to your industry? And if you have had any thoughts or predictions about that.

Mr. HAMBERGER. Yes, sir. Let me answer those two separate questions.

Mr. DUNCAN. Right.

Mr. HAMBERGER. We are, indeed, a leading-edge indicator. Our weekly car loadings statistics are sought by policymakers throughout the Government. What we are seeing right now is slow but steady growth in the 2-percent range. We are hopeful that that will continue.

Automobiles are growing very fast. We are looking at maybe 15.5 million automobiles this year, maybe a little bit more than that. At the depth of the recession it was under 10 million. But we are not yet back to where we were in 2006 and 2007. Intermodal is growing at about 5 percent per year. We are seeing some growth in the movement of lumber for housing markets. So we are seeing—I hate to use the word "green shoots," but things are starting to come

back. We are hopeful that that will continue. Obviously, there is some connection between what happens here and the economy, and what consumer confidence will be. So we are keeping an eye on all of that, meanwhile investing with the idea that the economy will come back, so that when it does we are able to move the materials when they need to be moved.

Coal has been an ongoing struggle. There are any number of regulations that are making it more difficult for coal-fired utilities to continue to burn coal or to open new coal-fired power plants. You combine that with the operation of the marketplace, where natural gas, because of fracking, is now in the $3.50 to $4 MCF range. It is, therefore, cheaper, more cost effective, for some utilities to burn natural gas. What we don't know is will that natural gas price stay down at $3.50 or $4. Right now I understand—I am told that the world market price of natural gas is over $10 MCF. If that eventually stabilizes above $5, $6, or $7, then we would see utilities wanting to move back to using coal.

And that brings me back to the first issue. Would the regulatory environment allow that to happen? We are down somewhere in the 12- to 15-percent range in 2012 in carloadings of coal as an industry. And so that did have an impact, obviously. But we also had some sectors growing, like intermodal traffic. One that is growing fast but is still small in terms of the number of carloads, is moving crude oil by rail. There have been some recent articles about that I am sure you have read.

Mr. DUNCAN. Well, my time is up, but I will just say this, that I have some concern that the improvements we have seen in the economy over the past several months are based primarily on pent-up demand. And so I hope we make some good decisions here so we can help this country to boom in the years ahead. But it is going to depend on what we do here, in large—in significant part. Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Duncan. Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman. Let me begin by thanking all concerned for holding this hearing, and say that I am a direct—not conflict of interest, since I ride the Acela every single week back and forth on the Northeast Corridor. Having said that, I want to ask Mr. Hamberger about freight railroads.

You have testified that since the Staggers Act the railroads have invested over $500 billion in plant and equipment and direct capital investment, and you are planning—you did about $24.5 billion this year, planning about $24.5 billion in direct capital investment next year. You have also testified that we are looking at—I think your testimony was a 38—I don't remember, 38-percent increase in freight volume over the next—or 80 percent or 78 percent, I think it was, over the next 20 years.

Mr. HAMBERGER. Yes.

Mr. NADLER. Is there sufficient investment capacity to keep up with that? Or do we—in other words, are the railroads generating sufficient income to invest sufficiently to keep up with the growing demand? And especially to keep up with growing demand if we shift more from highways to railroad, as our energy efficiency would demand that we do?

Mr. HAMBERGER. As always, a very penetrating question, Mr. Nadler. The answer is I hope so. A number of years ago we had a study done that showed that we would not be able to keep up with the demand. That was before the recession. And it predicted that there would be a delta of somewhere in the $48 billion range of what we needed to invest just to maintain our current market share.

We have gone back and taken a look at that study, post-recession. The demand level has been pushed out a number of years, so we won't reach the same level that we thought we would in 2035, number one.

Number two, we are investing more than we were at that time, so we are putting more money back into it, because we are able to.

And, number three, we have taken a look at the productivity factor, and have adjusted that based on facts, so that the productivity, annualized, is about three-quarters of a percent, rather than a half-a-percent. That little change, along with the investment and pushing out of the demand, makes me feel that we will be able to, in fact, meet the demand. And, again, that will depend upon whether the current balanced regulatory system continues, so that we can continue to earn money to reinvest. So that would certainly be the caveat there.

And just so there is no misunderstanding on economic terms, when we say $525 billion, that covers both CAPEX and maintenance money.

Mr. NADLER. That figure that I couldn't remember a moment ago is an 88-percent increase in demand by 2035.

Mr. HAMBERGER. By 2035, yes.

Mr. NADLER. But I was intrigued by what you just said. You said that you are looking at—you have made a minor adjustment to the anticipated productivity increase from half-a-percent to three-quarters of a percent, the small change. That is a 50-percent change. That is not a small change, it is a huge assumption. What justifies that 50 percent?

Mr. HAMBERGER. I have already said more than I know, Mr. Nadler. Let me respond for the record, if I might.

[The Association of American Railroads inserted the following information for the record:]

> The Federal Highway Administration in January 2013 predicted that total freight shipments will rise from an estimated 17.6 million tons in 2011 to 28.5 billion tons in 2040—a 62-percent increase.

Mr. NADLER. OK, but where I am really leading, obviously, is the same question I have been asking for the last 15 years or so, which is what can the Federal Government do to help expand investment in rail? Because, frankly, the railroads have made a Herculean effort and a very positive Herculean effort to invest. I think the country could use more investment.

Mr. HAMBERGER. As you know, at one point in the past we were advocating an investment tax credit focused on capital expenditures solely for the expansion of capacity. That did not garner majority support in the House and Senate. Given the discussion about

the need to broaden the base and lower the corporate tax rate and not talk about adding more targeted tax provisions, we have lowered our voice on that.

However, for the short lines, the investment tax credit still is very important—the 45G provision, which has helped the short lines invest. And, as you know, I believe the number is 26 percent of all rail traffic either begins or ends on a short line.

Mr. NADLER. Thank you. Before my time runs out let me ask Mr. Boardman one quick question, and that is you testified about the very large percentage of the Northeast Corridor going through the tunnels into Penn Station. Now, if that shut down it would sever New England and New York from the rest of the country, basically, which it clearly would. You have only got two tracks. Governor Christie last year, I think it was, vetoed the new—what was proposed to be a new tunnel into Penn Station that would more than double capacity. What do you think we should be doing in the future to deal with that problem? Because, clearly, we have to deal with that problem.

Mr. BOARDMAN. Well, the—those tunnels were never planned to go into Penn Station. They went under Macy's and——

Mr. NADLER. You mean the proposed ones.

Mr. BOARDMAN. Yes, the proposed tunnels. The tunnels that are part of the Gateway Project right now really would go directly into Penn Station, and will make a big difference in how we make connectivity, both for high-speed rail and for New Jersey Transit and Long Island Rail Road, and all those that need—and I know that Metro North wants to get into Penn Station at this point in time, too. The capacity just is not there without a couple of new tunnels and the lines all the way from Newark in to Penn Station itself.

Mr. NADLER. Thank you.

Mr. DENHAM. Mr. Barletta.

Mr. BARLETTA. Thank you, Mr. Chairman. Mr. Hamberger, as you know, it won't be long before the widening of the Panama Canal is completed. What do you see as the economic opportunities and challenges upon the completion of that?

And, two, I envision development of inland ports, obviously, to move this freight away from the ports and inland. Are we ready for that? And if you could, just shed some light.

Mr. HAMBERGER. I am going to beg off on the first question, Mr. Barletta. In fact, the Senate Commerce Committee is contemplating a hearing in April on that exact issue, the Panama Canal. We are busy internally talking to our members to try to get their projections on what that might mean for their traffic. I suspect, from where you are headquartered, it might affect what your projections are. So, I would have a better ability to answer that, if I could, for the record in the next week or so.

With respect to the ports, when you ask what can be done to help move more freight by rail, the good news is Burlington Northern Santa Fe just got their final environmental impact statement issued for their new intermodal facility at the Port of L.A.-Long Beach. The bad news is they started 8 years ago. Those kinds of permitting and regulatory issues have taken a lot of time. And this will be, as I understand it, a state-of-the-art, clean, intermodal fa-

cility which is going to take thousands of trucks a day off the local interstates. I am sure Rep. Napolitano knows more than I do about this project. But it is that kind of cooperation that demonstrates we are just part of an international logistics chain. And so the investments at the ports, both dredging and portside, landside facilities are critical.

I don't know whether or not the ports are ready. I suspect that my counterpart at the American Association of Port Authorities could answer that a little bit more precisely.

Mr. BARLETTA. Mr. Stem, the United States Department of Transportation is currently conducting a 2-year study, the impact of longer and heavier trucks on the Nation's highways. Would you agree that Congress should await the results of this study before proceeding to consider any further legislation in this area?

Mr. STEM. Yes, sir. We not only agree with that philosophy, but we think that that runs counter to the stated goals of the U.S. Department of Transportation itself. This committee, over the last 20 years, with my experience, has debated ways to use rail for highway congestion issues. It also runs—flies in the face of that. We think that the study would give this committee and this Congress the types of information that you can use in your decisionmaking process.

Mr. BARLETTA. Yes. As a former mayor, I could tell you I am sure there is municipal interest in this, as well. As these heavier trucks get off the interstate they go on to local roads that are not built to the same specs as the interstate system. And that cost falls right on the local taxpayers. So I have my mayor's hat on, looking out for mayors across the country, as well. So I am interested in seeing what that study will show.

Mr. STEM. If there were no viable transportation alternative for those heavy loads, then that would be one portion of the debate about public investment and rebuilding offramps and bridges. But there are viable options. Put the truck itself on a rail flat car and move it to point of destination.

And the current sizes are programmed in to this international logistics chain that Mr. Hamberger referred to, which is another part of that conversation.

Mr. BARLETTA. Yes. I agree with you, that we should wait until this study is completed so we have the information we need to make a good decision about the safety and end cost. Thank you.

Thank you, Mr. Chair.

Mr. DENHAM. Thank you, Mr. Barletta. Mr. Michaud.

Mr. MICHAUD. Thank you very much, Mr. Chairman. And on the same vein of questioning, I—my question is for Mr. Hamberger.

Regarding the rail diversion, in 2010 the American Association of Railroads hired MIT researcher Carl Martin to study the effect a higher truck weight limit would have on rail transportation. Are you familiar with that report?

Mr. HAMBERGER. I believe that was more the American Short Line and Regional Railroad Association, but yes, sir.

Mr. MICHAUD. Yes. In that report Martin predicted that a truck weight increase similar to the one that is before this committee would result in diversion of freight from rail to truck only if—and

only if—rail did not respond by lowering their rates, increasing productivity, or improving service.

Mr. Martin's report goes on to state that should rail respond to more productive trucks by reducing the rate, diversion would not only be minimal, but the trucking industry would actually see a greater reduction than rail, a 7-percent overall reduction in truck miles, and only a 5-percent reduction in rail traffic delivering the same volume of freight with fewer miles for both rail and trucks. That sounds like to be more efficient use of both rail and trucks in the system.

AAR has used this study to charge that rail traffic would suffer. By reading this on page 18, is it true that the study also undercuts your argument that rail would suffer if you had a higher weight limit?

Mr. HAMBERGER. Not in the least, sir, no. What you are not talking about is the subsidy. If you increase the subsidy to the truckers, then railroads are going to have to cut rates to compete with that increased subsidy. The point is it is not in the national best interest to increase the subsidy to heavy trucks. Make them pay for the damage they do. That is what this study is going to find out. Congress has already spoken and has mandated that that is what DOT should take a look at.

Our whole argument is when we go from 263,000 pounds to 286,000-pound railcars, that allows an increase in productivity. And this is a technical term—but those heavier cars "beat the hell" out of the track.

Mr. MICHAUD. OK.

Mr. HAMBERGER. But you know who pays for that increased maintenance? You know who has to pay for the increased——

Mr. MICHAUD. OK, OK——

Mr. HAMBERGER. We do. The railroads.

Mr. MICHAUD. And my second question is when you look at—there has also been DOT studies from going to a higher weight, that actually, with a six-axle, a higher weight, the impact on the highway—not bridges, but highway—is minimal. The safety issues are taken care of. The problem I see in that report and your argument is the—it is very clear that unless you reduce rate, increase productivity, trucks lose more by an increased truck weight, as far as capacity.

The other concern I see when you talk about no subsidies, when you look at short-line rail, the problem being is because of the ineffective way that some short-line rails are running their operation they are losing more, and it is causing States to actually have to either abandon the rail line or purchase it. And, actually, that happened to Maine. Get back to the ranking member's question about the State taking over a short-line rail, used TIGER grant funds, because the rail has not been able to reduce rates or increase.

So, I guess my concern being is on page 18 of that report, you know, it is very clear that rail would—if you do not respond to rates, increased productivity, or improving services, then yes, it would affect what you would be getting for an increased volume. But this here says if you respond in this area it would not affect. Trucks will be hurt more. And why does that not undercut your argument——

Mr. HAMBERGER. Well, because you are not looking at both sides of the equation, Congressman. The other side of the equation is the subsidy. The short line in Maine, you say they weren't running it properly. Maybe they couldn't compete with the subsidy of the truckers. And that happened in——

Mr. MICHAUD. No, no. This was before the weight increase in the subsidy—see my time is running out. But it was before the increase in weights. And when you look at previous DOT studies, an increase in weight actually will reduce the CO2 emissions, would reduce the cost of fuel, would take off more trucks off the road if you had that higher increase in rate—weight, rather.

So I see my time has expired, but we will be hearing a lot more about this particular issue, I am sure. Thank you.

Ms. BROWN. Mr. Chairman, can Mr. Hamberger have, if not the time to respond now, time to respond in writing? Because I think this is an important question for this committee. Maybe you can grant him an additional minute to respond.

Mr. HAMBERGER. I would just say that Mr. Michaud has made these arguments, and Congress last year voted 33 to 22 to send it to DOT to take a look at the various sides of this whole issue. And, therefore, I think that Mr. Barletta has it correct, and Mr. Stem has it correct. When that DOT study comes back, perhaps it will be able to answer these questions once and for all.

On the six-axle truck, you did say that it doesn't address the safety of bridges, and that is, of course, a very important part of the study that I hope DOT will be looking at. As the President said in his State of the Union Address, there are over 60,000 structurally deficient bridges around the country. So the impact of heavier trucks on bridges that were not designed to carry that load needs to be looked at, as well. And, of course, the sixth axle doesn't do much to mitigate that weight on the bridge. It is the gross weight of the truck that affects the bridge—unless it is a really short bridge.

Mr. DENHAM. Thank you, Mr. Hamberger. And I would just remind Members as well as witnesses that we will be submitting questions at the end of this hearing, and ask witnesses to respond to those questions forthwith.

At this time I would like to recognize Mr. Perry for 5 minutes.

Mr. PERRY. Thank you, Mr. Chairman. And I appreciate all our guests' testimony, and your passion and dedication to what is arguably one of the foundations of the American landscape and our economy.

With that, I am just wondering—and I think I would like to direct—seems like Mr. Hamberger has taken an unusual amount of the questioning, but he seems to have the overall purview. So maybe if not, somebody else can chime in, but if you could characterize maybe, like, what you would consider the three largest cost drivers for the industry as you see it, whether it is freight, whether it is passenger, whether it is both, the three largest cost drivers for the rail industry, in particular, whether it is regulation, whether it is labor, whether it is fuel, whether it is O&M. Tell me what you think.

Mr. HAMBERGER. Well, the top two clearly are fuel. The larger railroads burn a billion-and-a-half gallons of fuel every year.

Number two, we have a very well-trained professional workforce. Labor costs are, I would guess, number two.

And number three would be technology and safety investments.

Mr. PERRY. With that—and I understand the significant investment that your industry has made to upgrades and modernization and safety, et cetera, over the years, as appropriate—and of course, the taxpayers—and I think they will be willing, as a matter of fact, happy, to support the upgrades and the foundational changes that you folks are advocating for, but I am sure they are going to want to know that it is being spent responsibly, and that we are getting the most efficiency for that.

So I am wondering what kind of programs the industry is instituting to reform the cost drivers, the major cost drivers like fuel, like labor, like technology, if any?

For instance, I am from Pennsylvania. The district I represent drills for Marcellus shale gas. We might have some Utica underneath or something like that. But are—seems to me that the locomotives are more simple conversion to natural gas than your passenger vehicle, because you can pull the tanks right behind you, but I don't know. So I am looking for some answers to those questions about gaining those efficiencies, to make sure that we are getting the most bang for the buck for our tax dollars.

Mr. HAMBERGER. There is a test going on that Canadian National is running up in Canada. Liquified natural gas has been something that the industry has looked at on and off over the years. One of the concerns is, as you project, the cost of LNG. Will it stay where it is today or will it go down? Where will it end up?

One of the challenges is, of course, that it requires a whole new network of distribution for liquified natural gas, and who bears the cost of making that conversion? But it is something that the industry is looking at.

And I don't know, Joe, maybe you have something—but we have gone from 4,000 horsepower to 6,000 horsepower, distributed power. We have done a number of things to improve productivity. We have doubled our fuel mileage in the last 20 years, so it is something that we are focused on.

Mr. BOARDMAN. Happy to help you out.

Mr. HAMBERGER. Thanks, Joe.

Mr. BOARDMAN. You know, you have really been on the hook here for quite a while.

It really drives the equation here that Ed is talking about. If you really put natural gas, you have got a lot less—at least in my experience—a lot less BTUs, so you do have a considerable difference in what you are going to have to have for a locomotive.

Of course in the passenger side of things—and those that are in the Northeast sometimes understand and sometimes they don't—is that everything between Boston and Washington that is passenger-related operates on electricity. Or most everything. There are a few others, some of the commuter lines that come in, that are diesel-operated, and there is some freight along the corridor that is diesel-operated.

But even electric power begins to bring up questions. Is it electric that is generated by coal fire? Is it electric that is generated by natural gas? Or, in some cases, we are able to generate it in the

Northeast by water power so that there is a hydro component to it, as well. But hydro and compressed natural gas today—which is growing, of course—is a small part of what we really need to do.

One of the things that prevented us from getting back into operation as quickly as we needed to into New York City was that there was not sufficient power at the right cycles per second that really delivered the number of volts that we needed to operate more trains into New York City. And that is becoming a limiting factor for us on the Northeast Corridor, as well.

So, we are using almost all the technology today with freight and with passenger, looking for these solutions that we can find. Such as the green diesels, where we are using electric locomotives in some of the yards, and some of the improvements that we are finding are the right things for us to do. But something beyond where the diesel really provides today, I think, is a major change in the infrastructure.

Mr. PERRY. OK. Thank you, Mr. Chairman. I see my time has expired. If I could get maybe written comments on the labor component from Mr. Stem, that would be great. And I appreciate your input. Thank you.

Mr. STEM. I would welcome that opportunity, and I would just comment, as a perspective for you, that in 2013 we have half as many employees today moving more than twice the number of railcars around the country that were in existence in 1980. So we have been engaged in a long-term productivity improvement since 1980, and that continues. And Mr. Hamberger is correct, we do have a very professional workforce working on the railroads today.

Mr. DENHAM. Thank you. Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman. And I would like to thank all of you with your participation in Mr. Denham's I Hire Veterans initiative. We know your commitment to that is strong, always been there. This isn't something new for any of you, and we understand that. And I am grateful for that. I also am appreciative of the work you do, the careers you create, and the way you move America.

And I say this not in classic Minnesota passive-aggressiveness, but in honesty amongst friends, that we need you out there, but I also have concerns in farm country and rural America. And I would be remiss not to bring them up. And, as you know, I have a long history with this, from the 2008 Farm Bill, asking. I want the facts on this. And in classic Washington fashion it is either/or. We need rail and we need highways. We need multimodal and we need ports.

What my concern is—and I understand clearly that you want as much traffic as you can get and as many customers as you can get, but I want to make sure the competition is there.

And so, Mr. Hamberger, what do you say—and I know you hear this—you have been great in working with me on this issue of trying to figure this out. What about captive shipping? What about bottlenecks? What about paper barriers?

And then, add into that, I would have to say I am a supporter of Mr. Michaud's position on truck weights. I too want to see what the studies are. But we have had them, we are out there. I really don't believe, no matter what that study says, that all of a sudden

you are going to say, "Well, the study is with us, go for that, raise those rates." I just don't see that.

And I want to know if you can help me understand. How do we reach a compromise on this? You need the truckers, they need you. My consumers need both of you in a—in the best possible way. And we need the market to work. How do we do that?

And anyone, if you want to. I don't want to put you on the spot, because I truly am—and not passive-aggressively—I am appreciative of what you have done, and the work you have done.

Mr. HAMBERGER. And I appreciate that, and we have indeed had these conversations over the years. And thank you for the opportunity, again.

You know, the classic issue is that our average rail rates have gone down 44 percent, and that has allowed us and allowed our customers to compete. Obviously, an individual captive shipper who may not have as many options may say, "Well, that is nice, but my rates haven't gone down." That is why we continue to be regulated by the Surface Transportation Board, which we believe has a balanced regulatory approach. If there is not effective competition, then the Board can step in and cap those rates. And, as you know, they have instituted several layers of ratemaking, not just one that takes a year or two, but they have——

Mr. WALZ. Do you know if anybody has ever won an appeal, any of our shippers out there?

Mr. HAMBERGER. Oh, absolutely.

Mr. WALZ. Have they ever won?

Mr. HAMBERGER. Sure, yes. In fact, the scorecard that the STB publishes for the stand-alone cost is about 50/50. I believe several of our chemical customers have just settled a number of cases. My own view is that if there is a settlement, then somehow there has been some accommodation. And so I would consider that to be a process that, in fact, has worked, in my opinion.

Your point about the cooperation between trucking and rail is actually going on out there, as you point out. J.B. Hunt Trucking, which is publicly traded—I may not have this number exactly right, but for the third quarter of 2012, over 60 percent of their revenues came from intermodal. J.B. Hunt Trucking. No, it is not called J.B. Hunt Trucking anymore, it is J.B. Hunt Transportation. And so those are the kinds of partnerships that we are trying to build.

With respect to the issue that I just discussed with Mr. Michaud on truck size and weight, again it is a matter of who is bearing the price of that increased productivity. If it is an increased subsidy from the general traveler, the general Highway Trust Fund, we think that that is unfair to us, since, as I tried to point out, we are entirely responsible for paying for the increased productivity on our own right of way.

Mr. WALZ. I want a——

Mr. HAMBERGER. And I agree with you——

Mr. WALZ. I want a solution that works for you and works for our shippers. These are big folks, too. I mean these are major motor companies——

Mr. HAMBERGER. Yes.

Mr. WALZ [continuing]. Chemical companies, rural electrics, and all of that. Do you have any objection to the Secretary of Ag sitting on that decision with STB as it impacts agriculture? I had an amendment in this year's languishing farm bill to add that, of just trying to make sure they have a say.

Mr. HAMBERGER. Well, I think the question where we had some concern was, as I understand your language, right now the Secretary of Agriculture can participate in any proceeding that he wants. And I believe, in fact, he just filed comments on Friday. So a statutory requirement that he or she participate just seems to be a little too much. But we certainly have no objection to the Secretaries of Agriculture or Commerce or Defense or anybody weighing in as they see fit.

Mr. WALZ. Again, I appreciate all you do out there. It is important to rural America.

Mr. HAMBERGER. Thank you.

Mr. MASSIE [presiding]. Having assumed the chair, I will now yield myself 5 minutes. It is amazing what a freshman has got to do to ask a question around here.

[Laughter.]

Mr. MASSIE. My name is Thomas Massie. But Mr. Boardman, my question is for you. The Northeast Corridor, according to the information that I have, it is the only profitable route right now for Amtrak. And I would just like to ask you. What could you do on the other routes, how can you capitalize on that model of success there, if there is one, and—in order to improve the profitability of the other routes?

And could you also just talk a little bit about ridership and general trends there, and what some of the weaker routes are? Thank you.

Mr. BOARDMAN. Sure, Chairman Massie. Did I pronounce that right? Massie.

The first thing I think that I would like to engage you on is that it depends on defining profitability. And other people would engage me on this if I said the Northeast Corridor was profitable. And it is covering its costs above the rail and then beyond that, between $200 to $300 million above direct operating costs.

But there is a report, and I gave all the committee a three-ring binder, which was basically a kind of primer of all the different kinds of things we thought might be helpful for the committee to understand. And one of the items in there was the critical infrastructure needs on the Northeast Corridor. This was just recently published. It is one of the best documents that provides an understanding of the projects that need to get done along the Northeast Corridor, and what the magnitude of cost is, and where we are in the process of doing that.

This report probably documents in the neighborhood of $52 billion worth of work. All the States of the Northeast, the Federal Government, and Amtrak are on this commission together—and really the report says this is how we could maximize the use of the corridor. So, for the Northeast Corridor—and I said it a little bit earlier—it is about the capital investment that improves the ability for us to raise revenues.

When you begin to look at the rest of the system, there are some specific ones that are close to covering our operating costs. For example, the Auto Train. And then what is next up the list—and one of the slides that I had on there—you bring up, if you would, the slide on the most costly services, the second-to-the-last one, if you can, Rip. And what you will see there is when you really begin to look at all the services that we operate, the longer the trip, the longer the mileage, the lower the ability for us to make that a lower cost because of the labor cost, because of the time it takes—2 or 3 days, for example, to get across the country. Those become real impediments to being able to make an improvement.

I think what we see there is we see a huge investment that is being made by the freight rail industry to really allow us to operate at a speed up to 79 miles an hour. But it doesn't give us the ability to have a business model that makes money.

Mr. MASSIE. Given the infrastructure you have—I know we would all rather have some improvements—but focusing above the rails, I know you have said you would like to run Amtrak more like a business. And recognizing that it is not a business, it is actually a Government, you know, subsidized organization, what are some of the things you would do if you were running it like a business that you can't do right now? And please focus above the rails. Thank you.

Mr. BOARDMAN. Stop coming to hearings.

[Laughter.]

Mr. MASSIE. That is not an option.

Mr. BOARDMAN. I understand. What we really do, I think, is—and I think the reality here today is that Amtrak has been given many paths to go down over the years, whether it is from one Congress after another, or one administration and where they want us to go, all those different intersections.

And I know you came in a little bit late, I don't know if you were here for my full presentation or not, but what I really tried to talk about is the place that Amtrak inhabits is the intersection of all those Congresses, the administrations, the DOTs, the labor unions, the freight railroads, all the supporters. And what you really find is that Amtrak never can be a private industry in the way that some private industry is, although I don't think Mr. Hamberger really has the opportunity to be that way today, either.

But what we really have is an inability for us to grow anything because of a starvation of capital. For example, on any of our routes that you see out there, we can't replace equipment because there is not sufficient income to replace that equipment.

Mr. MASSIE. Thank you. My time is expired. Yes?

Mr. NADLER. What was the name of that document that Mr. Boardman referred to?

Mr. BOARDMAN. It is called the "Critical Infrastructure Needs on the Northeast Corridor," Jerry, and it was published in January of 2013. And this committee, subcommittee, should have in your office a copy of this, along with our strategic plan, the vision for the high-speed rail, and the history of 1971 to 1979's long distance system.

Mr. NADLER. Thank you, thank you.

Mr. MASSIE. Would you like to enter that as part of the record, or——

Mrs. NAPOLITANO. Request for the copy to——
Mr. NADLER. Sure, why not?
Mr. MASSIE. Without objection?
[No response.]
Mr. MASSIE. So ordered.
[The report entitled "Critical Infrastructure Needs on the Northeast Corridor" can be found online at http://www.nec-commission.com/wp-content/uploads/2013/01/necc__cin__20130123.pdf.]
Mr. MASSIE. I now yield 5 minutes to Mrs. Napolitano of California. Thank you.
Mrs. NAPOLITANO. Thank you, Mr. Chair. And this question is for all witnesses. This has to do with the quiet zones, something that is very key to my district, having—in my prior district, having most of the Alameda Corridor going through it, so 54 grade crossings and all that good stuff. And I am still hoping that maybe the railroads will increase their funding assistance to those grade separations, because it is the national corridor—the corridor of national significance for rail delivery of goods to the rest of the Nation.
They are expensive. One of my cities had it installed several years ago, Pomona. And the train traffic and noise has abated in that area. Now I have two other cities who are looking at it. There is two trains of thoughts in the community. One, constituents say, "Well, it is the constant noise of horns," especially if it is in the middle of a business district, or even a city compound. And they want maybe additional signs, gates, infrastructure to create those quiet areas.
But then there is the other component of the family saying, "Well, it is a safety issue," with children that have to cross. As you well know, in California streets divide cities. It isn't the long stretches of emptiness.
So, part of what I would like to ask is, what is your opinion of those zones? And how can we bring the cost of those zones down so that cities may be able to access? And are there programs that you know of? What about the safety issues? And to that I will also add you have a volunteer group in the railroad of information to schools by volunteers. And I would like to know eventually in writing to this committee of where are we at with that. OK? Anybody.
Mr. BOARDMAN. You guys want to go first? Well, I will go, then, because I was the FRA Administrator that was in place when we put the horn rule back in, if you remember that. Now I am volunteering that for the lightening rod that it takes.
But what has happened to us since is we have had a great growth in the number of, even now, the number of trespass deaths, crossing deaths. And we are very concerned, as an industry today, about those growing deaths.
Mrs. NAPOLITANO. Are you talking about the right-of-way?
Mr. BOARDMAN. Yes.
Mrs. NAPOLITANO. Which is where the volunteer group would come in and teach those in the area to be able to be careful, and instruct the locals about it. But that is where we don't know where you are at with that volunteer group.
Mr. BOARDMAN. We have—that is the Operation Lifesaver group. And I just put our chief of police on that Lifesaver group with the specific request and direction to look for ways to reduce these tres-

pass incidents and also the crossing incidents. And I am beginning to work right now with North Carolina, because they have been a leader in sealed corridors that make improvements for this, for safety across the country, to adapt the kinds of things that you are looking at today in California to try to prevent the incursion into the crossings.

But part of the problem today is the same thing we are having in every mode and in every place, and that is the distractions that occur by listening to your iPod, being on the tracks, walking. We had a recent CNN clip——

Mrs. NAPOLITANO. Which, again, sir, going back to the original intent, is to be able to educate the public and the children in the schools and the families about what causes accidents.

Mr. BOARDMAN. That is correct. But you also need to let people know that you are there with the train. And that was where the horn rule came in. It took 11 years to get it done.

Mrs. NAPOLITANO. Right.

Mr. BOARDMAN. It was the first thing that came out when I was the FRA Administrator. They were ready to go forward with it, and there was a lobbying effort to stop me from doing that.

Mrs. NAPOLITANO. Right. It is only in certain areas, sir, not just—and I am talking about downtown areas, where there is a need to be able to protect the community, protect the business, protect City Hall. I have been here at meetings with City Hall, and there is a train going by, honking, while they are trying to talk openly. So there are things we need to mitigate.

Mr. BOARDMAN. I usually find that CSX, whenever I am trying to give a speech along the CSX, they come along and blow the horn. But, yes, I understand that. But clearly, today there is an ability for the quiet zone to exist, but it does cost money for the community to make that happen.

Mrs. NAPOLITANO. Amount? Do you have an amount, sir, any more? Is the cost coming down?

Mr. BOARDMAN. It really depends on the specific crossing that we are talking about.

Mrs. NAPOLITANO. Anybody else?

Mr. HAMBERGER. If I could just clarify for the record, the grade crossing accidents and incidents continue to decline. In fact, I have the preliminary statistics here. For 2012, highway rail incidents are down 8 percent. The problem is primarily trespassers or pedestrians in the right of way.

Mrs. NAPOLITANO. Understood. My time is up, Mr. Hamberger. May I ask that you reply in writing on that issue?

Mr. HAMBERGER. Yes ma'am.

Mrs. NAPOLITANO. And also on the issue of you have created a senior executive level position. When, where, and how? We haven't heard any more information on that. And with that, please would like to have a response on that.

Mr. HAMBERGER. Yes ma'am.

Mrs. NAPOLITANO. Thank you, Mr. Chair.

Mr. DENHAM [presiding]. Thank you. And we will be having a second round of questions. I will lead that off. I would like to switch a little bit to labor, starting with Mr. Hamberger.

How important is labor to your industry? And what are some of the ways you believe the industry can grow jobs over the next decade?

Mr. HAMBERGER. Well, as I mentioned earlier, we have and are blessed with a very professional, very well-trained labor force. The last number I saw was that the average tenure of our employee base is 13 years. We are faced with a major generational shift, however. Last year it was 15,000 new employees needed to be hired, to a great extent because of retirements. We are projecting hiring 11,000 new employees this year. But in 2011 we thought it would be 15,000 and it turned out to be 20,000.

So, what we are hoping is that we can continue to recruit based on the same level of commitment. Once people join our industry, they do stay with it. As James Stem said in his opening statement, it is a career choice, not just a job. We are doing everything we can through job fairs to let people know that those jobs are out there. We hope to grow, obviously, the size of the employee base by growing the industry itself.

Mr. DENHAM. Thank you. And, Mr. Stem, have members of the UTU been generally satisfied with their association with Amtrak?

Mr. STEM. Yes, sir. We not only support Amtrak—that is a historic statement—I can say—and this is not a promotion of him, personally—Mr. Boardman and his staff have brought a new level of credibility and stability to Amtrak. And the relationship that Mr. Boardman has established with this committee, including the former chairman, is a direct relationship—a direct indication that Mr. Boardman has been good for Amtrak, has been good for our employees.

Mr. DENHAM. Thank you. That is good to hear. How about freight rail? How about Mr. Hamberger?

[Pause.]

[Laughter.]

Mr. HAMBERGER. You had to go there.

Mr. DENHAM. This is—again, we are trying to get everything out this first hearing. We figure we would——

Mr. STEM. Well, I hate not to give you the controversy that you are seeking, Mr. Denham, but labor has an agreement with our freight railroads. It lasts through the mid-2016 range. We have invested in many different types of partnerships with the freight industry. Mr. Hamberger has helped with that cooperation and that relationship himself, personally.

And the way that we think we are going to increase employment in the industry is to utilize the industry as this committed intends. We grow the industry, we grow the opportunity.

If we had a national transportation policy, there is no doubt in my mind, there are many people in this room that have been promoting a national transportation policy for decades. And if we had a national transportation policy, the utilization of our fuel resources would be given much more credibility than it is today. We would not be having the debate about highway congestion and truck size and truck weights and the size of intermodal containers if we had that national transportation policy.

So, I personally believe and agree with many people on this committee, that we are on the verge of a rail renaissance. And that is good public policy for this Nation.

Mr. DENHAM. Absolutely. Thank you. Mr. Michaud?

Mr. MICHAUD. Thank you very much, Mr. Chairman, and thank you for allowing for questions to be submitted for the record, because I think that is very important. As we heard Mr. Hamberger actually talk to—respond to Mr. Walz's question when you were not in the room, I never talked about truck size and weight. It was just truck weight. There are two different issues.

You also had mentioned the fact that you are being subsidized. Actually, in the bill that is being—bipartisan bill that is being supported, it actually increases the fee because of damage for the bridges. So there are two different issues here, Mr. Chairman. And I think it is important that we do not try to mix those questions, issues, because it is being paid for and it allows the States to decide, because every State is different. It is not mandating that the States have to go with that higher weight. Because each State is different. Because in Maine we do have a pilot program for 20 years because of the problem of trucks going down into cities. That was a huge safety issue, a huge problem. So I think States should have the flexibility to decide, and the option to decide.

My question, actually, is for Mr. Stem. In your prepared testimony you indicated that all transportation, particularly the Bakken fields in North Dakota, has been a boon for the freight rail. At the same time you indicated your concerns that possible adjustment in truck weight laws would somehow result in more trucks on the road. Is that correct?

Mr. STEM. Yes, sir. Both of those statements are included in my testimony that I submitted.

Mr. MICHAUD. OK. So let me ask you this question. Are you aware what the truck weight limits hauling oil to your railroad terminals near the field is? Do you know what the truck weight limit is?

Mr. STEM. No, sir. I can honestly say I am not aware of that.

Mr. MICHAUD. OK. Well, it is over 105,000 pounds. So, under your scenario, if you go to the 80,000 limit, then actually you would be forcing more trucks onto the roads. And that is a concern that I have, is when I hear the discussion about safety issues, about who is subsidizing who, it depends on what State you are in. So under that very scenario, we would actually be increasing more trucks in that particular State. And that is a big concern that I have. And I believe strongly in freight. I come from the manufacturing sector, in a paper mill. So I know how important freight is. But I also know how important it is to have different options available. And what I have seen, quite frankly, in Maine, is because of the unreliability of freight rail, manufacturers are having to go to trucks. They don't want to, but they have to go there because of the unreliability of freight. And that is very concerning. And I do believe that we have to have the options.

And on the rail, I believe one of the reasons why they are so opposed to increasing the weight limit is because they do not want to have that additional pressure to offer more competitive rates, or have to focus on reliability. And not all rail lines are at fault, but

there are some that are terrible in that regards. And I think it is important that we focus on those particular issues.

And if you go right back to the report that I was questioning Mr. Hamberger earlier that was done in 2010, it is contradictory, when you look at his statements, as far as it is very clear in this report that if rail has more competitive rates, they are more reliable, then actually, the trucking industry will lose, as far as overall customers. So I think that is very important. And I will be submitting questions, Mr. Chairman, for the record.

And hopefully we can get answers to those specific questions, rather than trying to lump everything together, because there is a different issue with truck weight and size. I am not talking about the size. Mine is primarily the rates, allowing the States the option to deal with that on their own, if they would like. And I think it is also disconcerting when I hear people say, "Well, you can't do it because it is going to allow more trucks on the road," when actually those who are speaking the loudest, they already have a much higher weight. This is a safety issue, it is an environmental issue, it is an economic issue. And I think it is very important that we look at it as that, and not be afraid to work out on compromises which are extremely important.

And I see my time has run out, Mr. Chairman, so I want to thank you for allowing us to submit questions for the record, because I will have plenty of questions to actually get at the very issue of weight. Not the size issue, but the weight issue. And there have been plenty of studies done in the past from Department of Transportation, not only at the Federal level but also at the State level, that—but would be interested in making those public, as well. So thank you very much, and yield back.

Mr. STEM. May I offer a brief response to the question?

Mr. DENHAM. I will allow it, Mr. Stem.

Mr. STEM. Mr. Michaud, thank you for the question. The—my inclusion of the mention of the Bakken oil field mobile pipeline was an indication of the flexibility of the industry dealing with the current needs of our industrial movement around the country. I was not aware that an oil tanker could leave Williston, North Dakota, weighing 105,000 pounds and deliver that oil to a refinery in Philadelphia, Los Angeles, or in Houston. I was not aware of that. That was never the point of that comment.

My comment about truck size and truck weights also included a concern that the size of the truck would soon surpass the allowable international interchange, so that if the truck gets so large you can no longer load it on a ship to go overseas. So then you would start another problem of having multisized containers available. But I will be glad to provide written response to that.

Mr. DENHAM. Mr. Massie?

Mr. MASSIE. Mr. Stem, what role can the United Transportation Union play in reducing costs at Amtrak and at freight rail?

Mr. STEM. Mr. Massie, thank you for the opportunity. We are participating in that now. Cost reductions and being cost effective are part of what we do. Our agreements that we have, both with Amtrak and with the freight railroads, provide economic viability for them.

If you will check the freight railroad stock reports—and I am a stockowner—you will find that our freight railroads are doing very well, largely because of the workforce that they have that is very professional that is actually working for a mere pittance.

Mr. MASSIE. What else can you do, though? Are there any plans for helping these gentlemen reduce costs?

Mr. STEM. Well, increased productivity constantly is on the table any time you talk about career opportunities. That would include pay and benefits. We are always open to productivity improvements.

Technology, along with downsizing of the industry, has significantly reduced employees. As I mentioned before, we have fewer than 50 percent of the employees moving—compared to 1980, moving twice as many railcars around the country today. By any measure, freight and passenger rail employees—and that includes the maintenance employees—are the most productive members of the workforce that we have in this country.

Mr. HAMBERGER. If I might add, Mr. Massie?

Mr. MASSIE. Please.

Mr. HAMBERGER. It is not my role, thank goodness, to negotiate the national handling contracts with the unions. But in this past round, as has been, I think, the historical norm, UTU reached a voluntary agreement. They were the first to reach a voluntary agreement with the freight railroads addressing pay, health care, and work rules. And so have most of the other unions all come forward with an air of trying to reach an agreement. So just like that to be on the record for Mr. Stem.

Mr. STEM. Thank you, Mr. Hamberger. And, Mr. Massie, to translate that into a direct response to your question, Mr. Hamberger is correct. We did reach a voluntary agreement, which means that the railroads and the employees agreed on a long-term package of continued employment, continuation of progress for the industry. That included many productivity improvements.

Mr. MASSIE. Thank you very much. Next question is for Mr. Boardman. How does and can Amtrak maximize its real estate assets around the train stations and development to create additional revenue streams for Amtrak? Are there any creative ways to create more revenue so you don't have to come here and testify?

Mr. BOARDMAN. We are actually doing that now, especially along the Northeast Corridor. We have a plan for the Washington Union Station, an unfunded plan. We have a plan for Moynihan Station in New York City. It is a partly funded plan. We have a lot of real estate developers that are looking at and pushing us, especially in New York City, for access to the folks that we have, so they can build their real estate development. We have an interest by the 30th Street Station in Philadelphia, on a regular basis, for increases in real estate development and other activity. And we have it at Baltimore, and any station that we really own—Chicago being another one.

We actually—when we look at what we cover, in terms of our cost, we cover about 79 or 80 percent of our operating costs through the fare box. And yet we cover about 88 percent of our costs with all of our revenue. Most of that additional revenue is real estate. We have done—and we did for the last chairman—we looked at all

of the real estate available along the Northeast Corridor. And most of it is not developable real estate, from the standpoint of creating revenues for us. Most of it has to do with supporting the operations, whether it be some of the freight operations that operate along the Northeast Corridor, or our own operation.

Mr. MASSIE. But is it safe to say you are maximizing opportunities for things in those locations? For instance, for cell tower leases and what not?

Mr. BOARDMAN. Yes. We have—when we find a place that we can do that safely, and it is a benefit for Amtrak, we oftentimes have to put it out for competition for others that might be interested for it. But yes, we are doing that.

Mr. MASSIE. Thank you very much. My time has expired.

Mr. DENHAM. Thank you. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chair. I am sorry, I may not have made myself clear on the senior executive level position for Amtrak that was in the recent reorganization. I would like to know in writing, and will share it with the committee. Is it in place?

And, of course, can Amtrak make sure that the State-supported services program will continue to thrive? OK?

Mr. BOARDMAN. You want that back in writing?

Mrs. NAPOLITANO. Yes, please.

Mr. BOARDMAN. Yes, ma'am.

Mrs. NAPOLITANO. Because that is going to take a little more time, and I don't want to spend that much time on it.

In California you have three of the most used services, ridership records. And the nine records—Amtrak has set nine ridership records in the past 10 years. You have done magnificent. You have decreased your operating needs in half since 2004 and cut your debt in half since 2002. But what other improvements do you have in mind, and how can we help you get there, to be able to increase and get people off the road?

And talking about the impact on roads, the weight damages the infrastructure of the roads. And then the citizens have to end up paying for that, the States. So, if you would, please.

Mr. BOARDMAN. Thank you, Congresswoman. First of all, the investment in the Northeast Corridor infrastructure—and we have already got this in the record, so I won't bring it back again right this minute—but if those investments are made, our revenues will go up substantially, because we will have a greater capacity.

The PRIIA legislation also has required not just the State-supported services, which I will get back to you in writing, but we also have an obligation to begin to look at what the commuter operators along the Northeast Corridor really provide in covering some of the cost of the capital on the corridor and the capacity that they take. And that is ongoing right now. We are making those kinds of improvements.

We work pretty solidly with operating agreements with all of the freight railroads. That is also coming due, and we are in the middle of talking and listening, quite frankly, to the freight railroads today about what they see for reauthorization for the future. So we are identifying the kinds of things that we think are necessary for us to make the kinds of improvements that are being looked for, for

on-time performance and improvement for the investment and our fleet that is going to be necessary for the future.

Mrs. NAPOLITANO. And also the investment in the infrastructure, ensuring that it is going to be able to handle the additional capacity. Am I correct?

Mr. BOARDMAN. Yes, that is correct. That is one of the things that the freight railroads are particularly interested in. With the investments they are making in capacity, they want to know what that means in terms of what Amtrak might want for the future. And that becomes a rub, just kind of like the truck weight issue for the freight railroads.

Mrs. NAPOLITANO. Well, I would like to hear Mr. Hamberger's side of being able to allow some of the transit, Amtrak transit, on rail lines. I know that it doesn't pay off as well.

Mr. HAMBERGER. Well, as you know, under the statute, Amtrak has a right of access for avoidable cost. And your point is exactly right on. Avoidable cost is not fully allocated cost. But that is the deal that was struck back in 1970 and 1972, so that we are good partners, I think, with Amtrak.

And, of course, part of that deal also is preferential dispatching, which is also part of the way we operate the railroad.

Mr. BOARDMAN. And we fight about that regularly.

Mr. HAMBERGER. Yes, yes.

Mrs. NAPOLITANO. Well, with the new technology, will it make it easier to be able to align both?

Mr. BOARDMAN. Absolutely. As a matter of fact, part of the discussion we really have today with the new technology we are using—and we have a much better idea today with WiFi and eTicketing where we are in terms of the schedule itself. And so do the dispatchers.

And part of the discussions we have begun to have with the freight railroads is they want to simplify that, as well. They want to find a way to get us on their railroad and off their railroad as quickly as they can. Because in some ways, some of them really believe that Amtrak has kind of become the canary in the coal mine. If they can't move us, then they have a problem with their railroad.

Mrs. NAPOLITANO. Well, there had been at one point several derailments in my area, or at least close to my area, and I got into that very heavily several years ago. And I am hoping that the new technology has been able to allow the railroads, as well as Amtrak, to understand how critical the replacement of—or actually, the identification of rail that may have hairline cracks or anything that is really critical to public safety, both on the rail and in Amtrak.

So, with that, I thank you, Mr. Chair——

Mr. HAMBERGER. As I recall, it is a broken angle bar that——

Mrs. NAPOLITANO. I still haven't seen that, sir.

Mr. HAMBERGER. Yes, many years ago. Actually using laser and sonar, we now have reduced to a great extent the number of accidents caused by broken rail, as well as broken wheels and broken axles. So——

Mrs. NAPOLITANO. We would love to have a report on that, Mr. Hamberger.

Mr. HAMBERGER. I would be delighted to do that. Thank you.

[The Association of American Railroads inserted the following information for the record:]

> The railroad industry has made dramatic progress in reducing the number of broken rail derailments. In fact, broken rail train accidents on Class I main line track have declined 62 percent since 2004.
>
> This progress begins with improved manufacturing processes. The manufacturers of steel rails have continued to improve the overall quality of the rails to reduce the potential of internal rail defects.
>
> Next, in addition to improved rail quality, railroads have contributed significantly to reducing the potential for defective rails by increasing the amount of continuous welded rail (CWR) installed throughout the North American railroad network. Most main line trackage and a significant percentage of secondary and yard trackage is composed of welded rail rather than jointed rail. This has led to a dramatic reduction in the number of rail joints which could in turn result in rail defects.
>
> Additionally, railroads attempt to mitigate rail defects and service failures through regular rail inspections. A general visual inspection of the rail is usually performed several times per week over most main line trackage; however, a visual inspection by a highly qualified track inspector cannot detect all of the internal and external rail defects. Thus, ultrasonic testing is performed by railroads on a routine basis. The ultrasonic method of testing rails in service attempts to target a wide variety of internal and external rail defects, including at least:
>
> - Transverse defects
> - Detail fractures
> - Engine burn fractures
> - Compound fissures
> - Defective rail end welding
> - Bolt hole cracks
> - Vertical split heads
> - Horizontal split heads
> - Head and web separations
> - Piped rail
>
> The industry will continue to do all it can to improve safety by reducing rail defect accidents even further.

Mrs. NAPOLITANO. Thank you, sir. Thank you, Mr. Chair.

Mr. DENHAM. I would like the committee to notice that we are going to finish exactly right on time today. It is a good way to start our first hearing. And certainly want to thank, once again, all of our witnesses here today. Certainly been informative for a lot of new Members. Appreciate all of the supplemental material that each of you has provided. And, as well, we are looking forward to having more questions answered in writing.

At this time I would like to ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to all of the questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

[No response.]

Mr. DENHAM. Without objection, so ordered.

I would like to thank again each of our witnesses, again, for their testimony.

And if no other Members have anything to add, the subcommittee stands adjourned.

[Whereupon, at 12:59 p.m., the subcommittee was adjourned.]

OPENING STATEMENT OF REP. STEVE COHEN

The Subcommittee on Railroads, Pipelines, and Hazardous Materials

"Freight and Passenger Rail in America's Transportation System"

March 5, 2013

I am pleased to be here today to receive testimony from our esteemed witnesses about the important subject of our nation's railways.

I represent Memphis, Tennessee, the distribution hub of our country. As the home of FedEx, multi-modal freight transportation is the backbone of our economy in Memphis. With major intermodal facilities of five of our nation's Class 1 Railroads located either within or in close proximity to district lines, my constituents and I have a vested interest in the future of freight rail in the United States.

On Sunday, the *Commercial Appeal* in Memphis wrote about Amtrak's increased ridership across the country. The *CA* cited a record 31.2 million Amtrak riders last year, with local ridership in and out of my hometown topping 73,000 tickets—that's an increase of eleven percent from the previous year. With gas and airfare prices on the rise, Amtrak is growing as a means of affordable passenger transportation across the nation.

While Memphis is home to a historic Amtrak station that carries thousands of passengers to and from Chicago and New Orleans and everywhere in between, my constituents also demand and deserve cleaner and faster rail transportation. Considering the city's existing transportation assets, geographical location, the vibrant business community and the rising cost of air travel, Memphis is well positioned to become an integral component of any high-speed rail system that may be developed for our country. We currently await the results of a study that will examine the possibility of a high speed rail line between Memphis and Little Rock, Arkansas—a line that would not only connect our cities, but could decrease air prices for my constituents by making it easier and faster to fly out of the Little Rock Airport, an airport with considerably lower prices than the one in my hometown.

I look forward to hearing the witnesses' testimony on this important topic and I thank them for being here today to discuss these issues. I anticipate a productive partnership with my colleagues on the Subcommittee and look forward to developing a balanced and sound legislative agenda this 113th Congress to ensure the safety and efficiency of our nation's rail system.

TESTIMONY OF

EDWARD R. HAMBERGER

PRESIDENT & CHIEF EXECUTIVE OFFICER

ASSOCIATION OF AMERICAN RAILROADS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON RAILROADS, PIPELINES
AND HAZARDOUS MATERIALS

HEARING ON FREIGHT AND PASSENGER RAIL
IN AMERICA'S TRANSPORTATION SYSTEM

MARCH 5, 2013

Association of American Railroads
425 Third Street SW
Washington, DC 20024
202-639-2100

Introduction

On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to talk with you about America's freight railroads.

Freight railroads are an indispensable part of America's transportation system. Whenever Americans grow something, eat something, export something, import something, make something, turn on a light, or get dressed, it's likely that railroads were involved somewhere along the line.

More than 560 freight railroads operate in the United States today — only Hawaii does not have at least one — over nearly 140,000 miles.[1] Nearly all of America's freight railroads are privately owned and operated. Unlike trucks, barges, and airlines, the freight railroads operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves.

The seven "Class I" freight railroads account for approximately 70 percent of U.S. freight rail mileage and more than 90 percent of freight rail employees and revenue.[2] Class I railroads typically operate in many different states over thousands of miles of track and concentrate largely (though not exclusively) on long-haul, high-density intercity traffic lanes.

The U.S. Freight Railroad Industry: 2011

Type of Railroad	Number	Miles Operated*	Employees	Freight Revenue ($ billions)
Class I	7	95,387	158,623	$65.0
Non-Class I	561	43,188	17,317	4.0
Total	568	138,575	175,940	$68.9

*Excludes trackage rights. Source: AAR

Non-Class I railroads, also known as regional railroads and short line railroads, range in size from small operations transporting a few carloads a month to multi-state operators that are close to Class I in size. Short line railroads typically perform a gathering and distributing

[1] Fact sheets on freight railroading in individual states are available from the AAR upon request and at www.aar.org.

[2] Class I railroads are defined by statute as those with operating revenue of at least $250 million in 1991 dollars. Adjusted for inflation, the threshold for Class I status in 2011 was $433.2 million.

function, often linking rural and semi-rural shippers and communities to high-volume Class I lines. A typical Class I railroad exchanges traffic with scores of non-Class I railroads.

In the United States, the same company usually both owns the track and owns and operates the trains that run over those tracks. It's not uncommon for a railroad to operate over tracks it does not own, but access to another railroad's tracks is almost always the result of voluntary negotiations. Railroads share common standards, including a standard track gauge, equipment, data protocols, and operating practices. This allows railroads to provide seamless service throughout the country. In fact, freight railroads are fully integrated throughout North America: the rail systems of the United States, Canada, and Mexico operate largely barrier-free except for customs and provide the world's most productive and lowest-cost freight rail service.

The North American Freight Rail Network

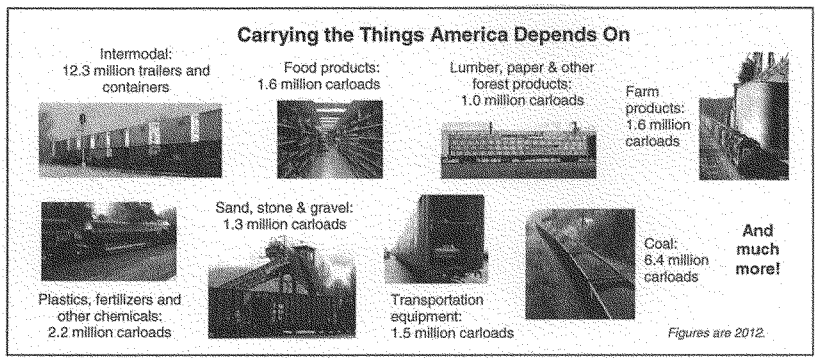
What Railroads Haul

From the food on our tables to the cars we drive to the shoes on our children's feet, freight railroads carry the things Americans depend on.

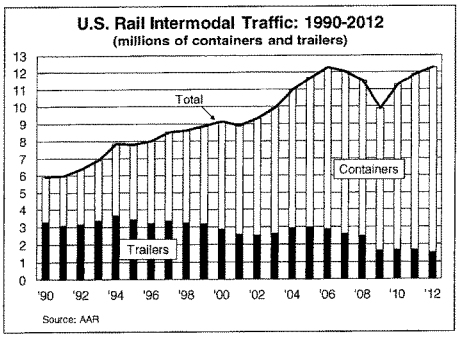
Each year, U.S. freight railroads transport more than 30 million carloads of freight. The rail share of intercity ton-miles is about 40 percent, more than any other transportation mode.

Coal is the largest single commodity carried by U.S. railroads, accounting for approximately 41 percent of Class I rail tonnage and 22 percent of Class I rail revenue in 2012. Some of this coal is exported, but the vast majority is used to generate electricity domestically. More than 70 percent of the coal delivered to power plants is transported by rail.

Railroads also carry enormous amounts of corn, wheat, and soybeans; fertilizers, plastic resins, and a vast array of other chemicals; cement, sand, and crushed stone for construction; lumber and drywall to build our homes; autos and auto parts; animal feed, canned goods, corn syrup, flour, frozen chickens, sugar, beer, and countless other food products; steel and other metal products; crude oil, asphalt, liquefied gases, and many other petroleum products; newsprint, paperboard, and other paper products; iron ore for steelmaking; and much more.

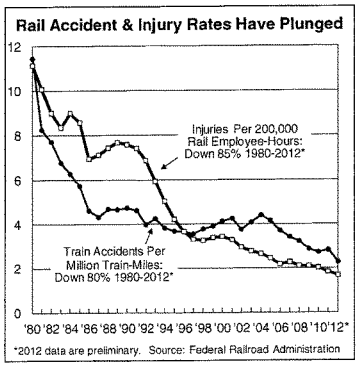


Intermodal — the long-haul movement of shipping containers and truck trailers by rail, combined with a (usually much shorter) truck movement at one or both ends — has been growing rapidly for more than 25 years. Most intermodal traffic is consumer goods. In fact, just about everything you find on retailers' shelves may have traveled on an intermodal train. More than 50 percent of rail intermodal consists of imports or exports, reflecting the vital role railroads play in international trade.

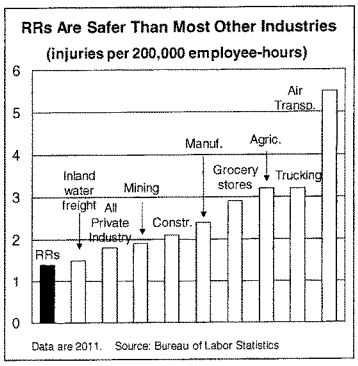


Safer Today Than Ever Before

Nothing is more important to railroads than safety, and America's railroads are safer today than ever before.



According to Federal Railroad Administration (FRA) data, from 1980 to 2012 the U.S. train accident rate fell 80 percent and the U.S. rail employee injury rate fell 85 percent. Since 2000, the declines have been 45 percent and 52 percent, respectively. Overall, 2012 set a new record for railroad safety, breaking the previous record set in 2011, which in turn broke the record set in 2010.[3]



Many years ago, railroads were considered a relatively unsafe place to work, but that's not true anymore. Railroads today have lower employee injury rates than most other major industries, including trucking, inland water transportation, airlines, agriculture, mining, manufacturing, and construction — even lower than grocery stores. When they do occur, rail injuries are no more severe, on average, than injuries in U.S. industry as a whole.

[3] 2012 FRA safety data are preliminary.

Hazardous Materials

In 2010 (the most recent year for which data are available), U.S. railroads transported approximately 1.8 million carloads of hazardous materials, including 77,000 carloads of "toxic inhalation hazard" (TIH) materials.[4] Railroads are the safest surface transportation mode for moving hazardous materials, and it is safer to ship hazmat by rail today than ever before. More than 99.99 percent of rail hazmat shipments reach their destination without a release caused by a train accident. Rail hazmat accident rates were reduced 91 percent from 1980 to 2010 and 38 percent from 2000 to 2010.

Railroads have long been taking concrete steps to make hazmat transportation safer. For example:

- Railroads and a number of federal agencies have jointly developed the Rail Corridor Risk Management System (RCRMS), a sophisticated statistical routing model designed to ensure that TIH materials are transported on routes that pose the least overall safety and security risk.
- Railroads follow stringent TSA "chain of custody" requirements for rail cars carrying TIH materials. Transfer of TIH cars from a shipper to a railroad, from one railroad to another, and from a railroad to a receiver must be carefully documented.
- Around half of all chemicals, and nearly all TIH materials, are transported in tank cars. Tank cars built today are vastly improved over earlier generations of tank cars, with higher grade steel, better thermal protection, improved valves and fittings, often thicker tanks, and many other improvements.

Grade Crossings and Trespassers

With respect to safety at grade crossings, there's been tremendous improvement there too. From 1980 through 2012, the number of grade crossing collisions fell 82 percent, grade crossing injuries fell 77 percent, and grade crossing fatalities fell 71 percent. The grade crossing collision rate fell 82 percent from 1980 through 2012. It has fallen nearly every year since 1978 and in 2012 was lower than ever before.

[4] TIH materials are gases or liquids, such as chlorine and anhydrous ammonia, that are especially hazardous if released into the atmosphere.

This huge improvement is due in part to the federal Section 130 program, which allocates $220 million per year to states for grade crossing improvements. Several years ago, FRA noted that the Section 130 program "has helped prevent over 10,500 fatalities and 51,000 nonfatal injuries." Those figures are surely much higher now. Clearly, the Section 130 program deserves continued dedicated support. In addition, railroads themselves spend hundreds of millions of dollars each year on grade crossing improvements and maintenance. They also work with state governments and local authorities to close unneeded or redundant grade crossings.

But grade crossing safety is only part of the public safety challenge. Trespassing is another area of concern. It is an unfortunate reality that too many people inappropriately use railroad property for short cuts, recreation, or other purposes, sometimes with tragic results. Railroads are engaged in ongoing efforts with Operation Lifesaver and others to educate the public that, for their own safety, they should stay off rail property.

Safety-Enhancing Technologies

While railroads are safer today than ever before, they want to be even safer. That's why they are constantly researching, developing, and implementing new safety-enhancing technologies, and working cooperatively with their employees, suppliers, customers, and governments to find new ways to improve their safety record. Just a few of the many examples of new safety-enhancing technologies developed in recent years or now being developed include:

- Sophisticated detectors along tracks that identify defects on passing rail cars, including overheated bearings and damaged wheels, dragging hoses, deteriorating bearings, cracked wheels, and excessively high and wide loads, before failure or other damage occurs.
- Ground-penetrating radar and terrain conductivity sensors are being developed that will help identify problems below the ground (such as excessive water penetration and deteriorated ballast) that hinder track stability.
- Remote monitoring capabilities that ascertain the structural health of bridges.

- Advanced track geometry cars that use sophisticated electronic and optical instruments to inspect track alignment, gauge, curvature, and other track conditions.

Many of the rail industry's technological advancements are developed and refined at the Transportation Technology Center, Inc. (TTCI) in Pueblo, Colorado, a wholly owned subsidiary of the Association of American Railroads that is widely considered to be the finest rail research facility in the world. We extend a standing invitation to all of you to visit TTCI and see firsthand the tremendous research that is being done there.

A key technology currently being developed and implemented that deserves special mention is "positive train control" (PTC). PTC is an extremely complex safety technology designed to automatically stop or slow a train before certain types of accidents occur. The Rail Safety Improvement Act of 2008 (RSIA) requires passenger railroads and Class I freight railroads to install PTC by the end of 2015 on main lines used to transport passengers or toxic-by-inhalation (TIH) materials.

Since enactment of the RSIA, railroads have devoted enormous human and financial resources to develop a fully functioning PTC system, and progress to date has been substantial. However, despite railroads' best efforts, the immense technological hurdles are such that a reliable, nationwide, and interoperable PTC network will not be completed by the current deadline. Railroads remain committed to implementing PTC and are doing all they can to address the challenges that have surfaced, but more time is needed to ensure safe and effective implementation on the nation's vast freight and passenger rail networks.

FRA Safety Regulation

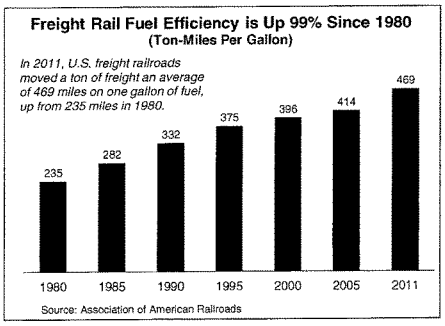
Virtually every aspect of rail operations is subject to strict safety oversight by the Federal Railroad Administration (FRA). Among many other areas, railroads are subject to FRA regulation regarding track and equipment inspections; employee certification; allowable

operating speeds; and the capabilities and performance of signaling systems. Hundreds of FRA personnel perform regular inspections of rail facilities and operations throughout the country. In many states, FRA safety inspectors are supplemented by state safety inspectors. Railroads are also subject to safety oversight by a plethora of other federal agencies, including the Occupational Safety and Health Administration (OSHA), the Pipeline and Hazardous Materials Safety Administration (PHMSA), and the Department of Homeland Security (DHS).

Essential to a Greener, Less-Congested Future

Railroads are the most environmentally sound way to move freight and are committed to even greater environmental excellence in the years ahead.

First, railroads save fuel and reduce greenhouse gas emissions. According to a recent independent study for the Federal Railroad Administration, railroads, on average, are four times more fuel efficient than trucks. In 2011, U.S. freight railroads moved a ton of freight an average of 469 miles per gallon of fuel — up from 235 miles in 1980. That's a 99 percent improvement. And because greenhouse gas emissions are directly related to fuel consumption, moving freight by rail instead of truck lowers greenhouse gas emissions by 75 percent.

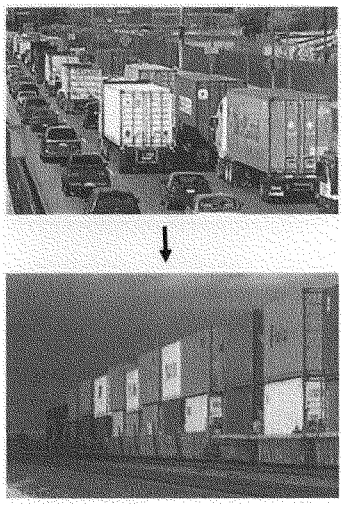


Second, freight railroads mean less highway gridlock. According to the Texas Transportation Institute, in 2011 highway congestion cost Americans $121 billion in wasted time (5.5 billion hours) and wasted fuel (2.9 billion gallons).[5] Lost productivity, cargo delays, and

[5] Texas Transportation Institute, 2012 Urban Mobility Report, p. 1

other costs add tens of billions of dollars to this tab. A single freight train, though, can replace several hundred trucks, freeing up space on the highway for other motorists.

Third, shifting freight from trucks to rail also reduces highway wear and tear and the pressure to build costly new highways. A few years ago, the American Association of State Highway and Transportation Officials (AASHTO) estimated that if all rail freight were shifted to trucks, it could cost governments an extra $128 billion for highway improvements.[6] That number is surely much higher today.



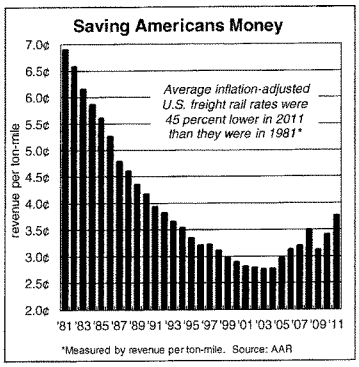
Fourth, moving freight by rail rather than by truck significantly reduces harmful emissions. In March 2008, the EPA issued stringent new locomotive emissions standards. The EPA estimates that, when compared to the previous standards, the new standards will reduce particulate matter (PM) emissions by 90 percent and reduce nitrogen oxide (NOx) emissions by 80 percent.

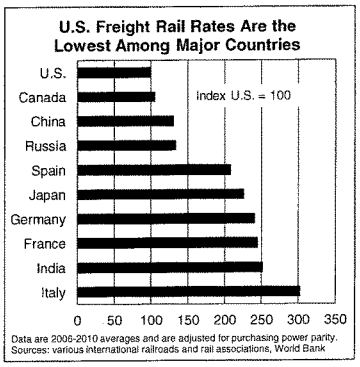
Helping Rail Customers Stay Competitive in the Global Economy

The affordability of freight railroads saves rail customers (and, ultimately, American consumers) billions of dollars each year and enhances the global competitiveness of U.S. goods. Average rail rates (measured by inflation-adjusted revenue per ton-mile) were 45 percent lower

[6] AASHTO, *Freight Rail Bottom Line Report*, p. 1

in 2011 than in 1981. This means that the average rail customer today can ship nearly twice as much freight for the same price paid nearly 30 years ago.





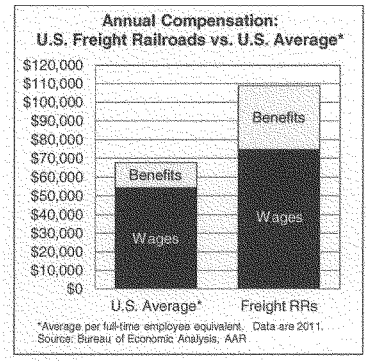
U.S. freight railroads are also the most affordable among the world's major countries. According to data from the World Bank and other sources, U.S. freight rail rates (measured by revenue per ton-mile) are less than half those in major European countries and well below China and Japan as well, helping make U.S. firms more competitive in a tough global economy.

A few years ago, AASHTO also estimated that if all freight rail traffic were shifted to trucks, rail shippers would have to pay an additional $69 billion per year.[7] Adjusted for increased freight volume and inflation, that figure is probably around $100 billion today.

Rail Employees: Professional, Productive, and Highly Compensated

Rail management and rail labor are united in believing that safe and efficient railroads are indispensable to America's economic health and societal well-being. Railroads appreciate the skill and professionalism of their employees and are committed to working with them to help ensure that the rail industry's future remains bright.

[7] AASHTO, *Freight Rail Bottom Line Report*, p. 1



The more than 175,000 freight railroad employees are among America's most highly compensated workers. In 2011, the average freight railroad employee earned wages of $74,900 and fringe benefits of $34,000, for total average compensation of $108,900. By contrast, the average wage per full-time employee in the United States in 2011 was $54,400 (73 percent of the freight rail figure) and average total compensation was $67,700 (62 percent of the freight rail figure).

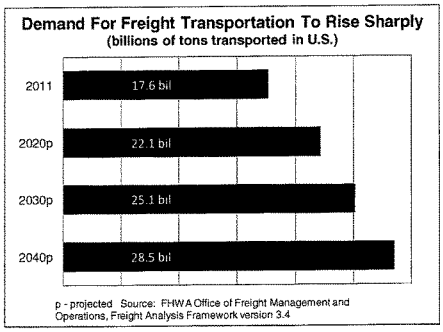
According to a U.S. Department of Commerce model of the U.S. economy, in addition to their own employees, freight railroads sustain more than 1 million additional jobs at firms that provide goods and services to railroads or that are recipients of spending by the employees of railroads and their suppliers. The model indicates that every job in day-to-day freight rail operations sustains another 4.5 jobs elsewhere in the economy. Millions of other Americans work in industries that are more competitive in the global economy thanks to the affordability and productivity of America's freight railroads.

Rail industry employees are not covered by Social Security. Instead, they are covered by the Railroad Retirement System, which is funded by railroads and their employees. In fiscal year 2011, approximately 578,000 beneficiaries received retirement and survivor benefits totaling $10.9 billion from the Railroad Retirement System.

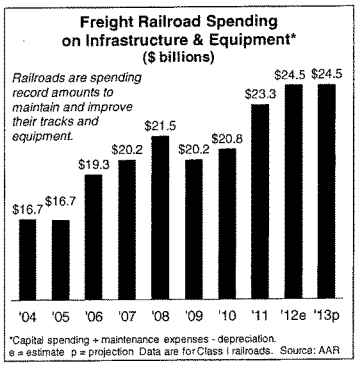
Investing for the Future

As America's economy grows, the need to move more people and goods will grow too. Recent forecasts reported by the Federal Highway Administration found that total U.S. freight

shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040 — a 62 percent increase. Railroads are getting ready today to meet this challenge.



Trucks, airlines, and barges operate on highways, airways, and waterways that are publicly financed. By contrast, America's freight railroads operate overwhelmingly on infrastructure that they own, build, maintain, and pay for themselves. From 1980 to 2012, U.S. freight railroads reinvested more than $525 billion — of their own funds, not government funds — on locomotives, freight cars, tracks, bridges, tunnels and other infrastructure and equipment. That's more than 40 cents out of every revenue dollar.



In recent years, despite the recession, America's freight railroads have been reinvesting more than ever before — including an estimated $24.5 billion in 2012 and a projected $24.5 billion in 2013 — back into a rail network that keeps our economy moving.

Capital Spending as % of Revenue*

Average all manufacturing	**3%**
Food	2%
Petroleum & coal products	2%
Machinery	2%
Motor vehicles & parts	3%
Wood producs	3%
Fabricated metal products	3%
Chemicals	3%
Plastics & rubber products	4%
Paper	4%
Computer & electr. products	4%
Nonmetallic minerals	5%
Class I Railroads	**17%**

*Avg. 2002-2011 Source: Census Bureau, AAR

One of the reasons railroads reinvest so much is that railroading is among the most capital-intensive of all industries. The average U.S. manufacturer spends about

three percent of its revenue on capital expenditures. The comparable figure for U.S. freight railroads is around 17 percent, or more than five times more. As Congress is well aware, building and maintaining an infrastructure network is very expensive whether done with public or private funds.

The Need for Reasonable Economic Regulation

In 1887, the Interstate Commerce Act created the Interstate Commerce Commission (ICC) and made railroads the first U.S. industry subject to comprehensive federal economic regulation. Over the ensuing decades, increasingly oppressive regulation came to control nearly every aspect of rail operations, including the rates railroads could charge, the routes they had to travel over, and the equipment they could use to transport their freight.

By the 1970s, excessive regulations, intense competition from trucks and barges, and changing shipping patterns drove railroads to the brink of ruin. The Rail Passenger Service Act of 1970 created Amtrak and relieved freight railroads of most of the huge losses (then around $200 million per year, or around $850 million in today's dollars) incurred in passenger service, but conditions continued to deteriorate on the freight side. During the 1970s, most major railroads in the Northeast and several major Midwestern railroads went bankrupt. In fact, bankrupt railroads accounted for more than 21 percent of the nation's rail mileage.

Between 1970 and 1979, the rail industry's rate of return on investment never exceeded 2.9 percent and averaged just 2.0 percent. These extremely low returns meant that railroads lacked the funds to properly maintain their tracks. By 1976, more than 47,000 miles of track had to be operated at reduced speeds because of unsafe conditions. Railroads had billions of dollars in deferred maintenance, and the term "standing derailment" — when railcars that were standing still simply fell off poorly maintained track — was often heard.

The status quo was untenable, so Congress essentially had two options: nationalize the railroads, at a continuing cost of untold billions of dollars, or replace the excessive regulation of the past with a more balanced regulatory framework. Congress wisely chose balanced regulation and passed the Staggers Rail Act of 1980.

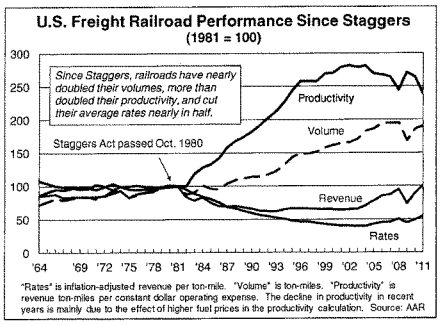
By passing the Staggers Act, Congress recognized that railroads faced intense competition for most of their traffic, but excessive regulation prevented them from competing effectively. To survive, railroads needed a new regulatory system that allowed them to act like most other businesses in terms of managing their assets and pricing their services.

The Staggers Act ushered in a new era in which railroads could largely decide for themselves what routes to use, what services to offer, and what prices to charge. Railroads were allowed to base their rates on market demand; railroads and shippers could enter into confidential contracts; procedures for abandoning or selling unneeded rail lines were streamlined; and the need for railroads to earn adequate revenues to support their operations was explicitly recognized.

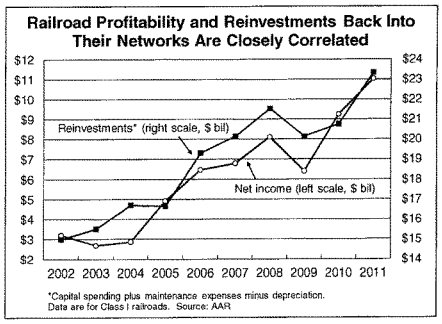
Under Staggers, regulators retained authority to protect rail customers against unreasonable rail rates where there is no effective competition for the rail services. Regulators still have this authority today, ensuring that railroads are held accountable for their actions.

The more balanced and reasonable regulatory environment created by Staggers has been a great success for rail shippers, railroads, and the public at large. Lower rail shipping costs have saved American consumers hundreds of billions of dollars compared to what they would have been had rail rates not fallen in the post-Staggers era, and hundreds of billions of dollars in reinvestments since Staggers have created a national network that is second to none worldwide. Rail safety, productivity, and service to customers have improved tremendously. Vibrant short

line railroads, most of which are new since Staggers, now operate some 45,000 miles of track in 49 states and employ approximately 18,000 workers, preserving rail service and rail jobs that otherwise would have been lost.



Railroads are also much stronger financially since Staggers. Return on net investment, which had been falling for decades, rose to 4.4 percent in the 1980s, 7.0 percent in the 1990s, and 8.5 percent from 2000 to 2011. Improved rail earnings are a positive development because they allow railroads to more readily justify and afford the massive investments needed to keep their track and equipment in top condition, improve service, and add the new rail capacity that America will need in the years ahead. Over the past ten years, there has been a very close positive correlation between freight rail earnings and the amount they reinvest back into their networks.



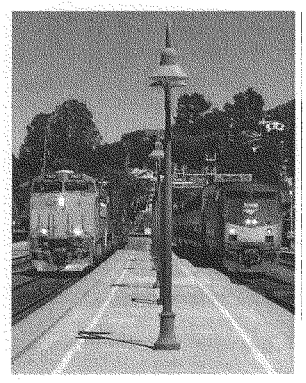
All of the outcomes listed above were results that Congress intended the Staggers Act to generate and could not have been achieved without the Staggers Act reforms. It's no surprise that The Economist magazine recently noted that the American freight rail system is "one of the

unsung transport successes of the past 30 years" and is "universally recognized in the industry as the best in the world."[8]

Partnerships Between Freight and Passenger Railroads So That Both Succeed

In the United States, freight railroads provide the foundation for passenger rail. Around 70 percent of the miles traveled by Amtrak trains are on tracks owned by freight railroads, and dozens of commuter railroads operate, or plan to operate, at least partially on freight-owned corridors. In addition, most of the higher speed and intercity passenger rail projects under development nationwide plan to use freight-owned facilities.

Passenger rail, including higher-speed rail, can only succeed if policymakers are willing to realistically address the numerous financial, legal, and operational issues associated with it. Perhaps most importantly, once policymakers agree on the nature and scope of intercity passenger railroading in this country, they must be willing to commit public funds on a long-term basis commensurate with that determination.



Expanding passenger rail operations over the nation's freight rail network involves significant opportunities and challenges. The odds that these challenges can be overcome will be higher if certain principles are followed:

- Safety comes first. Among other things, this means that in some cases — depending on train speeds and frequency, track standards, and other factors — separate tracks for passenger and freight trains might be needed.
- Access and capacity. Passenger rail use of freight rail corridors should not compromise freight railroads' ability to serve present or future customers.

[8] *The Economist*, "High-speed Railroading: America's System of Rail Freight is the World's Best. High Speed Passenger Trains Could Ruin It," July 22, 2010.

- Full compensation. If passenger trains use freight railroad assets or property, the host freight railroads should be fully and fairly compensated.
- Liability protection. Despite railroads' best efforts to prevent them, accidents sometimes do occur. An accident involving passenger trains is far more likely to involve significant casualties than an accident involving only freight trains. Therefore, freight railroads cannot host passenger trains without adequate protection from liability.
- No one-size fits all approach. Each project involving passenger rail on freight-owned corridors has unique challenges and circumstances that must be evaluated on a case-by-case basis.

Conclusion

America's railroads move vast amounts of just about everything, connecting businesses with each other across the country and with markets overseas over a 140,000-mile network. They save their customers billions of dollars each year in shipping costs while reducing pollution, energy consumption, and greenhouse gas emissions; relieving highway congestion; and enhancing safety.

Demand for freight transportation will surge in the years ahead due to population and economic growth. Railroads are the best way to meet this demand. They are safe and getting safer, save fuel, keep trucks off overcrowded highways, and reduce greenhouse gas and other emissions. And they do it while providing affordable, reliable transportation to America's manufacturers, farmers, energy producers, retailers, and consumers.

Railroads are working hard to ensure that adequate capacity exists to meet our future freight transportation needs. Meanwhile, they look forward to continuing to work with members of this committee, others in Congress and the administration, and other policymakers to find effective solutions to the transportation challenges we face.

Question from Rep. Lou Barletta:

1. What are the opportunities and challenges facing freight railroads after the Panama Canal expansion and inland ports develop to manage increased shipments?

Answer: With the Panama Canal expansion likely to be completed by 2015, much larger ships carrying a greater number of containers will be able to pass through to East Coast ports. While no one can predict exactly where the additional shipping cargo will go from a network standpoint, railroads will be ready to provide the safe, efficient and cost effective service that their customers at ports and elsewhere require. America's freight railroads are reinvesting more than ever before with an estimated $24.5 billion in investments projected for 2013. The flexibility and vast scope of the nation's railroad network means they can respond quickly and effectively to new traffic patterns and new market challenges such as those that will present themselves with the expansion of the Panama Canal.

Questions from Rep. Michael Michaud:

1. In your response to my question regarding the Carl Martland study titled *Estimating the Competitive Effects of Larger Trucks on Rail Freight Traffic* dated October 26, 2010, you indicated that the study was done by the Short Line Association. The first page of the study, however, states that it was conducted in coordination with the Association of American Railroads. For the sake of clarity, did AAR provide financial support for any part of this study and did it have a hand in guiding the work of the study?

Answer: The 2010 Martland study received no funding from the AAR. When requested, AAR provided summary rail traffic data to Dr. Martland. AAR had no role in reviewing the study or in assisting in its development or production.

2. I asked you about Mr. Martland's findings that if railroads respond to more productive 97,000 lb. GVW trucks by lowering rates and improving service the result would be virtually no diversion of freight from rail to truck. Specifically, Mr. Martland found that the trucking industry would see a greater reduction than rail with a "5% reduction in rail traffic and a 7% reduction in truck-miles." You responded that it is all about the "subsidy" provided to trucks. In reviewing the study, however, I see no discussion from Mr. Martland of a so-called "subsidy" or that it is in any way a factor.

Answer: Based on a 2000 U.S. Department of Transportation (DOT) study, other motorists already subsidize the operation of heavy trucks at a rate of $1.9 billion every year. DOT found that 80,000 lb. trucks only pay for approximately 80 percent of the damage they inflict on highway and bridge infrastructure. If truck weights were to increase to 97,000 lbs., that underpayment would grow to about 50 percent. The current DOT study, mandated by Congress in 2012, will look at the level of the subsidy given to heavy trucks.

3. AAR has charged that permitting 97,000 lb. trucks on the Interstate would result in significant diversion from freight rail and more trucks on the road. But it seems clear from Mr. Martland's findings that rails should experience virtually no loss of freight relative to trucks and that trucks would actually see a loss of total miles traveled relative to the rails. How does AAR respond to the specific findings I have cited by Mr. Martland?

Answer: This year the Class I freight railroad industry plans to invest $24.5 billion of its own private capital back into the nationwide rail network. Any increase in truck weight limits would put railroads at a greater competitive disadvantage, meaning more heavy freight would be diverted to highways, eliminating thousands of well-paying railroad jobs. The 2010 analysis by Dr. Carl Martland shows increases in truck size/weights can be expected to have a large effect on rail traffic, with diversions of 10-15% of non-intermodal rail traffic possible if weight limits are increased from 80,000 to 90,000 pounds. Diversions of 15-20% would be possible if weight limits were increased to 97,000 pounds. Additionally, Dr. Martland found that an increase in truck weight to 97,000 lbs. could reduce merchandise traffic on short line railroads by 44 percent and overall short line rail traffic by 17 percent – likely crippling many small railroads.

4. Has AAR done any analysis of how to mitigate this so called "subsidy" for trucks? I have seen figures that the "subsidy" would be eliminated if more productive trucks paid an additional $1.17 per gallon in diesel fuel taxes. Is that the figure you suggest? If not, is there another figure you propose?

Answer: Currently, the U.S. Department of Transportation (DOT), as directed by Congress, is conducting a comprehensive study of proposed increases in truck size and weights. AAR supports allowing DOT adequate time to examine the impact of heavier trucks on our nation's highways, the quality of our roads and bridges, potential modal diversion and an array of other issues before any TSW policy changes are proposed.

Questions from Rep. Corrine Brown:

1. Please discuss the Section 130 grade crossing program and its importance to rail safety.

Answer: Under the federal Section 130 program, $220 million in federal funds is allocated each year to states for installing new active warning devices, upgrading existing devices, and replacing or improving grade crossing surfaces. The Federal Railroad Administration notes that the Section 130 program "has helped prevent over 10,500 fatalities and 51,000 nonfatal injuries." Without a budgetary set-aside like the Section 130 program, grade crossing needs would likely fare poorly in competition with more traditional highway needs such as highway construction and maintenance. One of the primary reasons the Section 130 program was created was that highway safety — and especially grade crossing safety — traditionally received low funding priority from state highway engineers. The surface transportation bill signed into law on July 6, 2012 will continue dedicated funding for this important program for two more years and will mean more injuries averted and more lives saved.

2. A few years ago, some industry studies found that the demand for freight rail transportation will increase by 88 percent by 2035 with an estimated investment of $148 billion needed to accommodate this demand. Given the state of the economy, are these figures still accurate and if so how will you meet that demand?

Answer: More recent forecasts developed by the Federal Highway Administration found that total U.S. freight shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040. Railroads are preparing today to meet this demand. Trucks, airlines and barges operate on highways, airways and waterways that are publicly financed. By contrast, America's freight railroads operate overwhelmingly on infrastructure that they own, build, maintain and pay for themselves. From 1980 to 2012, U.S. freight railroads reinvested more than $525 billion — of their own funds, not government funds — on locomotives, freight cars, tracks, bridges, tunnels and other infrastructure and equipment. That's more than 40 cents out of every revenue dollar. In recent years, despite the recession, America's freight railroads have been reinvesting more than ever before — including an estimated $24.5 billion in 2012 and a projected $24.5 billion in 2013 — back into the rail network that keeps our economy moving.

3. You stated in your testimony that "once policymakers agree on the nature and scope of intercity passenger railroading in this country, they must be willing to commit public funds on a long-term basis commensurate with that determination." Why is public funding for passenger rail important?

Answer: No comprehensive passenger rail system in the world operates today without significant government assistance. Today, freight railroads are successful partners with passenger railroads across the country. Approximately 97 percent of Amtrak's 22,000-mile system consists of tracks owned and maintained by freight railroads. In addition, hundreds of millions of commuter trips each year occur on commuter rail systems that operate at least partially over tracks or right-of-way owned by freight railroads. Passenger rail use of freight rail corridors should not compromise freight railroads' ability to serve present or future customers and should fully and fairly compensate the host railroad.

4. What are your views on Congress requiring competition to operate Amtrak's long distance routes?

Answer: The Association has long held the position that there should be one operator of intercity passenger rail, and that that operator should be Amtrak. The existing relationship between freight railroads and Amtrak has resulted in a commendable record of safety and security on the nation's fully integrated rail network. We would oppose any transfer, extension or franchising of Amtrak's statutory right of access, preferential access rates or operating priority to another entity.

Washington State Department of Transportation

TESTIMONY OF

Paula J. Hammond, P.E.

Secretary of Transportation, Washington State

REGARDING Freight and Passenger Rail in America's Transportation System

BEFORE THE

Subcommittee on Railroads, Pipelines, and Hazardous Materials of the U.S. House of Representatives

ON

March 5, 2013

Washington State Department of Transportation
310 Maple Park Avenue SE
Olympia, WA 98501
(360) 705-7000
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INTRODUCTION

Thank you, Chairman Denham and Ranking Member Brown, for inviting me to participate in this hearing. I'm so pleased to be here to share the state experience with freight and passenger rail in America's transportation system. The nation's rail system is a vital component of the overall surface transportation network. It provides for the transport of goods to market and people to business and leisure activities, and takes cars and trucks off the road. Without the rail system, our highways would face more crippling gridlock. In short, our economy depends on a robust freight and passenger rail system.

I am here today wearing three hats – as the Transportation Secretary for Washington State, the Chair of AASHTO's High-Speed and Intercity Passenger Rail Leadership Group, and as Chair of the States for Passenger Rail Coalition, a coalition of 34 states working together to support the development and growth of intercity passenger rail service for America. States have a unique story to tell as we sponsor intercity passenger rail service, which largely operates on the private freight rail network; we work with Amtrak to operate that passenger rail service; we work with the freight railroads to deliver projects; and in some states, own and operate commuter rail service. Today I'll talk about Washington's freight rail network and our Amtrak Cascades passenger rail service.

EVOLUTION OF THE WASHINGTON STATE RAIL SYSTEM

In Washington, the evolution of railroads mirrored that of the national trends. In 1870, the Northern Pacific began construction on its first set of tracks in Washington Territory, and by the turn of the century railroad connections enabled people in Washington to have rail access to commercial centers across North America. Over time, the growing popularity of automobile and truck transportation eventually decreased demand for passenger and freight rail. Today, the BNSF Railway and Union Pacific (UP) Railroads are the main Class I railroads operating in the state, carrying freight and passenger rail.

FREIGHT RAIL IN WASHINGTON STATE

BNSF Mainline and Short-line Freight Routes

In Washington, we have a robust freight rail system and a strong partnership with Burlington Northern Santa Fe Railway (BNSF), which owns the mainline that runs north and south through the state. In addition to the BNSF mainline, we also have 23 short line freight routes in the state. Of those short line routes, the State owns the Palouse River and Coulee City (PCC) Rail System, a 297-mile short-line railroad comprised of three separate branch lines spanning four counties in agriculture-rich eastern Washington. In order to ensure those communities would continue to be served by rail, it was necessary for the State to purchase these lines in 2004 and 2007 when years of deferred maintenance put them at risk of being abandoned. The PCC provides a critical transportation link that supports economic vitality in eastern Washington. The closure of the lines would mean increased truck traffic on surface streets, with the potential for increased road wear and tear, congestion, and increased maintenance costs. Twenty percent of Washington-grown wheat was shipped on the PCC Rail System in 2011, and it removed 36,911 truckloads from Washington state roadways in 2011.

Washington Grain Train

- In the early 1990s, a national shortage of rail hopper cars made it difficult and costly for Washington state farmers to get grain to market. To help alleviate this shortage of grain cars, the Washington State Energy Office and the Washington State Department of Transportation (WSDOT), with the help of U.S. Senator Patty Murray, used federal funds to purchase 29 used grain cars to carry wheat and barley from loading facilities in eastern Washington to export facilities in western Washington and Oregon. The Washington Grain Train began operations in 1994 and currently has 118 grain cars in the fleet. The Union Pacific Railroad, BNSF, and Washington short-line railroads operate the cars and carry the grain to market. The Grain Train serves over 2,500 cooperative members and farmers in one of the most productive grain-growing regions in the world. Grain Train rail cars help carry thousands of tons of grain to deepwater ports along the Columbia River and Puget Sound to ships bound for Pacific Rim markets. A record 575 carloads were shipped in the second quarter of 2012.

State Freight Rail Assistance Programs

The state of Washington has two freight rail assistance programs:

- The Freight Rail Investment Bank program is a loan program available to public sector organizations and is intended for either small projects or as a small part of a larger project, where state funds enable the project to be completed. The State authorized $4 million in freight rail project loans from 2008 to 2012.

- The Freight Rail Assistance Program is a grant program open to both public and private sector applicants and is directed toward larger projects of strategic importance to the local community and the state. This grant program is directed toward larger projects where it is difficult to gain a contribution through other means and where the rail location or the project is of strategic importance to the local community and the state. Washington state awarded nearly $14 million in freight rail grants between 2003 and 2013.

Both programs are administered by WSDOT and require the applicants to provide a business plan for the project and are subject to a cost/benefit calculation to ensure they are cost effective. The criteria is slightly different with the Freight Rail Investment Bank, as the application process allows the applicant to self-score 80 percent of their marks, which are based on such things as their own contribution and number of additional jobs that the project will bring to the area.

All criteria in the Freight Rail Assistance program is scored by WSDOT acting with the Washington State Department of Commerce and covers aspects of environmental improvements (aimed at achieving the Governor's greenhouse gas emissions mission), transference of traffic from road to rail, and economic impacts to the state as a whole.

INTERCITY PASSENGER RAIL IN WASHINGTON STATE

Amtrak Cascades Service

WSDOT oversees the management of the Amtrak Cascades intercity passenger rail service along the Pacific Northwest Rail Corridor, which is one of 11 federally-designated high-speed rail

corridors in the U.S. The corridor is 467 miles long, stretching from Vancouver, British Columbia in Canada south through Seattle and Portland to Eugene, Oregon.

WSDOT and the Oregon Department of Transportation (ODOT) currently pay for the majority of the costs of the Amtrak Cascades and we will take over the full cost of this state-sponsored service in October of this year. This solidifies the state's commitment to and support of intercity passenger rail. Amtrak is our partner and operator of our service. We first partnered with Amtrak to offer the Cascades service between Seattle and Portland in 1994; nearly 20 years ago. That service has since expanded south to Eugene and north to Vancouver, British Columbia. We currently offer 11 daily trips – four round trips between Portland and Seattle; one round trip between Seattle and Vancouver, B.C., one round trip between Portland and Vancouver, B.C.; and daily service between Eugene and Seattle, via Portland. BNSF is also our partner as our service runs on their private rail lines. WSDOT pays Amtrak to operate the service. Amtrak, as WSDOT's service provider, pays BNSF to operate over their lines. As of December 2012, Washington State has invested nearly $499 million of its own funds in the service, for both capital projects ($228 million) and operating costs ($271 million). During that same time, Oregon has invested $156.5 million of its funds in the service ($83.3 million for planning and capital, and $73.2 million for operations). In 1994, we served 180,209 passengers and our ridership has grown steadily since then – in 2012 we served nearly 840,000 passengers. Our farebox recovery has increased to nearly 66 percent. The positive impacts of our Amtrak Cascades service are numerous:

Economic Impacts of Amtrak Cascades (October 2011 to September 2012)

- Annual Economic Impacts:
  - **$131** million in direct tourist spending; and
  - **$6.9** million State tax revenues and **$3.4** million Local tax revenue are generated annually by tourist spending.
- Support **1,500** jobs annually (direct, indirect and induced).
- Reduced greenhouse gas emission (CO2)by removing vehicles off the road: **15,000** tons

As part of the need to plan for the future, WSDOT is currently investing nearly $800 million in Federal Recovery Act and appropriated High-Speed and Intercity Passenger Rail (HSIPR) Program funding with the goal of providing faster, more frequent Amtrak Cascades service with better schedule reliability. By 2030 the Puget Sound and Vancouver, WA - Portland, OR metro areas are expected to grow by over 1 million, creating demand for more travel choices. The HSIPR grant program has allowed us to begin to make critical improvements to the Washington segment of the Pacific Northwest Rail Corridor that wouldn't have been possible without the federal funds. The projects include additional rail-line capacity and upgraded tracks, utilities, signals, passenger stations and advanced warning systems. Our effective partnership with BNSF enables us to collaborate efficiently and meet project deadlines. WSDOT will also purchase eight locomotives and one new trainset. These projects, all scheduled to be complete by 2017, will result in two additional round trips, improved on-time performance for business and leisure travelers, and reduced travel time between Seattle and Portland. WSDOT has worked with the Governor's Office of Financial Management Forecast Division to estimate the job impact

associated with our high-speed rail program. Calculations conclude these investments supports more than 2,300 direct, indirect or induced jobs through 2017.

Partnerships and a Corridor Approach

Operating intercity passenger rail service requires many partnerships – we work with Oregon, British Columbia, Amtrak, three railroads, including BNSF, a train manufacturer, and international customs and border control agencies. These partnerships are managed through constant collaboration, service contracts and operating agreements. We are working with our partners to develop agreements to manage the service using a corridor approach, rather than each state or province managing its own segment.

Recognizing that passenger rail corridor development is a cooperative effort, last spring WSDOT and ODOT entered into a Memorandum of Understanding to better provide the service required by population growth for both business and leisure travelers. The two agencies committed to operate the service as one integrated corridor with shared resources and work towards achieving improved on-time performance, lower costs, increased reliability, and implementing schedules to meet customer demand. The Cascades Rail Corridor Management Workplan, endorsed in January 2013, defines how the two agencies will work together and establishes milestones for formalizing this joint relationship. We will continue to work with British Columbia to add them to the partnership. Managing the service using a corridor partnership approach has many advantages for planning and funding support that would not occur otherwise. Similar efforts are taking place around the nation including Texas-Oklahoma-Kansas, and Connecticut-Massachusetts-Vermont.

Implementation of a pre-clearance agreement is a priority for our partnership with Canada. The Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness Action Plan, released on December 7, 2011, calls for the U.S. and Canada to negotiate an agreement for full pre-clearance of travelers and accompanying goods at Vancouver, British Columbia for passenger rail and cruise ship traffic destined for the United States. Negotiation of that agreement is currently underway at the federal level. Pre-clearance for intercity passenger rail services would reduce border clearance time and expand the viability and success of international intercity passenger rail service. Implementing this change will also provide increased security for both countries through advance screening and interception of high-risk travelers.

Equipment Procurement

WSDOT is also part of multi-state equipment procurement efforts through the Next Generation Equipment Pool Committee (NGEC), established in Section 305 of the Passenger Rail Investment and Improvement Act (PRIIA). As you know, the NGEC was established to design, develop specifications for, and procure standardized next-generation corridor equipment. Since the NGEC was formally established in January 2010, it has developed an aggressive work plan with a goal of developing standardized specifications to help rebuild the railroad equipment manufacturing and supply industry in the U.S. Over the short three years of its existence, the NGEC has developed and adopted five next generation equipment specifications for Bi-level Rail Cars, Single-Level rail cars, Single-Level Trainsets, Diesel-Electric Locomotives, and

Diesel Multiple Unit (DMU) Vehicles, and the Committee is currently preparing to develop a Dual-Mode Locomotive specification in the coming months.

With five specifications completed and one more on the way, the NGEC has turned its focus to procurement, and sustainable job creation through the reinvigoration of a U.S.-based rail manufacturing and supply industry. The Committee has had a successful solicitation of a Request for Proposals for the manufacture of 130 bi-level rail cars for the first ever multi-state procurement, led by the California and Illinois Departments of Transportation. A Notice of Award to Sumitomo Corporation and Nippon Sharyo was announced on November 6, 2012, and a contract was formally executed on November 27, 2012. The NGEC has now begun to move forward with a multi-state procurement of diesel-electric locomotives. The work of the Committee will lead to significant and sustainable job creation with the results being an improved economy, and a more efficient, reliable, safe, and environmentally-sound national intercity passenger rail system as an integral part of the nation's vast transportation network.

CONCLUSION

Thank you for the opportunity to share information on Washington's freight and intercity passenger rail systems. We are proud of our partnerships with BNSF, short line railroads, and Amtrak. Freight rail will always be an important component of how American goods get to market, and as the retail price of motor fuel continues to rise without predictability, people will continue to turn more and more to passenger rail to help meet their mobility needs. As you move forward with legislation in this Congress, I urge you to keep in mind the importance of a well-balanced transportation system; one that supports both freight and passenger rail. In particular, a successful intercity passenger rail partnership between the federal government and states has been developed and should be continued. There has been tremendous growth in passenger rail ridership and the time to build out the system is now. As you take up PRIIA reauthorization, I encourage you to capitalize on the progress to date and continue that important partnership. We need an integrated transportation system for the 21st century that provides travel options in congested corridors to meet growing population demand.

Washington State
Department of Transportation

Response of the Honorable Paula J. Hammond
Questions for the Record
House Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Freight and Passenger Rail in America's Transportation System"
April 5, 2013

Question from Rep. Jerrold Nadler

Amtrak passengers and advocates continue to report examples of instances where Amtrak and the States are building stations that do not provide level boarding. A recent example is the Illinois High-Speed Rail project, the projects for which (http://www.idothsr.org/2010_const/improvements.aspx) do not provide any indication that level-boarding will be provided. Although there are many other actors involved in making a project like this happen, it is ultimately up to Amtrak and the States to ensure that its services are accessible to all passengers. What steps are Amtrak and the States taking to ensure that new projects such as this provide level boarding to passengers with disabilities? In the Amtrak reauthorization, how can Congress ensure that Amtrak and the States take additional steps to provide level boarding and otherwise ensure full accessibility for people with disabilities?

As your question recognizes, there are other actors involved in helping Amtrak and the States achieve the performance standard required in 49 C.F.R. 37.42, which reads (in part): "individuals with disabilities, including individuals who use wheelchairs, must have access to all accessible cars available to passengers without disabilities in each train using the station." The Class I freight railroads, commuter service providers and intercity passenger rail service providers all have a part to play in meeting this standard.

There are currently two scenarios the States must address when meeting the performance standard noted above:

1. New or altered stations in which no track passing through the station, and adjacent to platforms, is shared with existing freight rail operations;
2. New or altered station in which track passing through the station, and adjacent to platforms, is shared with existing freight rail operations.

Under the rule, the first scenario requires the performance standard to be achieved with level boarding only. The second scenario allows the performance standard to be achieved using one or more of the following means:

- Level-entry boarding,
- Car-borne lifts,
- Bridge plates, ramps or other appropriate devices,
- Mini-high platforms, with multiple mini-high platforms or multiple train stops, and
- Station-based lifts

The States and Amtrak take several steps to meet the standard. When a new station or alterations to existing stations are designed, the States and Amtrak include all key stakeholders in the design efforts. The parties jointly identify which scenario applies to the new or altered station and what boarding processes best serve the disabled community at a particular station. When procuring new equipment, the States and Amtrak also ensure that the design will incorporate means and methods that allow Amtrak and the States to achieve the performance standard created by 49 C.F.R. 37.42 if the level boarding option is not available.

When Congress considers the Amtrak Reauthorization, it can assist the States in meeting the performance standard. The Reauthorization can continue the emphasis of a performance standard that focuses on the goal of ensuring passengers with disabilities can gain access, while maintaining the flexibility needed to meet the goal.

Questions from Rep. Corrine Brown

1. ***You mentioned the issue of pre-clearance of travelers between the United States and Canada. Can you discuss what challenges exist with respect to pre-clearance and whether you have any suggestions for the Committee to consider for PRIIA reauthorization?***

Many challenges exist to implementing the full pre-clearance of intercity rail passengers. These include: "sealing" the train between inspection points, the availability of adequate inspection facilities for both passengers and luggage, off-loading requirements, the ability for armed personnel from each country to be armed in the other country, and the inability to use federal funds for station facilities and operations. Significant delays and challenges from lengthy border clearance processes are already a major deterrent for use of passenger rail as a mode choice to U.S. travelers. The pace of progress on a new pre-clearance treaty with Canada is another challenge. While significant progress has been made under the Beyond-the-Border initiative, pre-clearance has lagged behind other phases. The December 2012 Beyond the Border Implementation Report notes only that negotiations have started. The Beyond the Border documents are published here: www.dhs.gov/beyond-border-shared-vision-perimeter-security-and-economic-competitiveness.

Canadian law requires that the carrier provide the customs inspection facility for the Canada Border Services Agency agents who inspect the trains. All of Amtrak's international services are also state-supported services subject to Section 209 of PRIIA. Therefore, the States are required to construct facilities in Canada for the Canadian Government, while at the same time subsidizing the operation of trains with a significant proportion of Canadian riders.

The benefits of establishing pre-clearance far outweigh the challenges. The benefits include more reliable travel times, maintaining acceptable on-time performance and better connectivity between Amtrak and VIA Rail routes. Pre-clearance is an effective means of reducing border crossing times for intercity passenger rail service, while also meeting the safety and security goals for both countries. Pre-clearance already functions successfully between the U.S. and Canada for millions of airline passengers traveling between the U.S. and Canada each year. Expanding the existing air pre-clearance authority to include intercity passenger rail services would also serve to strengthen the viability and success of passenger rail services in both countries by removing a perceived barrier to travel.

The majority of Canada's population lives within 100 miles of the U.S. border, predominantly in metropolitan areas which are already "rail-friendly." The United States is Canada's number one destination for out-of-country travel. Canada is also a major gateway into the U.S. for business and tourist travel coming from other rail friendly locales in Asia and Europe. By providing an efficient, convenient, timely, and comfortable mode of travel to destinations in the U.S., these services will encourage additional growth, and therefore tax revenue generation, from companies in the travel and tourism industry.

Please consider the critical importance for PRIIA Reauthorization legislation to address cross-border intercity passenger rail. The Reauthorization should ensure federal funds are available for States to spend toward pre-clearance activities. Please ensure funds can be used toward shared costs for operating these international/intercity services, as well as for planning, capital improvements, and maintenance activities that will allow States to grow ridership and therefore revenues. The overall return on investment for these funds also correlates to better economic factors for the freight rail industry, since all the current and planned cross-border passenger services travel on privately held, mixed use rail corridors. Many details are available in the Eastern Border Transportation Coalition white paper available at:
www.ebtc.info/images/stories/docs/pdf/currentissues/EBTC%20White%20Paper%20-%20Cross%20Border%20Rail%20Passenger%20Service%20-%20Final.pdf.

2. ***What provisions of PRIIA do you believe were successful in helping with the development of passenger rail? What provisions of PRIIA would you request we extend in a new reauthorization bill?***

PRIIA Sections 209 and 305 have made progress toward standardization of costs, contracts and equipment standards. Here are some specific areas you may wish to consider:

- Strengthen Railroad Rehabilitation and Improvement Financing as proposed in the 112th Congress legislation in both the House and Senate. House and Senate conferees on MAP-21 were close to agreement when time ran out. The disagreement, if it could be called that, was about where to find the budgetary "off-sets," please pick-up where the conferees left off.
- Approve technical changes as discussed revolving around those proposed in HR 7; again, conferees on MAP-21 were very close, please resume those efforts.
- Level the modal playing field by providing passenger rail the same environmental provisions as highway and transit as found in MAP-21.
- Streamline "Historic Preservation" provisions, especially as related to "garden variety" projects.
- Make intercity passenger rail eligible for Transportation Development Credits.
- Reauthorize the Next Generation Equipment Committee at $2 million per year for 5 years.

Please note items 3 and 4 above both save time; and saving time can equate to reduced funding needs.

Notwithstanding their importance to the national network, long-distance trains (routes over 750 miles) are a federal responsibility and should remain so. Keeping the funding of long-distance trains at the federal level is imperative for State rail programs to be successful.

Please continue to support States and others efforts to remove the 3-year cap on the use of CMAQ funds for operating expenses. We recognize Congress did not create the cap and that members have worked with the States to remove this artificial barrier. Congress' continuing support is essential if States are to have the flexibility envisioned in MAP-21.

We respectfully request the extension of the Section 305 Next Generation Corridor Equipment Pool Committee (NGEC). While the NGEC has achieved a great deal in such a short period of time, its work has only just begun. Congress' charge to the NGEC in PRIIA Section 305 is quite wide-ranging. In addition to the development of specifications, PRIIA tasked the NGEC with procurement of equipment and the development and management of a pool of equipment that would be used on state-supported intercity corridors.

Reauthorize NGEC. In establishing the NGEC, the primary purpose was "...to design, develop specifications for, and procure standardized next-generation corridor equipment." To that end, the NGEC has far exceeded expectations. The Committee has successfully managed to bring together more than a dozen States from across the country, the FRA, Amtrak, and more than 200 members of the rail manufacturing and supply industry, all working towards a common goal. The result of the concerted efforts of this diverse coalition has been the development of five standardized passenger rail equipment specifications including;

- PRIIA Bi-Level Passenger Rail Car,
- PRIIA Single-level Passenger Rail car,
- PRIIA Single-Level Trainset,
- PRIIA Diesel-electric Locomotive, and
- PRIIA Diesel Multiple Units (DMUs).

It also kicks off the initiation of a groundbreaking multi state procurement (Bi-Level Cars) with a second multi-state procurement underway for the Diesel-electric Locomotives. This has been achieved in less than three years and with minimal funding.

3. ***As we begin to draft legislation to reauthorize the rail program this Congress, what can we do for States to ensure that passenger rail continues to grow and remain a priority?***

Provide a dedicated funding source. A dedicated funding source for States is imperative for steady progress and continued growth. Please see more detail below in the answer for Question 5.

Continuing investment in passenger rail is imperative for growth and sustainability. By 2050, our transportation network will have to move 100 million additional people and 4-billion additional tons of freight per year. U.S. airports and highways are stretched near their limits. This congestion will continue to increase. Year after year, Americans are driving less and traveling by trains in record numbers. Amtrak carried more than 31.2 million people nationwide last year, the ninth record high in the last ten years.

Streamline permitting to expedite construction. Recent efforts by Congress and USDOT have streamlined environmental clearance procedures to accelerate delivery of highway and

transit projects. Rail projects like the Detroit Intermodal Freight Terminal, which involves multiple modes of transportation, can still be delayed. The project delivery process and funding needs of States could benefit from a streamlined environmental review process.

4. ***Can you please talk a little bit more about the multi-state procurement efforts of the Next Generation Equipment Pool Committee (NGEC)? How has this process helped create U.S. jobs? What other benefits has this equipment pool had on the economy?***

The NGEC committee functions as a unique partnership creating the foundation for providing rolling stock to meet expanding demand. By establishing standardized specifications, the NGEC has created a common platform from which multiple States can procure rail equipment. Because of these efforts, States will be able to acquire passenger cars and locomotives at a lower initial price, in a shorter time and with lower long-term costs.

How has this process helped create U.S. jobs? By complying with Buy America requirements, the rail supply and manufacturing industries are creating jobs here in the United States. The manufacturers (Nippon Sharyo and Sumitomo Corporation of America) for the bi-level car procurement will build the cars at the Nippon Sharyo plant in Rochelle, Illinois, where there are 300 employees. By being 100% Buy American compliant, component suppliers and manufacturers in the U.S. will benefit, and as this and future procurements move forward new jobs will be created.

The Environmental Law and Policy Center, in its High-Speed Rail Supply Chain study, identified a number of companies that would be providing various components of rolling stock: http://elpc.org/wp-content/uploads/2013/02/HSR-Supply-Chain-Report-REV-Feb-13b-webready.pdf

The railroad industry is investing more than $24 billion in its infrastructure, creating 11,000 jobs.

What other benefits has this equipment pool had on the economy? Using standardized specifications and components has and will improve the economies of scale through additional procurements. The new equipment, built using sustainable manufacturing methods, contains new technology and enhanced safety with crash energy management features. The infrastructure improvements required to accommodate higher speeds and additional frequencies due to ridership increases will also go a long way towards creating sustainable long-term manufacturing jobs throughout the rail industry. The equipment pool creates a level playing field, provides educational opportunities and effective and efficient cost-evaluation for States. Another benefit from economies of scale for States is being able to secure lower-cost maintenance contracts.

Rail investments create jobs and are expanding the economy:

- 49 out of 50 States have rail suppliers.
- In the Midwest alone, there are more than 460 rail suppliers.
- There are more than a dozen rail (rolling stock) manufacturers in the U.S.
- Our investments in passenger rail are fueling a resurgence of the nation's rail supply chain.

- We have committed more than a billion dollars to next generation rail equipment.

5. ***How would a dedicated source of funding help develop high-speed and intercity passenger rail in this country?***

Just like highways need regular funding for operations, construction and maintenance, rail also requires a dedicated funding source to be effective, efficient and innovative. A sustainable funding source would allow States to negotiate capacity improvements that benefit railroad partners, in exchange for infrastructure maintenance. It would also provide more leverage for the States in agreement negotiation and project delivery. A dedicated source of funding would allow States to program multi-year improvements, encouraging industry partners to create and maintain engineering, project management and construction jobs.

A dedicated funding source would have a formulaic program structure allowing States and groups of States to leverage funds at the state and metropolitan level and from the private sector. A dedicated funding source enables longer-term planning and thus reduces the peaks and valleys that result from dependence on the annual appropriations process.

6. ***You mentioned that nearly $800 million in federal funding provided to Washington provide faster, more frequent Amtrak Cascades service with better schedule reliability. What specific improvements will take place? How many jobs will be created by this work?***

The HSIPR grant program allows us to make critical improvements to the Washington segment of the Pacific Northwest Rail Corridor that wouldn't have been possible without the federal funds. The projects include additional rail-line capacity and upgraded tracks, utilities, signals, passenger stations and advanced warning systems. WSDOT will also purchase eight locomotives and one new trainset.

These projects, all scheduled to be complete by 2017, will result in two additional round trips, improved on-time performance for business and leisure travelers (88 percent on-time performance), and shorter travel time between Seattle and Portland.

Five federally-funded projects were completed or under construction in 2012, with six more starting construction in 2013. More than $55 million in construction spending is anticipated by the end of 2013.

In Washington State, WSDOT has worked with the Governor's Office of Financial Management Forecast Division to estimate the job impact associated with our high-speed rail program. Calculations conclude this program supports more than 2,600 jobs over the life of the program which are either direct, indirect or induced.

TESTIMONY OF

JAMES A. STEM, JR.
NATIONAL LEGISLATIVE DIRECTOR
SMART – TRANSPORTATION DIVISION

BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HEARING ON

FREIGHT AND PASSENGER RAIL IN AMERICA'S TRANSPORTATION SYSTEM

MARCH 5, 2013

SMART - Transportation Division
National Legislative Office
304 Pennsylvania Avenue, SE
Washington, DC 20003

Chairman Shuster, Ranking Member Rahall, Members of the Transportation and Infrastructure Committee, my name is James Stem and I am the National Legislative Director of the Transportation Division of the Sheet Metal, Air, Rail, Transportation Union (SMART) The SMART Transportation Division, formally the United Transportation Union, is an organization representing approximately 80,000 transportation employees with active rail members working in all operating crafts (engineers, conductors, yardmasters, trainmen, switchmen).

Thank you for the opportunity to testify today and present our views on rail transportation policy.

UTU (SMART) and most of rail labor have a long history of supporting our industry and working in partnership with the industry on a variety of pertinent issues. We understand that the most secure job is one at a profitable company that provides services that America needs. We have participated in many successful partnerships with our railroad carriers on equipment safety standards, hours of service improvements, Railroad Retirement Pension reforms, and many opportunities to grow our freight and passenger rail industries.

We think one of the success stories of partnership that should be recognized is the Rail Safety Advisory Committee (RSAC) that is sponsored by the Federal Railroad Administration. The RSAC was originally chartered during the Clinton administration, and was the first time that railroad management, rail labor, rail suppliers, and the FRA were all gathered together in an informal setting to participate in problem solving, an exchange of thoughts, and an opportunity for suggestions on improved safety, with the conclusion being a negotiated rule making process. RSAC continued to function well through the Bush administration, and continues today. Our rail industry today has improved safety processes in place because of the RSAC.

We are proud to be a part of the industry today, positioned to handle the additional freight which must come to rail from our highways, and also, prepared to provide flexible services like "mobile pipelines for oil", and efficient handling of multi-modal containerized shipments. Our rail industry today is involved in a rail renaissance that will bring many decades of growth to both freight and passenger rail services. Our rail employees have earned the equity to participate in the policy decisions that will impact our industry.

We are pro-active in our support for the industry and take an active role in policy discussions supporting the expansion of freight and passenger rail across the country. We also work with all segments of our rail and transit industries in legislative activities designed to highlight the advantages of rail. Our rail employees today have earned equity in the rail industry and are very aggressive in supporting long term growth and stability of our industry.

Our passenger and freight railroads are vital parts of America's transportation system, which require a level of skill and professionalism in the operation and maintenance that translates into tens of thousands of good career jobs for railroad employees. It takes many years to train and qualify most of the safety critical railroad employee crafts, and our industry now focuses on hiring military veterans. Military veterans understand the discipline necessary to operate in a

safety critical environment, and acceptance of their role in the overall safety of the operation. This decision to focus on military veterans has proven to be a win-win situation for all involved. The railroads get a stable and mature employee that readily accepts instructions and safety critical responsibilities, and the new employees get a stable career position with a middle class salary and good benefits. Once they are trained and qualified, they have transferable skills that are very much in demand.

America has the most advanced freight rail system in the world. Union labor helped build it; we maintain it, and we operate the trains on it. As we will discuss more fully herein, Amtrak is a modern success story, providing passenger service across our country and world-class passenger service in the Northeast Corridor. With this Committee's help, Amtrak can grow and come much closer to meeting the growing demand for passenger rail services. Amtrak has developed long-range plans for dramatically improved service in the future.

Railroad jobs are not just jobs. They are careers where a person can earn a living wage to provide for their family and send their kids to college. Our rail industry enjoys the lowest turnover rate of any blue collar industry in the country. In spite of the 24 / 7 operations in all types of weather, working on the railroad is more than a job, and even more than a career - it quickly becomes a chosen way of life. We are expecting the influx of new military veterans to even further reduce our turn-over rate and also to contribute to improved safety performance.

We look forward to working with the Committee during the RSIAand PRIIA reauthorization. We have a few technical corrections to suggest for consideration and are working with your Committee staff.

Coal:

The transportation of coal for generation and export is the single largest commodity shipped on America's freight railroads today. Forty percent of all freight rail cars are coal cars, 25% of freight revenues, and 20% of all freight rail jobs are derived from the shipment of coal. The revenues from coal has built and rebuilt many of our nation's rail lines, and those lines now benefit all shippers who are located on them.

While the United States is the Middle East of coal, containing 29% of the world's recoverable reserves, the use of coal for electrical generation is temporarily diminishing. Current low natural gas prices and unworkable environmental regulations are the largest reasons for the decline. Exporting available coal resources makes sense financially, but like many things in America, nothing is easy. There are some discussions occurring on the West coast about environmental concerns with the exportation of coal, and we are participating to support continued use of coal in environmentally friendly ways. This west coast port expansion will allow America to ship high-quality, low-sulfur powder-river-basin coal to Asia. Much of these exports will displace the dirtier coal now being burned. We are working with our railroads, community groups, and

others to overcome the opposition to these proposed port expansions. I mention this as another example of how we support our industry in tangible ways.

Oil:

A bright spot for freight rail is the dramatic increase in the shipping of oil by train, or what we like to call "mobile pipelines", from the Bakken oil formation located primarily in North Dakota. The Bakken oil field is producing far more oil than existing pipelines can carry, and even the proposed Keystone XL pipeline, when built will carry only a small amount of Bakken oil to market. Estimates are 64% of Bakken crude is now shipped by rail, and not all oil pipelines are running at capacity. This means oil producers are choosing rail over pipelines and much of the Bakken oil will continue to be shipped by rail well into the future.

Shipping oil by train was somewhat slow to start in the Bakken because the costs are a bit higher than by pipeline. But once oil producers began using rail they found they had an added benefit and flexibility of being able to ship to any refinery they wanted and are able to "play the market" in a way they otherwise could not when a pipeline holds them captive to just one refinery.

This dramatic increase of shipping oil by rail was a good test for the flexibility of the industry, and the record indicates the industry responded in a timely and positive manner with new dependable service. Thousands of new tank cars are being built around the country to help address this new demand for service.

Amtrak:

I need not remind this Committee about the importance of Amtrak. It's America's passenger railroad, rising up from the ashes of a cadre of bankrupt private service providers and charged with providing vital rail passenger service across America.

Amtrak is a partner with our private freight railroads, and has negotiated operating agreements with them for more than 40 years. Amtrak's employees, many of whom are federally certified, know and understand the complex operating rules that govern these freight railroads.

Since its inception, Amtrak has done a remarkable job with often inadequate resources. They are setting ridership records each year with growing passenger volumes, and Amtrak now recovers 79% of their operating costs from ticket revenue. The price of fuel, the growing highway and airport congestion, and the significant increase in the number of passenger rail options, all contribute to the constant increases in ridership.

While in recent years Amtrak has had no shortage of congressional critics, we ask that your Committee take a fresh look at this American success story and work with the leaders of Amtrak and others to help "America's Railroad" build on their 40 years of success. Amtrak was created because the demand for rail passenger services remained strong, and the private railroads could not make a profit from the operation of their own passenger trains.

Amtrak does an excellent job in running passenger trains. This Committee could offer help in the financing of equipment and attracting private capital. Amtrak has engaged in many successful partnerships with private entities: The Orient Express cars added to the rear of Amtrak trains in Denver and Salt Lake City, 10% of the stations Amtrak services around the country are owned by the private sector, Amtrak leases space to many private vendors in the stations they own and operate, and Amtrak has entered into agreements for equipment procurement from private entities supported by a RIF Loan.

Allowing consideration of RIF loans for private entities wanting to provide new and refurbished equipment for Amtrak will attract private investments in support of expanding Amtrak operations. This process will help many local communities and provide additional options for Amtrak's equipment needs.

Truck Size and Truck Weight Increases

Increasing truck weight limits would have serious implications for our environment. Many transportation professionals are working to find innovative ways to shift more freight shipments from our highways to our railroads as a congestion mitigation strategy, and also as a highway maintenance schedule strategy. Railroads move cargo nearly four times as far as trucks per gallon of fuel and emit one-third the pollutants per ton mile when compared to trucks. By allowing heavier trucks on the road and increasing taxpayer subsidies, Congress would be incentivizing more shipments of freight by trucks using public highways rather than by more fuel-efficient modes like rail. This is the reason why increases in truck weights have never resulted in fewer trucks on our highways.

Our railroads today do an excellent job of moving heavy loads around our country on privately owned and privately maintained rights of way. Our public infrastructure cannot absorb this additional burden.

Hazardous Material Shipments

The safest and most efficient form of movement of commodities that qualify as hazardous materials is by rail. These haz mat shipments require special handling by our rail operating

crews, which includes documentation and secure hand off procedures at interchange or crew change points. These products are given the extra attention that they deserve when moved by rail.

As our American manufacturing industries grow, these industries will require new chemical products that are available today. An increase in the quantity and number of products that qualify as hazardous materials is the expectation, and this will result in significant increases in rail hazmat shipments.

Switching haz mat cars also requires additional precautions. As some major shippers attempt to get Congressional support for switching haz mat cars much more frequently in and out of trains to somehow achieve lower freight rates, we want to make sure that you understand the significant safety concerns that are involved in those choices. Switching and interchanging containers of very dangerous substances packaged in containers weighing 100 tons or more, is not an academic or a sanitary exercise.

We would like the opportunity to offer additional input to this Committee should the consideration of mandating additional switching of haz mat cars to require changes in freight rates come before this committee. The employees do have "skin in the game" when significant increases in switching of haz mat cars is under consideration. From our vantage point, this debate is not about one group of large corporations attempting to involve Congress in their negotiations with another group of large corporations; this debate centers on the safety of the operation and the current processes involving the proper handling of placarded hazardous materials. We hope this conversation never occurs in this Committee.

Summary

As Congress struggles to deal with problems of inadequate and crumbling infrastructure, environmental concerns and energy issues, we ask that you keep in mind railroads as an important means to help address all these problems.

If many of us sitting in this room today had been successful over the past twenty years in getting a National Transportation Policy and a National Energy Policy, itemizing our consensus expectations, there is no argument that both freight and passenger rail would be a focus for energy efficiency, relieving highway congestion, preserving existing highway and bridge maintenance schedules, and also providing flexible viable options as our population continues to grow. The lack of either a Transportation nor Energy policy has contributed to the struggle for appropriate solutions for our constant transportation problems.

As the price of fuel in this country continues to spiral upwards, we look forward to working with this Committee to find fresh ideas on how best to improve Amtrak and other rail passenger

services to provide new travel options for our citizens around the country. Each time I pass through a major airport, I marvel at the number of flights listed on the board for destinations that are 350 miles or less from that airport. Higher speed rail and high speed rail would complement, not compete, with air travel services. If we shifted the passengers that are scheduled to fly 300 miles to higher speed rail, in most cases the passenger would arrive in the same amount of time. Open airport slots could then be filled with longer distance flights, and postpone the construction of new airports or new runways.

Faced with the problem of highway congestion, part of the answer should be to develop policies that shift freight and passenger traffic to railroads. A single freight train can take 280 trucks off the highway with a greatly improved use of fuel resources. The railroads have shared the fact that today our railroads can move one ton of freight almost 500 miles with one gallon of fuel oil. A high speed rail corridor can transport as many passengers as eight new lanes of interstate highway.

Looking at ways to address environmental concerns, keep in mind freight and passenger trains produce a fraction of the pollutants that trucks and automobiles use in moving the comparable number of tons and passengers.

In attempting to make America energy independent, consider trains are almost five times more fuel efficient than trucks. Another point should be under consideration - trains operate on privately owned and maintained rights of way and pay 100% of the cost of their use of that right of way. It is not the rail industry that is asking Congress to rebuild all the off ramps of the Interstate Highway system and forgive the extra bridge maintenance needed to increase the size and weight of big trucks moving on our highways.

When deciding about whether or not to pour new seas of concrete at airports and around cities, I urge this Committee to think about the less expensive and better alternative of building high and higher speed rail. A new commuter rail system is one of the solutions to local highway congestion.

Thanks again for the opportunity to appear here today and we look forward to working with this Committee to find ways to meet our nation's transportation needs.

I will be happy to answer any questions the Committee members may have.

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Freight and Passenger Rail in America's Transportation System"
March 5, 2013
Questions for the Record

James A. Stem Jr.
National Legislative Director
SMART-Transportation Division

Questions from Rep. Michael Michaud:

1. In your response to my question about the weight limits for the trucks which are carrying oil from the Bakken field well heads to the nearest rail terminal, you seemed to think I was indicating that 105,500 pound trucks were traveling from North Dakota, to the oil facilities throughout the country. This is not the case. The oil is traveling from the well heads in the Bakken field to be put on railroads in North Dakota and then transported by train. It's actually an example of how the transportation network in our country is interconnected and this why the rail industry's focus on feeling the need to diminish the important role of trucking seems to be a bit dated.

Answer to Question 1:

The question I received from Congressman Michaud concerning the weight limits for trucks using North Dakota State highways to move oil from the Bakken oil fields to the nearest rail terminal was confusing to me during the hearing, and remains confusing to me today. The railroads providing service to the oil fields in North Dakota do not determine how their customers load the oil into tank cars. The oil loading facilities have multiple connections to allow multiple trucks to connect to the loading operation. The size of the truck, whether it be 80,000 pounds or 105,500 pounds makes little difference in the overall time required to load a tank car with oil. It takes more time at the well head to load a larger truck, and it also takes more time at the rail loading facility to unload a larger truck, and the additional risk of moving the truck with significantly increased stopping distances also must be addressed in the overall operation.

Trucks, ships, and barges have been connecting partners with railroads during my career as an operating railroad employee, and during my career as a representative of operating railroad employees. That partnership continues today with an integrated national transportation system that meets the needs of the American people. With the international trend towards intermodal containerized shipments, the multi-modal partnerships will grow significantly in quantity of containerized shipments as our population continues to grow.

I would also like to point out that the containers used in this international intermodal system are of specific dimensions with securement devices designed as part of the container. A unilateral decision to increase the size of shipping container or truck will result in those larger containers not being part of this international interchange system.

I have researched the design and specifications used to construct state and Federal highways and state and Federal highway bridges. I cannot find a single instance where any railroad employee had the opportunity to offer input into the design and specification standards for highways or highway bridges. Those designs and specifications were created by the State and Federal governments, and thus the corresponding weight and size limits for vehicles using those highways. Neither the maritime industry, the barge industry using our inland waterways, the trucking industry, nor the railroad industry participated in creating those original standards.

Many private industries operate vehicles on their own property that far exceed the allowable size and weight for vehicles using State and Federal highways. Mining operations, quarry operations, drilling operations, and many other industries use large, heavy, vehicles that cannot be operated on our public highways. I am not aware of any movement by these industries to change the rules to allow the operation of these large vehicles on public highways.

Using a truck weighing 105,500 pounds instead of 80,000 pounds in North Dakota is not something that must be done to make these operations successful.

2. What do you think the impact would be if the trucks operating in the Bakken field to bring oil from the well head to North Dakota based rail terminals had to operate at an 80,000 pound limit instead of a 105,500 pound limit? Do you think it would take more trucks as a result of the lowering of the limit? Aren't the 105,500 pound trucks actually helping the railroads in this example?

Answer to Question 2:

The short answer to this question is No. Not all Bakken crude oil trucks are at the 105,500 pound maximum, some are far lower and currently North Dakota has in place spring weight limits to reduce truck weights even more. The size of the truck certainly has an impact on highway and bridge destruction but has little impact either helping or hurting railroads. The railroads are not involved in the decision making process in the selection of the loaded weight of trucks moving oil to the rail loading facility.

It takes more time at the well head to load a larger truck than it does to load a regular truck, and it also takes more time at the rail loading facility to transfer all the oil from the larger truck than it does to transfer the oil from the regular truck. The size of the truck hauling the oil a very short distance from the well head to the rail loading facility certainly has no impact on the success of the "Mobile Pipeline" service.

Railroads and their employees are involved in the process of placing the train of empty tank cars for loading, and moving the loaded tank cars to market. They are not involved in the process of moving oil from the wellhead to the rail loading facility.

Questions from Rep. Corrine Brown:

1. The Committee is preparing to reauthorize the nation's rail safety program this year. You mentioned in your testimony your concern about mandating additional switching of hazmat cars. Can you discuss this and any other safety concerns that labor and/or UTU may have?

Answer to Question 1:

In the debate concerning removing the limited Anti -Trust exemption from Railroads and thus requiring railroads to furnish a freight rate to move a car from its origin to a central location where multiple railroads may be able to offer competitive bids to move that car to its final destination, there are multiple safety issues involved.

These cars in question are packages containing 100 tons of commodity, and switching these cars in and out of various trains involves additional risk to the operating crews handling these cars. Any transaction that causes thousands of cars to be switched out of trains and placed in various tracks creates additional risk with the yard switching movements, especially when these cars are currently being transported without incident from the point of origin to the final destination. Additional unnecessary switching creates additional risks of accidents and should be avoided. If this issue comes before the Committee, we would like to have the opportunity to address the safety concerns involved additional switching because this is more than a financial issue, it also represents a major safety issue for the rail operations.

2. There has been some discussion in the press within the past few days about rail being an alternate to the Keystone XL pipelines. According to the Washington Post, Canadian crude oil sands are on track to quadruple this year. Producers and refiners are scrambling to buy their own tank cars in order to lower the cost and increase the certainty of transport. Can you discuss this?

Answer to Question 2:

The experience that the petroleum industry has had in the Bakken oil fields indicate that using rail tank cars as a "Mobile Pipeline" has supplemented the lack of capacity or lack of access to an available pipeline. Our railroads were able to respond quickly to the sudden demand for the movement of large amounts of crude oil. Those services are continuing to grow and the efficiency of the operation continues to improve with new equipment coming on line weekly.

We think this rail service option will continue to provide the needed transportation resources while the Keystone HL pipeline is being built, and will complement the pipeline when it is

completed. The rail service can also move the crude oil to different locations if the pipeline or the refinery it serves is temporarily off line or limited in capacity.

If all the permits were in hand today to start construction of the Keystone XL, we are still several years away from completion. The oil coming out of the ground today is being transported to market in an efficient manner with additional capacity available by rail.

3. You mentioned that the Committee could offer help in the financing or equipment and attracting of private capital for Amtrak. Can you elaborate on this?

Answer to Question 3:

There are many ways the Committee can help encourage and offer financing options for Amtrak and commuter rail authorities. Amtrak has recently reached partnership agreements with other entities on equipment purchases that will provide improved pricing options for all involved by increasing the size of the equipment order. The reality of the rail equipment procurement issue is that all rail equipment is built after an order is placed and financing arranged.

A National Rail Equipment pool, where all rail cars and spare parts are built to the same specifications, and are thereby interchangeable and can be coupled together is the practical application of the same process that our US Military has used for decades. No one would expect a General that is the Commander of one military base to be able to use tax dollars to place a special order for 125 jeeps that are of a different design than the other 70,000jeeps that the US Military has on hand.

But the process of Commuter Rail Authorities ordering equipment today is just that outrageous, with no uniform standards or specifications, and no requirement that the rail equipment being ordered with tax dollars will actually be able to couple to other rail equipment and be used in a train containing other equipment manufactured by another company. The necessary replacement parts for routine maintenance and repairs are also frequently a problem that results from these multiple single order equipment purchases that are not interchangeable with other equipment. Amtrak would also benefit from the availability of equipment that can be used in multiple consists.

A proper authority would establish and update the specifications and standards for the National Rail Equipment pool. Making the application and approval process for Rail Infrastructure Financing (RIF) loans less complicated and available for private entities that are willing to invest in rail equipment will also expedite this process. Amtrak and our Commuter Rail authorities are constrained by available equipment and the complex maze of financing options that are also a constraint.

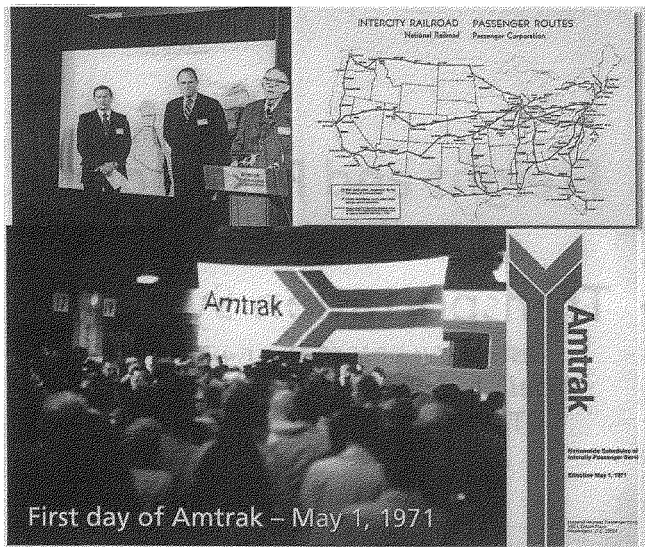
AMTRAK®

Freight and Passenger Rail in America's Transportation System

Testimony before the Railroads and Pipelines Subcommittee of the House Transportation and Infrastructure Committee

Joseph H. Boardman
President & CEO

In the beginning

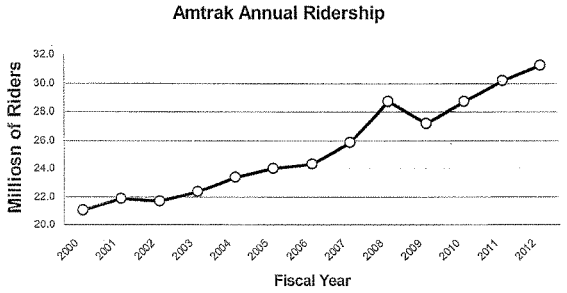


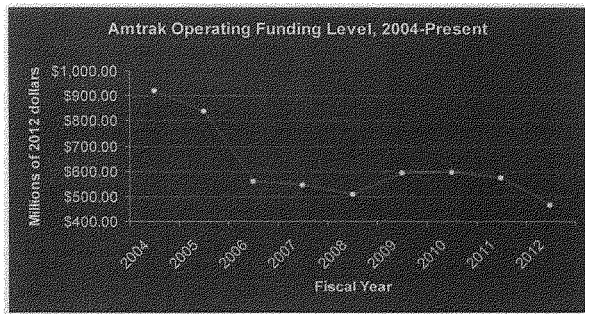
First day of Amtrak – May 1, 1971

- Prior to 1970
- Rail Passenger Service Act
- Amtrak's formation
- Industry implications

System basics

- 22,000 mile operation (mostly on other railroads)
- More than 300 daily trains
- More than 500 stations in 46 states
- Financial and operating indices moving in the right directions:
  - Covers 88% of operating costs
  - 9 ridership records in 10 years
  - Operating need halved since 2004
  - Corporate debt halved since 2002





Federal capital investment underpins operating cost recovery improvements

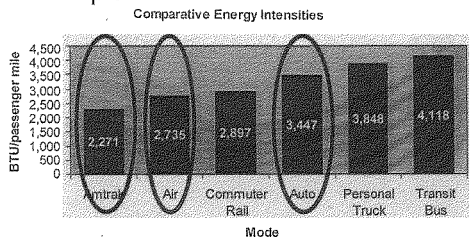
The long distance trains

Intercity Bus Coverage			
State Name	% of rural residents served, 2005	% of rural residents served, 2010	Change (%)
Alabama	92.4%	60.9%	**-34%**
Georgia	92.4%	66.1%	**-28%**
Kansas	71.8%	52.6%	**-26.7%**
Kentucky	70.7%	50.2%	**-28.9%**
Louisiana	91.2%	72.7%	**-20.3%**
Mississippi	93.8%	62.8%	**-33%**
Missouri	80.4%	69.6%	**-13%**
Nevada	85.3%	66.1%	**-22.5%**
New Mexico	84.3%	61.0%	**-27.6%**
North Carolina	95.0%	72.9%	**-23.3%**
North Dakota	50.7%	35.2%	**-30.1%**
Virginia	89.2%	68.0%	**-23.8%**
West Virginia	75.7%	46.2%	**-38.9%**

Source: USDOT

- A public service:
  - 43% of passenger-miles, but only 11% of frequencies
  - 15% of ridership, but 25% of ticket revenues
  - 42% of identified passengers with disabilities who use Amtrak
  - Only Amtrak service at half our stations and in half the states we serve
- Serve about 40% of America's rural population
- More than half of adult passengers are age 55 or older
- In many places, only remaining scheduled intercity transportation (bus services serve 11% fewer Americans in 2011 than 2005)

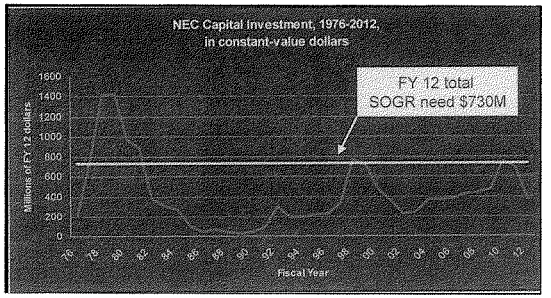
Some Amtrak myths

The Myth	The Reality
• "the train [Acela] rarely gets above 100 mph"	• 65% of the track between DC and NYC is rated for 125-135mph and we are in the process of raising top speeds to 160mph
• "the average intercity highway trip uses less energy per passenger mile than the average Amtrak trip"	
• "people who want trains dislike the personal autonomy that the auto confers"	• The average New Yorker wastes a full work week (44hrs) of his/her life in traffic every year. What's authoritarian about wanting an alternative to that?
• "private industry will do it better"	• Amtrak was formed because private companies couldn't make it work

Existence at the intersection
AMTRAK
Congress(es)
Administration(s)
Amtrak
US DOT
This is the world Amtrak inhabits – guidance comes from multiple sources, and policies and requirements often outlive their authors and the circumstances that produced them.

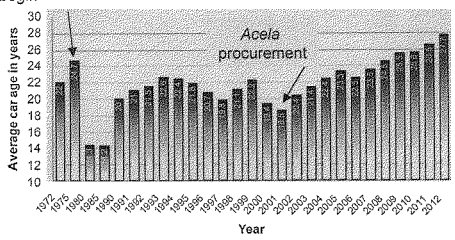
Amtrak's capital needs are significant

- Infrastructure investment lagging
- Fleet age is a major challenge
  - Today the fleet is the oldest we've ever had
  - Fleet plan created to avoid future 'lumps" and seed the industry
  - Procurements have begun – but funding needed to sustain progress
- Infrastructure investment needed to accommodate traffic in coming years
  - Gateway
  - NextGen HSR equipment
- Investment needs affect the whole system



Amfleet procurements begin

Average Amtrak Passenger Car Age



Note: data set at 5 year intervals prior to 1990

Sustained capital funding will be the key to future improvement

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

Bill Shuster
Chairman

Christopher P. Bertram, Staff Director

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Staff Director

March 25, 2013

The Honorable Joseph Boardman
President and Chief Executive Officer
Amtrak
60 Massachusetts Avenue, NE
Washington, DC 20002

Dear Hon. Boardman:

Thank you for your testimony before the Subcommittee on Railroads, Pipelines, and Hazardous Materials on March 5, 2013 concerning "Freight and Passenger Rail in America's Transportation System." I am pleased you appeared and testified on behalf of Amtrak. The Subcommittee gained valuable insight from the information you provided at the hearing.

Enclosed please find additional questions for written responses for the record. The Subcommittee appreciates your written responses no later than April 5, 2013. Please provide an electronic version of your response via email to [redacted]

If you have any questions please contact [redacted] of the Subcommittee at [redacted].

Sincerely,

Jeff Denham
Chairman
Subcommittee on Railroads, Pipelines, and
Hazardous Materials

Enclosures

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Hearing on "Freight and Passenger Rail in America's Transportation System"
March 5, 2013
Questions for the Record

Questions from Rep. Jeff Denham:

1. Mr. Boardman, can you provide the Committee with a copy of your capital and operating grants for FY2013?
2. With regard to your income generated from leveraging Amtrak's real estate assets, please complete the attached form for all real estate assets from which Amtrak generated fees or income.

Questions from Rep. Corrine Brown:

1. Amtrak has set 9 ridership records in the past 10 years. You have decreased your operating needs in half since 2004 and cut your debt in half since 2002. These are impressive statistics. Yet, we continue to have a debate on cutting your funding or who could provide passenger rail any better than Amtrak. What can we expect to see next from Amtrak? What goals for further improvements do you have and how can this Committee help you get there?

2. In your testimony, you mention one myth regarding passenger rail is that "private industry will do it better." Can you please elaborate on this?

3. What are your views on allowing competition in the Northeast Corridor?

4. In your testimony, you noted that intercity buses service 11% fewer Americans in 2011 than they did in 2005. Can you please talk more about the importance of long distance train service across the country, and how many passengers rely on long distance trains? What would be the impact on Amtrak if long distance trains were eliminated?

5. As we begin to reauthorize the Passenger Rail Investment and Improvement Act, what issues would you recommend we address in our reauthorization bill?

Questions from Rep. Jerrold Nadler:

1. What is the proportion of funds that Amtrak spent in FY 2012 and is spending in FY 2013 on design, planning and contract management regarding ADA accessibility of stations as opposed to actual construction and renovation to stations to make them accessible? Has Congress provided Amtrak adequate funds to implement accessibility requirements?

2. Recently, Amtrak has installed audio public address systems at Union Station in Washington DC and Penn Station in New York City without providing complementary visual notification upgrades to provide full accessibility for people with hearing impairments. What steps is Amtrak taking to ensure that these notification systems are fully accessible?

Committee on Transportation and Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials
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3. Although considerable expense and effort has been spent to make the pathways to Union Station fully accessible, there is still a track at Union Station that is not accessible for people who use wheelchairs. Amtrak recently reported that it is planning to install an elevator to provide access to these tracks. Will this be a full-service elevator that accommodates people who use wheelchairs, or will it be a Limited-Use, Limited-Access (LULA) elevator that is not accessible?

4. Amtrak passengers and advocates continue to report examples of instances where Amtrak and the States are building stations that do not provide level boarding. A recent example is the Illinois High-Speed Rail project, the projects for which (http://www.idothsr.org/2010_const/improvements.aspx) do not provide any indication that level-boarding will be provided. Although there are many other actors involved in making a project like this happen, it is ultimately up to Amtrak and the States to ensure that its services are accessible to all passengers. What steps are Amtrak and the States taking to ensure that new projects such as this provide level boarding to passengers with disabilities? In the Amtrak reauthorization, how can Congress ensure that Amtrak and the States take additional steps to provide level boarding and otherwise ensure full accessibility for people with disabilities?

Questions from Rep. Jeff Denham:

1. Mr. Boardman, can you provide the Committee with a copy of your capital and operating grants for FY2013?

Answer to Question 1:
See attached document, entitled, "NRPC (Amtrak) Federal Grants Active FY11 to FY13"

2. With regard to your income generated from leveraging Amtrak's real estate assets, please complete the attached form for all real estate assets from which Amtrak generated fees or income.

Answer to Question 2:
See attached Document, entitled, "Amtrak Real Estate Development".

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)
FEDERAL GRANTS ACTIVE FY11 to FY 13

(version date 04/03/13)

Federal Grantor	Grant Number	Program Title	Award Amount	Grant Period	Status (04-03-13)
U.S. Department of Transportation	DTFRDV-13-G-00001	FY13 Operating Expenses Grant Agreement	$227,268,200	10/01/12 - 03/27/13	Active
U.S. Department of Transportation	DTFRDV-13-G-00002	FY13 Capital and Debt Service Expenses Grant Agreement	$459,647,496	10/01/12 - 03/27/13	Active
U.S. Department of Transportation	DTFRDV-12-G-00002	FY12 Capital and Debt Service Expenses Grant Agreement	$942,480,000	10/01/11 - 12/31/12	Active
U.S. Department of Transportation	FR-HSR-0062-11-01-00	NYC to Trenton, NY High Speed Rail Improvements	$449,944,000	10/01/11 - 06/30/17	Active
U.S. Department of Transportation	FR-TEC-0002-11-01-00	Advanced Civil Speed Enforcement System (ACSES) - Vital Train Management System Interoperability	$10,280,000	12/31/10 - 12/31/12	Active
U.S. Department of Transportation	DTFRDV-11-G-00003	Exercise of Equipment Early Buy-out Options Grant	$361,358,810	12/23/10 - 09/30/13	Active
U.S. Department of Transportation	RPD01G2010	Section 305 Equipment Pool Committee Grants Agreement	$4,000,000	01/01/10 - 03/31/14	Active
U.S. Department of Transportation	FR-AMT-0001-12-01-00	Northeast Corridor Operations and Infrastructure Advisory Commission	$9,252,014	0201/12 - 09/30/14	Active
U.S. Department of Transportation	FR-RSR-0010-10-01-00	Cross-Functional Risk Reduction Team	$70,000	10/01/10 - 09/30/12	Active
U.S. Department of Transportation	pass-thru ILDOT CMM-9003 (57	Acquisition of 2 (Two) Genset Locomotives by the National Railroad Passenger Corporation for use in the City of Chicago	$3,280,000	01/18/12 - 06/30/13	Active
U.S. Environmental Protection Agency	pass-thru MWCOG	Reducing Emissions from Rail Terminal Operations at Union Station	$1,800,000	01/18/12 - 06/30/13	Active
Illinois Commerce Commission	007-PEERS-01	PEERS (Public Education & Enforcement Research Study)	$9,270	03/03/11 - 12/31/11	Active
U.S. Department of Homeland Security	2011-PD-129-000003	Amtrak Pilot for Securing Critical Underground (SCUI) Grant Program	$876,755	08/01/11 - 07/31/13	Active
U.S. Department of Homeland Security	EMW-2012-RA-K00042-S01	FY12 Intercity Passenger Rail Grant Program	$10,000,000	09/01/12 - 08/31/14	Active
U.S. Department of Homeland Security	EMW-2011-RA-K00012-S01	FY11 Intercity Passenger Rail Grant Program	$22,214,456	09/01/11 - 08/31/14	Active
U.S. Department of Homeland Security	2010RAT0K051	FY10 Intercity Passenger Rail Grant Program	$20,000,000	06/01/10 - 05/31/13	Active
U.S. Department of Homeland Security	2009RAT9K001	FY09 Intercity Passenger Rail Grant Program	$25,000,000	06/01/09 - 05/31/12	Active
U.S. Department of Homeland Security	2008RLT8K007	FY08 Intercity Passenger Rail Grant Program	$25,000,000	08/01/08 - 07/31/11	Active
U.S. Department of Homeland Security	2009RAR10090	American Recovery and Reinvestment Act and Transit Security Grant Program - Law Enforcement	$6,343,500	08/01/09 - 07/31/12	Active
U.S. Department of Homeland Security	HSTS0208HCAN330	National Explosive Detection Canine Team Program	$1,472,619	03/11/08 - 03/10/13	Active

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)
FEDERAL GRANTS ACTIVE FY11 to FY 13

(version date 04/03/13)

Federal Grantor	Grant Number	Program Title	Award Amount	Grant Period	Status (04-03-13)
U.S. Department of Transportation	DTFRDV-12-G-00001	FY12 Operating Expenses Grant Agreement	$466,000,000	10/01/11 - 12/31/12	Closed
U.S. Department of Transportation	DTFRDV-11-G-00002	FY11 Capital and Debt Service Expenses Grant Agreement	$912,559,972	10/01/10 - 12/31/11	Closed
U.S. Department of Transportation	DTFRDV-11-G-00001	FY11 Operating Expenses Grant Agreement	$561,874,000	10/01/10 - 12/31/11	Closed
U.S. Department of Transportation	DTFRDV-10-G-00002	FY10 Capital and Debt Service Expenses Grant Agreement	$991,608,750	10/01/09 - 12/31/11	Closed
U.S. Department of Transportation	DTFRDV-10-G-00001	FY10 Operating Expenses Grant Agreement	$563,000,000	10/01/09 - 12/31/10	Closed
U.S. Department of Transportation	DTFRDV-09-G-00003	American Recovery and Reinvestment Act of 2009	$1,295,804,688	03/19/09 - 11/30/11	Closed
U.S. Department of Transportation	DTFRDV-09-G-00002	FY09 Capital and Debt Service Grant Agreement	$937,650,000	10/01/08 - 12/31/09	Closed
U.S. Department of Transportation	DTFRDV-09-G-00001	FY09 Operating Grant Agreement	$550,000,000	10/01/08 - 12/31/09	Closed
U.S. Department of Transportation	DTFRDV-08-G-00002	Efficiency Incentive Grant Agreement	$62,683,000	12/10/07 - 12/31/10	Closed
U.S. Department of Transportation	DTFRDV-02-G-60034	New York Tunnels Fire and Life Safety Improvements	$100,000,000	06/27/02 - 03/31/12	Closed
U.S. Department of Transportation	DTFR53-09-G-00038	Biodiesel Inter-City Passenger Rail Revenue Service Test	$275,328	07/01/09 - 12/31/11	Closed
U.S. Department of Justice	2009-PW-BX-0011	FY09 Presidential Inauguration Security Assistance Reimbursement Grant Program	$671,479	01/01/09 - 09/30/10	Closed
U.S. Department of Homeland Security	2007RLT7K117	FY07 IPP Transit Security Grant Program Supplemental	$5,100,000	10/01/07 - 03/31/11	Closed
U.S. Department of Homeland Security	2007RLT7K007	FY07 Transit Security Grant Program	$8,309,537	06/01/07 - 05/31/11	Closed
U.S. Department of Homeland Security	2006-IP-080-000002	National Capital Region Rail Pilot Project	$1,424,266	04/01/07 - 03/31/12	Closed
TOTAL FEDERAL AWARDS			**$9,037,258,140**		

Amtrak Real Estate Development

Description	FY12 Revenue - Actual ($000s)				
	NEC	IC	CUSCO	West	Total
Retail:					
PSNY	$10,711.2	$0.0	$0.0	$0.0	$10,711.2
30th Street Station	3,612.9	0.0	0.0	0.0	3,612.9
Baltimore Penn Station	535.7	0.0	0.0	0.0	535.7
Wilmington Station	498.6	0.0	0.0	0.0	498.6
Other Various Stations	1,126.0	344.4	0.0	186.6	1,657.0
CUSCO	0.0	0.0	4,717.6	0.0	4,717.6
Subtotal	16,484.4	344.4	4,717.6	186.6	21,733.0
Parking:					0.0
Philadelphia	9,882.9	0.0	0.0	0.0	9,882.9
Baltimore Penn Station	488.9	0.0	0.0	0.0	488.9
Other Various Locations	731.0	92.3	0.0	0.0	823.3
Chicago	0.0	5,828.0	0.0	0.0	5,828.0
Subtotal	11,102.8	5,920.3	0.0	0.0	17,023.1
Telecommunications Circuit Resale	342.1	0.0	0.0	0.0	342.1
Telecommunications Right-of-Way	13,521.5	0.0	189.3	0.0	13,710.8
Payphones	*	*	*	*	19.1
Vending	*	*	*	*	435.0
Pipe & Wire (ROW)	7,075.3	96.3	32.1	0.0	7,203.7
Advertising (ROW/Stations)	6,309.3	51.0	1,115.3	0.0	7,475.6
Filming	25.2	0.0	0.0	63.6	88.8
Real Estate Recurring Payments for Leases/Easements	2,727.9	197.3	0.0	82.8	3,008.0
Real Property Sales and One-Time Payments for Easements	18,231.2	0.0	0.0	0.0	18,231.2
PEDFA Interest	182.1	0.0	0.0	0.0	182.1
Advertising (On-Board)	331.8	0.0	0.0	0.0	331.8
Repeaters on the Acela	689.5	0.0	0.0	0.0	689.5
Flagging Support for Telecommunications	648.0	0.0	0.0	0.0	648.0
Miscellaneous	147.3	0.0	0.0	0.0	147.3
Total	77,818.4	6,609.3	6,054.3	333.0	91,269.1
Non-Cash Telecommunications ROW	1,280.0	0.0	0.0	0.0	1,280.0
Non-Cash FASB 13 Accounting Adj.	2,220.8	0.0	198.5	0.0	2,419.3
RED Grand Total FY12 Revenue	$81,319.2	$6,609.3	$6,252.8	$333.0	$94,968.4

* - Various locations across the country

Questions from Rep. Corrine Brown:

1. Amtrak has set 9 ridership records in the past 10 years. You have decreased your operating needs in half since 2004 and cut your debt in half since 2002. These are impressive statistics. Yet, we continue to have a debate on cutting your funding or who could provide passenger rail any better than Amtrak. What can we expect to see next from Amtrak? What goals for further improvements do you have and how can this Committee help you get there?

Answer to Question 1:

Over the last five years, Amtrak has identified numerous opportunities for improvement and has created plans that would allow us to realize them. Some of these projects (most notably the Gateway Project) will benefit not just intercity travelers, but also commuters. We have been able to make a start on the planning work, and we expect to begin construction of the foundation work that will be needed to preserve access to Penn Station in coming years. However, we will not be able to pursue these projects, to realize the improvements in our cost recovery that they will deliver, or attract private investment in them without access to adequate and assured long-term capital funding. While we will continue to need substantial annual capital funding, the prospect of large-scale projects raises by implication the larger question of funding mechanisms. Major projects typically require multi-year funding streams, and no mechanism currently exists to fund such projects.

2. In your testimony, you mention one myth regarding passenger rail is that "private industry will do it better." Can you please elaborate on this?

Answer to Question 2:

Amtrak exists precisely because private industry was unable to sustain intercity passenger rail service. Prior to our formation in 1971, every intercity passenger train in America was run by a privately-owned railroad company, and all of them were losing large amounts of money. The private railroads were virtually unanimous in their insistence that they could not continue to offer passenger rail service and remain financially viable. Indeed, as Mr. Hamberger noted in his recent testimony, the Rail Passenger Service Act of 1970 was a first and very vital step in the restructuring of the rail regulation system that ultimately restored the American freight carriers to profitability.

International experience shows that privatization of passenger rail services is not a panacea that reduces public funding requirements and improves service. The public subsidies required by Great Britain's passenger rail services have increased dramatically since privatization, and the failure of private franchisees to fulfill their commitments has forced the British government to reassume responsibility for operating trains on several routes.

In many respects, the American rail system (and the Canadian rail system, which closely resembles it) is a unique success story in today's world: it is a rail system that is, taken as a whole, not a net drain on the national treasury. In this system, private business runs those operations that can be made profitable; those that cannot be made profitable are run by government-sponsored entities, such as Amtrak, that receive public funding to provide services. Where foreign governments have privatized unprofitable rail services, they must subsidize not only operating costs, but also profits required by the for-profit operators. The need to pay that profit would mean that Federal money which Amtrak would use to improve equipment or

infrastructure would instead be paid to private investors at the expense, presumably, of further capital investment in the system.

3. What are your views on allowing competition in the Northeast Corridor?

Answer to Question 3:

Amtrak sees no public benefits, and significant negative impacts to both rail passengers and the Northeast region, from allowing for-profit companies to provide competing intercity passenger rail service on the Northeast Corridor. Many segments of the Northeast Corridor are already at capacity, particularly during peak periods, and additional trains could only be accommodated at the expense of existing Amtrak and/or commuter services. Reducing commuter rail service, or the service frequency and seating capacity provided by Amtrak's Northeast Corridor trains that serve time-sensitive business travelers and frequently sell out, would not be in the public interest. Even if some means could be found to provide equipment without taking it from Amtrak's already constrained equipment fleet, the negative impacts of curtailing existing services would outweigh any benefits that competitive rail services might in theory provide. In addition, since Amtrak's operations do not generate profits, any shortfall in Amtrak's cost recovery resulting from allowing for-profit rail operators to selectively compete against Amtrak in the capacity constrained Northeast Corridor would increase Amtrak's Federal funding requirements and the cost to taxpayers.

Amtrak already faces intense competition on the Northeast Corridor from multiple airlines, conventional intercity bus services and rapidly proliferating curbside bus services. Despite this competition, and the impact of the recession, Amtrak's Northeast Corridor ridership, and its share of the Northeast Corridor air-rail market, has been growing steadily. This shows that Amtrak's Northeast Corridor services are cost- and service-competitive with other transportation modes, and are meeting the needs of Northeast Corridor travelers.

4. In your testimony, you noted that intercity buses serviced 11% fewer Americans in 2011 than they did in 2005. Can you please talk more about the importance of long-distance train service across the country, and how many passengers rely on long distance trains? What would be the impact on Amtrak if long-distance trains were eliminated?

Answer to Question 4:

Amtrak's long-distance trains are the only Amtrak service at half the stations and in half of the states we serve. They carry a disproportionate number of the passengers with identified disabilities who use Amtrak (43%), and have grown by approximately 20% since 1998, as scheduled bus and air service to America's rural communities has contracted. Amtrak serves about 40% of America's rural population, and the system connectivity (a vital consideration for many travelers) is attainable on a national scale only because of the continued existence of the long-distance trains. They are very popular, and in FY 2012 the average load factor (percentage of filled seats) for Amtrak's long-distance services was the same as that for *Acela Express*, 63%.

If long-distance trains were eliminated, the impact to Amtrak would be severe. The national system would cease to exist, leaving several small islands of corridor service in California, the Pacific Northwest, the Midwest and the Northeast. The surviving services would lose many riders who currently connect to and from long-distance trains. The Northeast Corridor, for example, currently carries nearly half a million riders every year who are either connecting from

long-distance trains or traverse the NEC aboard long-distance trains that travel for part of their trip over the NEC. Eliminating all long-distance service would trigger labor protection for the thousands of impacted employees, and other route termination costs. The huge costs associated with legal obligations triggered by service discontinuance could actually increase rather than reduce Amtrak's Federal funding requirements in the initial years, since there would be no revenues from long-distance passengers to offset these costs.

There would also be permanent increases in costs for the short-distance trains, and the NEC that share facilities and services with long-distance trains. While some shared costs could be eliminated over time, many shared costs, such as large stations and mechanical facilities, would remain, and those would have to be redistributed to state-supported services and the NEC. If states could not pay for this increased expense and elected to halt service, the cycle of redistribution and rising costs would repeat itself, further raising the burden on the remaining state partners and creating a spiral of cancelled service and rising costs.

5. As we begin to reauthorize the Passenger Rail Investment and Improvement Act, what issues would you recommend we address in our reauthorization bill?

Answer to Question 5:

We believe the Committee can help us by developing a new reauthorization bill based upon recommendations outlined in our 2014 Legislative and Grant request that are listed below:

Passenger Rail Reauthorization

PRIIA's authorizations will expire in September of this year, creating an opportunity for Congress to make a definitive statement about plans and policy for high speed and intercity passenger rail service in the coming years. Amtrak is looking forward to working with Congressional stakeholders and other entities as we seek to shape and develop the conversation about what that policy will be. There are certain categorical issues that we believe the reauthorization bill needs to address. The Corporation has been very clear, for instance, in its belief that the problems surrounding liability and indemnification are an artificial barrier to the development of intercity passenger rail in this country. We are now in the process of developing specific legislative proposals to address these and other issues that we have identified, and we look forward to sharing them with Congress at the appropriate time.

There are other, more fundamental decisions that should be made while Congress deliberates on Amtrak and, by extension, passenger rail in the United States. We believe that Amtrak has proven that rail transportation makes a useful and viable contribution to the national transportation network. We have been expanding service as resources permit, and we are continually finding that demand outstrips our projections as people demand more and better service. Our challenge is increasingly that, like the other modes, we are stretched to capacity. While we do everything we can to maximize equipment use and search out growth opportunities, our resources only go so far. If we truly want to realize our vision of what rail can offer America, in terms of real mobility improvements and rational modal choices, policy decisions must be made and funding must be provided to match them. These are big decisions, and will require bold thinking, but they will deliver value for the money.

In the meantime, we wish to call attention below to two specific policy recommendations that have long-been held by Amtrak: dedicated and reliable funding for intercity passenger rail and mode-neutral surface transportation programs.

Federal Funding Commitment

The most critical issue policymakers can address in passenger rail reauthorization legislation has also proved to be the most challenging over time: providing a stable and reliable source of funding for capital investment.

Major capital programs in any mode of transportation or type of infrastructure typically require a multi-year commitment of funds. Intercity passenger rail is no different. Yet when Amtrak and/or States seek to make such investments in intercity passenger rail, the ability to commit to a procurement or construction schedule over multiple years is constrained by the uncertainty of future Federal funding. Thus, continued reliance on annual appropriations for capital investment will frustrate efforts to significantly improve and expand intercity passenger rail service in the United States.

Amtrak's 42 year history both illustrates and confirms this critical point. Reliance on annual appropriations has greatly restricted Amtrak's ability to efficiently undertake comprehensive and multi-year capital programs, since funding availability is uncertain in terms of both amount and timing. When work begins on a corridor improvement project or equipment procurement, a funding mechanism must be in place to ensure the project can be completed.

We believe that a multi-year Federal commitment of capital funding, backed by dedicated revenue, would also make it easier for state grantees to secure financial commitments to match Federal grants, maintain assets funded by grants and operate service. These non-Federal commitments are more difficult to secure when Federal capital funding is uncertain – or worse yet, unavailable – from year-to-year.

Finally, when creating a dedicated funding source for intercity passenger rail, it is imperative that Amtrak's unique funding needs are recognized. The Federal government established Amtrak as the foundation of the national intercity rail passenger transportation system, and modernizing and maintaining that system is a significant Federal responsibility. In particular, due to the national, interstate nature of the Amtrak long-distance network, Federal funding must largely be relied upon to operate, maintain and improve the infrastructure, equipment and facilities required to operate these 15 long-distance routes. Additionally, the ongoing improvement of the Northeast Corridor, on which the USDOT holds the mortgage, requires a strong Federal commitment that can serve as a catalyst for local, state and regional investment.

In recognition that the Amtrak network is a national asset that supports interstate commerce operated on behalf of the Federal government, the highest imperative of passenger rail legislation should be to provide dedicated, multi-year operating and capital funding for the support of existing intercity passenger rail services and assets and the development of new ones. Doing so will greatly increase Amtrak's ability to efficiently and effectively deliver the nation's intercity passenger rail network, while helping to sustain the partnerships that can lead to the improvement and expansion of high-speed and intercity passenger rail service in key corridors across the United States.

Mode-Neutral, Performance-Based Surface Transportation Programs

The pursuit of a reliable Federal funding mechanism for Amtrak and intercity passenger rail investment has proved elusive throughout the Corporation's history. Adding to the ever-present political challenge is the Nation's current fiscal situation, the precarious position of the principal

funding source for surface transportation investments – the Highway Trust Fund – and the general and widely recognized state of under-investment in infrastructure in the United States.

While these factors present a challenge, they also undoubtedly present an opportunity to rethink the nation's approach to surface transportation. In recent years, Amtrak has consistently made the case that no matter how much the Federal government spends on surface transportation, that spending should be focused on the achievement of national goals and outcomes. And that conclusion is even more imperative in a time such as the present, when Federal investment in surface transportation is essentially flat.

Accordingly, Amtrak continues to recommend a "mode-neutral" approach to surface transportation that establishes broad modal eligibility across surface transportation programs so that investment decisions are aligned with and responsive to outcomes, instead of arbitrarily constrained by mode. To support that aim, Federal surface transportation programs should transition to integrated, mode-neutral programs characterized by strategic functional purpose rather than an aimless taxonomy of vehicle types and means of moving around.

The new paradigm should ensure that all facets of travel are covered – rural, urban, intercity, interregional and international. It should also account for the various investment needs across modes, such as those related to safety, environmental stewardship, state of good repair, capacity expansion, intermodal connectivity, rural connectivity, metropolitan mobility, demographic accessibility and research. This will allow states, regions and localities to develop solutions to meet national performance goals while maintaining maximum flexibility to accommodate unique individual circumstances and preferences. We can all agree that the most efficient solution – and the most effective use of public funds – in one particular circumstance is not necessarily the most efficient solution in another. Amtrak urges Congress to reconsider the "one size fits all" approach to surface transportation investment and replace it with one that gives grantees flexibility with respect to mode choice, but holds them accountable with respect to outcomes.

It should be noted that restrictions on using Highway Trust Fund (HTF) revenues for investments in intercity passenger rail have historically been justified on the grounds that the HTF is exclusively financed by highway users. This long-held notion, however, is belied by the fact that billions of dollars in general taxpayer – not highway user – dollars have been appropriated in recent years to address the insolvency of the ailing Highway Trust Fund. Since 2008, Congress has appropriated a remarkable $53.3 billion in general revenues– more money in just five years than the amount that has been appropriated from general revenues to support Amtrak in its nearly 42 years of existence – to fund the HTF and subsidize highway users (over $46 billion went to the Highway Account of the HTF). Highway users are no longer paying anywhere near the amount that is spent on roads annually, let alone the true social costs of an auto-dependent transportation system.

In recognition of this fact, and as a matter of policy for the reasons outlined above, intercity passenger rail investments should be eligible under Federal surface transportation programs, including the Federal-aid highway program.

In a climate where funding is far from certain, and the pressing problems of congestion and the environment must be addressed, the necessity for a mode-neutral funding policy that selects for specific outcomes is clear. Where existing policies fund specific modal programs, a genuinely mode-neutral policy would provide the means for the government to more effectively shape the urban and transportation environment in coming years. As today's congestion problems will continue to impact the development of tomorrow's urban and metropolitan fabric, challenges of

this kind urgently require integrated solutions that can address them before they stifle economic growth and recovery efforts. These programs should support a truly national surface transportation policy, one that sets measurable criteria to guide every stage of the process – from Federal investment to local decision making – and provides the appropriate funding sources and approaches.

Questions from Rep. Jerrold Nadler:

1. What is the proportion of funds that Amtrak spent in FY 2012 and is spending in FY 2013 on design, planning and contract management regarding ADA accessibility of stations as opposed to actual construction and renovation to stations to make them accessible? Has Congress provided Amtrak adequate funds to implement accessibility requirements?

Answer to Question 1:

	FY12		FY13	
Program Costs	$15,475,000	33%	$15,100,000	28%
Total Design Costs	13,325,000	29%	15,400,000	29%
Total Construction Costs and other ADA related work	17,980,000	38%	23,100,000	43%
Total ASDP Costs	$46,780,000	100%	$53,600,000	100%

(FY13 values are as of March 1, 2013)

Congress has provided the amounts for our accessibility improvements that we have requested. These amounts, however, come within significantly less than authorized and requested annual capital grants to keep the system in a state of good repair for all users. We were prepared to spend additional funds this year, but the uncertainty of the affects of sequestration and the reality of having a final FY13 funding level 6 months into the fiscal year resulted unfortunately in a funding level equal to last years.

2. Recently, Amtrak has installed audio public address systems at Union Station in Washington DC and Penn Station in New York City without providing complementary visual notification upgrades to provide full accessibility for people with hearing impairments. What steps is Amtrak taking to ensure that these notification systems are fully accessible?

Answer to Question 2:

We are in the process of developing a national solution Passenger Information Display System (PIDS) that can be readily deployed to any station around the country. The procurement effort will be completed this spring and development of the solution will begin this summer. Full-scale deployments of dual-mode signage and public address systems under this national program are slated to begin late in fiscal year 2014.

In the meantime, Amtrak has been deploying a pilot solution at select stations, including Washington Union Station. A project is underway to implement visual messaging within the station's interior, which is already served by the new public address system and PIDS signage. The current software will be upgraded to integrate the audio functionality with the signage to enable the display of visual messages, resulting in the delivery of train status, general announcements and safety-related information in both visual and audible formats. The project is in the design phase and is scheduled to be completed by September 30, 2013.

Amtrak's Accessible Stations Development Program (ASDP) envisions addressing New York Penn station's accessibility needs in the out-lying years. In the meantime, to address the critical needs associated with communications at the station, Amtrak is developing a plan to replace signage located in Concourse B and to integrate the PIDS software with the PA system so that

dual-mode audio and visual messaging can be implemented. We are seeking the means by which to fund the design for this plan in fiscal year 2014 and to implement the solution beginning no later than fiscal year 2015, but the funding for this project has not yet been secured.

3. Although considerable expense and effort has been spent to make the pathways to Union Station fully accessible, there is still a track at Union Station that is not accessible for people who use wheelchairs. Amtrak recently reported that it is planning to install an elevator to provide access to these tracks. Will this be a full-service elevator that accommodates people who use wheelchairs, or will it be a Limited-Use, Limited-Access (LULA) elevator that is not accessible?

Answer to Question 3:

The elevator to be installed in this location will be in full compliance with all required codes and regulations, including ADA requirements.

4. Amtrak passengers and advocates continue to report examples of instances where Amtrak and the States are building stations that do not provide level boarding. A recent example is the Illinois High-Speed Rail project, the projects for which (http://www.idothsr.org/2010_const/improvements.aspx) do not provide any indication that level-boarding will be provided. Although there are many other actors involved in making a project like this happen, it is ultimately up to Amtrak and the States to ensure that its services are accessible to all passengers. What steps are Amtrak and the States taking to ensure that new projects such as this provide level boarding to passengers with disabilities? In the Amtrak reauthorization, how can Congress ensure that Amtrak and the States take additional steps to provide level boarding and otherwise ensure full accessibility for people with disabilities?

Answer to Question 4:

The DOT platform rule issued in September 2011 requires level-entry boarding at new or altered stations serving intercity or high-speed rail lines, where no track passing through the station and adjacent to platforms is shared with existing freight railroad operations. However, where there is freight traffic on the track adjacent to the platform, the DOT rule does not require level-entry boarding. Rather, there are others means which may be employed to provide access to the rail cars (e.g., car-borne lifts, station-based lifts, mini-high platforms) and Amtrak and the states work together to make sure one of these alternatives is put in place.

With respect to the Illinois High-Speed Rail project (along the Chicago – St. Louis corridor), the right-of-way is owned by Union Pacific Railroad Company and there is existing freight traffic on the tracks adjacent to the platforms which prevents the responsible entities from constructing 15" platforms. Thus, the FRA has approved 8" (above top of rail) platforms along this corridor, except for St. Louis, which already has 15" platforms, and Chicago, which will eventually have 15" platforms. To ensure integrated accessible boarding on this corridor, Illinois has ordered new rail cars to operate over this line that will have a 15" floor height and car-borne lifts.

Elsewhere, Amtrak is taking measures to ensure that new station projects provide level-entry boarding whenever required by law. For example, the new station facilities at Mt. Joy, Pa. and Rochester, N.Y. are being designed with high level platforms.

Amtrak will continue to require level-entry boarding where required by law. The biggest obstacle we have is the fact that most new stations are being constructed along right-of-way owned by the freight railroads, with freight traffic sharing the tracks with passenger trains. The company is committed to level boarding and is working with the freights to find solutions to advancing this important role.

The American Chemistry Council

statement for the record

submitted to the

The House Committee on Transportation and Infrastructure

"Freight and Passenger Rail in America's Transportation System"

March 5, 2013

The American Chemistry Council (ACC) is submitting this statement for the record following the Transportation & Infrastructure Committee's recent hearing, "Freight and Passenger Rail in America's Transportation System," on March 5, 2013.

Because chemical products are made in few places but are needed everywhere, ACC members often depend on their freight rail partners to deliver chemical products wherever they are needed. Consequently, ACC and its members support efforts to modernize freight rail policies and to encourage competition and free market principles. We believe these reforms will fulfill the original mission of the Staggers Act to promote economic growth and investment in the United States and reduce the need for government regulation of the freight rail industry. We also support policies that provide safe, reliable and affordable transportation for chemical products. We look forward to working constructively with the Committee as it begins its work on new rail legislation and respectfully request the opportunity to be involved with future rail hearings and proceedings, as appropriate.

Moving the Economy

ACC member companies are key stakeholders when it comes to strengthening the Nation's economy and transportation infrastructure. Our members apply the science of chemistry to make innovative products and services that make people's lives better, healthier and safer. Our products are in 96 percent of manufactured goods and are the building blocks for the modern world. The business of chemistry is a $760 billion enterprise and a key element of the nation's economy. It is the largest exporting sector in the United States, accounting for 12 percent of U.S. exports. Chemistry companies are also among the largest investors in research and development and employ nearly 800,000 Americans paying average annual salaries of $83,700. Similar to our partners in the railroad industry, the chemical industry invests heavily in capital improvement

and expansion. In 2011, the chemical industry spent over $33 billion of private capital on investments in structures and equipment.

ACC's membership constitutes one of the largest stakeholders in the freight rail sector. Chemical products constitute the second-largest commodity sector in terms of annual rail tonnage (about 190 million tons of traffic) and railroad freight revenue (more than $9 billion). The chemistry industry is reliant on rail transportation and often has no other viable means to move our products to diverse customer industries throughout the economy. These chemical products are moved by rail to locations where they are needed to generate energy, produce food, manufacture goods and disinfect drinking water.

The business of chemistry is set to expand dramatically in the United States. The discovery of vast new supplies of shale gas has changed the economics of chemical manufacturing in this country. America's chemical companies use ethane, a natural gas liquid derived from shale gas, as a feedstock in numerous applications. Additionally, natural gas is being used to power chemical facilities, and ample supplies are rapidly lowering costs. After years of high, volatile natural gas prices, the availability of cheap and abundant shale gas has created a competitive advantage for domestic chemical producers and will lead to new investment and growth. It is estimated that more than 400,000 new jobs and $132 billion in new economic output could be realized with a modest increase in natural gas supply. A recent survey conducted by the ACC indicates that rail issues factor heavily into domestic investment decisions.[1]

[1] A survey of ACC member companies conducted by Veris Consulting, Inc. is available at http://www.americanchemistry.com/Policy/Rail-Transportation/Rail-Issues-Survey-Final-Report.pdf

If the United States is to fully realize these potential investments, it is imperative that chemistry companies have access to a strong and competitive freight rail networks that will effectively move our products along the supply chain and throughout the economy.

Advancing Safety

Rail safety is a top priority for ACC and its members. ACC members also invest billions of dollars in rail safety improvements, and our member companies own or lease all of the chemical tank cars in use on the national freight rail network, as well as other rolling stock, making us a significant provider of the nation's rail infrastructure. Furthermore, ACC helps first responders prepare for emergencies by operating the 24-7 Chemical Transportation Emergency Center (CHEMTREC®) and coordinating the multi-industry TRANSCAER® program that reaches out to communities across the country. ACC is eager to share more information about these programs and initiatives with the Committee.

Forging a Partnership

ACC and its members look forward to working with the Congress to update federal regulatory policies to allow greater access to competitive freight rail service and promote free market principles to the greatest extent possible. Likewise, the safety of the rail transportation system is imperative, and ACC and its members would like to be engaged with the Committee to enhance the safety of the Nation's freight rail system. As one of the largest industries in the country and one of the biggest customers of freight rail service, we believe that we can offer an important perspective and serve as a constructive partner in helping the members of the Committee create freight rail policies that will meet the nation's needs.