News Release

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LIMITED FEDERAL INVESTMENT LIMITS NORTHEAST CORRIDOR INFRASTRUCTURE

Amtrak: “We are eating our assets alive.”

WASHINGTON – The reduced level of federal investment in Northeast Corridor (NEC) infrastructure has resulted in a cumulative degradation of its components, nearing the loss of asset functionality and decreased reliability of the system that threatens the successful continuity of passenger rail operations, Amtrak President and CEO Joe Boardman told a Congressional committee today.

"There is insufficient NEC infrastructure investment to meet both the on-going normalized replacement and the backlog capital requirements. And that means we are eating our assets alive," he explained.

Boardman said this de-capitalization of NEC assets leads to rapidly increasing degradation of ride quality, reliability, and the ability to support major improvement projects.

He urged the federal government to act now and use the opportunity of rail reauthorization legislation to take the lead in funding a major program to build out the NEC infrastructure needed for the coming century. Amtrak shares the NEC with eight commuter railroads and its infrastructure supports the movement of 260 million intercity and commuter rail passengers each year. Several of the most important segments, such as the New York tunnels, are at capacity with ridership demand at record levels and growing.

Boardman noted Amtrak needs $782 million every year for the next 15 years just for the costs of NEC normalized replacement ($386 million) and the backlog of infrastructure work ($396 million). That level of funding will allow Amtrak to run a safe railroad at maximum allowed track speed, maintain an excellent on-time performance and meet the basic needs of those who want to develop real estate along the NEC and fill their development with the people who they expect to come by train. However, it will not address needed capacity improvements, trip-time reductions or other new initiatives.

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He reminded committee members that after Amtrak was given control of the NEC in 1976 during the Conrail process, it was followed by several significant, federally-funded repair and improvement programs which transformed the dilapidated mid-century rail operation it inherited into the successful high-rail speed rail route it is today.

A copy of his full written testimony is attached and can be found here.

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attachment

TESTIMONY

OF

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BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES and HAZARDOUS MATERIALS

"New York City Field Hearing: The Importance of the Northeast Corridor"

FRIDAY, JUNE 7, 2013

9:30 A.M.

380 West 33rd Street,

Moynihan Post Office Building, Room 4500

New York City, NY

Thank you for the invitation to testify this morning. Given that we have just had an opportunity to see the NEC at firsthand, I think it would probably be most useful if I discussed this asset in the context of reauthorization and funding concerns, rather than reviewing the plans and programs we discussed on our trip up to New York.

The genesis of the Northeast Corridor as we know it was the 1965 High Speed Ground Transportation Act. This established a partnership between the DOT and the Pennsylvania Railroad (and its successor, Penn Central) to improve the right-of-way and purchase new equipment to establish America's first high-speed service, the *Metroliner*. We are still using some of that equipment today.

Amtrak took the NEC over from the privately-owned Penn Central Railroad in 1976; Penn Central was then in bankruptcy, and transfer of the NEC to Amtrak was a part of a much larger Federal plan to preserve rail service in the Northeast – both freight and passenger. The potentially profitable freight-hauling operation was merged with several other bankrupt freight carriers and became Conrail. Conrail became profitable after a period under Federal stewardship, marked by a string of reforms designed to revise and reform the freight rail industry. The NEC passed to Amtrak, which implemented several significant repair and improvement programs in partnership with the FRA, transforming a dilapidated midcentury rail operation into the high speed, high capacity rail route we have today. It was a worthwhile investment – but the plans that were developed at the time did not anticipate the growth in commuter traffic that we've seen since the 1970s. While Amtrak is the only user to operate trains over the full length of the corridor, I would note that we operate only about 157 daily

trains on it, and the freights typically operate about 40-50; the commuters operate more than 1,800. That number has almost doubled since 1975, and today we are handling almost twice as many commuter trains on the NEC as we did when we took it over – on essentially the same infrastructure.

I would note here that work is ongoing on several projects that will significantly improve the level of service and the reliability of the NEC. We are officially opening the new Niantic River drawbridge in Connecticut today; the new bridge will replace a failure-prone span that was built in 1907. We are in the middle of a project to rehabilitate the railroad between Newark and Trenton that will add capacity for all users and raise the top speed for our *Acela* services to 160mph. Work in ongoing here in New York to open the connection between the Farley Post Office and Penn Station. This is a vital step toward the realization of our vision for an expanded and greatly improved "Moynihan Station" in New York. Finally, we received the funds last week for one of the most time-critical components of the planned Gateway Project, the tunnel opening under the planned Hudson Yards overbuild. This will protect our access to Penn Station on the existing alignment, and will ensure that we have the ability to develop the capacity we will need in the century to come.

Today, the NEC is a better and more capable railroad than the one we took over and it performs an essential travel function in the nation's most populous region. But we face a lot of challenges: we have mapped out an investment plan to build capacity on the existing NEC, but the limits of the existing infrastructure will be reached in the foreseeable future. We share the route with eight commuter operations, and several of the most important segments, such as the New York tunnels, are at capacity. Traffic is only going to grow, and at some point, the Federal

government will have to take the lead in funding a major program that will build out the rail infrastructure we are going to need in the coming century. This is not unlike the role of other nations' governments in developing their modern HSR systems. These are challenges any reauthorization must deal with – but there is a more pressing and immediate question, and that is whether Congress wishes to support the existing structure for managing the NEC, or whether it wishes to propose an alternative to the current situation, where Amtrak operates and maintains the majority of the route. We have spent much of the previous Congress discussing potential alternatives to an Amtrak-operated and maintained NEC, where the commuter rail providers are contributing tenants.

I think any proposed operating structure must be evaluated on three criteria: Is it more cost-efficient? Will it improve performance? Is it safer? The most concrete proposals I have seen to date all envision a system similar to that pioneered in the UK and copied in Europe, where the infrastructure is operated by a single provider and private companies bid for subsidy levels to operate trains.

Quite apart from the question of whether this model would work on Amtrak, I think it's important to consider its impact in Europe, which has been gradually moving toward a more "liberalized" model since the 1990s. The best documented case has been British Rail, which faces some of the same physical plant challenges that we do. Costs to the taxpayer have grown considerably; at the peak in 2006-07, they were 3.7 times higher than the cost in 1994-5, before privatization went into effect; today, they are still more than twice as high.

Is this feasible for the NEC? I don't think so. The fact of the matter is that the NEC is a very old railroad; Amtrak makes the most sense as maintainer and operator because we are the

only carrier on it to run trains from endpoint to endpoint; our perspective is very different from commuter lines that operate over a single segment. Our Federal appropriations are just barely sufficient to address the annual need for normalized replacement; we can't afford a maintenance model that increases costs. Moreover, the introduction of a competitive model wouldn't increase the number or quality of services, since quality is heavily affected by the degree of infrastructure investment. We can't simply create more slots for trains; at this point, new services (particularly into or out of New York) would probably come at the expense of existing ones. What we would do is create a complex organizational challenge as we transitioned from a unified system to a fragmented one – and once we had overcome that challenge, we would be left with a situation where coordination of maintenance was significantly more difficult, decision making was protracted, and the safety problems that have often followed these kinds of fragmentations would lead to successively more demanding levels of oversight – which would in turn increase costs, lengthen delays, and hinder recovery from major service disruptions.

One useful lesson we can learn from Europe is neatly summarized in a recent report by the Boston Consulting Group on European railway performance. Various national railway systems were studied on the usual grounds – organizational model, market liberalization and public cost (the total of capital and operating spending). The study found little correlation between the first two models, but a strong correlation between public investment and total performance.

This is the point I would like to leave the Committee with. The existing organizational arrangement is probably about optimal; it ensures effective coordination between maintenance and operating functions, and it vests the principal responsibility for the NEC in the one operator

that must take a holistic view of it – and that has a vested interest in seeing it maintained for high speed service. Amtrak has established a business line to oversee and develop the NEC's operation, and we are working closely with the states through the NEC Infrastructure and Operations Advisory Committee and the commuter carriers through the Section 212 process to deal with cost allocation. These are complex processes, but we have strong relationships with our partners and I am confident that we can make a program work – given adequate investment. And that is really the challenge; it's not whether a different organization will be better, but whether the money can be made available to address the very real needs of this railroad – because even the best organization can't accomplish much without adequate funding.