

**Statement of
The Honorable Joseph C. Szabo
Federal Railroad Administrator
Appropriations Subcommittee on Transportation, Housing and Urban Development
and Related Agencies
U.S. Senate**

May 17, 2011

Chairman Murray, Ranking Member Collins, and members of the Subcommittee; I am honored to appear before you today on behalf of President Obama and Secretary LaHood - to discuss the Administration's fiscal year (FY) 2012 budget proposal for the Federal Railroad Administration.

The President is requesting a bold new six-year, \$53 billion rail plan that will bring high-speed rail in line with our other surface modes in order to meet the Nation's transportation needs today and into the future. In FY 2012, \$8.2 billion sets the framework for building networks and infrastructure to realize the President's vision of providing 80 percent of Americans with access to an intercity passenger rail network featuring high speed service within 25 years while continuing to make the necessary investments in FRA's highest priority – assuring the safety of all aspects of our rail industry – freight, commuter, traditional intercity passenger service as well as high-speed rail.

While safety is our highest priority, the President's budget proposal will provide critical new travel options for Americans. But it must also be the right level of investment for the market needs which will serve to underwrite the future of true American high-speed rail.

Investing in Tomorrow

The President, in his State of the Union address said:

*The future is ours to win. But to get there, we can't just stand still...
Sustaining the American Dream has never been about standing pat. It has
required each generation to sacrifice, and struggle, and meet the demands
of a new age. Now it is our turn.*

The Administration didn't come up with our high-speed rail initiative overnight. National, state and local high-speed rail interest and planning has permeated throughout U.S. transportation history. Capitalizing on the timing and decades of work, this Administration leveraged the Recovery Act funding as a way to provide a beginning – a “down-payment” on a new and needed transportation alternative while also putting people to work.

Mobility Choices

Our existing air and roadway systems are among the best in the world, but congestion and highway traffic are threatening to stymie the American economy and our productivity. High-speed rail will help complement today's systems and keep goods and people moving. Americans experience an average delay of 36 hours every year while idling in highway traffic and this number rises to 51 hours in the largest metropolitan areas.¹ Aviation congestion, meanwhile, has also risen in recent years, with an estimated annual economic impact of \$10 billion according to the Air Transport Association.²

The Nation expects a nearly 25 percent increase in the population (to 390 million)³ by 2035. The U.S. Census Bureau projects growth will be concentrated in a small number of growing and merging areas of urbanization known as mega-regions. All of this new growth, and the ensuing economic output, will need development of new and enhanced mobility options. A more comprehensive and balanced transportation system of highways, transit, and aviation assets would be strengthened by high-speed intercity passenger rail, which can be effective in meeting the intercity travel demands in such regions.

Investments in rail will ease demand for Federal and State highway and aviation funding and create balanced public funding options. By providing an alternative to regional flights that clog runways and airspace, high-speed rail investment will permit the aviation industry to focus on the market segment of higher yielding long-haul flights.

Investment Profile

Developing a comprehensive intercity passenger rail network will require a long-term commitment by Federal, State and local as well as private partners. The Recovery Act's down-payment on high-speed intercity passenger rail, followed by FY 2010 appropriations, emphasized strategic investments that will yield tangible benefits to rail infrastructure. We're starting to see a "pipeline" of projects for future corridor development and the beginnings of a domestic market for world-class rail engineering, equipment and technology development. Since the jump-start of Recovery Act funding, FRA has ramped up its high-speed rail team, hammered out service agreements with freight railroads and forged partnerships with state and local stakeholders. To date, we have entered into 49 cooperative agreements obligating nearly \$5.8 billion.

To further enhance this progress, the FY 2012 Budget proposes \$53 billion over six years to continue construction of a high-speed rail network. It places passenger rail on equal footing with other surface transportation programs and includes funding for long-deferred capital investments in Amtrak's aging equipment and infrastructure, state of good repair and systems performance reliability. It envisions the construction of new "core express," "regional," and "emerging" corridors which will be backed by careful cost-benefit analysis. The proposal offers high-speed rail where it makes sense, cost-justified, and at

¹ Texas Transportation Institute, "2009 Annual Urban Mobility Report."

² Air Transport Association, "Annual and Per-Minute Cost of Delays to U.S. Airlines."

³ Table 1. Projections of the Population and Components of Change for the United States: 2010 to 2050, Population Division, U.S. Census Bureau, Release Date: August 14, 2008.

the right level of investment for the market needs. It will underwrite the future of true American high-speed rail.

To effectively accomplish this going forward, the right organizational and administrative construct is required. The FY 2012 President's budget consolidates passenger rail programs into two accounts to ensure comprehensive and effective management of high-speed rail. Through the proposed rail account of the new Transportation Trust fund, Network Development and System Preservation focus on two main business lines: (1) building high speed rail and (2) operating/maintaining existing and new assets and infrastructure. Included in the request is \$5.5 billion from the President's "Up-Front" \$50 billion call for transportation investment, which will begin corridor development and address existing long-standing backlog such as Amtrak's aging assets and rail stations inaccessible to those with disabilities.

Just recently, we received over 90 applications from 24 states, the District of Columbia, and Amtrak totaling nearly \$10 billion for competition for \$2.0 billion available for high-speed rail projects. The demand to participate transcended political lines because communities will grow, manufacturing activity will expand, and mobility will improve. Not unlike the bold step under President Eisenhower, the development of our interstate highway system needed significant spending even during the recessionary period of the late 1950s. Our leaders recognized this spending was simply needed and worth it, not only for the many transportation benefits but also for the creation of industries, communities and jobs of the future.

Creating Jobs Today

While the President's vision describes a goal for tomorrow, it's also about creating jobs today. We're seeing real results from existing high-speed and intercity passenger rail projects. For example, through Recovery Act investments, state and freight rail working together, the Union Pacific Railroad's modern Track Renewal Train is pulling up antiquated wooden crossties and replacing them with modern concrete crossties, all in one step. This will permit increased passenger train operations to 110 miles-per-hour; and lay the groundwork for frequent service with competitive trip times in the Chicago to St. Louis corridor. The Union Pacific estimates that it will have 700 employees working on the project this year. In addition, during FY 2011, we will see construction activity from Amtrak's Northeast Corridor to the Pacific Northwest, which will create hundreds of rail related jobs.

Similar to the Interstate System plan in the 1950s, we haven't finalized all the lines on the map or precisely calculated the costs, but we know a major undertaking like this will have a ripple effect on job creation across the nation. The impact extends beyond the regional transportation and economic development benefits. The rail being laid today is coming from places like Pueblo, CO, Columbia City, IN, and Steelton, PA. The crossties are coming from places like Tucson, AZ, Durham, CT, and Sciotoville, OH. Specialized track work such as turnouts and crossovers are coming from places like Birmingham, AL, Newport, AR, Newton, KS, Knoxville, TN, Sherman, TX, and Vancouver, WA. Ballast is coming from places like Sprague, WA, Westbrook, ME, Gad's Hill, and Iron Mountain, MO. Most of these places are not likely to see high-speed passenger rail

service in the near future. However, they are seeing the positive employment impacts of high-speed rail development today.

Economic Benefits

While mobility is essential to our current and future economic well being, high-speed rail offers the potential for further long-term economic benefits. Throughout our history, transportation has served as a catalyst in developing the new industries and businesses that make our economy the envy of the world. The 19th century railroad investments were a catalyst for the creation of a steel industry. The development of improved highways served as a catalyst for the development of the automotive industry. The development of airports and aids to navigation has served as a catalyst for advancements in the civilian aircraft industry.

High-speed intercity passenger rail offers an opportunity for equipment, component, and supporting manufacturers to build a robust and sustainable passenger rail system. Once “Made in America” meant the standard for the world in passenger rail transportation. The President, Secretary LaHood and I are committed to re-invigorating that standard through implementation of a strong “Buy America” policy that will ensure that whenever possible, American companies will provide the materials and equipment we need to keep our rail lines up and running.

Companies from across the nation – from New York to California – are starting up, expanding or leveraging work already begun to compete in terms of quality, price and U.S. content. U.S. companies are applauding that our program makes domestic production a competitive advantage. The manufacturer of Amtrak’s new single-level long distance coaches committed to exceeding minimum U.S. content requirements and moved functions in-house that were previously performed offshore. The Canadian manufacturer of Amtrak’s Acela rail cars in the 1990s opened a factory in New York State that can do work once done beyond our borders. But the key to building a sustainable domestic industry, an industry where companies strategically plan, develop new products, and create stable, long-term employment with good salaries and benefits, is a sufficiently large and reliable domestic market demand. Our proposal provides the stability needed to grow the industry and will provide U.S. companies manufacturing opportunities.

Rail investments also influence our communities and invite new development and economic activity. Washington’s Union Station was once in a depressed part of town and the station was in ruins. With determination and vision, our predecessors restored the rail station as an intermodal hub linking high-speed rail service on the Northeast Corridor to Washington’s regional and local transportation. Union Station attracts over 32 million visitors per year and its intermodal connections attracted new companies like Sirius XM, Kaiser Permanente, and CNN who were eager for good workers. Creating an opportunity for corporate development and investment goes beyond the rail platform and station to include surrounding localities.

High-speed rail not only benefits larger cities but also small, rural communities. The Northern New England Rail Passenger Authority (NNEPRA) has been tracking the

influence of intercity passenger rail service on the communities served by Amtrak's *Downeaster*. The service began ten years ago and NNEPRA estimates that more than \$350 million in public/private development projects have been completed or are underway in Maine, creating jobs, revitalizing downtowns and generating new revenues for the surrounding areas. Within weeks of DOT's announcement that it was allocating funds for the expansion of the service, private developers began to invest near rail stations in Freeport and Brunswick. Many cities and towns contact us every week looking to compete and bring high-speed rail and those benefits to their area.

Energy and Environment Benefits

High-speed intercity passenger rail uses less energy, often from cleaner sources than other transportation alternatives. The U.S. transportation sector consumes 13.8 million barrels of oil every day and consumption per capita is nearly twice that of the European Union.⁴ Imported oil accounts for two-thirds of U.S. demand and has substantial implications for our economy and national security – each day, the U.S. spends \$1 billion from foreign countries.⁵ More efficient than airplanes and vehicles, high-speed rail offers the opportunity to power intercity transportation with domestically generated electricity. Instead of travelers spending more money for higher cost imported fuel, we can keep the money here and help strengthen our economy.

Fuel savings will result in a healthier environment by reducing emissions. The United States emitted 14 percent more greenhouse gases in 2008 than it did in 1990 with nearly a third of emissions from the transportation sector. There's a concern growing about climate change and other air pollutants. Our vehicles, aircraft, and rail will need to reduce emissions in the years ahead. Rail can help our economy and our environment, with its greater efficiency and the opportunity it affords to use domestically produced, renewable or low emissions electricity.

Amtrak

For the last several years, Amtrak's Northeast corridor service has been a real world demonstration of the potential for high-speed rail in the United States. Amtrak increased ridership on its high-speed service—Acela—from 2.5 million trips in 2005 to 3.2 million in 2010. The Northeast corridor carried more than 10.3 million passenger trips in 2010. The Northeast regional economy wouldn't be the engine it is today without passenger rail. Just last month, Amtrak posted its 18th consecutive month of year-over-year increased ridership and it is on target for another record year. In the first half of the fiscal year, Amtrak's ridership is up 5.9%, while its yields are up 5.5% -- more than twice the rate of inflation.

Amtrak and its new management have made many positive changes to maintain an effective and reliable train system. However, years of underinvestment and cyclical federal support have challenged Amtrak's ability to provide service levels the public expects. This is evident in antiquated bridges (some old as 100 years) and main power systems (going on 80 years of service) on the Northeast Corridor. Rail stations need

⁴ CIA World Factbook

⁵ "Remarks by the President to the Nation on the BP Oil Spill." 15 June 2010.

improvement and accessibility to comply with ADA requirements, and Amtrak's aging fleet is due for major replacement.

The FY 2012 budget proposes stable and sufficient resources to operate and maintain a safe and reliable rail system for the American public. First, we recognize that Amtrak provides important national connectivity and backbone systems such as ticket reservations upon which intercity passenger rail depends. The proposal provides dedicated funds to Amtrak for the near-term to continue foundational systems as well as develop integrated and improved high-speed and intercity passenger rail service.

Further, Amtrak's vital special services such as custodians of the intercity passenger rail equipment fleet and other publicly controlled assets and infrastructure require directed funds in the short-term. However, as ownership of rail equipment for Regional Express and Emerging High-Speed Rail Corridors mature and develop, that approach will be revisited and other service providers will compete for funds. In the area of new corridor development, Amtrak would be the lone recipient or partner with states. The key for Amtrak is that the competition be based upon a "level playing field" and that the Corporation continues its progress in improving efficiency and responsiveness which will be essential in a competitive environment.

The FY 2012 proposal builds on the paradigm of federal rail investment created by PRIIA. Historically federal investment in intercity passenger rail was a bi-lateral arrangement – FRA grants to Amtrak. Going forward, many different arrangements would be available to develop and operate intercity passenger rail. There will also be an important role for private capital investment as well. The transition has begun with the funding provided in the Recovery Act and in FY 2010. I am confident that Amtrak will continue to play an important and growing role in America's emerging high-speed intercity passenger rail program.

Safety

FRA's backbone mission is safety. Together with the rail industry, FRA has made significant progress in changing what was once one of the most dangerous sectors to one of the safest. An independent study conducted as part of the FY 2009 Annual Enforcement Report states that "the safety program as a whole, including the effects of civil penalties, is highly effective." However, when rail accidents do occur, they carry a high probability of risk to lives and communities. The budget proposes safety funding and programs that build upon existing approaches to prevent accidents and reduce potential injuries.

The most significant element of our new strategies is the risk reduction program (RRP). We are supplementing our existing regulatory and inspection system with a new focus on the precursors of accidents and incidents. FRA's RRP is an FRA-led industry wide initiative which builds strong safety cultures by addressing systemic contributive factors using "upstream" predictive data. This system is most effective with a range of programs such as confidential close call reporting system, peer-to-peer coaching, management development systems and collision hazard analysis currently in place on some commuter railroads.

FRA's Office of Safety and Office of Research and Development have been collaborating on the development of new metrics, such as the Track Quality Index, that address trends in safety-sensitive infrastructure and equipment and identifies those precursors needing monitoring. Those offices are also developing technologies such as the autonomous track geometry system, the joint bar inspection system, and guided wave rail flaw detection that will permit FRA and the rail industry to more closely monitor infrastructure and equipment to prevent accidents before they occur.

Moving Forward

The new strategies that FRA is pursuing require not just more resources but different skills and abilities to build upon our traditional safety program. Our staffing request focuses on additional safety and safety-related research and development personnel. Specifically, it includes an increase of 83 FTEs including 24 for the high-speed rail program. The proposal also gives FRA the authority to use program funds for FRA's costs related project implementation and oversight. Ultimately, FRA's assistance programs will closely mirror familiar Federal Highway and Federal Transit Administration programs. These resources are essential for FRA to continue successful implementation of our new mission.

Despite the challenges FRA has faced, I am proud of the job FRA has done. GAO's recent report: *Intercity Passenger Rail: Recording Clearer Reasons for Award Decisions Would Improve Otherwise Good Grantmaking Practices* praised FRA's merit-based practices in identifying projects and awarding grants and particularly called FRA a top agency for communicating critical information on the competitive high-speed intercity passenger rail program. Conversely, GAO's suggestions for improvement will be incorporated into the grant making process. Coming from an independent source such as GAO, I still see this as validation of the efforts of a small agency that just five years ago had only \$30 million in discretionary grants.

Where We're Headed: Winning the Future

The President's FY 2012 budget and bold vision to invest in high-speed rail is important not only for folks hoping for another option, but for our children and their children who will need one. One of the projects funded by the Recovery Act is the replacement of a nearly 100 year-old bridge over the Pattagansett River near East Lyme, Connecticut. It has been a vital link for Amtrak and travelers through seven wars, 19 Presidents, and numerous cycles of our economy. That bridge was an investment by our great grandparents' generation and helped America develop the greatest economy and transportation system in the world.

The challenge today is for us to recognize – as our forefathers did – that even in uncertain times, we must invest in our infrastructure to ensure we meet the transportation needs of the future. A long-term commitment to developing high-speed intercity passenger rail will pay significant dividends for our children and grand-children. We must be willing to make this investment to win the Future.