TRANSPORTATION AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2011

THURSDAY, APRIL 29, 2010

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Patty Murray (chairman) presiding.

Present: Senators Murray, Dorgan, Lautenberg, and Bond.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF HON. JOSEPH C. SZABO, ADMINISTRATOR

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Good morning. The subcommittee will come to order.

This morning, we are going to be holding a hearing on the President's budget request for the Federal Railroad Administration (FRA) and the budget request of the National Passenger Railroad Corporation, Amtrak.

We're going to be hearing testimony from two panels this morning. The first panel will include the Administrator of the Federal Railroad Administration, Mr. Joseph Szabo. The second panel will consist of three witnesses: Amtrak's President and CEO, Mr. Joe Boardman; Amtrak's inspector general (IG), Ted Alves; and the deputy inspector general for the Department of Transportation, Ms. Ann Calvaresi-Barr.

I want to welcome all of our witnesses at this time and thank you for being here this morning. I look forward to hearing all of your testimony.

Efficient rail transportation in America ties our community together. It creates jobs and boosts the economy and reduces the prices of goods being shipped. And it helps commuters around the country get to work. That's why I'm so glad this administration has expressed a level of interest in rail transportation we haven't seen in a long time. They understand the important role railroads play in our transportation system.

This subcommittee has seen too many budget requests from previous administrations that would have guaranteed the bankruptcy of Amtrak, which would have been devastating to commuters and communities across the country.

I know families in my home State of Washington deeply value our Amtrak service. The Cascade line has set a new record for ridership this year. And I've personally heard from a lot of people who depend on it.

I know that communities around the country value their rail service, as well. That's why I'm so glad that this year the administration's request for grants to Amtrak would support the railroad, although it does not meet all the needs identified by Amtrak itself.

In addition, the administration is again requesting $1 billion for grants to support intercity and high-speed rail. This funding builds on the $10.5 billion provided for these purposes through the fiscal year 2010 appropriations act and the American Recovery and Reinvestment Act, including $590 million to improve high-speed rail in Washington State.

And finally, rail transportation is being included with roads and mass transit in discussions about the Nation's larger network of surface transportation.

In the Recovery Act, we were able to provide States with the flexibility to invest their formula grants in freight and passenger rail. Rail transportation has also played an important part in the Department's Transportation Investment Generating Economic Recovery [TIGER] grant program that I fought to include.

But, we still need to recognize that all of this work, as well as recent proposals for additional funding, are happening at a time when financial constraints are increasing and likely to become even greater. As families across the country look for ways to tighten their belts, leaders here in Washington, DC need to redouble our efforts to get Federal spending under control and reduce our debts and deficit. That's why the budget President Obama sent to Congress freezes domestic discretionary spending, and the budget resolution recently passed in the Senate Budget Committee goes a step further by reducing the spending by an additional $4 billion.

We owe it to future generations to not burden them with debt. But, we also owe it to them to continue making the investments we know will strengthen our economy and make our country more competitive in the long term. That's why I'm looking carefully for areas to cut spending. But, I also know that lower spending levels will make it more difficult for Congress, and for this subcommittee, in particular, to find ways to pay for important infrastructure programs.

I know many people think the answer to this problem lies in funding—finding a source of funding outside of the annual appropriations process. The Highway Program and the Highway Trust Fund offer an easy example of a dedicated, and what has historically been a stable source of funding for transportation infrastructure. But, we should all understand that the financial constraints are just as real outside of the appropriations process. The Highway Trust Fund has been threatened with insolvency for more than 2 years, and we still have not seen any realistic proposals to stabilize the Trust Fund throughout the next authorization period.

This subcommittee has turned to appropriating funds directly from the general fund in order to provide additional investments in our Nation's roads and transportation infrastructure during the current fiscal year.

So, there is no silver bullet and there's no way to avoid making difficult decisions in setting priorities. And while I believe that the administration's budget request would make important investments in rail transportation, there are still significant concerns that this subcommittee will have to consider for fiscal year 2011.

The administration has failed to request any funding for positive train control, an important new technology for preventing rail collisions and derailments. And the administration's budget request for grants to Amtrak does not address the railroad's need to modernize its aging fleet.

During this hearing, we will have the opportunity to look at those important issues. In addition, we'll be able to get additional details on the administration's effort to improve rail safety, and specifically its progress in implementing a risk-based safety program.

However, one of the biggest questions is how well the new leadership at the Federal Railroad Administration and at Amtrak can manage our investments in rail transportation over the long term. In the very beginning of the Obama administration, the FRA was tasked with awarding $8 billion in grants for intercity and high-speed rail. The program was brand new and, as part of the Recovery Act, it needed to be set up immediately.

Adding to these challenges, the FRA had never before administered such a significant grant program. Recent rail legislation has also added significantly to the agency's workload. FRA needs to manage its new responsibilities and build a workforce that has the skills necessary to successfully complete all of that work.

Amtrak also has new leadership, and there's a new level of cooperation between its board and management team. They've worked aggressively to complete a new strategic plan, build the system for prioritizing capital needs, and develop a plan for modernizing its fleet. But, the real test of Amtrak's new leadership team will be as the railroad implements its new plans.

This subcommittee needs to see that the leadership at the FRA and at Amtrak administer their programs and manage their funding effectively and responsibly. Both organizations face significant challenges in the years ahead, but we cannot afford to waste taxpayer dollars or squander this unique opportunity to make our railroads work better for commuters, businesses, and communities across the country.

With that, I will turn it over to my ranking member, Senator Bond.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Madam Chair.

And I join you in welcoming all of our witnesses today.

And I thank you for outlining the tremendous budget squeeze we're going to be facing this year. And it is going to take a great deal of work to deal with the challenges we have and the limits on—which are placed on us.

And as the Chair said, making an already bad situation worse, the Congressional Budget Office projects that the national debt will balloon to 90 percent of the economy by 2020. If interest payments on the debt remain at this same interest-rate level, we'll have to pay $800 billion. Nobody who knows anything about finance thinks we won't have a significant increase in interest rates when our debt gets that high.

In other words, we're drowning in debt. And the situation is going to get worse. The decisions we make on the budget and appropriations will be critical to the future economic health of our Nation. And we have to find the right balance, spending to fund critical national priorities.

And, Madam Chair, as you've—as you have already described, our general revenue programs compete against one another. It's transportation versus housing. Both programs have strong proponents, as well as very compelling needs. And they seek to maximize funding for their priorities. High-speed rail, Amtrak capital assistance, and fleet are all in direct competition for funding with other transportation priorities, as well as critical housing and community development programs for the poor.

HUD is also in this same pool—is seeking significant funding for the coming year: $250 million for Choice Neighborhoods, $350 million for transforming rental assistance. In addition, these programs, in total, are likely to cost several billion dollars more in each subsequent fiscal year.

At the same time, HUD is proposing the elimination of dedicated funding for housing programs that help the elderly and disabled. These are very important programs. There is great need, and obviously there's great support in Congress for them. How we balance those funding needs, both old and new programs in HUD, are difficult, under whatever allocation we receive for the year, let alone in competition with substantial old and new transportation funding requests, and especially rail, which are likely to require not just significant, but huge increases in the subsequent fiscal years.

Personally, I grew up as a railroad fan. I always loved trains. First time I got a chance to ride on a train, I loved it. I rode on a train. When I got to be Governor, I started State funding for Amtrak. And there was nothing greater than taking my very young son from Jefferson City to Kansas City, or to the State fair at Sedalia. So, I come here as a rail fan.

But, at the same time, if we increase funds for transportation projects like Amtrak, when we have these other needs, we are, in a very real way, in danger of railroading the poor, using limited general revenues to pay for rail, rather than housing programs. And housing programs are not optional. We have people who depend on housing. And we can't walk away from them.

I think it's important, first, to take a look at the unprecedented amount of money rail projects have already received. No one can deny that there's a lot of money going to fund the rail these days, following the passage of the American Recovery and Reinvestment Act of 2009 [ARRA]. In fact, the biggest winner within the Department of Transportation, government-wide, has been the FRA. They are trying to manage grants, beyond their wildest dreams, when the Passenger Rail and Investment Improvement Act of 2008 was signed into law. Who would have anticipated the rail would be the beneficiary of so much general revenue paid for by the American taxpayer? These are not dedicated funds, as the chair has pointed out, paid for by users of passenger rail or freight. These are general funds paid by all our taxpayers.

Amtrak received a record $1.3 billion in 2009 for capital grants, while high-speed rail received $8 billion, with an additional $2.5 billion in 2010. FRA had some experience in managing Amtrak grants, but a whole new $10.5 billion program on top of Amtrak and all of the safety programs they are responsible for overseeing has to be a work in progress for any modal administration.

With this sudden new influx of billions of taxpayers' dollars, I want to ensure American taxpayers that not only are they getting what they are paying for, but also know what they're paying for. With billions more taxpayer dollars poured into Amtrak, which has—let's be honest—has had management problems in the past, I want to ensure that these dollars are not victims of waste, fraud, and abuse.

To ensure that taxpayers get the oversight and transparency they deserve, I've asked the Government Accountability Office to review the first $8 billion awarded for high-speed rail grants. I believe the American taxpayers need to know how the administration chooses the projects to fund with their money. That includes how projects are reviewed, ranked, and scored within the Department.

Taxpayers also deserve to know how the Department applied its criteria for selection and the process used in evaluating awardees. They need to know how the score is given to each of these projects selected, and those which were rejected for funding in the first round. It's critical for our subcommittee to understand the nature of the projects funded and to what extent they represent a departure from, or a continuation of, existing rail service and networks, and how they will fit in to the National Rail Plan due to the subcommittee on September 15 of this year.

What's the future of rail in America? What does the unprecedented amount of new funding mean? This, to me, is a very important question. The American public and the private sector are unclear on if the recent funding for rail in America is just a blip or if rail is here to stay. Are we looking to fund beyond the $1 billion proposed, per year, by the administration, for high-speed rail? Are we supportive of Amtrak's new fleet proposal, which, over the period of 2040, will cost approximately $23 billion, in 2009 dollars? When taxpayer dollars are already scarce, where's the money coming from? Will it come at the expense of critical programs under HUD or the fund—the funding needs of traditional transportation programs, like highways, roads, and bridges?

Last year, $1 billion in the budget for high-speed rail turned into $2.5 billion when we went to conference with the House. This was due, in part, to artificially inflated budgets for transportation without any details or plans for a National Infrastructure Bank. When the National Infrastructure Bank failed to get—garner needed congressional support, we had general fund money on the table that, in my view, should have gone to critical programs to help struggling families or deficit reductions, rather than the rail industry.

If Congress goes even further to fund high-speed rail this year, we're definitely railroading the poor to pay for passenger rail. Especially true this year, when there's not a unified National Rail Plan that includes passenger rail, high-speed rail, Amtrak, State rail plans, freight rail, and a cost-to-complete estimate.

Right now, when it comes to rail, no one has a complete picture—we're looking—of what we're looking to build; a map of the plan; how we're going to pay for it, or how much it will cost us.

Under last year's appropriations bill, we're supposed to get the plan on September 15. That plan should contain a map—which corridors have been identified as high-speed rail investment priorities for the administration. We need cost estimates for these corridors, and we should have benchmarks, an idea of how incremental improvements along existing rail networks will benefit the traveling public. And they have to be fully integrated with State rail plans and Amtrak existing lines.

We should know the full cost of the equipment necessary to run the system. Today, to be quite honest, despite our inquiries, we don't know what we're building, how much it will cost, and whether or not rail investment in America is here to stay, without dedicated funds, because the cost seems to be going out the roof.

The proposals, so far, have been just a handout of general revenue, with no funding source attributed to it, when our country, as I have indicated earlier, is going further and further into debt.

The worst part is, under the Recovery Act and grants in 2010, we don't even know what they're building and whether the use of taxpayer dollars for this purpose is an appropriate use of funds, because, as I said, we don't have the plan.

In March, Secretary LaHood testified before us on the budget, and claimed that, quote, "When President Eisenhower signed the Interstate Highway bill nobody knew how we were going to pay for all of it. So, I'm not going to sit here and tell you that I know where all the money's going to come from for high-speed rail".

Well, I was impressed with that statement. It turned out—but, it turns out that statement is simply false. According to research done by Transportation Weekly, the national interstate map predated the Interstate Act—the map predated the act by 10 years. The 1944 Highway Act directed 48 States to designate, jointly, a map for a national system of interstates, up to 40,000 miles. The State—the States designated 37,700 miles. And a map was approved by Congress in August 1947. The map remained pretty much unchanged, although added miles have been designated and constructed, throughout the years.

On the cost of the map, Congress did have an idea of the cost, because Congress asked the Department of Commerce to conduct a comprehensive highway study—a cost study—and submit it by February 1995. And Congress required an updated State-by-State cost estimate of the interstate system every 4 years.

Will your National Rail Plan due to us September 15 include a detailed map, a cost-to-complete estimate? I'm afraid I must assume the answer to those questions is "no."

For that reason, in this year's appropriations bill, I asked that you provide us with a description of the funds necessary for you to complete a true cost—add a true cost-to-complete study map. We have to have that.

In addition, I'd like your input, Mr. Administrator, on how much you believe a study would cost, and how this could be worked into you current plans for completion of the National Rail Plan. Until we have this information, in my view, it would be irresponsible for the subcommittee to give the high-speed rail program any additional funds.

Along with the high-speed rail plan, we have Amtrak, which should be included in the National Rail Plan. And I think you would agree. I think the Department would include Amtrak's capital needs and fleet requirements in the plan.

I'm pleased that, for the first time, Amtrak submitted a 5-year capital budget plan along with its annual appropriations request. However, as soon as we get a comprehensive plan, we find an addendum to the plan, which is a sizable investment of $446 million in the Amtrak fleet. Is Amtrak going to amend this year's capital budget request to include fleet where we can see what priority new fleet plays, versus Amtrak traditional capital requirements and Americans with Disability Act requirements? When we're dealing with general fund appropriations, I think we need the answer to these questions before we provide the resources.

Amtrak sent our subcommittee its addendum to their budget submission on March 22 of this year. It's not been cleared by OMB, and is not part of Amtrak's regular 5-year capital plan. These are additional capital funds Amtrak's seeking for its aging fleet. It's not included in all of the planning and included in the budget on which—with which we have to work.

I'm thankful that—don't get me wrong—they've finally submitted a fleet plan. At least there's a plan and a cost-to-complete estimate, unlike our National Rail Plan and high-speed rail plan. But, once again, there are no funding sources identified other than general funds and loans paid with paid interest by the general fund. In other words, these loans are going to be a burden on future general revenue.

Once again, Amtrak is competing with HUD and, potentially, other forms of transportation and, potentially, railroading the poor, if this subcommittee agrees to pay $446 million in additional capital for a fleet or agrees to incur additional debt service using general funds for loans they may take out on fleet in 2011 and beyond.

All of these resources should be contained in one comprehensive National Rail Plan. If you agree with Amtrak's fleet plan, Congress will agree, over the next 30 years, to pay $23 billion, in 2009 dollars—$46 billion in escalated dollars—or more, to provide replacement fleet to Amtrak's system by 2040. Whichever approach is taken, it will be a very costly endeavor to acquire the fleet replacement at the same time that we're attempting to build high-speed rail and, in the mind of the administration, enhance State service of passenger rail.

What's the priority? We've got to establish some priorities. Rail supporters have to know that there are limits, even in the best of times, to these pie-in-the-sky requests and to those of us who are rail fans, or who used to be, I'd have to say. Given our current deficit, you have to admit, the initial request of $446 million outside of the budget and capital plan is inappropriate. Why is Amtrak asking for replacement of locomotives on the Northeast corridor and single-level long-distance cars?

Now, replacing aging locomotives along the Northeast corridor might be acceptable, because at least they're operating on a much lower cost per mile and per passenger subsidy than other routes for Amtrak. But, long-distance service last year only had 1.7 million riders, with a cost-per-passenger subsidy of $153. Replacement of long-distance cars in Amtrak's fleet, in 2009 dollars, is $4 billion. These are the most costly routes on the current Amtrak system. And Amtrak is proposing to ask for some of these cars first.

Where's the proposed money supposed to come from? Who's going to pay? Will it be the taxpayer paying for rail once again, at the expense of the poor? If Amtrak chooses to go the loan route for the fleet, this subcommittee would have to pay for debt service far into the future. We're really bilking the poor in the future to pay for rail. Long after I have stepped aside, general funds would be needed to pay for out-year budgets for funding decisions that would be made now.

My closing note is that all this doesn't even touch the safety side and unmet funding needs for positive train control by 2015. Last year, our subcommittee provided $50 million in grants for positive train control. The new regulation is estimated to cost upwards of $13 billion to $15 billion for the rail industry alone, and $2 billion for the transit industry, and there's nothing in the budget for the safety program. With a $12-trillion-and-growing Federal budget, we just can't throw Federal funds at projects willy-nilly. We need to answer these tough questions. We need a roadmap for the future. And we need to balance scarce taxpayer dollars.

I apologize, Madam Chair, for the time, but I think the magnitude of the problems—of the prioritizing problems we face deserve some answers.

With that, I look forward to the testimony of the Administrator.

Senator MURRAY. Thank you very much, Senator Bond. I appreciate it.

And, Mr. Szabo, we will turn to you for your opening statement.

STATEMENT OF HON. JOSEPH C. SZABO

Mr. SZABO. Very good. Thank you, Madam Chair, Ranking Member Bond, and members of the subcommittee.

Appreciate the opportunity to appear before you today to discuss FRA's fiscal year 2011 budget request.

Our $2.9 billion request reflects the administration's commitment to keeping the national rail transportation system safe and supports the administration's pledge to provide the traveling public with sound transportation alternatives to flying or driving.

Without question, this is a transformational time at FRA. The impact of the Rail Safety Improvement Act, which requires more than 40 rulemaking studies and reports, the passenger—the passage of the Passenger Rail Improvement and Investment Act and its new initiatives in bringing the States in as partners if the development of passenger rail, and then, of course the American Recovery and Reinvestment Act has just set about an unprecedented time at our agency.

Over the past year, FRA has executed its rail safety regulatory mission while simultaneously implementing an entirely new line of business, the design and management of a multibillion-dollar high-speed rail grant program. And transformation does not come without obstacles, challenges, and lessons learned.

Considering FRA's fiscal year 2011 budget request, I hope the subcommittee recognizes the care that was taken to present a request that supports our key mission—rail safety—while also enhancing our capacity to manage high-speed rail programs.

And I want to emphasize that when we put this budget together, we didn't just take last year's budget and start making adjustments to it; we sat down with a blank sheet of paper and started from scratch, taking a look at all of our new requirements, all of our priorities, and from there, developing a fresh budget.

For fiscal year 2011, we're proposing a strong blend of safety program enhancements and technical budget changes. Currently, all of FRA's administrative and operational expenditures and several safety-related programs are funded under a single account entitled "safety and operations."

In fiscal year 2011, we propose to eliminate this account and break it into two new accounts: Railroad Safety and Federal Railroad Operations. The proposed new account structure is more transparent and will provide greater insight into the cost of FRA's safety-specific program activities and internal administrative operations.

Programmatically, under the new Rail Safety account, a total of $49.5 million is requested to carry out FRA's mission-critical railroad safety functions and activities. A total of $153.8 million and 948 full-time equivalents [FTEs] are requested under the new Federal Railroad Operations account to fund FRA's administrative activities, such as payroll, information technology infrastructure, and other shared costs, and provide the necessary human resources to ensure sound stewardship of our FRA safety programs. This includes 62 new positions that will enable FRA to make measured progress on the responsibilities mandated by the Rail Safety Improvement Act, PRIIA, and the administration's high-speed rail initiative.

Finally, FRA's 2011 budget activities include a rail safety user fee, which is modeled after the FRA-administered fee between 1991 and 1995. FRA estimates that $50 million could be generated for defraying the salaries and benefit costs of up to 330 of our rail safety inspectors across the country.

A total of $40 million is requested to support FRA's Railroad Research and Development Program. Specifically, in fiscal year 2011, FRA will focus added resources on railroad system safety, train control testing and evaluations, and the newly authorized Rail Cooperative Research Program.

Although the foundation for a Federal-State partnership began with the passage of the Passenger Rail Investment and Improvement Act [PRIIA], it was the $8 billion provided in ARRA that has truly advanced the high-speed rail initiative. This year's $1 billion request continues funding to advance passenger rail infrastructure and includes up to $50 million for program administration and oversight activities, $50 million for planning grants, and $30 million for high-speed rail research and development.

FRA and Amtrak have shared a strong partnership for decades. The fiscal year 2011 budget request for Amtrak, which totals

$1.637 billion, is a reflection of this administration's continuing support of this relationship. Within the overall request, $563 million is requested for Amtrak operations and to support their ongoing efforts to reshape the company by undertaking meaningful reforms.

A total of $1.052 billion is requested for Amtrak's capital needs and debt service. And this includes $281 million to finance Amtrak's ADA requirements.

Finally, $22 million is requested for a direct grant to the Amtrak Office of Inspector General.

PREPARED STATEMENT

The past 18 months have just been filled with exciting but challenges at FRA. But, it's been a great challenge. And it's—even though it's been a challenge, it's been fun. And we're continuing to enhance the safety of our Nation's freight and passenger rail systems, while also driving forward this vision of investment in high-speed passenger rail.

So, with that, I look forward to the subcommittee's questions.

[The statement follows:]

PREPARED STATEMENT OF HON. JOSEPH C. SZABO

Chairwoman Murray, Ranking Member Bond, and members of the subcommittee: Thank you for the opportunity to appear before you today to discuss the Federal Railroad Administration's (FRA) fiscal year 2011 budget request.

This request, which totals $2.9 billion, reflects the administration's commitment toward keeping the Nation's rail transportation systems safe, secure, and efficient. In addition, this request supports the administration's pledge to provide the traveling public with a practical, energy efficient, and environmentally sound alternative to flying or driving, particularly where there is congestion in the air or on the roads, through strategic investments in high-speed rail.

As you know, in April 2009, I was appointed as the FRA Administrator. I arrived to find FRA in the midst of a grand realignment. The entire organization was focused not only on the effective implementation of the Rail Safety Improvement Act (RSIA) and the Passenger Rail Improvement and Investment Act (PRIIA) that were enacted in October 2008, but on the requirements of the American Reinvestment and Recovery Act (ARRA), which was passed in February 2009. The impact of these mandates on FRA has been significant. RSIA and PRIIA mandated new and expanded safety mission responsibilities and programs, while ARRA appropriated an unprecedented $9.3 billion in resources for intercity passenger rail programs.

Over the past year, FRA has executed its rail safety regulatory mission, while simultaneously implementing an entirely new line of business—the design and management of a multibillion-dollar, discretionary high-speed rail grant program. As expected, this transformation has not come without obstacles, challenges, and lessons learned. However, the support this subcommittee has given to FRA has enabled our agency to acquire the staff and resources to fortify our continued success. In fact, we are making good progress in building our workforce. We have hired and/or made offers to nearly one-half of the 20 new positions that were funded in fiscal year 2010 and have active recruitments for the remaining positions. I expect within a few months, FRA will have the majority of the new staff in place.

In considering FRA's fiscal year 2011 budget request, I hope the subcommittee recognizes the great care that was taken to present a request that fully supports the heart of our mission—rail safety—while continuing to enhance our capacity to manage the comprehensive management and oversight requirements of the high-speed rail grant program.

RAILROAD SAFETY

For fiscal year 2011, we are proposing a strong blend of safety program enhancements and technical budget changes.

Currently, all of FRA's administrative and operational expenditures (i.e., salaries, benefits, GSA rent, Working Capital Fund contributions, etc.) and several safety-related programs (Automated Track Inspection Program (ATIP) and Railroad Safety Information System (RSIS)) are funded under a single account titled "Safety and Operations." In fiscal year 2011, the major technical change proposed is the elimination of the overarching Safety and Operations account and the establishment of two new, more targeted accounts: (1) Railroad Safety; and (2) Federal Railroad Operations. The proposed new account structure is more transparent and provides insight into the cost of FRA's safety-specific program activities, as well as FRA's internal administrative operations. The new structure will allow FRA to be more precise in its reporting and accountability and directly supports the administration's transparency initiatives.

Programmatically, under the new Railroad Safety account, a total of $49.5 million is requested to carry out FRA's mission-critical railroad safety functions and activities. This new account captures the costs associated with FRA's major rail safety program activities, which were previously funded under Safety and Operations. Activities proposed to be funded under the new Railroad Safety account include: Automated Track Inspection Program (ATIP), the Risk Reduction Program (RRP), and FRA's safety inspector-related travel.

FRA MANAGEMENT AND ADMINISTRATION

A total of $153.8 million and 948 full-time equivalents (FTE)/979 positions are requested under the new Federal Railroad Operations account to fund: (1) FRA's administrative activities such as, payroll, information technology infrastructure, and other shared costs; and (2) provide the necessary human resources needed to accomplish a myriad of priorities and to ensure the sound stewardship of FRA rail safety compliance, research and development, and financial assistance programs.

Included in this request are 62 new positions that will enable FRA to continue to make measured progress on accomplishing the responsibilities mandated by RSIA, PRIIA, and the administration's high-speed rail initiative. These new positions minimize FRA's operational risk and will allow the agency to hire additional staff with the specialized skills and experience (e.g., civil and mechanical engineers, environmental specialists, and financial analysts) necessary to fully support FRA expanding programs and mission-essential activities.

Finally, FRA's fiscal year 2011 budget includes a rail safety user fee. The rationale for this fee is consistent with that of other DOT Modal Administrations that have a fee structure to help finance, in whole or in part, costs associated with safety mission programs and activities. This user fee is modeled after a rail safety user fee FRA administered between 1991 and 1995. As proposed, in fiscal year 2011, FRA estimates $50 million in collections could be generated for use in defraying the salary and benefit costs of up to 330 rail safety inspectors across the country.

RAIL RESEARCH AND DEVELOPMENT

A total of $40 million is requested to support FRA's railroad research and development program and agenda. Specifically in fiscal year 2011, FRA will focus added resources in the areas of railroad systems safety, train control testing and evaluations, and the newly authorized "Rail Cooperative Research Program." This new initiative will enable FRA to efficiently gather input from stakeholders to identify and validate rail research priorities and accelerate the real-world impact of FRA's research and development program by strengthening the academic and industrial railroad technical communities.

HIGH-SPEED RAIL

In less than 2 years, we have witnessed the notion of intercity transportation change across the county. Although the foundation for a Federal-State partnership to focus on the development of high-speed rail began with the passage of PRIIA, it was the $8 billion provided in the ARRA that has truly advanced this initiative. Delivering on the administration's vision and realizing the benefits of high-speed rail requires a long-term commitment at both the Federal and State levels. For this reason, last year, the administration proposed a multiyear initiative to invest $5 billion over the next 5 years to leverage resources at the State and local levels, as well as in the private sector. This initiative will fund strategic investments that yield tangible benefits to intercity rail infrastructure, equipment, performance, and intermodal connections over the next several years, while building capacity for future corridor development. This particular program is also expected to have a positive impact on the Nation's rail-related manufacturing sector, which has declined over the past two to three decades. As the major corridor projects are awarded, the steel and rolling stock necessary to build and operate the infrastructure can be supported by our country's factories and a talented workforce.

The $1 billion requested in the 2011 budget is the second year of the administration's 5-year high-speed rail initiative. These resources will continue support of the administration's vision to provide a sustainable 21st-century rail transportation solution that is energy-efficient, environmentally sound, and leverages State, local, and private sector resources and partnerships. This request continues funding to advance the high-speed rail infrastructure capacity across the Nation and includes up to $50 million for program administration and oversight activities, $50 million for planning grants and activities, and $30 million for high-speed rail research and development activities.

NATIONAL PASSENGER RAIL CORPORATION (AMTRAK)

FRA and Amtrak have shared a strong partnership for decades, and we continue to successfully collaborate on critical issues such as: (1) ensuring rail safety; (2) promoting environmental quality; and (3) addressing national passenger rail transportation priorities and policies. The fiscal year 2011 budget request for Amtrak, which totals $1.637 billion, is a reflection of this administration's continuing support of this partnership.

Within the overall request, $563 million is requested for Amtrak operations and to support Amtrak's ongoing efforts to advance its mandate to reshape the company by undertaking meaningful reforms and controlling spending. This Federal assistance will supplement Amtrak's traditional corporate revenues, which are generated through passenger revenue (ticket, food and beverage sales), State-supported revenues (State contracts related to route performance), and its ancillary business revenue.

A total of $1.052 billion is requested for Amtrak's capital needs and debt service. Included in this funding level is $281 million to finance Amtrak's fiscal year 2011 Americans with Disabilities Act (ADA) requirements. Finally, $22 million is requested for a direct grant to the Amtrak Office of Inspector General.

CONCLUSION

The past 18 months have been filled with exciting challenges for FRA. We have continued to enhance the safety of our citizens and communities that live and use the Nation's freight and passenger rail systems, while designing the policies, programs, and infrastructure necessary to advance the vision and investment of high-speed passenger rail across our country. With this, I am happy to respond to your questions and concerns.

AMTRAK FLEET

Senator MURRAY. Well, thank you very much, Mr. Szabo, for your testimony.

Let me start by mentioning that, last February, Amtrak published its plan for replacing its aging fleet of locomotives and rail cars. And as part of that plan, they requested $446 million to fund the fleet plan in fiscal year 2011. Can you explain to the subcommittee why the Department's request had no additional funding for replacing Amtrak's fleet?

Mr. SZABO. Well, I think, as you know, that anytime you're putting a budget together, there are a lot of very, very hard and very difficult choices that have to be made. But, clearly, we think that that fleet plan is a—you know, it's an excellent plan. And it's a good vision. It has the opportunity to invigorate domestic manufacturing. And we're sitting down with Amtrak and trying to discuss some financing alternatives.

Senator MURRAY. Well, they have structured their fleet plan so that it could support a domestic industry for manufacturing rail equipment by spreading the orders over a 30-year period. Their demand for rail equipment may be large enough and reliable enough to actually support a domestic industry. Right now, we don't have any domestic manufacturers of rail equipment, but that could help revitalize a very important sector of American manufacturing, and support the kinds of jobs we all want to see to get our economy back on track.

But, for this plan to work, manufacturers have to believe that Amtrak really is going to be a reliable source of funding for its rail orders. I know they're looking at a variety of ways to pay for the fleet plan, and have requested funding from this subcommittee, and understand that it may apply for a loan through the FRA's Railroad Rehabilitation and Improvement Financing (RRIF) program.

Can you share with us what kind of financing you think would help give our domestic manufacturers the kind of assurance they need to be confident that Amtrak will actually be able to purchase rail equipment well into the future?

Mr. SZABO. Yes. Let me say, first, Madam Chair, that I think you're absolutely on the mark, that, in order to reinvigorate domestic manufacturing, there needs to be the belief that this is going to be sustainable.

You know, the Secretary pulled in all of the foreign manufacturers, domestic manufacturers, all rail manufacturers into a summit over at the DOT, back in December. And if we heard one thing, it was, they, you know, clearly articulated the need to ensure that these orders can be smoothed out over a period of time. And so, you're not constantly going through these peaks and valleys, and that, if the orders were truly smoothed out over a period of time, and they believed it was sustainable, that this would be what it would take to truly make the investment, as a businessman, that they would need to make in the plant and equipment, you know, and sink these costs into establishing these types of facilities here in the United States.

As far as the financing solutions—again, we're at the table with Amtrak, and I think it's going to have to take a blend. I'm not sure that there's this one single silver bullet that's going to just solve all the problems for financing the other plan. But, you know, certainly there's the potential for possibly a RRIF loan, commercial lending, direct appropriations. I mean, I think we need to take a look at all of the alternatives and make sure that we come up with a sound financing plan.

Senator MURRAY. Well, this is really important. This subcommittee is a strong supporter of infrastructure spending. That's what we do, and we believe in it. But, we have to have consistent priorities and know that that funding is going to be consistently there, if we want domestic manufacturers to begin to develop that. And if we get a request this year, and we fund it, but we don't know what's going to happen next year, I don't think that is going to be enough for a domestic manufacturer to make a decision to make that kind of investment. Wouldn't you agree?

Mr. SZABO. Yes. I would agree. I mean, again, your remarks directly align with what we heard from the manufacturers back in December. They need to know that there is stability.

Senator MURRAY. So, what I'm saying to you is, we all need to have a concrete plan, not just for an appropriation here or there, but for how we're going to do this, long into the future, if we want to really achieve the goal I think some of us want to achieve.

Mr. SZABO. Yes, I would agree that there needs—again, there needs to be the appropriate mix. We need to find what that appropriate mix is.

POSITIVE TRAIN CONTROL

Senator MURRAY. Okay.

Well, let me turn to another issue, because, under the Rail Safety Improvement Act, railroads are supposed to deploy the positive train controls (PTC) by 2015. Senator Bond mentioned it in his opening statement. We know that's an important safety technology designed to prevent train collisions and derailments. But, this is going to cost billions of dollars. Now, you announced, I think, $50 million in the 2010 appropriations request for Rail Safety Technology grants. I want to know what you hope to accomplish with that funding, and what are some of the additional challenges that need to be resolved so we can deploy the PTC?

Mr. SZABO. Well, what we intend to do with this initial $50 million is, instead of giving grants out to a single railroad or a small combination of railroads, using it for those kind of things that can be broadly shared; those initial costs that, in essence, would benefit the industry as a whole.

And so, I—frankly, that was part of the reason why we didn't make an additional request for 2011. We wanted the opportunity to roll out the initial $50 million in 2010, kind of test the waters with that. And then the opportunity exists for these broader-based funding programs that the DOT—whether it's the TIGER grants, whether it's through the high-speed rail program, or whether it's through the proposed Infrastructure Bank for the—you know, for the funding of positive train control.

Senator MURRAY. Well, as Senator Bond mentioned, we're talking about billions of dollars. Do you have a plan for how to get there?

Mr. SZABO. Well, at this point, those funding requirements belong to the railroads. And, you know, certainly we're looking at those alternatives that might offer some help. But, again, the responsibility, at this point, belongs to those rail carriers that the regulation applies to.

Senator MURRAY. Well, according to FRA's regulations, railroads have to deploy positive train control on any line that carried passengers or certain hazardous materials in 2008. But, for a lot of reasons, these routes shift before the 2015 deadline that's coming at us. In that case, the original rationale for deploying positive train control on those lines may no longer exist. Now, railroads will be given the opportunity, I understand, to apply for an exemption to the PTC requirement along those rail lines. But, can you share with the subcommittee what criteria you will use to determine whether or not to grant an exception?

Mr. SZABO. The key is that it's all about safety. And there has to be a baseline from where you start. And so, we believe that the regulation that we've drafted has a sufficient level of flexibility that we start with where we're at today. But, as those routes change, there's the ability to come in and verify—you know, they—the carriers would need to verify to us the fact that the routes have changed. And it allows for the appropriate level of checks and balances that—as modifications are made, for us to ensure that they're the appropriate modifications and that public safety is maintained.

Senator MURRAY. Okay. Thank you very much.

Senator Bond.

ALTERNATIVE FUNDING SOURCES/GRANTS

Senator BOND. Thank you very much, Mr. Administrator.

I am concerned that you talked about, "We need to find some alternatives. We don't know what they are. We have a request for $446 billion—million out of the—outside of the budget for—OMB's budget—for Amtrak. And yet, we don't know how that's going to be paid for." We don't have our budget allocation. And I can guarantee you that we're going to have to start making some hard choices, because there are a whole lot of wonderful things out there for railroad, but we need some specifics to know what your priorities are.

No. 1, if you have plans for the alternative source of funding, what are they? I mean, don't just tell us "alternatives," because we're appropriating what we have. If you're going to get us more money, how are you going to get us more money?

Mr. SZABO. Well, I'd say we've just recently sat down and started those discussions with Amtrak. So, you know, again, we need to flesh out what those alternatives are and get you——

Senator BOND. Yes.

Mr. SZABO [continuing]. The answers.

Senator BOND. I can't approve any dollars that haven't been flushed out—or fleshed out—whichever way you put it—sorry. On, you know, ARA—ARRA gave Amtrak $1.3 billion, and apparently the inspector general of Amtrak is going to tell us that these programs are, perhaps, not meeting—going to meet the February 17, 2011, timeline. Would you comment on the oversight that FRA provided in making this grant—making these grants to Amtrak?

Mr. SZABO. Well, let me say this. First off, I had a sitdown with the Amtrak inspector general just this week, and we discussed some of his findings in the report. And we welcome that. You know, that's the purpose of the inspector general, is to uncover potential areas of problems, whether the problems exist today or whether it's the potential of developing. And they did identify one that they have a concern with, you know, regarding the extraordinary measures that FRA is requiring——

Senator BOND. Paying double overtime, I understand, on some of——

Mr. SZABO. Yes.

Senator BOND [continuing]. Those projects?

Mr. SZABO. And I think the key is—what they said was, it has the "potential." We're comfortable that, through our discussion with Amtrak and through the oversight that we're providing, that we're going to achieve that appropriate balance between the need to quickly create jobs—because that was the intent of these projects—while also ensuring that there isn't any waste. So——

Senator BOND. But, what did you do in advance? You're talking about the IG looking at the—have you ever turned down—denied a grant to Amtrak?

Mr. SZABO. I don't know, but I can get you that answer.

Senator BOND. What criteria——

Mr. SZABO. I mean, have I, in the past year? I have not. But, we can get an answer of what FRA's history is on that.

Senator BOND. Maybe you can tell us what criteria you used, what judgment you excised in making that money available. If you'd provide that for the record, what criteria do you go through before making those grants to Amtrak, to make sure they were shovel-ready?

Mr. SZABO. Definitely.

5-YEAR CAPITAL PLAN

Senator BOND. And, in your view, should the 5-year capital plan include fleet, other rail assets, and the ADA requirements in one comprehensive fleet plan? Is that part of—is that going to be part for the plan?

Mr. SZABO. Well, let me say this. One of the challenges, historically, in preparing our budget request is that, historically, there has been a mismatched cycle between FRA's budget request and the budget that Amtrak has prepared. And the good news is that, under Joe Boardman's leadership, and D.J. Stadtler, their Chief Financial Officer, that's changing, which means their budget cycle will be more in sync with ours. So, in the future, when FRA makes its budget application to this subcommittee, it'll be based on more sound facts, rather than us trying to estimate what we believe Amtrak might need, and then, their budget being developed a month or two later. And——

Senator BOND. Yes. Well, Mr. Administrator, I suggest that's your problem, not ours. But, when you pass that——

Mr. SZABO. Well, and—like I say——

Senator BOND [continuing]. Off onto to us——

Mr. SZABO [continuing]. And the good news is——

Senator BOND [continuing]. We're up against——

Mr. SZABO [continuing]. It's being addressed.

Senator BOND [continuing]. We're up against the wall now.

Mr. SZABO. Right.

Senator BOND. And should we——

Mr. SZABO. But, it's being addressed.

Senator BOND. Are there things in your budget request that you have submitted that you would like to reduce, to offset, and to cover some of the $446 million fleet request for Amtrak?

Mr. SZABO. We believe that we have a very sound budget request that appropriately——

Senator BOND. Okay.

Mr. SZABO [continuing]. Directs——

Senator BOND. So, we should absolutely ignore the $446 million request for Amtrak.

Mr. SZABO. I don't think you ever ignore any information that——

Senator BOND. Well, unless the——

Mr. SZABO [continuing]. Somebody brings——

Senator BOND [continuing]. Unless——

Mr. SZABO [continuing]. To this subcommittee.

Senator BOND [continuing]. Unless——

Mr. SZABO. Well, sir? No, wait a minute, please, please.

Senator BOND. Yes.

Mr. SZABO. Please allow me to answer.

You know, as I said, when we develop our budget, there's always difficult choices that we have to make. And so, we make some decisions, and we present our vision to you. But, that doesn't mean that you should ever ignore new information or additional information or different information that somebody else brings to you.

Senator BOND. I assure you, Mr. Administrator, we will have to do that. But, what we want to have, going in, is your best assessment. If you think the budget should be amended to take account of the $446 million request from Amtrak, or some part of it, we would ask you to provide that to us, because, at least we would have some grounds to know. We need to look at your budget request as a whole. And I—this coming in over the transom gives us mixed signals on what the administration's priorities are. And based on what you've said, and what we've seen in the past, I would have to say that this subcommittee is being asked by the administration to fund other things, but not—at—to the exclusion of the Amtrak request. So, that's something you're going to have to resolve, is whether you think that some of the requests for locomotives on the Northeast corridor should be included, and other projects that you've requested should be eliminated to make room for them.

And finally, you're telling me that positive train control and all that is totally the freight rail—the $13 billion to $15 billion—is the freight rail's responsibility, and you're not going to recommend money for it.

Mr. SZABO. No, that's not what I said. What I said was, we do have other funding alternatives that are available through these broadbased transportation programs, whether it's the TIGER grant process for passenger rail, potentially through the high-speed rail program, through the proposed Infrastructure Bank, or even through RRIF loans. So, we do have some alternatives. But, again, the responsibility—now, we can give some help—we can give some help—but, the responsibility does remain with those rail carriers.

Senator BOND. Well, I'd be—I hope we will see that in the plan. And I'm sure the rail carriers will want to know how much they're going to be expected to pick up.

Thank you, Madam Chair.

Senator MURRAY. Thank you, Senator Bond.

Senator Lautenberg.

EQUIPMENT REFRESH

Senator LAUTENBERG. Yes. Thanks, Madam Chairman.

One thing, I think, that's generally acknowledged, and that is that Amtrak is critical for our society to function—critical. And, you know, when you see a disaster, like September 11 or Hurricane Katrina, it's Amtrak that is called upon to move Americans out of harm's way.

And in the Northeast corridor, Amtrak operates the only high-speed rail service in the country. And, as a matter of fact, if we didn't have Amtrak running there, be in the Northeast corridor, you'd have to run 243 more flights every day, with the densely congested airspace in our country. You'd also have to add, as an after-thought, 30,000 more cars on highway I–95. Amtrak offers so many positive additions to our well-being.

And included in that is the commitment that all of us have made here, and that is to create jobs in this society. And you're not going to build the rail cars overnight. You're going to—how long does it take, do you think, Mr. Szabo, to—from the time equipment's ordered until the time that it's delivered?

Mr. SZABO. Well, actually, Mr. Boardman could probably give you a more accurate line on that.

Senator LAUTENBERG. Do you——

Mr. SZABO. But, certainly——

Senator LAUTENBERG. You don't know——

Mr. SZABO. I'd say, roughly—Mark, what are we talking about—a year—from order to delivery. Roughly 3 years.

Senator LAUTENBERG. Roughly 3 years. And the fact of the matter is, that as we look at what Amtrak adds—reduces our dependence on foreign oil, reduces the cost of—reduces pollution. It adds so many things and also says, "You can get there on time." Surprise, you can get where you're going on time, if—98 percent of the time—if you take Amtrak.

I took an airplane flight the other day, Madam Chairman. It was a 45-minute flight up to LaGuardia Airport, but it took us an hour and a half to take off. So, that made the 45-minute flight a heck of a lot longer.

Amtrak's fleet of cars is rapidly deteriorating. The average age of an Amtrak passenger car is over 24 years old. And some are more than 60 years old. The fact that I regard that as young has nothing to do with—what we've—with what happens in a railcar. And I ask you, do we—how essential is it, in your judgment, for us to get replacements for the cars that we have on the railroad right now in order for Amtrak to be the functioning railroad we'd like to see? Is it important?

Mr. SZABO. It's important, I would say, from both a safety standpoint, as well as a reliability standpoint.

Senator LAUTENBERG. Is it critical, would you say?

Mr. SZABO. It's getting very close to critical.

Senator LAUTENBERG. You mean it's—we're not yet at criticality?

Mr. SZABO. It's close.

Senator LAUTENBERG. Mr. Szabo, you're too well informed not to be able to say yes to that.

Ride the railroad. I don't—do you ever take the railroad?

Mr. SZABO. Every chance I can get.

Senator LAUTENBERG. How often is that?

Mr. SZABO. I would say at least a couple of times a month. You know, when I——

Senator LAUTENBERG. Well, I——

Mr. SZABO [continuing]. Lived in Chicago, several times a month; now that I'm out here in the District of Columbia——

Senator LAUTENBERG. Yes.

Mr. SZABO [continuing]. A couple of times a month, whether it's to go to——

Senator LAUTENBERG. I do it——

Mr. SZABO [continuing].—New York.

Senator LAUTENBERG. I do it every week. And I can tell you—my handwriting was never my best skill, but when I get off of the Amtrak train, and I try to write some things that I have to take care of, it's barely readable, because it shakes, rattles, and rolls. And it is ridiculous. If we want to make this railroad the thing that America should be proud of, invest like China or Spain or the countries that are far less able to do these things than we. And we're like a third, or even a fourth-rate country, in terms of railroading. It's shameful what happens with us.

So, I agree with my colleagues here when we talk about replacing equipment. We need that $400-plus million for new equipment. And we've got to get those orders out there.

How much cash does it require on the barrelhead in order to get these orders going?

Mr. SZABO. For——

Senator LAUTENBERG. For when you pay a deposit—you know, like if you want to buy a car, you pay a deposit.

Mr. SZABO. It would be roughly $70 million.

Senator LAUTENBERG. Okay. So, that sounds like a start to me, and we ought to work like the devil. And I—I've heard you say that it was—that there's no silver bullets and it's—then these are difficult decisions. All of that, those tales of woe, Mr. Szabo, they're interesting, but they don't get the job done.

And so, when we looked further—I wrote a rail safety law that mandated that railroads install positive train control on certain routes by the end of 2015. And it created a grant program to help railroads meet this safety requirement. However, the President's budget eliminates funding for this critical grant program. What's the administration going to do—I think, Senator Bond, that—to help public and private railroads meet this deadline? Are they going to do anything about it?

Mr. SZABO. Yes. Again, we would have funding available through, potentially, the TIGER Program for the passenger railroads, possibly the high-speed rail program, the proposed Infrastructure Bank, and potentially through RRIF loans. So, we do believe that there are some options out there.

Senator LAUTENBERG. Do you have any idea as to the amount of resource or funding that might be available?

Mr. SZABO. Well, again, that would—it would depend on the amount of TIGER money that is made available. You know, these different pools—it would vary over time.

Senator LAUTENBERG. Everything depends on something else. We know that.

In my State, New Jersey, we have a rail bridge known as the "Portal Bridge." It's over 100 years old, in critical need of being replaced. One of the biggest factors is—in delays on the Northeast corridor—is the Portal Bridge. What's FRA's plan to replace this bridge so that high-speed rail service on the Northeast corridor can be seriously developed?

Mr. SZABO. Well, as I think you're aware, we, through our high-speed rail program, have already allocated $38.5 million, which is also being matched by $16.5 million from the State of New Jersey to fund the final design of the replacement to the bridge. And we'll continue to work with the State DOT to see what alternatives are appropriate.

Senator LAUTENBERG. The—if I might, Madam Chairman, just one last thing.

The last environmental impact statement for the Northeast corridor was completed in 1978, in order for the corridor to receive this kind of high-speed rail investment that it needs, this assessment will need to be updated. Last year, Congress provided $50 million to the Department of Transportation to move forward on this assessment. Do you know what the status of this review is and when it will be complete?

Mr. SZABO. Yes. The Secretary has asked for submissions from the Governors to establish the Northeast Corridor Commission, the study commission. That's been established and we'll be putting together the appropriate plans to bring the corridor to the—you know, to the next step, to the next level. So, we're committed to that.

Senator LAUTENBERG. Madam Chairman, thank you very much.

I assume that we'll have the record open so that we can submit questions for the record.

RAIL SAFETY

Senator MURRAY. Absolutely. Thank you.

Mr. Szabo, funding for high-speed rail has dramatically changed the workload at the FRA. We can't forget that the FRA is a safety organization. You are requesting 26 new positions for rail inspectors and rail safety staff. Can you describe for us your workforce strategy for those new positions?

Mr. SZABO. Roughly one-half of those will be field inspectors, and then the remaining will be at headquarters, being utilized to make this shift away—you know, we have to always maintain a strong inspection program while we also shift to the more creative approaches through our risk reduction programs and the direction that the Congress sent us on, under the Rail Safety Improvement Act. And so, the remaining half would be the bench strength that we need to put together our new rail safety initiatives.

Senator MURRAY. Okay. Well, you've proposed covering part of that with the $50 million in user fees from the industry. That's a lot of money, especially when we're asking them to also do positive train control. Can you explain to us the rational for charging user fees?

Mr. SZABO. Well, it's not unprecedented, when it comes to safety inside the DOT. Not only is it utilized in a couple of other modes at DOT, but there's some history of using it at FRA. As I—as you might be aware, we had such a user fee through the mid-1990s—roughly from, I think, 1990 to 1995. And so, again, there's a basis for doing this. And we believe it's appropriate to try and come up with revenue sources and that, in some way, we try and supplement the cost of the railroad safety program. Again, it's about public safety. It's about ensuring that we have the resources and the inspectors that we need to keep the Nation's railroads safe.

HIGH-SPEED RAIL

Senator MURRAY. Okay. In another arena—before the Recovery Act, States didn't expect the Federal Government to provide a significant amount of money for high-speed rail; and in less than 2 years, the Federal Government has now committed $10.5 billion to intercity and high-speed rail. That is an important long-term investment. We all know it's not realistic to expect high-speed rail corridors to begin operations in the next year. But, can you give us an idea of what timeframe you think will be necessary to see the development of high-speed rail corridors, and the beginning of service?

Mr. SZABO. Well, I think you need to keep in mind that Congress developed this program as a State-driven process. And so, it's the States and the regions that develop their vision for their service, and then they apply to the Federal Government for capital money to construct. And I would say each of those States and regions are in a different maturity level, as far as where they're at with their plans.

You know, in the case of those that got some of the early awards, these are State DOTs that have been investing and planning in rail, through their State programs, for many years. In the case of California, the case of your State, Washington State, in the Midwest, North Carolina—these States have been at this for almost a decade.

You know, true 200-mile-an-hour service like California is going to take a long time to build out. Now, there can be small pieces that can be up and running and carrying passengers much more quickly. But, frankly, it's going to be projects more like the Midwest plan, the Midwest Regional Rail Initiative that can have service at 110-mile-an-hour quickly in the next couple of years, as it continues to build out and develop. And Washington State, too.

Senator MURRAY. Well, you've requested a billion dollars. Can you tell us how much you expect to use for intercity projects and how much for high-speed rail corridors?

Mr. SZABO. Well, under the $2.5 billion that we rolled out this year, we allocated, roughly, about 85 percent of that to high-speed rail and, roughly, about 15 percent more toward the intercity projects. And if you take a look at the percentages on the $8 billion that we put out, you know, roughly—I want to say, roughly, about 45 percent was in that category of true high-speed rail of over 150 miles per hour. Roughly, another 40 percent went to what I would call "emerging high-speed rail," you know, those in that 110- to 125-mile-an-hour category, and then, roughly, about 15 percent into the smaller projects and conventional service. So, that seems to be, you know, a good balance, a good match.

Senator MURRAY. Okay. Well, in order to decide which projects you're going to fund through this program, you're going to have to rely on forecasts of ridership levels and revenues and public benefits, projects costs. And, so far, we haven't seen you develop these strong requirements. And I know the Department's inspector general is starting to investigate best practices. Can you tell us what you're doing to make sure that the grant awards are based on sound forecasts of projects based on costs and benefits?

Mr. SZABO. Yes. I mean, clearly, it has been, from day one, a merit-driven process. And we do make these types of analyses. But, again, there has to be an acknowledgment that this is a brand new program. You know, it's in its infancy. In less than a year's time, we've just——

Senator MURRAY. Well, are you——

Mr. SZABO [continuing]. Given birth to the program.

Senator MURRAY [continuing]. Developing those?

Mr. SZABO. Precisely.

Senator MURRAY. And when will we——

Mr. SZABO. Precisely. And that's kind of why I go back to its—a lot of it is about the lessons learned. You know, when it comes to ridership forecasts——

Senator MURRAY. Well, will we see this in writing?

Mr. SZABO. Well, I think ultimately, we will be developing rules. But, again, we're just going through——

Senator MURRAY. Do you have a timeframe for that?

Mr. SZABO [continuing]. Utilizing the grant guidance. We really need to get this first round under our belt, you know, and experience the—you know, the—we have to execute the first round before we can start taking a look at those tweaks that need to be made in future rounds.

AMERICANS WITH DISABILITIES ACT

Senator MURRAY. Okay. Well, I have one more question. Under the Americans with Disabilities Act (ADA), all Amtrak stations are supposed to be accessible by July 26 this year. Amtrak has already admitted that it will not be able to meet that deadline, and started a 5-year effort to invest in station improvements and come into compliance. Do you believe that, over the years, Amtrak did everything it could have done to comply with ADA?

Mr. SZABO. Well, I think, as this subcommittee is probably aware, historically, no administration has ever made an ADA request on behalf——

Senator MURRAY. Right.

Mr. SZABO [continuing]. Of Amtrak. And so, I mean, it really put them behind the eight ball. You know, and that is one of the reasons why we came forward this year and have, in fact, made the $281 million request to start funding those legitimate needs.

Senator MURRAY. Okay, all right. Thank you.

Senator Bond.

Senator BOND. Thank you, Madam Chair.

I would just note one thing. As a former Governor, I can tell you that looking to the States to make massive investments in high-speed rail is not going to happen anytime soon, until the States get out of the holes they're in. And California, you've mentioned, probably is in—somewhere up there between Greece and Spain in having budget problems.

But, Madam Chair, I'm going to submit questions in writing for the record, and I need to have a lot more specifics—firm priorities, amounts—not just, "We're going to work on a plan," but a plan, criteria, priorities—before I can support any of these requests. I need to know how they fit in our overall budget.

So, thank you for your testimony, Mr. Administrator. And we have other witnesses. And we'll be communicating with you.

Thank you.

Senator MURRAY. Thank you very much, Senator Bond.

Mr. Szabo, that would—will conclude our questions at this time. There will be questions from the subcommittee that we will need responses from you in writing.

Thank you very much for your testimony today.

And with that, I'd like the second panel to come forward.

Mr. SZABO. Thank you.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

STATEMENT OF HON. JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Senator MURRAY. All right. I'd like to welcome our second panel today.

And, Mr. Boardman, we'll begin with you.

You want to turn your microphone on, please.

Mr. BOARDMAN. Okay. Thank you, Madam Chair.

And I appreciate the opportunity to speak with you today.

Before I begin the discussion about Amtrak's funding needs, I'd like to share with the subcommittee some good news that was announced on April 8. Amtrak is on pace to break its annual ridership record, carrying a best-ever 13.6 million passengers during the first 6 months of fiscal year 2010. And with the historically busier summer travel season ahead, comparing March 2010 to 2009, ridership increased by 13½ percent to a record 2.4 million passengers for the month. In addition, every single Amtrak route carried more passengers, with several experiencing double-digit growth.

Furthermore, one of the, I think, important things to see today is that we've had other wins. A win with Moody's—Moody's has upgraded the rating for Amtrak from an A2 to an A1 just this last month. There have been no material weaknesses found in our audits. This is the first time since 2004 that that's occurred. And ridership on long-distance trains increased by 16 percent in March, and is up 5.2 percent for the first two quarters of 2010.

In every one of the services, whether the Missouri River Runner, where Senator Bond is, it's up by 24.2 percent for March, to—and 15.8 percent for the first half of Amtrak year. Cascade's increased by 11.4 percent. And March saw a 16.7 percent increase for the first 6 months of the fiscal year.

These numbers reinforce what so many of us know about passenger rail; if you provide a safe, reliable, user-friendly system, the traveling public will use it.

What I'd like to do, though, is spend time talking about what I think is the most important piece of what we're asking for. And I know, in the last hearing, there were several questions on it. And it's the "Amtrak Equipment Plan and Needs," which is by your table right now.

And just as an introduction, the fleet truly is the key for customer perception and willingness to use our system. The operating reliability is particularly important. And the cost of maintaining a fleet is critical for us for the future.

The railroad belongs to you. It belongs to the United States. It belongs to the administration and the Congress, and it has for the last 40 years. We cover 80 percent of our operating costs from revenue. We are the most efficient railroad in the United States. We cover none of our capital costs. Just like highways, capital support comes from the Federal Government. And the payment on debt comes from the Federal Government. And that will continue to be that way for as long as you, the owners of this railroad, decide to operate a railroad.

Amtrak has suffered insufficient Federal capital investment over the full 40 years that it's been here. ADA has been around for 20 years, and every administration has failed, and every Congress has failed, to deliver what it passed as a law to fund the ADA requirements for Amtrak. And that is not the case with highway. It is not the case in the rest of the modes. These modes are not pitted against the poor. These modes are pitted against highways and aviation and rail. Nowhere is that more evident in the railcar fleet and locomotive fleet.

AMTRAK'S AGING FLEET

The fleet needs to be recapitalized. The average age of the fleet was already said to be 25 years old—or "more than 24" are, I think, the words that were used. Domestic production is needed both for employment and to secure a Nation as we enter a much higher cost of energy for the future. We need railroads and passenger railroads.

In the first table, just to identify for you the planned car locomotive procurement, you can see as red and yellow lines. The yellow lines are the cars, and the red lines are the locomotives. And the two high marks on the yellow lines are when you replace train sets, like the Acela services, and that's why they're higher.

In the second table, what you see is the average annual miles, in thousands, that the cars operate for Amtrak. And on the far right of this table, what you find is that all of the Amtrak cars are operating, in some cases, 180,000 miles a year, in comparison to all the transit operators, which are on this side of the table, Tri-Rail being the most, at 66,000 miles a year. And the utilization, then, for Amtrak—all of these Amtrak cars—is much higher than any other operation in the United States, period. And they're all older.

If you look at the third page, you find the same kind of information for the average annual mile—locomotive mileage. And what you see is, the closest competitor—and they aren't a competitor, they're a host—is BNSF, which has an 83,000 mile annual locomotive use, where Amtrak is 160,000 mile—almost double what the mileage is by our private railroads.

But, I think perhaps the most compelling slide in the deck that you have in front of you is the last one, because it's a snapshot of the present. It is the locomotives that we're talking about replacing, which is the electric locomotive on the Northeast corridor. It's the AEM–7—from the 1980s category in utilization you saw a couple of minutes ago. It's the Heritage baggage car that was built in the 1950s. It is the Viewliner sleeper cars, which are the newest ones on this fleet. The Heritage diner, which is the same age I am. I was born in 1948, and this diner was born in 1948.

PREPARED STATEMENT

And it's one of the things that keep our speed down on the Northeast corridor. You can only operate 177 kilometers per hour;

that's 110 miles an hour. And when we replace these, we'll be able to immediately go to 200 kilometers per hour, or 125 miles an hour, by replacing these older cars, which then reduces the time it takes to travel on the Northeast corridor. And then the Amfleet coaches and the lounge cars, from 1981 to 1983. This is the Florida-bound Silver Star, at Seabrook, Maryland, and I think it really demonstrates what we need for fleet for the future.

Thank you for the opportunity to speak.

[The statement follows:]

STATEMENT OF HON. JOSEPH H. BOARDMAN

Good morning, Madam Chair, Ranking Member Bond, and members of the subcommittee. Today is my first time appearing before this subcommittee as President of Amtrak, and I thank you for the opportunity to testify on Amtrak's fiscal year 2011 operating and capital needs. I took this position in November 2008; prior to that I was the Federal Railroad Administrator.

Before I begin the discussion about Amtrak's fiscal year 2011 funding needs, I would like to share with the subcommittee some very good news that was announced April 8. Amtrak has posted the best first half in its history, carrying 13.6 million passengers during the first 6 months of fiscal year 2010. Comparing March 2010 to March 2009, ridership increased by 13.5 percent to a record 2.47 million passengers for the month. In addition, every single Amtrak route carried more passengers, with several experiencing double-digit growth.

Ridership on long-distance trains increased by 16 percent in March and is up 5.2 percent for the first two quarters of fiscal year 2010. In the Chicago hub, ridership on the *Lincoln Service* (Chicago to St. Louis) showed significant growth with an 18 percent jump in March and 11.6 percent for the 6 month period. The *Hiawatha Service* (Chicago—Milwaukee) continues to grow with a 14.3 percent increase in March over the previous year and a 4.8 percent increase for the fiscal year to date. Elsewhere in the Midwest, the *Missouri River Runner* (Kansas City—St. Louis) is up 24.2 percent for March and 15.8 percent for the first half of the Amtrak fiscal year, while the *Blue Water* (Chicago—Port Huron) increased by 21.7 percent in March and 5.2 percent for fiscal year to date. In the West, Amtrak *Cascades* (Eugene, Oregon—Vancouver, B.C.) increased by 11.4 percent in March and saw a 16.7 percent increase for the first 6 months of the fiscal year.

These numbers reinforce what so many of us know about passenger rail. If you provide a safe, reliable, and user-friendly system, the traveling public will use it. I want to personally thank Chairwoman Murray and this subcommittee for the funding that has helped make this growth possible and helped prove our belief in this system and mode to be well founded. Between the funding provided by this subcommittee to Amtrak and the Federal Railroad Administration's (FRA) High Speed and Intercity Passenger Rail Grant Program through the fiscal year 2010 appropriations bill and the Recovery Act, you have truly ushered in a new era of intercity passenger rail development in the United States.

With the funding you have provided Amtrak, we have rededicated ourselves to our mission of developing the Nation's intercity passenger and high speed passenger rail system, aiming to grow the quality, utility, and breadth of our network. We are also working intensely on this year's capital investment program, split-funded with $420 million in General Capital Funds and $590 million in Recovery Act funds. Equally important, we are also working with our State partners and the FRA to implement the first round of grants awarded under the High Speed and Intercity Passenger Rail grant program and are in the midst of collaborating with State for second-round applications due this spring and summer. Together with the Northeast Corridor States, we have also just completed the first phase of our 3 year Northeast Corridor Master Planning Process, and will be transmitting the final version of the Master Plan document to Congress and the administration in mid-May. Supplementing this effort, we have also just begun an initial phase of our Northeast Corridor Next Generation High Speed Rail Study, led by our new High Speed Rail department, to look at the feasibility of a new dedicated high speed system in the NEC to serve as successor to the Acela service, with greatly reduced trip times, increased frequencies, and top speeds of 200 mph or more for our high speed express trains.

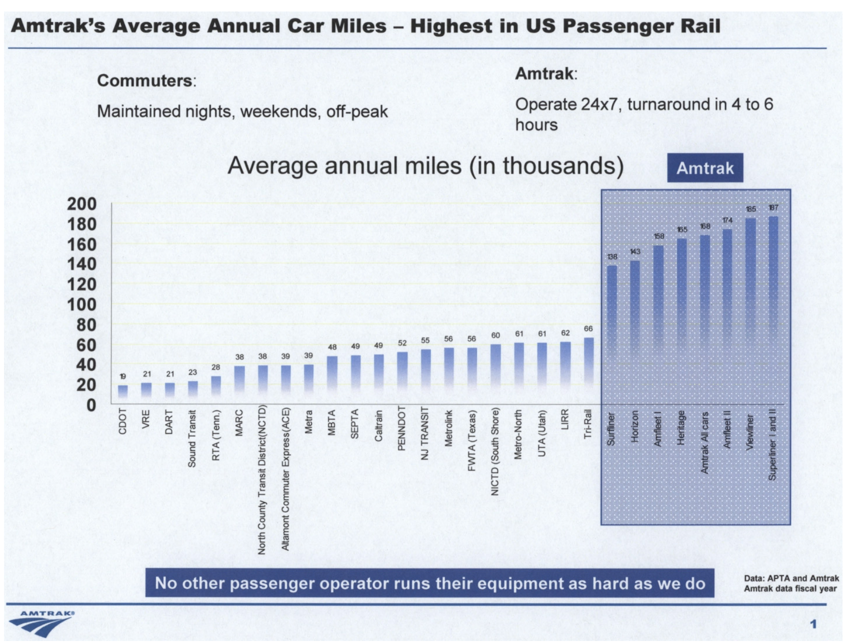
Central to all of these endeavors to strengthen or grow the Amtrak system is our need to replace our aging and hard-run fleet with modern equipment. Per Congress's instructions, we completed our first comprehensive fleet strategy for the entire system and provided it to the subcommittee on February 1. I testified before the House Appropriations Committee last month to explain the urgency of our financial needs, particularly our need to replace aging rolling stock, and I want to repeat and, if possible, amplify this appeal. New equipment is an urgent need. We must begin replacement of our aging cars and locomotives next year, and the arrangement of financing for these acquisitions is a priority. If we continue to delay, we risk a significant worsening of the mechanical problems and failures that degrade our service quality and increase the already considerable maintenance expenses associated with the maintenance and repair of a fleet far past its prime.

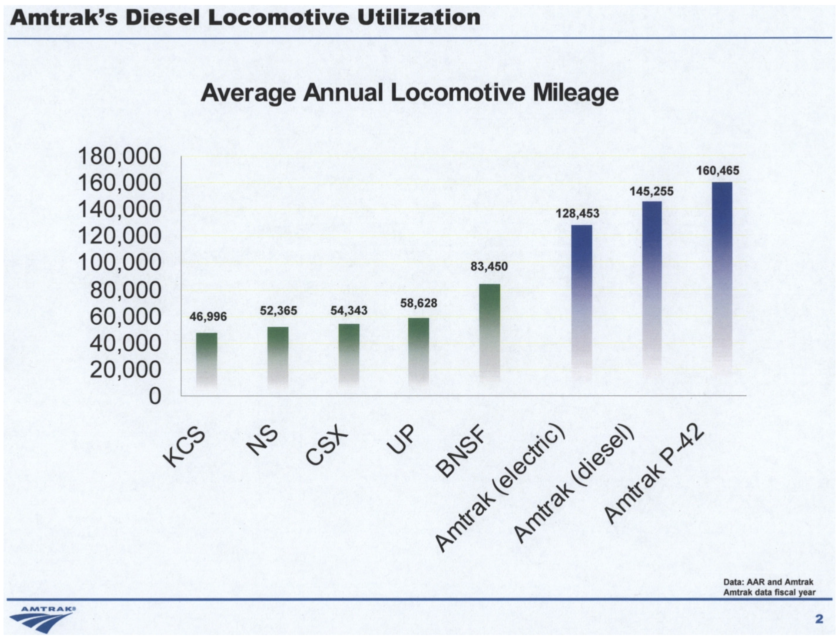
FISCAL YEAR 2011 REQUEST

For fiscal year 2011, Amtrak initially requested a total of $2.1 billion, consistent with the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) authorizations. About $592 million of that total is requested for operating support, and $1.025 billion will cover capital needs, while a total of $305 million would go for debt and debt retirement opportunities. Another $231 million will be needed for ADA compliance requirements. On March 22, Amtrak submitted a supplemental request to Congress for an additional $446 million to address our most urgent unfunded need, replacement of our aging fleet. This will raise our total fiscal year 2011 request to about $2.5 billion.

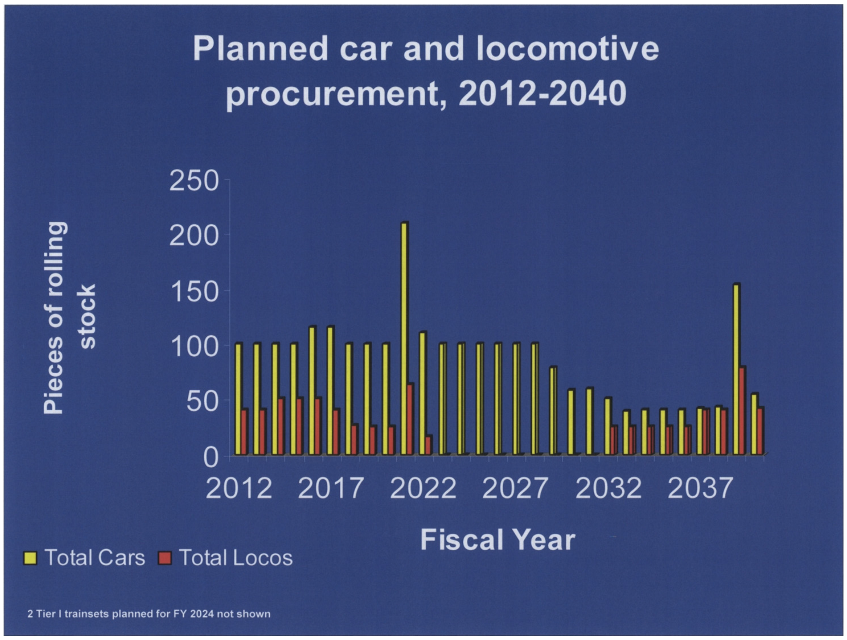
FLEET PLAN

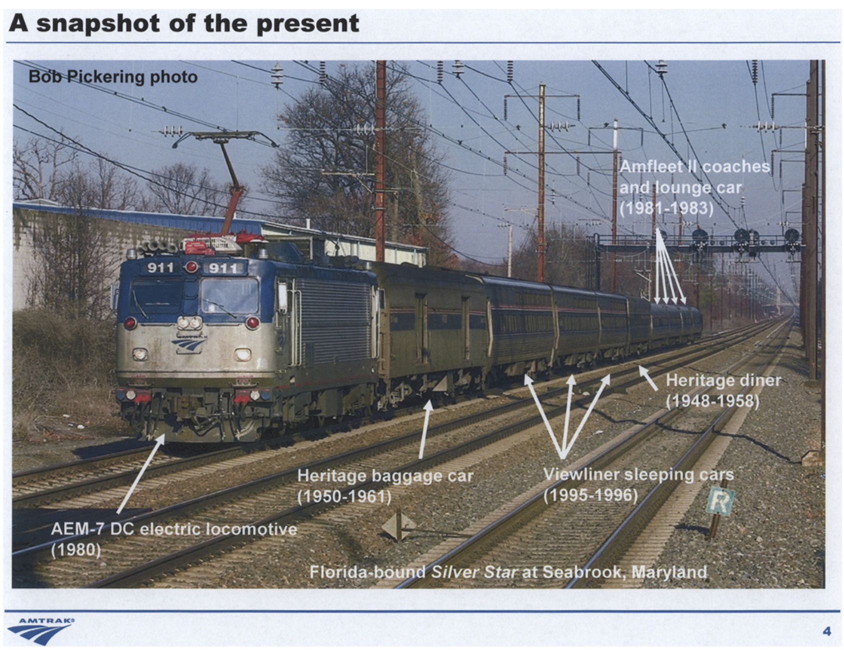
The $446 million requested for new equipment represents the first and most urgent investments we need to make in replacing our aging rolling stock. It will include the cost of purchasing 130 single level long distance cars to replace our 1950s-era “Heritage Fleet” of dining and baggage cars—the last rolling stock we inherited from the freight railroads that’s still in daily revenue service. The average annual mileage of these cars is enormous, as you will see on this first slide (see attachment). The typical Heritage car averages 451 miles per day—that’s like running it from Washington to Boston every single day of the year. And we’re putting these miles on cars whose automotive equivalent would be a Studebaker or Packard. This is the fleet we are going to replace. If you go to the next slide, you can see the situation we face with our locomotive fleet. Our diesel electric engines are comparatively new, but the electric fleet that powers our Northeast Regional and Keystone trains is aging and requires replacement.





The plan we have put together is shown on this third slide. Many stakeholders have been anxious for the release of this plan, which was required by Congress in the fiscal year 2010 THUD appropriations bill. Amtrak has spent a year developing a comprehensive fleet plan that's designed to replace all of our existing rolling stock as it reaches the end of its useful life. It calls for the replacement of equipment in manageable annual increments, which will allow us to identify and fix issues with new designs before they become problems. This is not only a procurement plan but a strategy designed to develop and support a domestic rail manufacturing industry. It supports an administration goal and an Amtrak goal, as a stable domestic manufacturing and supply base should help spur innovation and reduce costs for us. Our fleet strategy affords States an opportunity to join their orders to ours, with unit cost savings for everyone—a goal set by Congress with passage of PRIIA. To further this, we are working with the FRA and the States through the PRIIA section 305 Next Generation Corridor Train Equipment Pool Committee to ensure that our new fleet shares common designs and specifications with the equipment needed by the States so that this equipment is interoperable and easily maintained. All of these are excellent goals, and Amtrak supports them wholeheartedly—but we need to take the first step, which is funding the initial procurement of a new single-level long distance fleet. We must give potential suppliers reason to believe there is a long-term commitment to retain Amtrak and to fund additional State procurements of intercity passenger rail equipment in the United States. Otherwise, they will not make the type of investments in facilities and workers necessary to bring the United States back to the position it once occupied, in the forefront of railcar manufacturing, and the 60-year old cars you see in this fourth slide, which date from that era, will remain in service as long as our maintenance and operating crews can keep them rolling.





Amazingly, Amtrak managed to increase its ridership by 32 percent between 2002 and 2008 without buying new equipment and our ridership continues to grow today. We are using ARRA funding to return stored and wreck-damaged equipment to service, and I'm very pleased with the job that our Beech Grove and Bear shop staffs have done. This extra equipment now back in service is a contributing factor to our increased ridership. But there are limits to what we can accomplish, and we can't put cars that don't exist back into service. Right now the margins for our equipment, particularly our single-level sleeper and diner fleets, are razor-thin. A single major accident could potentially require us to terminate or reduce certain services, particularly on the long-distance trains.

ACCESSIBLE STATIONS DEVELOPMENT PLAN

This July 26 will mark the 20th anniversary of the enactment of the Americans with Disabilities Act (ADA), and Amtrak is proud of its role as an important mode of travel for people with disabilities and of our special services to the disabled community. We look forward to celebrating this ADA milestone, but there remains much work to be done. Last year, 288,000 riders took advantage of the discounted pricing Amtrak offers to passengers with disabilities, and that number is on pace to increase by 6 percent this year. All of our front-line employees are trained to provide special service to passengers with disabilities, and we have resources and policies in place to accommodate those with unique service requests, such as at-seat meals. All of Amtrak's trains meet or exceed the requirements of the ADA, while each and every one of our new rail cars is designed to be accessible. Amtrak offers reserved spaces to park wheelchairs, accessible seating into which passengers can transfer from a wheelchair, accessible bedrooms on all long-distance trains, accessible restrooms, and other accessibility features and services. We're also in the process of modifying our train cars to allow for on-board storage of Segway devices for those passengers who use them for mobility assistance.

Currently, 94 percent of Amtrak passengers board at accessible stations. While our stations must be fully compliant with the terms of the act by July 26, 2010, unfortunately, as the subcommittee knows, we will miss this deadline. But we are focused on making each of the 529 stations we serve fully accessible, a challenge that requires significant funding. We are conducting a capital improvement program to bring all covered stations we serve up to the necessary standards at a cost of nearly $1.6 billion based on the comprehensive study we completed in February 2009. In this fiscal year alone, Congress allocated $144 million for station accessibility improvements.

Adding to this complication is the annual funding challenge. On February 1, 2009, Amtrak advised in our report under section 219 of the PRIIA that nearly $1.6 billion was needed to bring the entire system into compliance with ADA, assuming that current ADA regulations on platform boarding remain unchanged. (As the Congress may well be aware, a proposed Federal Department of Transportation rulemaking is pending that would call for level boarding at all stations covered by the ADA. If that rule were to be promulgated and become law, the basic assumptions and parameters of Amtrak's current stations compliance program would be nullified and both the time and cost to achieve compliance would be increased exponentially.) This investment amount represents a year-old estimate for both Amtrak's responsibility and third-party responsibilities.

In our fiscal year 2011 request, we asked for $281 million for our fiscal year 2011 Accessible Stations Development Plan, to continue the work to bring the stations we serve into compliance with the ADA. However, today I am here to report to you that we are revising that number downward to $231 million. Due to the challenges of reaching agreements with all parties with ownership interests at the stations, we have to take into consideration the 3 months of experience since our fiscal year 2011 request was submitted, and we do not think it will be feasible for us to spend $281 million in fiscal year 2011. If you or your staff would like more details on this issue, we can certainly follow up with you on that.

In closing, I am optimistic about our future and the future of intercity and high-speed passenger rail. Our intercity passenger rail system is one of the few readily available solutions to the transportation challenges facing our country—and we are ready to turn investments in rail into benefits for the environment, the economy, and our mobility. What it needs is continued investment and leadership. We look forward to working together in the coming months to ensure that Amtrak obtains the public funding it needs to sustain its system and fleet for generations to come and to realize the goals of a stronger Amtrak and a stronger intercity passenger rail network.

Senator MURRAY. Thank you very much, Mr. Boardman.

Mr. Alves.

STATEMENT OF THEODORE ALVES, INSPECTOR GENERAL

Mr. ALVES. Good morning, Madam Chair, ranking member, and members of the subcommittee. And thank you for the opportunity to discuss Amtrak's 2011 budget request.

I'd like to start by thanking Mr. Carper, Amtrak's Chairman, its Board of Directors, President Boardman, and members of this subcommittee for the support I've received during the past 5 months as Amtrak's new inspector general.

I'm also pleased to report that Amtrak management and the OIG have agreed to a new relationship policy, and that the inspector general of the Farm Credit Administration found that the new policy is consistent with the letter and spirit of the IG Act. I want to thank the subcommittee for including this very helpful requirement in last year's appropriations act.

Today, I will discuss the significant opportunities Amtrak has to provide increased levels of high-quality passenger rail service and four important challenges management must address to take advantage of these opportunities.

First, the opportunities. The Passenger Rail Investment and Improvement Act fundamentally changed Amtrak's role within the national passenger rail system. Rather than relying on Amtrak to lead development of new intercity passenger rail services alone, PRIIA calls on States, supported with Federal grants, to share in developing new corridor and high-speed rail services. As a result, Amtrak will become one of many choices States have to provide rail services, rather than the only practical option.

The first challenge is that Amtrak needs to organize properly and operate more efficiently. Amtrak is making organizational changes to help it successfully compete for new contracts, and has taken steps to operate more efficiently.

To illustrate, the company has made significant progress implementing reliability-centered maintenance practices in response to a 2005 OIG report. Using reliability-centered maintenance on the Acela fleet reduced costs and generated $16 million in new revenue in 2009. Amtrak should continue applying this maintenance concept across its fleet.

However, Amtrak can do more. For example, we recently identified opportunities to adopt European best practices, including better asset management systems and more advanced technologies.

Second, Amtrak needs to improve its human capital management practices. In a May 2009 report, we made several recommendations that management agreed to implement. As a result, Amtrak is focusing on strategic workforce planning, including identifying its critical skills and competencies, implementing a total compensation philosophy, and improving recruitment and retention practices. Fully implementing these corrective actions will require a concerted effort over several years.

Third, significant IT investments always involve risks. Amtrak has four major technology initiatives underway, and has taken a number of measures to address the risks, including: establishing disciplined procedures to guide both project management and technology development; forming an independent team to enforce standards; and implementing reviews to ensure that projects meet quality standards before proceeding to the next development phase.

To ensure that these projects stay on track and achieve anticipated benefits, Amtrak should closely watch progress, address emerging problems quickly.

The fourth challenge is managing risks associated with the Recovery Act projects. Specifically, Amtrak may have to take measures that could reduce productivity, adversely impact project quality, or significantly diminish railroad operations in order to finish some projects by February 2011.

Amtrak faces this issue, in part, because the terms of the FRA grant are stricter than the terms in the act. The act requires Amtrak to take measures to complete the projects by February 2011. The FRA grant, on the other hand, requires Amtrak to take continuing measures, and even extraordinary measures, to complete projects by that date.

As projects face slippages, Amtrak is now considering taking extraordinary measures to meet the completion date. These measures include adding second or third shifts, which studies indicate have a negative impact on productivity, and reducing the scope of projects, which reduces the benefits associated with the final product. Although the term "extraordinary measures" has not been defined, we do not believe that Amtrak should take actions that would significantly reduce productivity, adversely impact the quality of the final products, or significantly diminish railroad operations.

PREPARED STATEMENT

Madam Chair, this concludes my testimony, and I'll be happy to answer any questions.

[The statement follows:]

PREPARED STATEMENT OF THEODORE ALVES

Good morning Madam Chair, ranking member, and members of the subcommittee and thank you for the opportunity to testify about Amtrak's fiscal year 2011 operating and capital budget request. Amtrak has made considerable progress positioning itself to meet the challenges it faces to compete effectively in this new era of intercity passenger rail. The intercity passenger rail system includes the long distance routes, High Speed Rail corridors, State sponsored corridors, and the Northeast Corridor (NEC). Accomplishments include completing a new strategic guidance, a 5 year financial plan, and a long-range fleet plan. Although fiscal year 2009 saw a decline in ridership and revenue from fiscal year 2008 as the economy continued to struggle, both ridership and ticket revenues came in at the second highest level in company history. The last several months have also seen sustained increases in passengers and revenue.

Before I discuss Amtrak's funding request, let me thank Mr. Carper, Amtrak's Chairman, its Board of Directors, President Boardman, and members of this subcommittee for the support I have received during the past 5 months as Amtrak's new Inspector General (IG). Last year's appropriations act directed Amtrak management and the OIG to agree upon a set of policies and principles for working together that are consistent with the letter and spirit of the IG Act. On March 17 of this year, Carl Clinefelter, the IG of the Federal Credit Administration and Vice Chairperson of the Council of the Inspectors General on Integrity and Efficiency, reported that the new relationship policy is consistent with the letter and spirit of the IG Act. I want to thank the subcommittee for inserting this very helpful requirement.

Amtrak is requesting $2.6 billion for fiscal year 2011. A total of $592 million is for operating support, $1.8 billion for capital needs—including $446 million for replacing its aging fleet, and $281 million to meet the Americans with Disabilities Act requirements—and the remaining $277 million for debt retirement. This amount, along with last year's American Recovery and Reinvestment Act (Recovery Act) funding of $1.3 billion would be a significant infusion of funds and would help Amtrak move toward its long-term goal of providing efficient, high quality passenger rail service that is cost and trip time competitive with other modes.

Today, I would like to discuss the significant opportunities that Amtrak has to provide increased levels of high quality passenger rail services, as well as important challenges it must address to take advantage of these opportunities.

First, the Opportunities.—Congress passed the Passenger Rail Investment and Improvement Act (PRIIA) in October 2008. PRIIA recognized that passenger rail services, particularly connecting large cities, can provide significant public benefits, including road and air congestion reductions, environmental benefits, fuel usage reductions, and increased mobility choices for the travelling public.

PRIIA not only reauthorized Amtrak; it fundamentally changed Amtrak's role within the national passenger rail system. PRIIA also contains many provisions aimed at spurring Amtrak to operate more efficiently and to improve services on its existing routes. In addition, the Recovery Act provided $8 billion through PRIIA grant programs to States to assist in improving Amtrak's national network and begin developing new High Speed Rail corridors. Amtrak also received $1.3 billion through the Federal Railroad Administration (FRA) to improve its infrastructure, facilities, and security.

Essentially, rather than relying on Amtrak to lead the development of new intercity passenger rail services alone, PRIIA calls on States, supported with Federal grants from FRA, to share in the development of both new corridor services and High Speed Rail services. While Amtrak is still presumed to be the national operator, PRIIA provides greater flexibility to the States in determining who will plan, develop, and operate these new services.

With States playing a larger role in planning for and funding passenger rail service, Amtrak will become one of many choices States have to provide services, rather than the only practical option. Amtrak can still be the provider of choice in this new competitive environment, but only if it is perceived as an efficient organization that provides quality and cost-effective service.

In fact, Amtrak has many competitive advantages, including its statutory access to host railroads, existing liability regime, and experience in planning, engineering, maintenance, and operations. For example, Amtrak already operates a number of commuter rail routes in key markets and has a nationwide reservation system that can be extended to support new services, allowing significant economies of scale. Amtrak can leverage these advantages to help States plan for these new services and to become the operator of choice for new services.

Now, the Challenges.—As Amtrak moves into this new era of passenger rail, it faces four interrelated management challenges. Those challenges include:

—Competing successfully for new State supported corridor and high speed rail services and then delivering high quality cost-effective service.
—Improving human capital management practices, including strategic workforce planning, and training and development.
—Managing risks associated with the modernization of Amtrak's information technology systems and infrastructure.
—Managing risks associated with projects funded through the Recovery Act.

CHALLENGE 1.—COMPETING SUCCESSFULLY FOR NEW STATE SUPPORTED SERVICES AND THEN DELIVERING HIGH QUALITY COST-EFFECTIVE SERVICE

Growth in State supported services, including the development and operation of new high-speed rail corridors, creates new challenges for Amtrak. To retain its dominant position in the market, Amtrak must elevate its customer focus, improve service quality, and become a more nimble and dedicated partner. Competition for routes should also challenge Amtrak to implement significant operating efficiencies that will improve all lines of business.

The strategic direction and additional Federal funding that PRIIA authorized, along with appropriations support, has given Amtrak a unique opportunity to expand and enhance its rail passenger operations. However, Amtrak will face challenges to compete successfully in a market place that has increasing levels of both domestic and foreign competition. The competition is evidenced by two recent examples:

—The Virginia Railway Express operating and maintenance service contract was recently awarded to the U.S.-based subsidiary of a French firm. Amtrak had been providing the services since the commuter rail operations began in 1992.
—Caltrans selected a different French firm to renovate all 66 bi-level intercity passenger vehicles from its California car fleet. The renovations will take place in a newly-opened maintenance facility in California. While Amtrak did not

compete for this work, it represents the growing marketplace for equipment-related work.

To thrive in this newly competitive environment, Amtrak must significantly improve its operating efficiency. In fact, we believe the very existence of competition will provide the incentive Amtrak needs to focus more attention on operating more efficiently.

Amtrak deserves to be commended for its recent decision to establish a new High Speed Rail department reporting directly to Mr. Boardman. This new department should help the company focus on the planning and development activities required to successfully compete for high speed rail contracts. As it implements this new organization, Amtrak will need to also focus on ensuring that it is positioned to deliver efficient and high quality services. A heightened emphasis on operating more efficiently and controlling costs will be needed to ensure that Amtrak remains the service provider of choice.

Amtrak has taken some commendable steps to improve operating efficiencies in recent years, but more needs to be done. For example, a recent OIG report[1] concluded that, although Amtrak's Engineering department has effectively reduced its operating expenses by 15 percent between 2002 and 2007, the company still spends about $50 million more per year than the average comparable European railroad, and $150 million more per year than the "best" European railroads to maintain and renew its infrastructure assets. Although American and European railroads are not entirely comparable and some of these opportunities are outside Amtrak's direct control, Amtrak can implement many European practices that would reduce costs. For example, we recommended that Amtrak implement better asset management systems and procure more advanced technology/equipment.

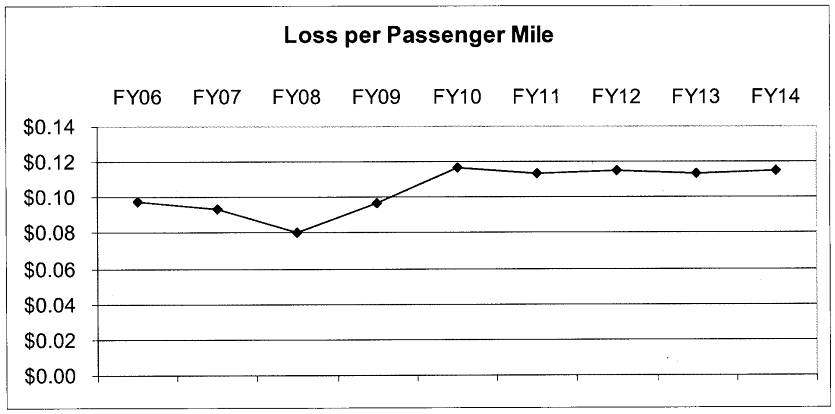
Amtrak is well along in implementing a new asset management system but it will be several years before it is fully operational. Additionally, Amtrak is exploring new technologies along the Northeast Corridor. The key now is for Amtrak to follow through on these recommendations to ensure that these changes are implemented effectively.

In 2005, we issued a report on Amtrak's Mechanical Maintenance Operations.[2] We estimated that Amtrak had an opportunity to save $100 million per year by adopting a Reliability Centered Maintenance strategy along with other efficiency improvements. Amtrak has made significant progress in this area. For example, implementing Reliability Centered Maintenance for the Acela fleet allowed Amtrak to reduce maintenance costs and to increase available train sets from 14 to 16 per day, generating additional revenues of $16 million during fiscal year 2009 alone. The experience with the Acela fleet is a strong indicator that significant additional benefits can be realized as this practice is expanded throughout Amtrak's conventional fleet. Amtrak needs to ensure that momentum is maintained to apply this important maintenance concept across all Amtrak fleet assets. We are currently conducting a follow-up review on this important program.

We also note that Amtrak's financial projections do not reflect significant improvements in operating efficiency. One key indicator of efficiency that Amtrak uses is loss per passenger mile. The chart below shows the operating loss per passenger mile increasing by approximately 45 percent from fiscal year 2008 to fiscal year 2010, and then remaining relatively constant from fiscal year 2010 to fiscal year 2014. During a period when ridership is expected to grow beyond the levels experienced in fiscal year 2008, we would expect to see the loss per passenger mile return to the levels experienced in fiscal year 2008 or even improve on those levels. Only through a renewed focus on efficiency improvement will Amtrak be able to achieve this.

[1] "Amtrak's Infrastructure Maintenance Program", September 2009, OIG Report Number E–09–05.

[2] "Amtrak Mechanical Maintenance Operations", October 2005, OIG Report Number E–05–04.



Projected Core Operating Loss per Passenger Mile

CHALLENGE 2.—IMPROVING HUMAN CAPITAL MANAGEMENT PRACTICES, INCLUDING STRATEGIC WORKFORCE PLANNING, AND TRAINING AND DEVELOPMENT

Improved human capital management and strategic workforce planning are critical to ensure that Amtrak has the right people with the right operational and leadership skills to improve services and expand operations efficiently and effectively.

Historically, Amtrak had been operating on budgets that allowed it to maintain the railroad and deliver adequate passenger services, but provided limited resources to invest in long-term planning, including human capital initiatives. It maintains a relatively stable work force, with long-term employees who operate the railroad with reasonable efficiency, instituting improvements as time and resources allow.

Two significant factors will change this environment:

—Amtrak's workforce is aging. Over the next 5 years, 30 percent of its work force, representing thousands of employees, will be eligible to retire. Replacing them will be a daunting task considering Amtrak employs about 20,000 people.

—Amtrak has received a large injection of capital funds to improve its infrastructure, facilities, and security capabilities—this has strained its ability to provide people with the right skill sets to oversee these investments while continuing to run the railroad.

Strengthening human capital practices remains a significant challenge across Amtrak, a challenge which will intensify as workloads increase at the same time that experienced employees in key positions retire or migrate to other business opportunities.

In May 2009, we issued a report that compared Amtrak's human capital management practices to other companies.[3] In preparing the report we interviewed over 125 Amtrak managers and employees, obtained results from benchmarking studies, and visited two other Class I railroads to see how they managed their human capital.

Our report made specific recommendations that covered four critical areas. Amtrak agreed with all major recommendations and has been taking steps to implement them. However, fully implementing these recommendations will require a concerted effort over several years.

Strategic Work Force Planning.—We found that Amtrak lacks a strategic workforce planning process to ensure that it has a workforce with the knowledge and skills to meet future needs. We recommended a stronger focus in this area that includes identifying the critical skills and competencies needed to achieve Amtrak's current and future business requirements. The company has made progress by identifying employees who are eligible to retire and preparing talent profiles for non-agreement covered positions. While this is a good start, the company has not yet identified its mission critical and other key positions or developed a strategic workforce plan.

Total Compensation.—Amtrak also lacks a total compensation approach to ensure that pay practices are applied consistently and are aligned to support Amtrak's strategic goals. Total compensation is the complete pay package an employee receives,

[3] "Human Capital Management", May 2009, OIG Report Number E–09–03.

including money, benefits, and services. Our recommendations focused on the need to define and implement an overall compensation philosophy and strategy. Since our report, the Human Resources Department has conducted a compensation review as part of an effort to develop a new pay structure that will help attract, motivate, and retain highly skilled and talented employees. Amtrak has not yet, however, revised its pay structures.

Recruitment.—Successful companies recognize the importance of having a clearly defined recruiting strategy linked to the company's identified workforce needs. Recruiting at Amtrak is decentralized and manually driven. While the company has been successful in filling its recruitment needs during the past 2 years, as the economy recovers Amtrak risks losing skilled craftsman and technical expertise faster than it can replace them. Our recommendations focused on how the company could improve the recruitment process to reduce the cost and time to hire while attracting highly qualified candidates. The company is working to deploy an automated system that should help improve recruitment.

Retention.—Each time a company loses an employee, it costs money. Amtrak's overall turnover rate has averaged about 10 percent annually, which is lower than most companies. Once employees reach 5 years of service with Amtrak, the majority tend to stay for the entire career. The problem is that in recent years a high proportion of Amtrak employees leave before completing 5 years, resulting in an overall workforce that tends to be skewed toward employees approaching retirement age. Amtrak's challenge, therefore, is to retain employees beyond the first 5 years of employment in order to smooth out this imbalance. Our recommendations focused on the need for a corporate retention strategy that aligns with and supports an overall strategic human capital plan.

Amtrak is heavily engaged in implementing the Employee Information Management (EIM) system, a sophisticated human resource management system that provides a basis to more effectively track and guide the career paths for its employees. Amtrak needs to ensure that it also makes timely progress in addressing the strategic Human Capital issues by continuing to implement our recommendations.

We also recently completed a separate and more detailed review focusing specifically on training and employee development. Our October 2009 report,[4] found that because Amtrak's training program is largely decentralized, it cannot ensure that training efforts are aligned to meet the company's strategic needs. We also found that Amtrak needs to develop an effective corporate-wide strategy for developing management employees to assume the future leadership roles in the company.

We made a series of recommendations to improve the effectiveness and efficiency of training and employee development, focusing on developing and implementing a corporate-wide training and employee development strategy. This would ensure that training aligns with the overall corporate strategy and provides employees with the skills needed to assume leadership roles in the future.

Management recently agreed with all of our recommendations and provided a plan to implement them. It is important, however, for management to stay focused on making near-term improvements, because effective training and development practices will be a key component of Amtrak's ability to deliver high quality services.

CHALLENGE 3.—MANAGING THE RISKS ASSOCIATED WITH AMTRAK'S GOAL OF MODERNIZING ITS INFORMATION TECHNOLOGY SYSTEMS AND INFRASTRUCTURE

Significant IT investments always involve risks, and achieving anticipated benefits depends on managing the risks and implementing business process improvements to streamline and improve internal operations.

Amtrak recognizes that a number of its key information systems and the underlying technological infrastructure are outdated and increasingly prone to failure. Modernizing these information systems also provides a major opportunity for Amtrak to better harness information to make decisions and operate more efficiently. Amtrak is, therefore, taking measures to mitigate the potential for system problems while at the same time leveraging more up-to-date systems technology to drive operational improvements and more effective decisionmaking.

Amtrak currently has four major technology initiatives under way:

—*Strategic Asset Management (SAM)*.—SAM is a multiyear program to transform and integrate key operational, financial, supply chain, and human resource processes. SAM is expected to help Amtrak meet managerial accounting requirements mandated by PRIIA and replace legacy financial, procurement, materials management, and operational systems.

[4] "Training and Employee Development", October 2009, OIG Report Number E–09–06.

—*eTicketing and Next Generation Reservation (RES–NG).*—Amtrak's current reservation and ticketing system is critical for sales booking, ticketing, customer service, and train operations. eTicketing is a major program that aims to replace current paper-based ticketing processes with an airline-style electronic ticketing system. This program will also automate the onboard ticket processing and simplify and streamline the revenue recognition and accounting functions.

—*Amtrak Information Management (AIM).*—The objective of this program is to make critical business information reliable and easily accessible to Amtrak's managers and executives. It will integrate information from various internal and external sources, and will include sophisticated capabilities such as business intelligence, document management, and train communications.

—*IT Infrastructure Improvement (ITII).*—This initiative focuses on upgrading Amtrak's IT infrastructure to improve service levels and lower current costs. Under new outsourcing contracts signed during 2009, IBM is responsible for data center operations and seat management, while AT&T is responsible for data and voice networks. Amtrak is also moving its current data center to two new locations over the next several months.

Because large IT acquisitions involve significant risk, they must be carefully managed. The fact that these programs are taking place concurrently and have a number of inter-dependencies heightens these risks. For example, the AIM program will need to make use of information that is being made available by other programs such as SAM and eTicketing. Also, many changes to business processes and operational procedures will occur in quick succession, challenging the organizations ability to absorb the changes.

Amtrak is aware of these risks and has taken a number of measures to manage them, including:

—Reorganizing the IT department to foster partnerships and improve communications with business customers.

—Establishing a Project Management Office, separate and distinct from the technology delivery team, to establish standardized, disciplined procedures to guide both project management and technology development.

—Forming an independent Enterprise Architecture team to develop, monitor, and enforce architectural standards.

—Dividing each major project into phases and implementing comprehensive peer reviews for each phase, to ensure that projects meet quality standards before proceeding to the next development phase.

—Instituting progress reports to keep management and the Board informed about the status of each technology project.

To ensure that these projects stay on track, Amtrak will need to closely watch progress and take steps to address emerging problems quickly. We also recently initiated an audit of the largest and most complex of the four programs—the SAM project—to evaluate how well management and control measures are mitigating risks.

CHALLENGE 4.—MANAGING RISKS ASSOCIATED WITH PROJECTS FUNDED THROUGH THE RECOVERY ACT

Recovery Act spending creates many opportunities to improve infrastructure, facilities, and security, but the large amount of funds combined with tight spending deadlines create a challenge to spend money efficiently and effectively and to ensure that projects provide long-term economic benefits.

The Recovery Act included $1.3 billion in capital grants to fund a variety of projects to help Amtrak improve its infrastructure, facilities, and security posture. The act also required the Secretary of Transportation to take measures to ensure that projects would be completed within 2 years of enactment (February 17, 2011).

In March 2009, the Federal Railroad Administration (FRA) provided a $1.3 billion grant to Amtrak. The grant agreement requires Amtrak to complete all projects funded through the Recovery Act no later than February 17, 2011 and to continuously take actions to ensure projects are completed by that date. Amtrak is allowed to request a waiver for projects that cannot be completed by February 17, 2011, but must demonstrate that it has taken "extraordinary" measures to complete the project on time.

Amtrak currently has hundreds of individual projects under way that are funded through the Recovery Act. Examples of important projects include: replacement of the Niantic River Bridge, refurbishments of several other bridges, improved communications, power upgrades, modernization of stations, improvements for customer and workplace safety, and the return to service of dozens of locomotives and passenger cars.

This week we plan to issue a draft report to Amtrak that analyzes project risks associated with key engineering projects funded by the Recovery Act. Of the nine projects (totaling $293 million) that we evaluated, five contained a significant number of high-risk areas that need to be managed effectively to ensure the project's success. These projects included the Niantic River Bridge project and Positive Train Control projects. Of the 10 risk categories that we examined, risk associated with acquisition, environment, schedule slippage, and technology were identified by program managers as areas of the highest concern. In general the program managers were quick to recognize the high-risk items and to put forward tactics that they believed would adequately manage the associated risk.

However, neither the program managers nor Amtrak's executives are in a position to mitigate the most significant concern, which is that the grant between the FRA and Amtrak requires Amtrak to take extraordinary measures to ensure that all projects are completed by February 17, 2011. Although the Recovery Act requires that Amtrak take measures to complete the projects by February 2011, it does not require "extraordinary" measures. The March 19, 2009, FRA grant not only requires that Amtrak take continuing measures to complete projects within 2 years, but requires Amtrak to identify the extraordinary measures taken to meet the February 17, 2011, completion date when applying for a waiver.

This requirement to take extraordinary measures may have the unintended consequence of encouraging Amtrak to take actions that increase the risk of waste and inefficiency or even to take shortcuts that could increase the risk that the project will not perform as well as expected and will not provide the benefits expected. Although the term has not been defined, we consider extraordinary measures as any action that would significantly reduce productivity, increase the potential for waste or inefficiency, negatively impact the quality of the final products, or significantly impact the smooth operation of the railroad.

Amtrak executives, including the President and the Chief Financial Officer, are committed to ensuring that funds are utilized effectively and represent an appropriate use of taxpayer funds. They are in the process of making decisions about how to balance the need and desire to implement these projects against the need to spend taxpayer funds efficiently and effectively. In fact, when Amtrak awarded contracts, it had taken measures to complete the projects on time—those measures were reflected in a contract completion date that met the requirement.

However, as projects face slippages that threaten the completion date, which is not unusual for large construction projects, Amtrak executives are faced with either taking extraordinary actions to meet the completion date, or cancelling the project and identifying a substitute project that can be completed in time. Extraordinary actions that have been proposed by Amtrak include the addition of second or even third shifts on construction projects and reducing the scope of projects to accomplish less than originally planned. Identifying substitute projects at this point in time also involves risks and might result in spending on lower priority projects that will bring fewer benefits than the originally selected project.

Because the grant agreement is driving these "extraordinary" measures rather than the Law, we are recommending that Amtrak apply to the FRA to amend the grant provisions that require Amtrak to continue to take "extraordinary" measures to complete projects by February 17, 2011, if those measures would significantly increase the risk of waste, inefficiency, reduced project benefits, or disrupt operations.

In closing, let me briefly discuss the OIG' s budget request.

We are requesting $22 million as a direct appropriation to the OIG for fiscal year 2011, which is consistent with our authorized funding level. Although it represents a $3 million increase over our 2010 appropriation, I would note that the OIG appropriation has not kept pace with inflation for the prior 3 years.

The request will provide additional leadership positions to support needed restructuring of our operations as well as positions to strengthen our internal operations. For example, in the past, the Amtrak OIG relied heavily on support from Amtrak management units for Human Resource and procurement activities. While I plan to continue to rely on Amtrak support, it is essential that we have adequate in-house capabilities to ensure that we can operate independently and effectively. Finally, our request funds required upgrades to our IT systems.

We have developed a new strategic plan for the OIG that will help us to focus on the major goals Amtrak is trying to achieve and we have provided that plan to the subcommittee. This additional fiscal year 2011 funding will help us to implement our new strategy of focusing our attention on the most significant issues Amtrak faces. We expect to identify significant cost savings and program improvements in important areas, including Amtrak's $250 million annual healthcare expenditures.

We are also working closely with Congress and this subcommittee to provide timely information that will be helpful in the legislative and oversight process. We hope you agree that your investment in the Amtrak OIG serves to strengthen Amtrak's operations, improve efficiency, prevent and deter fraud and abuse, and provide the transparency needed in an organization that receives large Federal subsidies. To illustrate, in February of this year, Amtrak released a Fleet Strategy outlining a multibillion-dollar plan to replace its aging fleet and to provide additional fleet to handle the growth in demand. At the request of this subcommittee, we plan to review this important initiative.

Madam Chair, this concludes my testimony and I will be happy to answer any questions.

DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

Senator MURRAY. Thank you very much.
Ms. Ann Calvaresi.

STATEMENT OF ANN CALVARESI-BARR, DEPUTY INSPECTOR GENERAL

Ms. BARR. Chairman Murray, members of the subcommittee, thank you for the invitation to discuss ongoing efforts to strengthen the Nation's passenger rail network.

As you know, recent legislation calls for significant investment in rail, an investment that demands rigorous oversight to ensure passenger rail goals are achieved and taxpayer dollars are used wisely.

My statement today focuses on FRA's expanded role and responsibilities under PRIIA and the Rail Safety Improvement Act, the challenges FRA faces in effectively carrying out its new role, and the progress Amtrak has made in improving its operating and capital financial management processes.

PRIIA and the Safety Act dramatically expanded FRA's role. Together, these mandates call for FRA to develop, from the ground up, a multibillion-dollar high-speed rail program and to undertake several new safety and passenger rail service enhancement initiatives.

Among the tasks set out for FRA are the development of performance metrics for minimum passenger rail service requirements, such as on-time performance levels, and the establishment of a discretionary grant program to develop and deploy positive train technologies. This expanded role presents several challenges for FRA, especially as they relate to implementing the high-speed rail program. To ensure program success, FRA must develop a sound implementation strategy.

While FRA has developed project selection criteria, it has yet to provide grant applicants with the detailed methodologies needed to adequately complete their applications. For example, FRA has not issued guidance on how to prepare forecasts of project ridership and revenue, costs, and public benefits for high-speed and intercity passenger rail. Without such guidance, FRA is not positioned to effectively assess the merits of rail grant applications and ensure sustainability of the service.

FRA must also enhance its internal policies and practices in order to effectively oversee these larger project grants. According to the Office of the Secretary of Transportation [OST], plans for program monitoring and administration are in development.

Finally, FRA must obtain adequate staff with the right skill mix to oversee program implementation.

The Recovery Act greatly accelerated FRA's rollout of the high-speed rail program, further exacerbating FRA's challenges. Within

10 months after its enactment, FRA was required to issue a strategic high-speed rail plan, establish interim guidance, and process all applications for the $8 billion stimulus investment.

Balancing other PRIIA responsibilities with its traditional responsibilities create even more challenges for FRA. For example, PRIIA requires FRA to coordinate with hundreds of public and private stakeholders to establish a National Rail Plan that addresses interconnectivity with other modes of transportation, informs the development of State rail plans, and recognizes the need for a sustainable funding mechanism. At the same time, FRA must not lose sight of its traditional responsibilities; chief among them, ensuring rail safety and oversight of Amtrak.

Effectively managing these critical rail programs will require sustained focus and oversight by FRA and the DOT OIG. We have begun to shift resources accordingly. Specifically, we have underway an evaluation of best practices for forecasting high-speed rail ridership and revenue, costs, and public benefits; an audit of infrastructure access agreements between the States and freights to ensure access agreements adequately address cost, schedule, and performance goals; and a quantitative analysis of Amtrak's delays that will help FRA ensure investments yield the highest return.

Given the important role Amtrak plays in intercity passenger rail, our work on Amtrak's financial management is relevant to FRA's efforts. Amtrak established key performance indicators to measure both the efficiency and effectiveness of its operational and financial performance. For example, Amtrak developed a cost-recovery indicator to measure the proportion of expenses covered by revenues and ridership growth. This approach appears to be a more efficient way to monitor and improve operating and financial performance than its previous approach of tracking savings from specific reforms.

Our ongoing work also indicates that Amtrak has improved its long-term capital planning. Specifically, Amtrak has developed long-term plans for its fleet and infrastructure, a transparent process for prioritizing its capital needs, and guidance on conducting post reviews of its capital investments. Clearly, Amtrak's success hinges on effective implementation.

PREPARED STATEMENT

In closing, while we are dedicating additional resources to oversee FRA and its expanded role, we are encouraged that the Amtrak's OIG, under its new leadership, will enhance its oversight of Amtrak-related work.

Chairman Murray, this concludes my prepared statement. I would be happy to answer any questions that you or other members of the subcommittee may have.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF ANN CALVARESI-BARR

Madam Chairman and members of the subcommittee: Thank you for inviting me here today to discuss ongoing efforts to strengthen the Nation's passenger rail network. As you know, recent legislation has called for significant investment in rail—an investment that demands additional scrutiny and oversight to ensure legislative goals are achieved and taxpayer dollars are used wisely.

My testimony today focuses on: (1) changes in the Federal Railroad Administration's (FRA) role and responsibilities under the Passenger Railroad Investment and Improvement Act of 2008 (PRIIA) and the Rail Safety Improvement Act of 2008 (RSIA); (2) the challenges FRA faces in effectively carrying out its new role; and (3) the progress Amtrak has made in improving its operating and capital financial management. My testimony is based on our recent and ongoing work related to FRA, Amtrak, and rail issues in general.

IN SUMMARY

PRIIA and RSIA dramatically realigned FRA's role and expanded its responsibilities. Together these two pieces of legislation have called for the implementation of a high speed rail program, improvements in intercity passenger rail services, and safety enhancement initiatives. Each new mandate carries a unique set of challenges for FRA, especially as they relate to implementing the high-speed rail program. Challenges include developing written policies and practices to guide the program's grant lifecycle process and oversight activities, and obtaining adequate staff to oversee implementation. The American Recovery and Reinvestment Act of 2009 (ARRA) exacerbated these challenges by accelerating timelines and providing FRA an additional $8 billion. At the same time, FRA must continue to carry out its prior responsibilities, including its oversight of Amtrak. While our work has found that Amtrak has improved its financial management of operating and capital planning activities, new PRIIA mandates and ARRA funding could require Amtrak to heighten its improvement efforts. In light of these issues, the Department of Transportation (DOT), Office of Inspector General (OIG) has several audits—completed or under way—to monitor FRA's efforts to carry out its traditional and new roles and responsibilities.

BACKGROUND

Within the last 2 years, new legislation has been enacted with major ramifications to intercity passenger rail in the United States. On October 16, 2008, the President signed into law RSIA, or the Safety Act, and PRIIA. The Safety Act is the most comprehensive new railroad safety law in the past 30 years. In addition to reauthorizing FRA, the Safety Act contains new mandates for freight railroads, commuter railroads, and the National Railroad Passenger Corporation, better known as Amtrak. PRIIA reauthorizes Amtrak and strengthens the U.S. passenger rail network by tasking Amtrak, DOT, FRA, States, and other stakeholders with improving service, operations, and facilities. PRIIA focuses on intercity passenger rail, including Amtrak's long-distance routes and the Northeast Corridor, State-sponsored corridors throughout the Nation, and the development of high speed rail corridors.

ARRA was signed into law on February 17, 2009, to preserve and create jobs and promote economic recovery through investments in transportation, environmental protection, and other infrastructure. ARRA provided $8 billion to FRA for discretionary grant programs to jump start the development of high-speed rail corridors and enhance intercity passenger rail service. ARRA also directed $1.3 billion to Amtrak for capital investments. In addition, ARRA designated $20 million to DOT OIG through fiscal year 2013 to conduct audits and investigations of DOT projects and activities funded by ARRA. In response, OIG developed a work plan using a three-phase approach to conduct audit and investigative work by emphasizing high-risk areas and promptly reporting results. Between March and December 2009, OIG issued two reports outlining the risks and challenges to DOT program offices related to ARRA, including FRA.[1]

LEGISLATION DRAMATICALLY EXPANDED FRA'S ROLE

Historically, FRA was a small agency, focused primarily on promoting and overseeing railroad safety. FRA was responsible for: (1) promulgating railroad safety regulations; (2) administering several small grant and loan programs, such as the Rail Line Relocation grant program and the Railroad Rehabilitation and Improvement Financing loan program; and (3) overseeing Amtrak's operations and disbursing Amtrak's annual grant funds. PRIIA and RSIA, however, dramatically realigned FRA's role and expanded its responsibilities. Together, these mandates call for FRA to undertake several new safety and passenger rail service enhancement

[1] OIG Report MH–2009–046, "American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation," issued March 31, 2009 and OIG Report MH–2010–024, "DOT's Implementation of the American Recovery and Reinvestment Act: Continued Management Attention is Needed to Address Oversight Vulnerabilities," issued November 30, 2009. OIG reports and testimony are available on our Web site: www.oig.dot.gov.

initiatives and to develop from the ground up a multi-billion dollar high-speed rail discretionary grant program.

PRIIA Added Several New Initiatives to Enhance Intercity Passenger Rail Service

PRIIA tasked FRA with numerous significant responsibilities—among them the creation of a new High-Speed Intercity Passenger Rail (HSIPR) grant program. Other new PRIIA mandates include initiatives to improve existing intercity passenger rail service and to promote the expansion of intercity passenger rail. PRIIA requires FRA to design a long-range national rail plan that promotes an integrated, efficient, and optimized national rail system for the movement of people and goods. FRA issued its preliminary plan on October 15, 2009, and must submit the final plan to Congress on September 15, 2010.

PRIIA also required FRA to develop performance metrics that establish minimum passenger rail service requirements—such as minimal on-time-performance levels and other service quality measures—and provide a framework for improved passenger rail service. The metrics were developed in conjunction with Amtrak and in consultation with the Surface Transportation Board, Amtrak's host railroads, States, Amtrak's labor organizations, and rail passenger associations. FRA is required to publicly report performance results quarterly. Other Amtrak-related responsibilities that PRIIA requires FRA to carry out include monitoring and conducting periodic reviews of Amtrak's compliance with applicable sections of the American's with Disabilities Act and monitoring Amtrak's development and implementation of performance improvement plans for its long-distance routes.

RSIA Highlighted and Expanded FRA's Traditional Safety Role

RSIA amended existing railroad legislation to make the safe and secure movement of people and goods FRA's highest priority. Most notably, RSIA requires FRA to establish a discretionary grant program, with authorized funding of $50 million per year for fiscal years 2009 through 2013, to support the development and deployment of positive train control technologies. FRA issued a Notice of Funds Availability, Solicitation of Applications for this program on March 29, 2010; a status report on positive train control implementation is due to Congress by December 31, 2012.

RSIA also requires FRA to perform several safety-related studies. One study will assess the risks posed to passengers with disabilities boarding and alighting from trains where there is a significant gap between the train and the platform. Another study addresses the risks associated with the use of personal electronic devices by railroad personnel while on duty. This body of work will position FRA to carry out its role as the Nation's rail safety enforcement agency as it undertakes increasing passenger rail responsibilities.

FRA FACES SIGNIFICANT CHALLENGES IN MEETING ITS MANDATE

The new legislative mandates present unique challenges for FRA. Effectively implementing the HSIPR program is key among these challenges. Specifically, FRA must: (1) assess the net benefits of high-speed rail; (2) develop written policies and procedures for grant management; and (3) determine staffing needs. The $8 billion in ARRA funding exacerbated these vulnerabilities as it accelerated implementation. In addition to implementing the HSIPR program, FRA must balance its increased workload under PRIIA with prior legislative requirements, including its oversight of Amtrak. While FRA has made several steps toward meeting these challenges, it has recognized that more resources are needed to successfully carry out its mandate.

HSIPR Success Depends on an Effective Implementation Strategy

To ensure HSIPR project grantees follow sound management practices, FRA must develop a sound implementation strategy. First, FRA must develop guidance for forecasting project ridership, revenue, costs, and public benefits for high-speed and intercity passenger rail. According to DOT's Office of the Secretary (OST), FRA has developed detailed evaluation criteria to determine a proposed project's merit and feasibility. However, FRA has yet to issue formal guidance for grant applicants to use in preparing forecasts.

Second, FRA must develop written policies and practices to guide the program's grant lifecycle process and oversight activities. We identified certain risks associated with awarding grants without a fully documented program implementation strategy and grant lifecycle process. As a result, FRA delayed the awards until early 2010. However, according to OST, FRA is still in the process of reviewing its grants management manual for final approval and developing monitoring plans and grant administration standard operating procedures.

Finally, FRA must obtain a sufficient number of staff with the skills needed to oversee program implementation. To address its initial lack of capacity to start up and effectively manage the HSIPR program, FRA has completed a workforce assessment, which we have yet to validate. As a result of that assessment, FRA requested and received funding for 27 additional staff resources in its fiscal year 2010 budget. However, FRA has been slow to fill these vacancies.

ARRA's tight deadlines for spending funds have greatly accelerated FRA's rollout of HSIPR, exacerbating program challenges. Deadlines for obligating funds under Track 1 ("ready to go projects") and Track 2 ("corridor development programs") are September 2010 and September 2011, respectively. Within 10 months after ARRA's enactment, FRA issued a strategic plan, established interim guidance, and processed all Track 1 and 2 applications, as required.

Managing Other New and Traditional Legislative Responsibilities Further Challenge FRA

Balancing new PRIIA responsibilities with its traditional responsibilities create additional challenges for FRA. With regard to PRIIA, FRA must coordinate with hundreds of public and private stakeholders to establish a national rail plan that addresses interconnectivity with other modes of transportation and recognizes the need for a sustainable funding mechanism. As the market for intercity passenger rail carriers grows, tracking and reporting their performance results could become a challenge for FRA. For example, FRA will have to establish a standardized mechanism for collecting performance data from multiple carriers who may have different procedures than currently used for reporting the proposed metrics and standards.

At the same time, FRA must continue to carry out its prior administrative responsibilities for its existing grant and loan programs. Specifically, FRA must effectively manage the Rail Line Relocation discretionary grant program, the Railroad Rehabilitation and Improvement Financing loan program, and the Amtrak grant program. Together, these programs account for 37 percent of FRA's $4.374 billion fiscal year 2010 budget.

Effectively managing these critical rail programs in the face of the public scrutiny of the HSIPR program will require sustained focus and oversight by FRA and OIG. OIG has begun to shift resources to provide the appropriate level of oversight in order to inform FRA's efforts and monitor its progress. For example, our evaluation of best practices for forecasting high-speed ridership, revenue, and public benefit should assist FRA in its efforts to assess the economic and financial viability of proposed projects and ensure Federal investments are allocated to the most worthy projects. Our audit of the risks private freight railroads pose to the HSIPR program should help FRA ensure that access agreements adequately address cost, schedule, and performance goals, and that HSIPR benefits are achieved. Finally, our quantitative analysis of the causes of Amtrak delays will inform efforts by Amtrak and the freight railroads to improve Amtrak's on-time performance and clarify the relative value of investing Federal funds to expand freight rail capacity as a means to address delays.

AMTRAK HAS MADE IMPROVEMENTS IN FINANCIAL MANAGEMENT

Our work on Amtrak's financial management is extremely relevant to the HSIPR program, given the important role Amtrak will play in FRA's development of intercity passenger rail service. Since we began reporting regularly to Congress[2] on Amtrak's operating performance and its progress in reducing Federal operating subsidies, Amtrak has shifted its financial management approach from implementing various strategic reform initiatives (SRI) to establishing key performance indicators (KPI). The KPIs appear to be a more efficient way for management to monitor operating performance. Results of our mandated audit on Amtrak's 5-Year Capital Planning, which we are finalizing, also indicate that Amtrak has made significant improvement to its long-term capital planning including a more transparent prioritization process.

[2] The Transportation/HUD Division of the Consolidated Appropriations Act of 2010, Public Law 111–117 changed OIG's reporting requirement on Amtrak's savings from quarterly to semi-annually.

Management's New Approach to Measuring Reform Initiatives Through Key Performance Indicators Appears Reasonable

Since fiscal year 2006, we have reported on Amtrak's savings achieved as a result of operational SRIs at the corporate level, by business line, and at the route level.[3] The SRIs were intended to improve Amtrak's operating efficiencies and lower its dependence on Federal operating subsidies. For example, one SRI aimed to reduce losses through enhanced service flexibility and the outsourcing of certain services, such as food and beverage. The SRI approach was established to provide a comprehensive analysis of potential and realized operating savings for the longer term provision of a more efficient and financially feasible intercity passenger rail service. However, as we stated in our fiscal year 2009 fourth quarter report, Amtrak did not include any new savings from operational reform initiatives in its fiscal year 2009 budget.

Amtrak's 2009 Strategic Guidance provided further details on possible savings from future operational reforms through KPIs—criteria that will measure both the efficiency and effectiveness of Amtrak's operational and financial performance. For example, Amtrak established cost recovery ratio KPIs to measure the proportion of Amtrak expenses covered by revenues and ridership growth. Recently, officials told us that because the KPIs are derived from the annual budget and Amtrak operates to its budget targets, the KPIs provide a more streamlined way of evaluating performance to budget.[4] Amtrak officials also noted that because KPIs are linked to monthly financial statements, KPIs are tracked and updated much more frequently, allowing management to react quicker to changes in operating and financial conditions. The updates should also allow management to drill down into KPI detail in real-time to determine what is driving any changes, and consequently react quicker, rather than waiting until the next month for the next round of financial statements. The Strategic Guidance states that KPIs will be used to evaluate management and to ensure that leadership's attention and effort are properly focused.

While Amtrak's new approach appears to be a more efficient way to monitor and improve operating and financial performance, Amtrak has continued to pursue improvement initiatives tied to the original SRIs. Further, Amtrak officials stated that management will not measure the net impact of individual initiatives because it is too difficult to determine the incremental impact of any given initiative or project on one metric. For example, if Amtrak's marketing department invests additional funds to promote Acela and revenues increase for that route, there is no clear way to determine if or what portion of the increase is due to higher gasoline prices, deteriorating airline service, or the marketing campaign. Instead, executives will discuss the results of improvement initiatives, and when intended outcomes are not achieved, they will require the relevant departments to take action to address the targeted KPIs. If the departments achieve the KPIs, then the improvement initiatives will be deemed successful.

Because the KPIs have only been in place for 6 months, the ultimate success of this new approach has yet to be determined. As we stated in our fiscal year 2009 fourth quarter report, in addition to reporting on a semi-annual basis Amtrak's financial performance, we will track and evaluate Amtrak's efficiency KPIs. Our Amtrak semi-annual report, which will be issued next month, will provide more detail on our evaluation of Amtrak's operating performance through March 2010.

Progress Has Been Made in Long-Term Capital Planning, but the Measure of Success Will Be Determined Through Implementation

Since 1999, we have also reported [5] on Amtrak's progress in determining its long-term capital needs. Previous reviews by our office, GAO, and Amtrak's OIG have looked at various aspects of Amtrak's capital budget and requirements and outlined concerns, including a number of which focused on Amtrak's lack of a comprehensive long-term planning strategy with clearly defined goals, as well as a process for monitoring performance.

In our current review, we have found a number of operational changes that have been implemented to improve Amtrak's long-term capital planning process, which are primarily due to legislative requirements dictated by PRIIA and leadership from its Board of Directors and senior management. Specifically, Amtrak has developed long-term plans for its fleet and infrastructure, a transparent process for prioritizing its capital needs, and guidance on conducting post-reviews of its capital projects.

[3] Transportation, Treasury, Housing and Urban Development, the Judiciary, District of Columbia, and Independent Agencies Appropriations Act (TTHUD), 2006; Public Law 109–1 15.

[4] March 31, 2010, semi-annual review.

[5] OIG Report CE–1999–116, Report on the Assessment of Amtrak's Financial Needs Through fiscal year 2002. Issued July 21, 1999.

However, the success of these efforts depends on Amtrak's ability to effectively implement and sustain many of its new policies and procedures. We look forward to issuing our full report within the next couple of months. Our office is also in various stages for other PRIIA mandated reviews, which are planned for issue over the next 12 months.

CONCLUSION

High-speed intercity passenger rail is expected to greatly enhance the Nation's transportation system. Yet meeting the goals of PRIIA, RSIA, and ARRA will be a significant challenge, especially given the transformation required of FRA. While ARRA was enacted to jump start the U.S. economy, FRA's decision to move forward deliberately is prudent and should help it make the most of its ARRA funds. Further, it has given OIG a unique opportunity to ensure proper oversight controls are built into the program. We have begun to position ourselves to oversee FRA developments while continuing our ongoing and newly mandated work on Amtrak. However, we are hopeful that Amtrak's OIG, under new leadership, will pick up appropriate work, allowing us to dedicate additional resources to oversee FRA's implementation of the HSIPR program.

Senator MURRAY. Thank you very much.

Mr. Boardman, under Amtrak's new leadership, we've seen some important improvements in how the railroad has been managed, and instead of limiting its focus to getting through each day, the management team now has a strategic vision and has started to look at long-term planning.

Amtrak's overall capital plan and the accompanying fleet plan reflect that new priority on strategic decisionmaking, but Amtrak is still making separate requests for its capital plan and for its fleet plan. If you do not get all of the funding you've requested for fiscal year 2011, how are you going to decide on funding between these two separate plans?

CAPITAL PLAN AND FLEET PLAN FUNDING

Mr. BOARDMAN. I think you're referring to—basically—we're almost a billion dollars over where the request came in from the administration. And it's accounted for, all in capital. We're talking about fleet, and we're talking about all the projects that are capital-related on the Northeast corridor and on ADA and on all the other projects that are needed. So, as Amtrak has done in the past, and as Amtrak needs to look, today, to the future, we look at every opportunity for us to gain those dollars, one of them being the appropriation process, another being—and I think the Administrator talked about it a little bit—we are in discussion with the administration about—either a Federal loan or even going out into the commercial market to borrow money.

But, in the end, it all comes back to Congress, because all capital is subsidized by Congress, in one fashion, form, or another, just like all capital for the highway or the aviation side is subsidized through Congress. They have a different methodology. They have a program that provides user funds for highways, but those user funds also are distributed to transit, which are not necessarily—and I think we talked about it a little bit earlier—they're not paid for by the transit rider, they're paid for under the same structure that the highway receives those funds and the same way that aviation receives those funds; it all comes back to the Congress in making a decision.

The need for Amtrak is to put on the table to Congress what our capital needs are, and we have not been bashful about doing that, because we need to rebuild the railroad.

Senator MURRAY. Okay. Well, in addition to replacing your aging locomotives and railcars, as I talked about earlier, this could revitalize a domestic industry for manufacturing rail equipment and really help us focus on manufacturing jobs here in the country. But, realizing that goal, as I mentioned earlier, is going to require companies to have the confidence that Amtrak has a reliable, long-term source of funding for its fleet plan. What will it take, do you believe, for U.S. manufacturers to believe that passenger rail equipment is a viable line of business?

Mr. BOARDMAN. Like that commercial on television says, "Buy my product." Fund my plan.

Senator MURRAY. So, you need to know that there's a—that they will need to know that there is——

Mr. BOARDMAN. Yes. And——

Senator MURRAY [continuing]. A consistent——

Mr. BOARDMAN [continuing]. There's a new——

Senator MURRAY [continuing]. Source of funding.

Mr. BOARDMAN. Chairwoman, there is a new understanding across the world today, I think, that we are in a very different competitive environment for—not only the economy, but for energy for the future. And every country today is looking at how they are going to solve this problem. And rail becomes a key part of that. We've already seen that, as a key part of it, in terms of what the investments are with transit. But, transit needs to be connected to the rest of the country and there are two key elements that Amtrak brings to the table. One is its workforce, its key competitive advantage in the people that operate this railroad and know what needs to be done. And the other is the connectivity across this country, up and down from border to border and from coast to coast. This railroad will be a key reason why this Nation can live in a more prosperous position in the future.

Senator MURRAY. So, what you're saying is, if we have that goal, as a country, and it's very clear and consistent, it will send a message to domestic manufacturers that we're in it.

Mr. BOARDMAN. Yes. And I think that message is already getting there.

Senator MURRAY. Okay.

In the past, Amtrak has purchased rail equipment from Bombardier, a company based in Canada. Is Amtrak currently purchasing rail equipment or overhaul service from Bombardier, and will it do so in the near term?

UPGRADING THE AMTRAK FLEET

Mr. BOARDMAN. Yes. We continue to enhance our relationship with Bombardier, with GE, and with other manufacturers across the United States.

Senator MURRAY. Okay. I understand that Amtrak is still trying to decide on the best strategy for replacing the Acela fleet, which was originally provided by Bombardier. One option is to purchase additional cars for the Acela fleet in order to expand capacity along the Northeast corridor, even though these new cars would be replaced after just a couple of years, along with that original Acela fleet. How likely is it that Amtrak would purchase additional Acela cars from Bombardier, before updating all of the equipment for the Northeast corridor?

Mr. BOARDMAN. Well, what we really looked at was that the Acela fleet on the Northeast corridor actually covers 121 percent of its costs. So, you're actually making money on Acela, as compared to——

Senator MURRAY. Right.

Mr. BOARDMAN [continuing]. Other modes and services on the corridor. So, we looked at that. We can improve the amount of revenue and enhance ridership if we could extend the number of trains that we operated that were Acela-like train sets. So, the opportunity is for us to increase our revenues, if we can find about five train sets that we could add to the corridor for high-speed service.

Certainly, the Bombardier products that exist are already a proven design, and we don't have to spend the time to go through to test an entirely new technology to provide that service. So, there's a great—I'm trying to find the right word—there's a great opportunity for us to be able to do that with Bombardier. But, we haven't made that decision. We haven't decided that that's——

Senator MURRAY. Not decided.

Mr. BOARDMAN [continuing]. What we're going to do.

Senator MURRAY. Okay.

In my opening statement, I talked about the fact that I'm glad the administration is not submitting budget requests that would guarantee the bankruptcy of Amtrak anymore. But, their request for capital grants is still lower than the railroad's own request, by about $500 million. What impact would the administration's budget have on your capital investment?

Mr. BOARDMAN. It'll just make more shovel-ready projects available for us to do for the future, if funding becomes available. And I—what I mean is that we have, as every State DOT, and at—every competent operation has a list of projects that need to be done, especially when you have a $5 to $7 billion backlog, just on the Northeast corridor.

But, there are a lot of other projects that could be done. I know Senator Dorgan may be here, talking to me about one in particular, in Devils Lake. So, we have opportunities, should the money become available, to get a——

Senator MURRAY. On the capital——

Mr. BOARDMAN [continuing]. Job done.

Senator MURRAY. What about on the operating side? I think their request is $40 million less than yours. Will that have an impact?

Mr. BOARDMAN. It will not cause, if the question really is, us to cut back services.

Senator MURRAY. That's what I'm asking.

Mr. BOARDMAN. We're looking for a way that we can make sure that those services are continued to be provided.

But, some decisions—for example, I still get messages, from those who ride from Albany to New York City, asking, "When are we going to return the cafe car?" which we don't have on there any longer. We eliminated that in order to reduce costs.

Senator MURRAY. Right.

Mr. BOARDMAN. But, it—so, it impacts us, that it's not as convenient for people to ride the service now as it was before.

Senator MURRAY. Okay. Thank you very much.

Senator Bond.

Senator BOND. Thank you, Madam Chair.

Mr. Boardman, we just heard Mr. Alves testify that second and third shifts are reducing productivity and compromising the work that's done. We thought that—I understood that the $1.3 billion in ARRA funds were for shovel-ready projects. Were they not shovel-ready? Was Amtrak not shovel-ready? Why have you had to take these extraordinary steps, which apparently are more costly and less productive?

ARRA PROJECTS

Mr. BOARDMAN. I think all the projects were shovel-ready. And I think that the IG did an excellent job looking at the risks for us along the way. But, of the nine projects that he really looked at—one of them was the Niantic Bridge, there were two positive train control projects, and there was a frequency converter replacement project and the Los Angeles maintenance facility—there were the top five that they were worried about for risk.

When you looked at the number of points—and they looked at acquisition, environment, schedule, objectives, technology, size, complexity, financial, human capital, management, and fraud—what you wound up with was 10 points for each of the first 3 that they were worried about, 9 for 4, and 8 for 5. And when you look at the 10, what you find is the risk is really environmental and size and complexity. The things that Ted and his staff found is it's costing us more, as it does in every capital area, when you try to get it done as quickly as we were really trying to get it done and you had to put on the second or third shift.

Senator BOND. So, that was a mistake, trying to put the time deadline on it. That had——

Mr. BOARDMAN. Well, if——

Senator BOND. That was a mistake, in terms of cost, productivity. So, that is a signal not to put timelines on it. I would hope that the requests you have would have reasonable timelines that are achievable. And I didn't have any——

Mr. BOARDMAN. Absolutely. We agree with you.

Senator BOND. I didn't have anything to do with that bill, so I can't speak to that.

You've mentioned you're taking a look at different types of funding for Amtrak. And you mentioned, as it—high on the priority list, borrowing in the private market. Correct me if I'm wrong; if you borrow, that means this budget—this subcommittee's budget will have to pay the interest costs and the debt service every year. So, that will really be a charge on this budget.

Are there any dedicated sources of funding that you're looking at, outside of putting Acela-type trains on, that generate a profit, making things profitable that will give you the money you need?

Mr. BOARDMAN. No.

Senator BOND. Thank you——

Mr. BOARDMAN. All capital comes from this—from the Federal Government.

Senator BOND. Okay. Well, I would urge you to find out ways to emphasize that—what is profitable, and de-emphasize that which is not profitable, because we are up against the wall, as you probably heard me say, earlier.

Mr. BOARDMAN. None of it is profitable, Senator.

Senator BOND. Okay. Well—but, it has to be less costly. Right now——

Mr. BOARDMAN. And that is happening. But, it's not——

Senator BOND. Yes. Well, it's not——

Mr. BOARDMAN. Even if it——

Senator BOND. But——

Mr. BOARDMAN. Even if it's less costly, though, sir, it doesn't mean we can pay the capital with it. It means we can pay the operating. We——

Senator BOND. Well, it's—we——

Mr. BOARDMAN. We——

Senator BOND. They come out of the same pot of funds. If you're looking here—doesn't matter whether you call them capital or operating, your capital is going to compete with your operating, which is going to compete with housing.

Let me turn to Mr. Alves. This is sort of a two-part question.

I know you're new to the office at—of inspector general. We welcome you. The—in 2009, Amtrak outlined a strategic guidance document, and I'd like to know how it is being implemented. And to what extent are Amtrak managers or others being held responsible for achieving the key performance indicators that have been developed? And are they affecting pay and promotion?

Mr. ALVES. I'm not sure I can fully answer that question, but I'll do my best.

The strategic guidance identifies the key things that Amtrak is trying to achieve. And Amtrak has been taking steps, under a new performance measurement system, to develop performance measures and goals for its key executives, and to—and then to flow those through the system to subordinates to be able to——

Senator BOND. Are there—is there tie-in between pay, or—is there any performance bonus for those who meet it or penalties for those who don't?

Mr. ALVES. I'm not sure about a bonus, but I do know that the rating and the pay is going to be tied to those measures.

Senator BOND. All right.

Ms. Barr, welcome. You have spoken about the problems that apparently came from putting too much money, too many requirements on FRA. In other words, you were—I think I understood you to say that a bunch of money was dumped on them with a bunch of requirements that were impossible to meet. And that's why there have been failures to achieve what is expected from FRA. Is that a fair assessment?

ROLE OF FRA

Ms. BARR. Yes, I think the assessment, and the point that I really want to make is, looking at FRA and what its traditional role really was, was a small regulatory agency that's been asked to transform into a large grant-making organization. So, not only do they have to issue their own grants, develop their own internal policies for good, solid project management and oversight, but they have to oversee a larger grant operation on behalf of Amtrak.

Overlay that with all of the new safety requirements that came out of the Safety Act as it relates to positive train control, as it relates to the Americans with Disabilities Act, and a whole host of other things, that is a big challenge. That's a hugely expanded role. And I think if I had to characterize what it's like, it's like needing to design and implement at the same time. That's very difficult.

Senator BOND. Are they able to handle the resources and the demands that they are expecting now? Are they still have a—are they able to handle it?

Ms. BARR. I think they're on their way.

Senator BOND. Okay.

Ms. BARR. They've requested the FTEs, but they're nowhere close to where they need to be.

Senator BOND. Okay.

And finally, who's going to—with the DOT IG, Amtrak OIG, how are you going to relate the roles of the two IGs?

Ms. BARR. Okay. I can start first. Ted and I had discussions about this, as well. We're thrilled that he is in place and can pick up, traditionally, what—where we've been focused, on some of the Amtrak issues. The way—I guess I would divide the responsibilities. I think it laid out pretty well the challenges that FRA has before it. And I think you, Senator, indicated this National Rail Plan is something that needs to be looked at very, very closely.

Senator BOND. That will be your——

Ms. BARR. That would be something we would look at. We would look at all of the other mandates, the requirements, how well they're overseeing project oversight. And we would hope that the Amtrak IG can continue doing what he's doing, looking at some of those internal policies and practices and management challenges, going forward, with their new requirements.

Senator BOND. Okay. You've got the FRA ball. Mr. Alves, you've got the Amtrak ball.

Mr. ALVES. I would like to say a couple words about this, if I could. I agree with what Ann is saying. And the Amtrak inspector general, I think, has some very capable people, and has done some very good work. But, I think that our focus needs to be on the major challenges that Amtrak faces and its strategic goals that are outlined in that strategic guidance. And we have put together a new strategic plan that builds on that strategic guidance and, basically, directs us. Our goal is going to be to spend much more of our resources addressing the big, major issues. And so, I think that will fit with what you're looking for.

Thank you——

Senator BOND. We look forward to your sharing with us. My apologies, Madam Chair, to you and my colleagues.

Senator MURRAY. Senator Lautenberg.

Senator LAUTENBERG. One of the things that has been talked about with a degree of frequency, and that is, searching for new corridors, where we can bring rail—good quality rail service to these places.

Where would we—how would we fund the equipment, the tracks, the infrastructure, we—when we can't handle the equipment needs for Amtrak, as it exists? We're talking about other corridors. How is that going to be paid for?

Mr. BOARDMAN. No, no. Directed to me, Senator?

Senator LAUTENBERG. Yes.

Mr. BOARDMAN. It's good to see you.

Senator LAUTENBERG. Please.

FUNDING CORRIDORS

Mr. BOARDMAN. First of all, I think there are a lot of those corridors that we can extend the use of our existing equipment. For example, Springfield, Mass., to New Haven, for example—that's one of the things being funded. And, certainly, there has been a lot of activity about how that'll get financed for the future. When we extended the corridor to Lynchburg, Virginia, we were able to use equipment that was available that extended from the Northeast corridor to provide that service.

But, there are areas, as you say—for example, one of the corridors that I think has great promise is the Milwaukee-to-Madison corridor, for example, for the future. That will require the rebuilding of the tracks, and it will require additional equipment. And you have a State that's made a strong commitment, in regard to that, being Wisconsin, and—both in terms of equipment that they would buy and pay for—in some cases, on their own—and also applying for and rebuilding the line between Milwaukee and Madison, or at least part of that line that they own.

And I think that's where the key for PRIIA came, was that the States would take a leadership role in those corridors, for the future, not only with adding tracks and facilities, but also with the equipment. We're there to help them, but they're going to have to take a role in that process and also use the Federal money that's become available.

Senator LAUTENBERG. The question that arises here—you know, I look at this, and one thing that we all know, here, whether we like to look back and talk about all of the years of neglect in investment that we made—I mean, if you compare what Amtrak—what's happened with Amtrak on an annual basis, I think it runs something over a billion dollars a year, over the—since the 1970s, when it became Amtrak, as we know it.

And when you look in other places and commitments that are made—$10 billion a year in Germany for—get—to get high-speed rail to—going. And they did it. And it doesn't do us a lot of good to beat our chests here about that. But, the fact of the matter is, this has been a case of sheer neglect on our part, to step up to the plate.

So, when you look at these amounts of money, this isn't something that is coming in out of the blue. It's trying to make up for some lost time.

Mr. BOARDMAN. Well said, sir.

FLEET MAINTENANCE

Senator LAUTENBERG. And, you know, when we look at, for instance—I want to ask a couple questions about the equipment. You were—you pretty well gave an endorsement to the continuation of a—buying Bombardier equipment.

And how about the maintenance costs for Bombardier, how about the durability of the equipment, because I've heard, chatting around, that the maintenance costs right now are outrageously high. Is that not true? That's—is that because the equipment was over—has been overworked? Or——

Mr. BOARDMAN. Well, right now—and I don't mean to interrupt you, if you're——

Senator LAUTENBERG. No.

Mr. BOARDMAN. Right now, we're actually rebuilding them at the midlife—it's 10 years. So, the cost, right now, is somewhat higher. We expect these trains have to last 20 years.

One of the things we did with the fleet plan was we began to recognize that there was a commercial life and there was a useful life. There were no manufacturers, other than Bombardier, in the United States that really built the heavy-duty, long-lasting, intercity rail cars in the United States. So, we really had to have a spec on regular—I'm kind of mixing terms here—but, we're—we really had to have a spec that was heavy-duty for the future that would drive domestic manufacturing.

Part of the reason that we're committed to Bombardier is because we're committed to Bombardier. We have 20 train sets out there that are operating, and I want to get things done and keep things moving. And I truly believe that—right to my core that we're sitting on the precipice of huge increases again in fuel cost, and our need to deliver for our Nation and for the community is going to mean that we need to move faster.

Somebody said—asked the question earlier, how long does it take to get these cars in here? Three years? Maybe, if we push them, 2 years? We're at $80 a barrel. We're going to be headed to 100, at least by some estimates, and maybe beyond that. It's when that happens that you begin to see a total breakdown in the aviation business model for short distance. And those are the kinds of things that railroads can provide in the most efficient manner.

So, I don't want to say that we have to buy Bombardier for the high-speed rail sets. And I want a new generation of high-speed rail that's open and competitive. But, right now, in order for us to really move things the way we think we need to move them, we need the relationships with Bombardier. And we also need relationships—and we are improving our relationships with General Electric, for example, that we have—over 200 of our diesel locomotives are General Electric locomotives that—we're improving our relationship with them so that they will become longer-lasting, and we're looking at the potential for a new-generation tier-3——

Senator LAUTENBERG. In the meanwhile, can we get any acceleration of the speeds—you held out some hope there, and made me glad for a minute; in this environment, that's pretty hard. But, the fact is that, with new equipment, you projected a real shortening of the trip from here to New York. The example that——

Mr. BOARDMAN. We believe the time savings can be improved.

Senator LAUTENBERG. If we—the midlife repairs that you talked about. Does that give you the kind of equipment advantage that in any way enhances the amount of time that we have to go on the Northeast corridor to get to destination?

Mr. BOARDMAN. Well, some, but it doesn't get us up to the speed of the Acela. And it's not going to improve your handwriting, because we need to have that infrastructure fixed, as well.

Senator LAUTENBERG. We don't do old habits like that, huh?

Mr. BOARDMAN. Yes, sir.

Senator LAUTENBERG. Thank you. Thank you, Mr. Boardman.

Thank you, all of you.

Senator MURRAY. Senator Dorgan.

Senator DORGAN. Thank you very much.

So, Mr. Boardman, thank you for being here. And Senator Lautenberg and I were just talking about the fact that both of us think you're doing a good job, and we were reminiscing, with Mr. Gunn, who used to run Amtrak, who I thought was a superb leader, as well. But, thanks for sinking your teeth into this.

This is a big challenge, because you've not gotten the money from the Congress for capital to do what's necessary.

I was in Russia recently, and was on a fast train from Moscow to Saint Petersburg, and I'm thinking, "Wait a second. Why is it there's a fast train, with faster and better equipment in Russia than here?" It makes no sense to me.

Well, I'm a big supporter of Amtrak. I think rail passenger service is an important part of the transportation network. And I think Congress just has to do better. And I know we have some among us, here in Congress, who believe we shouldn't do this at all, "The private sector won't do it, it shouldn't be done." I'm not one of those. I think this is a very important adjunct to America's transportation system.

Now, having said all that, and complimented you sufficiently, let me——

Mr. BOARDMAN. Is Devils Lake on your mind, Senator?

Senator DORGAN. Yes it is. Yes it is.

You know, you mentioned, I think that the Empire Builder is probably one of the most successful long-distance trains in——

Mr. BOARDMAN. Yes, sir.

DEVILS LAKE

Senator DORGAN [continuing]. On the Amtrak system. The Senator from Washington knows that, because that's where the Empire Builder ends up. Over a half a million people get on that train, from Chicago to Seattle. It goes through North Dakota. And we face a problem. As you know, we have a chronic lake flooding that's been going on for a dozen years now in what is called "Devils Lake." It's dramatic flooding. I think it's the only circumstance, other than that of the Great Salt Lake, where you have a closed basin. We don't quite understand where all this is going to go, but the Lake has increased in height, I think, 25 feet now. And it just continues to rise. This year, it's expected to rise again.

We have a bridge, near Churchs Ferry, on a track owned by BNSF Railway where Amtrak, I believe, slows down to 25 miles an hour in order to——

Mr. BOARDMAN. Yes.

Senator DORGAN [continuing]. Go over that bridge. But, if the water goes much higher, perhaps another foot and a half, you won't be able to go over that bridge. And we met, in January, about that. I'm hoping that quick action can be taken to begin the work to resolve that issue.

I don't think you want to avoid stopping at Grand Forks, Devils Lake, Rugby, along the route of the Empire Builder. You get a lot of traffic in that area.

So, tell me where we are, in your minds, and what can we do to fix this, and do it on an urgent basis?

Mr. BOARDMAN. We've been regularly meeting, in regard to this——

Senator DORGAN. I'm aware of that.

Mr. BOARDMAN [continuing]. With the State and with BNSF and so forth. And nobody has stood up and volunteered to pay for a new bridge, for example, which is perhaps understandable. But, it's time. It's time for all the parties to decide, what part of this do they need to help pay for? And how do we move this forward?

So, I would propose to you—with your blessing, I hope—that we meet with the State, in a more structured way, with our senior folks, to find a way to not only design and engineer, but finance, the appropriate bridge that solves this problem for the future.

Senator DORGAN. Now, the track and the bridge belong to BNSF?

Mr. BOARDMAN. They do.

Senator DORGAN. And what will the design and the engineering cost be?

Mr. BOARDMAN. You know what, I had it and——

Senator DORGAN. All right.

Mr. BOARDMAN [continuing]. Was supposed to remember it, and it's gone. But, I can provide that to you for the record.

I think the construction of the bridge was around $60 million, and usually it's about 10 percent of that, but I think—I think it was, like, between $4 and $6 million to design it; and then, the more—maybe more difficult part for the future was, we had to replace some rails for the future, and maintain it, which brought the whole thing up to, maybe, in the $100,000-plus-or-minus category.

Senator DORGAN. You mean $100 million.

Mr. BOARDMAN. Yes, $100 million. If it was 100,000, we'd take care of it.

Senator DORGAN. Yes, we'd——

Mr. BOARDMAN. Sorry. I was trying to convert, you know——

Senator DORGAN. Senator Murray——

Mr. BOARDMAN [continuing]. Kilometers per hour to——

Senator DORGAN [continuing]. Would fund that out of personal funds, $100,000.

Mr. BOARDMAN. You got me.

Senator DORGAN. We seldom ever hear numbers like that.

Well, let me make a suggestion. I wonder if perhaps we shouldn't do a conference call next. My staff has been involved with all of these calls. I mean, we've had some weekly calls; but, frankly, nothing is happening.

Mr. BOARDMAN. Yes, sir.

Senator DORGAN. I mean, nothing constructive is happening, and I wonder if we shouldn't do a conference call with the CEO of

BNSF, Mr. Rose, yourself, the Governor, the congressional delegation; and, in that call, decide who's going to do what, when, and how we're going to get this fixed. Because, I worry very much that we could come up to a time here, in just a matter of weeks, when something—structural issues or others—could persuade you that you can't any longer run that Amtrak train through Grand Forks, North Dakota—Devils Lake, North Dakota—Rugby——

Mr. BOARDMAN. You were persuasive to me, in the meeting we had in January, that I would continue to operate——

Senator DORGAN. Well, I tried to be persuasive.

Mr. BOARDMAN. Yes.

Senator DORGAN. But, let me suggest that we put together a conference call of principals, first. Make some judgments there about who's going to do what and when.

Mr. BOARDMAN. Yes, sir.

Senator DORGAN. But, again, you want this railroad to run well. You believe in passenger service, as I do. And I think that the chairman of this subcommittee, I know, has very strong feelings about it. You just heard Senator Lautenberg—nobody's been stronger in the Senate than Senator Lautenberg. You understand you've got a very strong supporter in the Vice President's office.

Mr. BOARDMAN. Yes.

Senator DORGAN. We watched him, as a Senator, spend a lot of time on Amtrak, as well.

So, I really want you to succeed. We need to find a way to get enough capital into this rail passenger system so that you can make decisions in the intermediate and longer-term. It's the only way we're going to get to where we want to be, and need to be, to have a healthy rail passenger system that works well.

So let me, Madam Chairman, thank you for the time.

And I'll look forward to talking to you either late today, Mr. Boardman, or tomorrow.

Mr. BOARDMAN. Yes, sir, Senator.

Senator DORGAN. And we'll set up that call.

Thank you very much.

Mr. BOARDMAN. Thank you.

Senator MURRAY. Thank you very much.

I have one final area, and that is in fiscal year 2010, Amtrak committed to spending $144 million on station improvements to bring the rail system into compliance with the ADA. The original budget request for 2011 included $281 million for the second year of its 5-year plan for ADA compliance, but, today Amtrak is lowering that estimate, I understand, by $50 million, because of difficulty getting the money out the door this year. And I understand that part of that is due to the fact that you don't own all the facilities.

But, I wanted to ask you today, Mr. Boardman, if you still believe that Amtrak will be able to bring all of its stations into compliance with the ADA within the next 5 years.

Mr. BOARDMAN. I don't know that we can, Chairwoman. I'm not happy with my organization that reduced the amount from the $281 million down to the $231 million. And I don't yet have the answers from them as to what we're going to do to make that 5 year deadline. If we have to drop it—$50 million right this minute—for me to testify to you that we can deliver it in 5 years, I don't think would be the appropriate thing for me to do.

Senator MURRAY. Well, I just want you to know, this is a high priority for me.

Mr. BOARDMAN. Yes.

Senator MURRAY. It's about people's civil rights. And it's not going to get any easier in the next 5 years, so I'm going to continue to press you on this.

Mr. BOARDMAN. Yes, ma'am.

Senator MURRAY. With that, I don't believe we have any other members that have questions. So, I want to thank all of our witnesses for their testimony.

SUBCOMMITTEE RECESS

And I will recess this hearing until May 6, at 9:30. At that time, we will be taking testimony from HUD Secretary Donovan and DOT Secretary LaHood on the administration's fiscal year 2011 budget request related to community livability and sustainability.

Thank you very much.

[Whereupon, at 11:24 a.m., Thursday, April 29, the subcommittee was recessed, to reconvene at 9:30 a.m. Thursday, May 6.]