

**Testimony by
Richard Anderson
President & Chief Executive Officer
National Railroad Passenger Corporation**



**Before the
United States House of Representatives
Committee on Transportation & Infrastructure
Subcommittee on Railroads, Pipelines, and Hazardous Materials**

**Amtrak Now and Into the Future
2167 Rayburn House Office Building
November 13, 2019 10:00 a.m.**

**Amtrak
1 Massachusetts Avenue, N.W.
Washington, D.C. 20001**

Introduction

Good morning Chairman Lipinski, Ranking Member Crawford, and all the members of this Subcommittee. Thank you for holding this important hearing on the upcoming reauthorization of Amtrak and intercity passenger rail as part of the larger renewal of the Federal surface transportation programs.

My name is Richard Anderson. I serve as President and Chief Executive Officer of Amtrak, and I am proud to be here on behalf of Amtrak's hardworking employees from across the nation. Today, I want to provide an update on where Amtrak currently finds itself and then explore the choices this nation faces as we look ahead. I hope my remarks will illustrate how Congress can help Amtrak modernize, evolve, and expand the nation's intercity passenger rail network for the future.

When I appeared before this committee's hearing on infrastructure and other assets in February, I discussed in detail the urgent need for funding to address the Northeast Corridor's \$42 billion state-of-good-repair backlog and advance vital projects such as the rehabilitation or replacement of the Portal Bridge, Susquehanna River Bridge, the Hudson Tunnel Project, East River Tunnel, and Baltimore & Potomac Tunnels. I also described our plans and need to invest in critical equipment replacement for most of our fleet that is rapidly approaching or has already reached the end of its useful life and to invest in our stations, particularly the major stations we own on the NEC and Chicago.

While improving these legacy assets is important, we must also think hard about the future and how to build a modern, improved national network for your constituents. For many months now, Amtrak has been working to develop a national network plan for our short and long distance services off the Northeast Corridor based upon assessments of existing and future markets in regions throughout the country. Our goal is to identify those markets with the greatest potential for new or enhanced intercity rail service in order to ensure we can deliver more mobility and create good value for the nation. As part of this process, Amtrak has begun to meet with state departments of transportation and local stakeholders to understand better their specific needs and preferences for rail service, such as station stops, frequencies, and schedules. We expect to complete and issue a plan for growth next year to help you make decisions about the role of intercity passenger rail in the next surface transportation bill.

The State of Amtrak

This hearing is well timed, as Amtrak has just compiled the results of FY 2019, which ended on September 30. Thus, I can offer you full end of year results from what is by nearly every measure our best year yet.

- Safety: Amtrak is proud to be an industry leader in positive train control. We have installed PTC operational on 99.9% of our own track-miles, and we are pleased to report that our host railroads have operational PTC in place in 89.9% of the required host railroad track-miles over which we operate. We continue to make significant progress with our Safety Management System, which guides every aspect of our safety program. Amtrak is the first American railroad to adopt this proven method from the commercial airline industry, and we already see impressive results from the effort, such as a 26% reduction in customer incidents, 72% fewer serious employee, injuries, a 10% reduction in Federal Railroad Administration reportable injuries, and a 3% reduction in trespasser and grade crossing incidents.
- In FY 2019, Amtrak carried 32,519,241 customers – more than 8000,000 higher than the prior year and a record number. This reflects both a 2.5% over the prior year and the fifteenth annual increase in the last twenty years. NEC and State Supported lines all experienced record growth in ridership, with *Acela* leading the charge at 4.3%, *Northeast Regional* at 2.9% and State Supported services at 2.4%. Long Distance ridership was up nearly 1%.
- This ridership drove a total annual unaudited revenue of \$3.3 billion, up 3.6% over FY 2018. Our disciplined execution against our strategy enabled us to generate an annual unaudited operating loss of \$29.8 million, the best operating performance in our history. We managed to improve our earnings by \$140.9 million or 82.6% over FY 2018. Looking at other domestic and foreign passenger rail operators, these results are truly industry leading, and this efficiency enables us to dedicate the highest possible proportion of our federal support to vital capital investments in safety, capacity, and upgrades to enhance our customers’ experience while traveling.
- We remain focused on customer service and this organizes our efforts every day as we strive to provide the most appealing transportation choices possible. Overall, nine out of ten customers surveyed expressed overall satisfaction with their experience. Amtrak achieved a year-over-year increase in customer satisfaction scores in many categories, including clean train interiors, restroom cleanliness, and information about delays. Our customers are noticing these improvements and are increasingly likely to recommend us to family, friends, and colleagues. Initial terminal performance was strong with 93% of trains across the system departing on time. The strongest performance was at our eastern hub here in Washington, D.C., where more than 97% of our trains departed on time.

- In FY 2019, we collaborated with our state partners to expand and refine the Amtrak network, including starting a new state-supported service in Western Massachusetts called the *Valley Flyer*, adjusting the *San Joaquins'* schedules to be more convenient for weekend leisure travelers, increasing *Northeast Regional* service to Norfolk, Virginia and *Downeaster* service in Maine, and adding a new Green Bay-Milwaukee Amtrak Thruway Bus Service connecting with our *Hiawatha* trains.
- This year, Amtrak received a credit upgrade to 'A' from S&P and an affirmation of an 'A1' credit rating by Moody's, reflecting significantly reduced operating losses and a stronger balance sheet, with no net debt. FY 2019 is also the first full year in which all congressionally-mandated state and commuter partner cost-sharing agreements have been in effect.

To summarize, the state of Amtrak is strong. From our safety record, to our financial health and customer service, Amtrak is operating a sound business that is delivering safe, compelling products and services to many of your constituents. Although there are always challenges, I want to be clear that Amtrak performing better now than we were even just a few years ago. Part of this improvement is directly related to the strong support Congress has provided to Amtrak in recent years, and I thank all of you for the confidence you have in Amtrak. We appreciate it, our numerous partners and stakeholders appreciate it, and our 32 million annual customers appreciate it. We see significant opportunities before us, and we hope your support continues so we can deliver safe, efficient, and effective service to even more of your constituents.

Intercity Passenger Rail Today

Amtrak began operation on May 1, 1971, which means we celebrate our fiftieth anniversary in 2021. Since 1971, we have moved over 1.1 billion people almost 262 billion passenger-miles. We now serve over 500 stations in the United States and Canada – more places than are served by scheduled airline service by all the U.S. domestic carriers combined. Working with our NEC commuter partners, we have transformed the NEC into the only high-speed railroad in North America and a vital engine of the regional and the national economy. Working with state partners in 17 states, we have developed short-distance, state-supported corridor services that carried 15.4 million passengers last year, nearly half of Amtrak's ridership. A company that many expected to fail at the time of our founding has achieved levels of ridership and financial performance that once seemed like impossible goals.

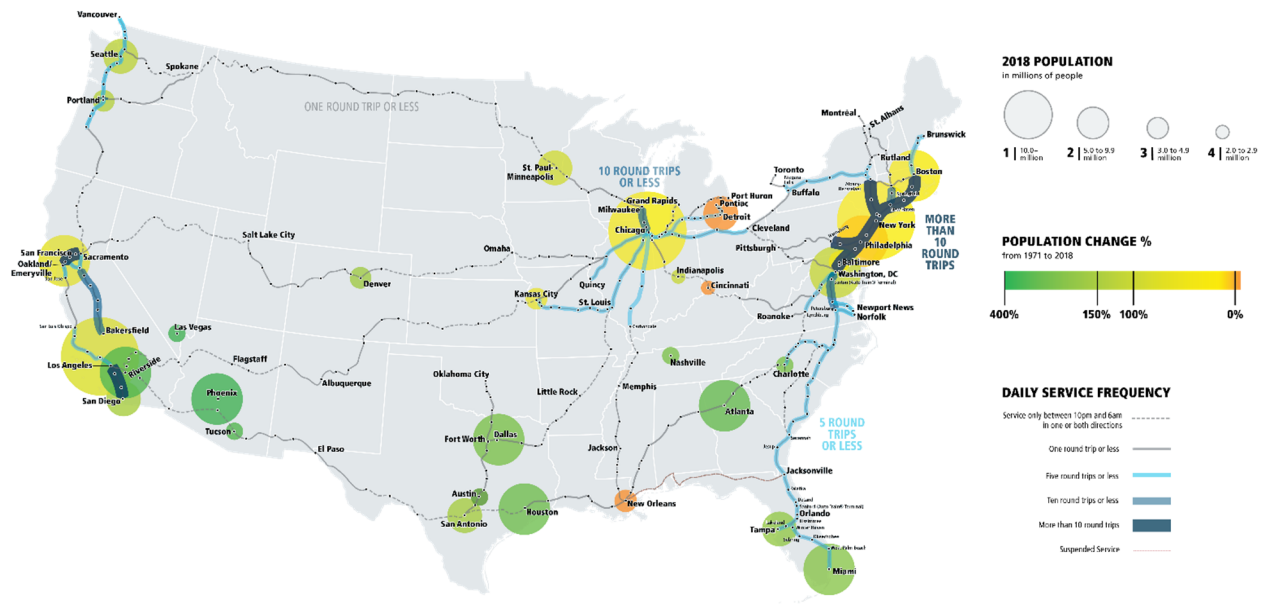
Amtrak comes closest to fulfilling its potential along the NEC between Boston and Washington, D.C. where we provide frequent, high-quality service that is trip-time competitive with other modes to the NEC's 51 million residents.

- We operate more than 140 intercity trains a day at speeds of up to 150 miles per hour (soon to be 160 mph).
- We carry more than three times as many passengers between Washington, D.C. and New York as all the airlines combined, and more passengers between New York and Boston than the airlines do.
- NEC revenues, which covered less than half of operating costs after Amtrak acquired the NEC in 1976, equaled 170% of operating costs in FY 2019 according to preliminary unaudited financial results, enabling us to reinvest an operating surplus of \$568.4 million in NEC capital projects.
- The 28 next generation, high-speed Acela trainsets we are acquiring, with financing that will be repaid from the additional revenues they will generate, will each carry 30% more passengers than the 20 trainsets they will replace. This will significantly increase capacity and allow us to increase *Acela* service frequency.

However, the story is different on most of our National Network: the service off the Northeast Corridor “spine” in the 38 states that are served by Amtrak’s long-distance and state-supported routes. On most of the National Network, we have not even begun to realize the potential – and address the increasingly urgent need – for frequent, high-quality service that can attract passengers for whom rail could be a preferable alternative to driving or flying.

We do have some success stories. In several states, Amtrak has worked with state partners to develop competitive short-distance corridor services that have attracted significant – and rapidly growing – ridership. In California, where the number of daily corridor trains has increased from just four in 1971 to more than 70 today, we carried 5.6 million passengers in FY 2019. Ridership on our state-supported *Hiawatha* service between Chicago and Milwaukee and our state-supported corridors in Illinois has more than doubled since 2003. In just the ten years since 2009, ridership has more than doubled on our Virginia corridors and more than tripled on our *Piedmont* corridor in North Carolina. What these and our other very successful state-supported corridors have in common is that they offer multiple daily frequencies with trip times that are competitive with driving and flying.

On most of our National Network, however, our route map and service frequency, depicted in the map below, are little different from our original network in 1971. They do not reflect the changes in population distribution since then, which means that we offer little or no service in many of the most heavily populated and fastest growing cities and regions.



As in 1971, we serve many of the largest cities on the National Network with a single long-distance route that operates only once a day, or in some cases just three days a week. That is the case in six of the eight major metropolitan areas that have grown the fastest since 1971: Tampa, Atlanta, Denver, Phoenix, Houston and Riverside, California. The other two, Miami and Dallas/Fort Worth, have only two round trips a day. A long-distance train operating three times a week provides the only Amtrak service to Houston, the fifth largest metropolitan area in the United States, and to the Phoenix metropolitan area, the eleventh largest, where it stops 35 miles away from downtown. Long-distance trains provide the only Amtrak service in the Mountain West and most of the South and Southwest, the fastest growing regions of the country. Texas and Florida, the second and third largest states whose combined population of over 50 million will soon surpass that of the NEC, are both served by three routes that operate once a day or less. We provide less service in Florida now than we did in 1971, when its population was a third of what it is today.

We spend a large portion of our federal funding on Long Distance trains: they accounted for 38% of our FY 2019 national train service operating costs while carrying 14% of our passengers, and the federal government is their only source of capital funding. While they play an important role in some small communities, they do not meet the needs of travelers in the growing cities and short-distance corridors where they provide the only Amtrak service. By their very nature, daily or tri-weekly Long Distance trains traveling upwards of 2,000 miles and serving many stations in the middle of the night are ill-suited to provide reliable and convenient service for the under 250-mile trips that contribute 83% of Amtrak's total ridership. Even so, such short trips make up a growing share of passenger demand on Long Distance routes reflecting the latent

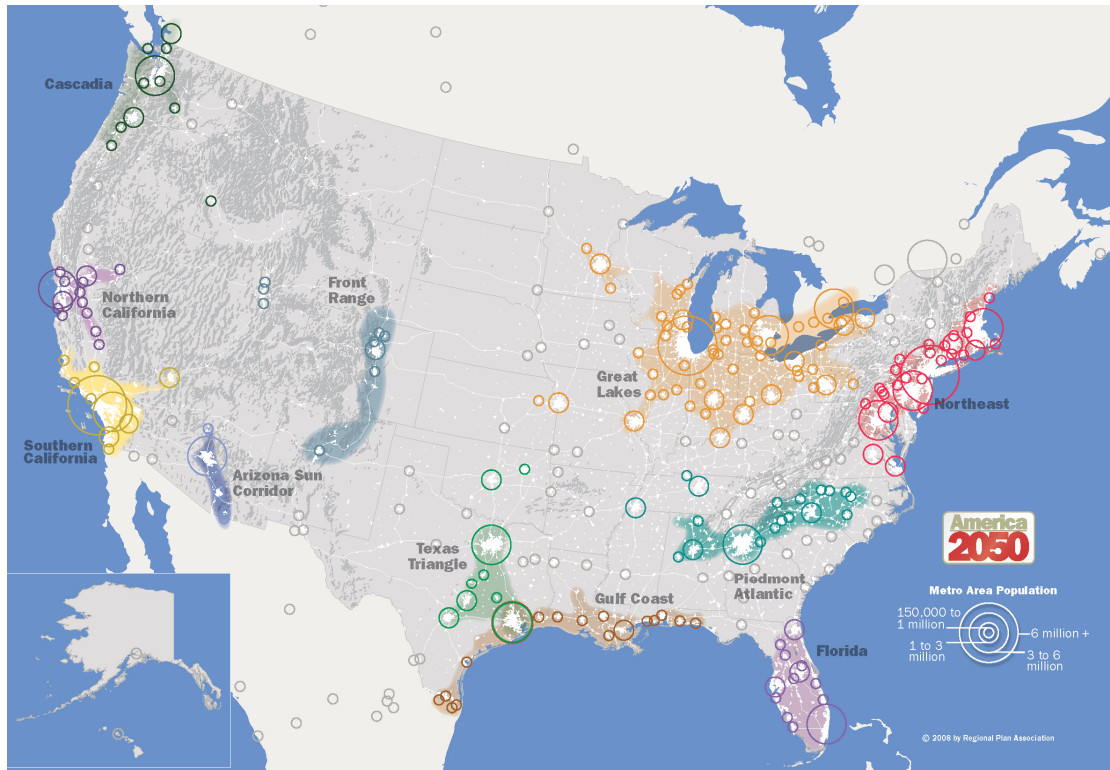
demand for alternatives to driving or flying in many of these markets. (The number of long-distance passengers traveling over 600 miles fell 21% from FY 2010 to FY 2018.)

The Need for More Intercity Passenger Rail

As you know, Amtrak's statutory mission given to us by Congress is to provide "high quality service that is trip-time competitive with other intercity travel options." (49 USC 24101(b)). The need for such has never been greater, especially in short-distance corridors between major cities that are too far to drive and too short to fly. All the trends suggest that demand for such service will only continue to grow. This provides a great opportunity and a way for the United States to accommodate increased intercity travel demand in a sustainable manner without exacerbating congestion in other modes.

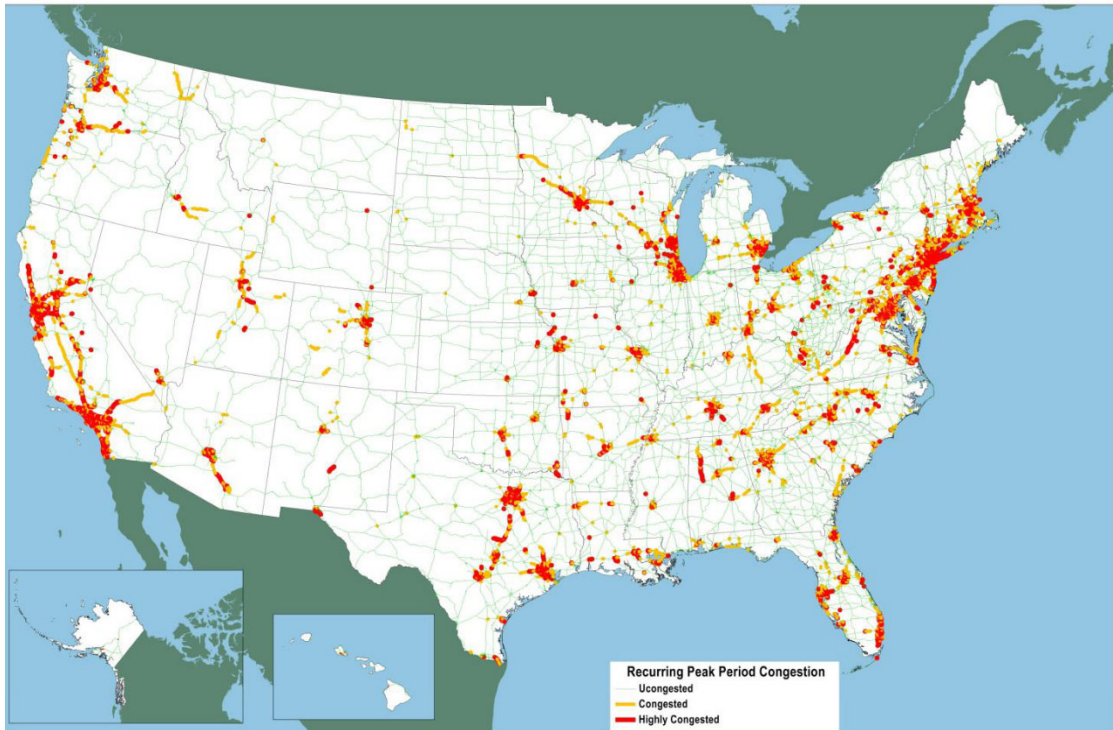
As Amtrak has mentioned at prior hearings, there are several key factors that we are considering as we plan for how Amtrak can better serve your constituents, including:

- *The U.S. population is growing and increasingly urban:* The U.S. population is projected to increase from the current 327 million to 438 million by 2050. Nearly all that growth is occurring in the urban areas where 90% of Millennials, our largest age cohort, live. Intercity passenger rail is the ideal way to link the population centers in the eleven megaregions, the interconnected metropolitan areas that by 2025 will be home to 80% of Americans. Rail stations are or can be centrally located in city centers with connectivity to local transit. A single train can directly serve multiple cities, as well as suburban and airport stops, along megaregion corridors.

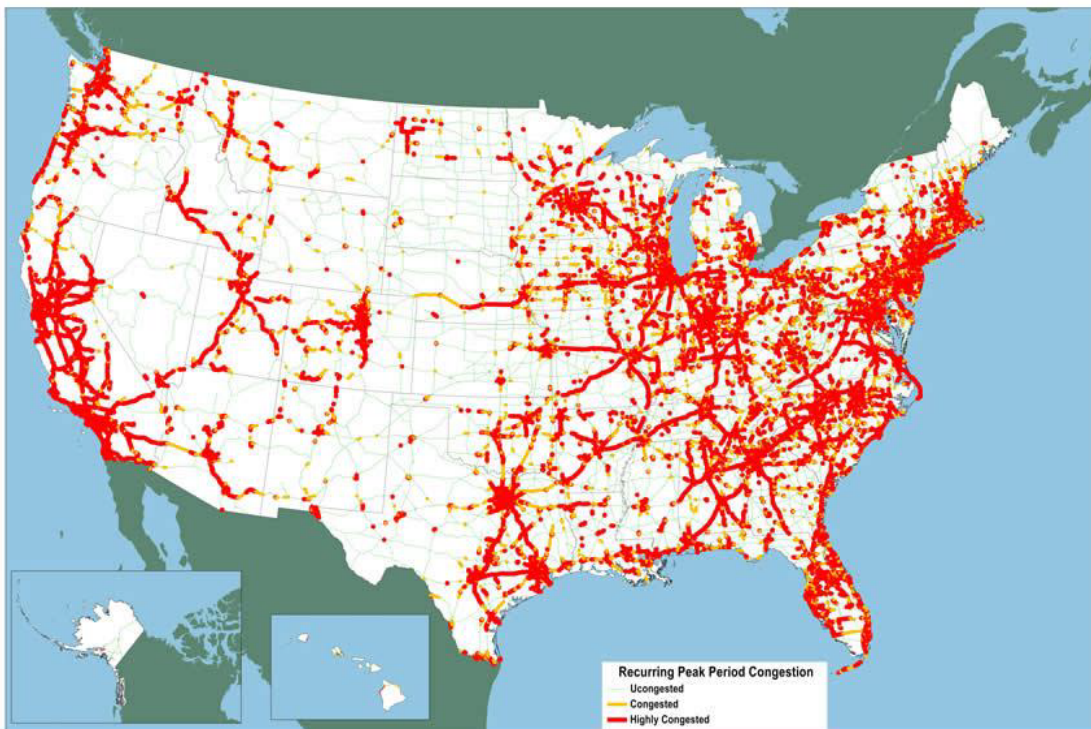


- Highway congestion is spreading and getting worse. Rapid population growth and increased travel per capita will exacerbate existing congestion on highways, which accommodate the vast majority of intercity trips that are made by automobile. The Federal Highway Administration (FHWA) projects that vehicle-miles traveled on our highways will increase 27% by 2036, and that the percentage of the National Highway System with recurring peak period congestion will increase from 8% in 2012 to 35% in 2045. What that means is that the gridlock travelers experience today on highways in many urban areas, where 43% of interstate highway miles are congested, will become the norm on much of the highway system *between* major cities as well.

Peak Period Congestion on National Highway System: 2012



Peak Period Congestion on National Highway System: 2045



Notes: Highly congested segments are stop-and-go conditions with volume/service flow ratios greater than 0.95. Congested segments have reduced traffic speeds with volume/service flow ratios between 0.75 and 0.95. The volume/service flow ratio is estimated using the procedures outlined in the HPMS Field Manual Appendix N
Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations, Freight Analysis Framework, version 4.3, 2017.

- *Air travel in short-distance markets is declining.* Air travel demand is growing overall. The number of domestic airline passengers increased 24% from 2010 to 2018, and the Federal Aviation Administration (FAA) projects an additional 44% increase by 2039. However, the number of passengers and flights on short-distance routes where rail is most competitive is declining because airlines make more money from longer flights and increased security screening and air travel delays have made flying less attractive for short trips. A Bombardier study found that air passenger trips in under 500-mile domestic city pairs fell 30% from 2000 to 2016.
- *Sustainability is a growing concern for travelers.* The desire for more sustainable travel options has reached fever pitch in Europe, where KLM Airlines has been running ads urging travelers to consider taking the train. In the United States, a recent National Geographic survey and Amtrak's customer surveys show a high level of interest in sustainable travel, particularly among Millennials. That plays to Amtrak's strength: our trains use 47% less energy per passenger mile than automobiles and 33% less than travel by air according to the Department of Energy's Oak Ridge National Laboratory.

Opportunities Untapped

Because long-distance trains provide the only service on most of Amtrak's route network, we have not even begun to realize intercity passenger rail's potential in many of the most promising corridors outside of the NEC. Since 1991, Congress and USDOT have designated 9,200 miles of high-speed rail corridors in addition to the NEC on which trains were reasonably expected to reach speeds of 90 mph or more. After 28 years, only 213 of those 9,200 miles have satisfied the 90-mph threshold. More than half are served only by Long Distance trains or have no Amtrak service at all.

Outside of the NEC, Amtrak carries more passengers than the airlines in only one major city pair – Seattle-Portland – served by the Cascades route between Seattle and Vancouver. On that 187-mile corridor, a strong state and host railroad partnership have produced an increase in service frequency and reduced trip time to an air-competitive three and a half hours, allowing Amtrak to attract 58% of the combined air-rail market.

We should be carrying more passengers than airlines in many other city pairs, for example: Chicago to Indianapolis. This city pair has a lot of similarities to Seattle-to-Portland: cities less than 200 miles apart with large metropolitan area populations (Indianapolis is larger than Portland, and Chicago has three times Seattle's population) between which driving or flying are unattractive options. The Chicago area has the third worst traffic congestion of any U.S. city according to Texas A&M's Texas Transportation Institute. Midway Airport had the highest

percentage of delayed or canceled flights of any U.S. airport in 2018; O'Hare was third; and the FAA is predicting a 79% increase in passengers at both airports by 2045.

Instead, the state-supported Amtrak train between Chicago and Indianapolis, the *Hoosier State*, was recently discontinued because the current realities of the route did not live up to its potential and the state decided to stop funding it. The *Hoosier State* operated only four days a week; on other days an often-late long-distance train served the same schedule. The trip took five hours, which was not competitive with three and a half hours by car or bus and much too slow to lure business travelers out of airplanes. Not surprisingly, the *Hoosier State* attracted very few passengers and state subsidies were high. These communities deserve better.

Why do we not have competitive rail service in corridors like Chicago to Indianapolis? The main reason is funding. Intercity passenger rail is the only major surface transportation mode that does not receive dedicated, predictable funding through a trust fund and contract authority at levels set by Congressional authorizations. If a state wants to add lanes to an interstate highway, the federal government will pay 80 to 90 percent of the cost out of the Highway Trust Fund. Yet throughout nearly all of Amtrak's history there has been no significant federal funding to develop and improve intercity passenger rail corridors. While there have been a few small grants from matching grant programs such as CRISI and BUILD, the *total* amount such programs have provide for intercity passenger rail projects from appropriations since 2010 is less than the federal government gives highways *each week*. That makes no sense. As the Congressional Research Service recently concluded:

The federal government's current approach to funding passenger rail differs from its approach to funding highways and transit... Amtrak funding is subject to the annual appropriations process, while many highway and transit programs are funded automatically out of Highway Trust Fund balances... [I]t is difficult to provide significant amounts of funding on a predictable basis to a grant program that depends on the Treasury general fund...¹

Is passenger rail's inability to fund a trust fund through user fees a justification for having assured funding for highways but not for intercity passenger rail? If that was ever the case, it is no longer the case. Since 2008, Congress has been covering the increasing gap between gas tax revenues and highway trust fund outlays with general revenues or borrowed money. To date, \$143 billion has been authorized for this purpose, more than three times the *total* amount appropriated

¹ Congressional Research Service, *Improving Intercity Passenger Rail Service in the United States*, June 25, 2019 (CRS), p. 18.

for Amtrak over the past 49 years. By 2021, the Congressional Budget Office estimates the annual shortfall will be \$16 billion annually.

Other federal funding programs have restrictions against use of funds for intercity passenger rail development that run counter to those programs' goals. For example, the Congestion Mitigation and Air Quality (CMAQ) program is intended to do what passenger rail does best: improve air quality and reduce congestion by taking cars off the road. However, the current program is limited to eligible costs under Chapter 53 of Title 49, and therefore intercity passenger rail is generally not eligible. The governing statute of the Federal Transit Administration (FTA) defines "public transportation" as explicitly not including intercity passenger rail provided by Amtrak. This inhibits efforts by Amtrak and its commuter rail partners to advance rail projects on the NEC and other shared infrastructure that will benefit both commuter and intercity passenger rail.

We know from what we have accomplished in the NEC, and from working with our state partners elsewhere, what frequent, reliable, trip time-competitive Amtrak service can do to attract new customers in short distance city pairs and alleviate congestion on other modes. We are seeing increasing evidence that there is a huge unmet demand for Amtrak service in other short-distance corridors that we do not serve, or serve only with long-distance trains, today.

- In a recent survey of residents living near the proposed Pueblo-Denver-Fort Collins Front Range corridor, a route Amtrak has never served, 85% expressed support for passenger rail and 61% favored an increase in the sales tax to pay for it.
- Amtrak has identified over 60 city pairs located no more than 300 miles from one another where the cities today have either minimal or no Amtrak service. Surveys of those cities' residents showed that over 40% of respondents would either definitely or probably travel by train, if that service included multiple daily departures and was trip time competitive with driving. Not surprisingly, six of the seven city pairs with the largest percentage of affirmative responses – all 55% or higher – were in Texas and Florida.

Reauthorization

As Congress begins the process of drafting a surface transportation reauthorization bill, it is critical that you consider Amtrak's role in the larger transportation network and the tools and funding levels necessary for Amtrak fulfill its mission. Let me highlight just a few of Amtrak's priorities for reauthorization:

- **Safety:** Congress should continue to support programs and policies that improve safety throughout the nation's intercity passenger rail network. In particular, PTC or PTC-

equivalency should be required on all regularly scheduled, passenger rail operations nationwide. Similarly, continued investment in grade crossing safety is a vital need.

- **Mission:** Congress should clarify the role of intercity passenger rail within the nation's transportation system and Amtrak's mission and goals. It should identify what goals it wishes to achieve through the intercity passenger rail network, and how those goals are to be prioritized. Market demand, changing demographics, and ridership (both current levels and future projections) should be the primary drivers for service level decisions. Clarity on this point will prevent future misunderstandings when we take actions to modernize our services to adapt to changing customer preferences and achieve cost savings.
- **Funding Levels and Parity:** Congress should ensure dedicated, predictable funding levels for Amtrak and intercity passenger rail grant programs, especially to bring our assets, such as infrastructure, fleet and stations, into and maintained in a state of good repair. The funding levels must be adequate to fulfill the role and goals that Congress expects of Amtrak (i.e., if Congress wants us to serve more of their constituents, more frequently, to additional destinations, we will require additional funding). Also, restrictions on using existing surface transportation programs like CMAQ to fund intercity passenger rail service should be eliminated. Further, if a portion of the Highway Trust Fund outlays continues to be funded from general revenues and borrowings, then states should be given the right to flex that portion of their FHWA and FTA funds for intercity passenger rail projects. To be clear, we are not asking for a mandate that they do so, but simply providing states additional flexibility to serve their individual transportation needs better given the HTF solvency now depends on general funds.
- **National Network Growth:** In Amtrak's two most recent authorizations, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and the FAST Act, Congress formalized and established consistent, equitable terms for the partnerships between Amtrak and the states that want state-supported short corridor rail service. While this helped improve a legacy system of short corridor routes, the nation must now look forward and adopt a more robust, national approach to developing high-quality intercity passenger rail short corridor services in underserved communities. Congress should provide the framework and resources needed to develop new or expanded high-quality, trip time-competitive rail service throughout the nation.
- **Host Railroads:** Another reason service on Amtrak's National Network is not realizing its full potential is that many of our host railroads are not complying with their statutory obligations given to them by Congress. Host railroads were responsible for 67%

of the delay minutes on Amtrak trains operating over their lines in FY 2019, and freight train interference accounted for one-third of host railroad-responsible delays. In total, delays due to freight train interference added more than one million minutes to the travel time of Amtrak trains in FY 2019. Congress needs to provide effective mechanisms for Amtrak to enforce its statutory right of preference over freight traffic, and to gain access to host railroad lines on reasonable terms for the operation of additional and new services.

Conclusion

Amtrak's growing ridership, strong financial results, and our achievements on the NEC and some of our other short corridors where we have strong partnerships, demonstrate the potential of intercity passenger rail. We know what works well and we want to create more convenience and value for your constituents and this nation. Doing so will require enhanced tools and increased funding levels from Congress.

If these tools and/or increased funding levels for growth are not provided in the next reauthorization, then Congress will need to provide Amtrak with some direction on how to prioritize investment given a lack of adequate resources. I remain optimistic that Congress will find a way to create a modern and expanded intercity passenger rail system and Amtrak is ready to do its part. We aim to release our own detailed reauthorization proposal and National Network Plan and look forward to working with you and the full Committee on this important effort.

I appreciate your time this morning and will be happy to answer any questions you may have.