

**TESTIMONY OF JAMES DERWINSKI
CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR FOR
METRA COMMUTER RAILROAD BEFORE THE
U.S. HOUSE TRANSPORTATION & INFRASTRUCTURE COMMITTEE,
SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
ON
COMMUTER RAILROAD PRIORITIES**

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SUBMITTED BY



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Metra Commuter Rail is the commuter rail operator for Chicago and the Northeastern Illinois region. For more information, visit metr rail.com.

Good morning, Chairman Lipinski, Ranking Member Crawford, and Members of this esteemed Subcommittee. My name is Jim Derwinski and I am CEO/Executive Director of Metra, the Chicago-area's commuter rail agency. I am also here representing the commuter rail industry as a member of the APTA Board of Directors and Commuter Rail CEO Committee, and as Chairman of the newly formed Commuter Rail Coalition. I am pleased to have this opportunity to speak to you today.

Let me first begin by commending the tremendous leadership that Chairman Lipinski and Congressman Garcia have brought in advancing transportation and infrastructure in our region and in our nation. On behalf of Metra and the 300,000 daily commuters, we thank you for all that you do and will continue to do for us and the Chicago region.

As background, Metra was created to run Chicago's commuter rail system by the Illinois General Assembly in 1983. Our creation followed a tumultuous period in which the private railroads that had been operating the service experienced major financial problems and bankruptcies.

Over the years, Metra has grown to be the largest commuter railroad in the country based on track miles, and the fourth largest based on ridership. The Metra system has 11 separate lines with 242 stations and nearly 1,200 miles of track throughout the northeastern Illinois region. Metra owns and operates four of those lines, has trackage-rights or lease agreements to operate Metra trains over freight railroads on three lines, and has purchase of service agreements with two freight railroads, which operate commuter service on four other Metra lines.

Metra's primary business is to serve people traveling to downtown Chicago to work. Approximately half of all work trips made from suburban Chicago to downtown are on Metra. Our riders, whose trips average 22 miles in length, come from all parts of our region's 3,700 square miles.

Broadly, Metra, and the commuter rail industry, face two broad challenges: a lack of sustainable and consistent federal funding for operations and capital projects and a legacy passenger rail system that must grow its service to meet increased demand but is constrained by several external forces.

Throughout the United States, commuter rail systems receive a combination of funding from federal, state, and local government sources, though not all receive federal funds. Our industry has been working diligently to install and implement Positive Train Control (PTC), but the federal safety mandate has put great strain on our limited dollars for state of good repair and capital projects. I am pleased to report that Metra will meet its 2020 Alternative Schedule deadline for PTC implementation. Further, legacy commuter railroads, like Metra, face unique capital challenges as we work to maintain and upgrade aging track infrastructure and rolling stock.

Since 1985, Metra has invested more than \$6 billion to rebuild, maintain and expand Chicagoland's passenger rail network. Operating funding is provided through system-generated revenues – primarily fares – and subsidized in large part through a regional sales tax. Capital funding is provided through a variety of federal programs, state and local funding sources, and a small amount of fare revenue. Metra's total budget for 2018 was \$994 million. That includes \$797 million for operations and \$197 million for capital.

Capital funding to maintain and improve our aging system remains a constant challenge. Metra's capital program is mostly funded through federal formula funds (Sec. 5307 and 5337) totaling \$173.6 million for Fiscal Year (FY) 2019. However, our needs far exceed the level of funding available. In fact, the Regional Transportation Authority (RTA), our region's transit funding and oversight agency, estimates that Metra needs to invest \$1.2 billion annually over the next decade to achieve and maintain a state of good repair.

While we must reinvest in our network to continue to safely and efficiently move our customers, our complete PTC system is expected to cost Metra more than \$400 million, equal to the amount of federal formula funding Metra receives every 2½ years. Further, based on our own estimates and discussions with our freight railroad partners, PTC operation and maintenance costs are expected to be between 5-10% of the total installation cost per year, or \$15-\$20 million with no current federal financial assistance available.

I wanted to take this opportunity to thank Congress and the Federal Railroad Administration (FRA) for allowing commuter railroads, including Metra, to utilize the Consolidated Rail Infrastructure and Safety Improvement (CRISI) grant program for PTC projects. However, this source of funding is not sustainable, and we strongly believe more needs to be done by Congress to financially help commuter rail agencies with the ongoing costs of PTC, especially those agencies that will meet their statutory PTC deadlines.

There is no doubt that the federal PTC mandate has added to the pressure on our capital and state of good repair needs and the expected PTC operations and maintenance costs will continue to add pressure for years to come. While the State of Illinois recently passed a much-needed state capital bill, which will help address some of our needs, we believe the federal government has a role to play in recognizing and supporting the unique challenges faced by commuter railroads resulting from the dual mandate of PTC implementation and safely maintaining aging capital-intensive infrastructure. Creating a new grant program specifically for commuter railroads would provide some relief to these public agencies struggling the most to address PTC operations and maintenance costs and associated capital costs.

The federal formula funding that Metra receives annually is the bedrock of our capital program. However, because our needs are great and state funding has been inconsistent, it has been nearly impossible to effectively budget and plan a capital renewal program. One area that Metra is struggling to meet demands is in its bridge infrastructure. Many of the bridges Metra operates

over are aging and are expensive pieces of infrastructure to maintain. Congress may help us remedy this situation by increasing Section 5307 Urban Area Formula Grants and Section 5337 State of Good Repair transit formula funding. Further, we believe Congress should also consider creating a dedicated formula funding stream for commuter railroads to ensure the numerous commuter rail systems across the country are no longer forced to rely on sporadic discretionary grants and can effectively plan for both safety and capital expenditures.

Metra, like other publicly funded railroads, is a highly regulated, capital-intensive entity. It requires a substantial annual investment to maintain its own rights-of-way and track structure. Metra's capital assets are diverse and extensive: locomotives, passenger cars, track signal and communications equipment, yard and maintenance facilities, station buildings, platforms, parking lots and headquarters. Each day, the delivery of safe, reliable, efficient train service depends on these assets. Constant maintenance, rehabilitation and replacement, and significant funding, are required to keep Metra's, and other commuter rail, facilities and equipment in working order.

Our second major challenge has been constrained growth. Recent studies have shown that more than 80 percent of the U.S. populations live in urban areas, up from 64 percent in 1950. That number is projected to grow to 90 percent by 2050. The rapid pace of change in the passenger rail industry reflects this fact. For example, since this Congress created Amtrak as the nation's preeminent intercity and long-distance passenger rail carrier in 1970, the growth of commuter rail services has been stunning. At the time of Amtrak's creation, there was one publicly owned commuter railroad. Today, there are now approximately 30 active commuter rail systems in the United States that deliver over 490 million passenger trips annually and provide the safest form of surface transportation for commuters. By comparison, in FY 2018, Amtrak served approximately 32 million passengers.

However, publicly funded passenger rail, particularly old "legacy" systems have struggled to keep up with this population growth and increased demand for service. In the metropolitan regions that we serve, our critical services support economic development, tax base growth, and livability. Additionally, many commuter rail agencies, like us, are now working directly with private employers to ensure new offices, factories, and facilities are accessible to our services.

This rapid growth has placed an incredible demand on our limited railroad infrastructure capacity. Commuter rail agencies must coordinate with both the freight railroads and Amtrak in order to operate, especially in Chicago where we must deal with more than 700 freight and Amtrak trains each weekday. While in general, we all work collaboratively in trying to solve issues and move goods and people in a capacity constrained system, like in all partnerships, there are sometimes challenges.

The public convenience and necessity of moving people and passenger trains can create friction with our freight rail partners and Amtrak, particularly in high-density areas. Commuter railroads

and Amtrak operate with one another over some of the most congested and complex areas in the United States, including the Northeast Corridor (NEC) and the greater Chicagoland region. Since we operate together in some of the most congested regions with limited available trackage for passenger rail operations, commuter railroads, Amtrak, and other passenger transportation services often share rail terminals, yard, and stations. While Amtrak often owns many of the rail assets and stations, it is no longer, necessarily, the only major passenger operator in the area. In fact, in certain instances, there are stations in which commuter railroad operations are responsible for over 50%, in some cases even 60%, or 70%, of the train movements, but do not own the underlying assets or infrastructure.

Much in contrast to past history, recently the concept of public convenience and necessity has been focused on the interests of the freight railroads and their customers and less on the interests of publicly funded commuter railroads. Under federal law certain preferences have been given to Amtrak; however, those preferences have not been extended to publicly funded commuter railroads even though, in many cases, Amtrak, freight railroads and commuter railroads share the same tracks. While the free flow of interstate commerce is of great concern to the economic interest of the United States' economy, the flow of interstate commerce is for the benefit of the people of the United States. From their involvement in logistics operations to the actual operation of transportation vehicles, people are significantly involved in the flow of interstate commerce as well as being the beneficiaries of that flow of commerce. With the incredible growth of publicly funded commuter railroads perhaps the time has come to reconsider commuter rail's legislative standing regarding the essential public needs as expressed in the terms of public convenience and necessity of people versus the considerations of public convenience and necessity for freight railroads.

In 2016, the Government Accountability Office (GAO) conducted a study to review Amtrak's efforts to reorganize and implement certain Passenger Rail Investment and Improvement Act (PRIIA) provisions intended to reform Amtrak. The report found that "Amtrak has not developed clear information detailing the specific costs and activities," of its state-supported routes segment and that "several material weaknesses and significant deficiencies" have hindered Amtrak's ability to create consistent and timely accounting documents and financial information.¹ Amtrak's accounting and transparency issues have led to challenges in commuter railroad relationships. While Metra does not operate a state-supported route, we have encountered similar issues with Amtrak's cost methodology formulas for shared station services – like security personnel – and infrastructure. While Metra, and other commuter railroads, are committed to paying our fair share for shared services and infrastructure, a lack of standard financial information and a transparency in cost methodology has led to frustration on both sides.

¹ U.S. Government Accountability Office. (2016, January). *Amtrak: Better Reporting, Planning and Improved Financial Information Could Enhance Decision Making*. (Publication No. GAO-16-67). Retrieved from GAO Reports Main Page via GPO Access database: <http://www.gpoaccess.gov/gaoreports/index.html>.

Clearly, further improvements could be made to enhance Amtrak's accountability for improving operational and financial performance. The GAO report made several such recommendations including the standardization of Amtrak financial reports, greater transparency in Amtrak's cost allocation formulas, and for Amtrak to adopt a strategic management system to improve performance across all of its business segments.² Considering the importance of shared stations and state-supported routes to commuter and intercity passengers, we encourage this Subcommittee to consider measures that improve transparency at Amtrak.

Our current passenger rail system has not kept up with the pace of growth in commuter rail operations. Short-trip and commuter passenger services have increased dramatically, yet lack parity with our intercity and long-distance passenger rail counterparts. We believe the federal government should consider mechanisms that level the playing field between Amtrak and publicly-owned commuter rail agencies.

The House of Representatives has already begun to consider these issues in a thoughtful manner. Chairman Lipinski constructively worked with the THUD Appropriators in the FY 2020 bill to improve on-time performance in Chicago. The Chairman has suggested a collaborative process, led by the FRA, in which Amtrak, commuter railroads, and freight railroads all play a part in working together to improve on-time performance in Chicago and develop recommendations to present to Congress. Metra is particularly proud that it has maintained an on-time performance of 93 percent or better in each year since 1984, the year after Metra was created. This has been achieved despite operating one of the oldest fleets in the country. We appreciate the continued leadership of the House and the Chairman, on these matters, and hope to continue to provide a high on-time performance rate for our customers.

As many of you know, Chicago's railroad network is very complex. About 500 freight trains and 760 passenger trains pass through the region each day. Freight trains from six Class I railroads, passenger trains from Amtrak, and commuter trains frequently interact and use the same tracks. Because of this, Metra has developed strong working relationships with freight railroads as we work together to effectively move passengers and freight across Chicagoland. Our partnerships are further enhanced by the landmark Chicago Region Environmental & Transportation Efficiency (CREATE) program led by Chairman Lipinski and others in our congressional delegation. This program continues to be a positive example of the federal government, rail operators, and local and state governments coming together to tackle a major challenge. Expanding capacity in Chicago, removing bottlenecks, and bringing the network to a state-of-good-repair will enhance passenger train speeds and ensure our freight partners can continue to effectively serve their customers. We continue to appreciate the Chairman's leadership on CREATE and would strongly support Congress and this Subcommittee as it considers other changes to ensure we have a modern passenger rail system that provides for a level playing field amongst all passenger rail operators.

² Ibid.

Congress will soon have several upcoming opportunities to address the unique needs of commuter railroads as its debates reauthorizing the Fixing America's Surface Transportation (FAST) Act. Metra looks forward to working with Congress as its debates authorizing new surface transportation programs. Our current funding situation is unsustainable and threatens the future viability of the important service Metra, and commuter railroads across the country, provide regionally and nationally. Additionally, we would support federal efforts to modernize the passenger rail system, improve accountability at Amtrak, and create a more level playing field between all passenger rail operators.

Metra thanks Congress for its continued support of public transportation and systems like ours and appreciates the opportunity to update this committee on our operations and challenges. Federal support has provided a significant amount of the funding for our capital and safety needs over the last decade, and Metra will continue to depend on it while working with all our funding partners to secure additional assistance.

Thank you for inviting me to testify and I look forward to answering any questions you may have.