



**Washington State
Department of Transportation**

TESTIMONY OF
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REGARDING Freight and Passenger Rail in America's
Transportation System

BEFORE THE
**Subcommittee on Railroads, Pipelines,
and Hazardous Materials
of the U.S. House of Representatives**

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INTRODUCTION

Thank you, Chairman Denham and Ranking Member Brown, for inviting me to participate in this hearing. I'm so pleased to be here to share the state experience with freight and passenger rail in America's transportation system. The nation's rail system is a vital component of the overall surface transportation network. It provides for the transport of goods to market and people to business and leisure activities, and takes cars and trucks off the road. Without the rail system, our highways would face more crippling gridlock. In short, our economy depends on a robust freight and passenger rail system.

I am here today wearing three hats – as the Transportation Secretary for Washington State, the Chair of AASHTO's High-Speed and Intercity Passenger Rail Leadership Group, and as Chair of the States for Passenger Rail Coalition, a coalition of 34 states working together to support the development and growth of intercity passenger rail service for America. States have a unique story to tell as we sponsor intercity passenger rail service, which largely operates on the private freight rail network; we work with Amtrak to operate that passenger rail service; we work with the freight railroads to deliver projects; and in some states, own and operate commuter rail service. Today I'll talk about Washington's freight rail network and our Amtrak Cascades passenger rail service.

EVOLUTION OF THE WASHINGTON STATE RAIL SYSTEM

In Washington, the evolution of railroads mirrored that of the national trends. In 1870, the Northern Pacific began construction on its first set of tracks in Washington Territory, and by the turn of the century railroad connections enabled people in Washington to have rail access to commercial centers across North America. Over time, the growing popularity of automobile and truck transportation eventually decreased demand for passenger and freight rail. Today, the BNSF Railway and Union Pacific (UP) Railroads are the main Class I railroads operating in the state, carrying freight and passenger rail.

FREIGHT RAIL IN WASHINGTON STATE

BNSF Mainline and Short-line Freight Routes

In Washington, we have a robust freight rail system and a strong partnership with Burlington Northern Santa Fe Railway (BNSF), which owns the mainline that runs north and south through the state. In addition to the BNSF mainline, we also have 23 short line freight routes in the state. Of those short line routes, the State owns the Palouse River and Coulee City (PCC) Rail System, a 297-mile short-line railroad comprised of three separate branch lines spanning four counties in agriculture-rich eastern Washington. In order to ensure those communities would continue to be served by rail, it was necessary for the State to purchase these lines in 2004 and 2007 when years of deferred maintenance put them at risk of being abandoned. The PCC provides a critical transportation link that supports economic vitality in eastern Washington. The closure of the lines would mean increased truck traffic on surface streets, with the potential for increased road wear and tear, congestion, and increased maintenance costs. Twenty percent of Washington-grown wheat was shipped on the PCC Rail System in 2011, and it removed 36,911 truckloads from Washington state roadways in 2011.

Testimony of Paula J. Hammond, P.E.
Secretary of Transportation, Washington State

Washington Grain Train

- In the early 1990s, a national shortage of rail hopper cars made it difficult and costly for Washington state farmers to get grain to market. To help alleviate this shortage of grain cars, the Washington State Energy Office and the Washington State Department of Transportation (WSDOT), with the help of U.S. Senator Patty Murray, used federal funds to purchase 29 used grain cars to carry wheat and barley from loading facilities in eastern Washington to export facilities in western Washington and Oregon. The Washington Grain Train began operations in 1994 and currently has 118 grain cars in the fleet. The Union Pacific Railroad, BNSF, and Washington short-line railroads operate the cars and carry the grain to market. The Grain Train serves over 2,500 cooperative members and farmers in one of the most productive grain-growing regions in the world. Grain Train rail cars help carry thousands of tons of grain to deepwater ports along the Columbia River and Puget Sound to ships bound for Pacific Rim markets. A record 575 carloads were shipped in the second quarter of 2012.

State Freight Rail Assistance Programs

The state of Washington has two freight rail assistance programs:

- The Freight Rail Investment Bank program is a loan program available to public sector organizations and is intended for either small projects or as a small part of a larger project, where state funds enable the project to be completed. The State authorized \$4 million in freight rail project loans from 2008 to 2012.
- The Freight Rail Assistance Program is a grant program open to both public and private sector applicants and is directed toward larger projects of strategic importance to the local community and the state. This grant program is directed toward larger projects where it is difficult to gain a contribution through other means and where the rail location or the project is of strategic importance to the local community and the state. Washington state awarded nearly \$14 million in freight rail grants between 2003 and 2013.

Both programs are administered by WSDOT and require the applicants to provide a business plan for the project and are subject to a cost/benefit calculation to ensure they are cost effective. The criteria is slightly different with the Freight Rail Investment Bank, as the application process allows the applicant to self-score 80 percent of their marks, which are based on such things as their own contribution and number of additional jobs that the project will bring to the area.

All criteria in the Freight Rail Assistance program is scored by WSDOT acting with the Washington State Department of Commerce and covers aspects of environmental improvements (aimed at achieving the Governor's greenhouse gas emissions mission), transference of traffic from road to rail, and economic impacts to the state as a whole.

INTERCITY PASSENGER RAIL IN WASHINGTON STATE

Amtrak Cascades Service

WSDOT oversees the management of the Amtrak Cascades intercity passenger rail service along the Pacific Northwest Rail Corridor, which is one of 11 federally-designated high-speed rail

Testimony of Paula J. Hammond, P.E.
Secretary of Transportation, Washington State

corridors in the U.S. The corridor is 467 miles long, stretching from Vancouver, British Columbia in Canada south through Seattle and Portland to Eugene, Oregon.

WSDOT and the Oregon Department of Transportation (ODOT) currently pay for the majority of the costs of the Amtrak Cascades and we will take over the full cost of this state-sponsored service in October of this year. This solidifies the state's commitment to and support of intercity passenger rail. Amtrak is our partner and operator of our service. We first partnered with Amtrak to offer the Cascades service between Seattle and Portland in 1994; nearly 20 years ago. That service has since expanded south to Eugene and north to Vancouver, British Columbia. We currently offer 11 daily trips – four round trips between Portland and Seattle; one round trip between Seattle and Vancouver, B.C., one round trip between Portland and Vancouver, B.C.; and daily service between Eugene and Seattle, via Portland. BNSF is also our partner as our service runs on their private rail lines. WSDOT pays Amtrak to operate the service. Amtrak, as WSDOT's service provider, pays BNSF to operate over their lines. As of December 2012, Washington State has invested nearly \$499 million of its own funds in the service, for both capital projects (\$228 million) and operating costs (\$271 million). During that same time, Oregon has invested \$156.5 million of its funds in the service (\$83.3 million for planning and capital, and \$73.2 million for operations). In 1994, we served 180,209 passengers and our ridership has grown steadily since then – in 2012 we served nearly 840,000 passengers. Our farebox recovery has increased to nearly 66 percent. The positive impacts of our Amtrak Cascades service are numerous:

Economic Impacts of Amtrak Cascades (October 2011 to September 2012)

- Annual Economic Impacts:
 - \$131 million in direct tourist spending; and
 - \$6.9 million State tax revenues and \$3.4 million Local tax revenue are generated annually by tourist spending.
- Support 1,500 jobs annually (direct, indirect and induced).
- Reduced greenhouse gas emission (CO2) by removing vehicles off the road: 15,000 tons

As part of the need to plan for the future, WSDOT is currently investing nearly \$800 million in Federal Recovery Act and appropriated High-Speed and Intercity Passenger Rail (HSIPR) Program funding with the goal of providing faster, more frequent Amtrak Cascades service with better schedule reliability. By 2030 the Puget Sound and Vancouver, WA - Portland, OR metro areas are expected to grow by over 1 million, creating demand for more travel choices. The HSIPR grant program has allowed us to begin to make critical improvements to the Washington segment of the Pacific Northwest Rail Corridor that wouldn't have been possible without the federal funds. The projects include additional rail-line capacity and upgraded tracks, utilities, signals, passenger stations and advanced warning systems. Our effective partnership with BNSF enables us to collaborate efficiently and meet project deadlines. WSDOT will also purchase eight locomotives and one new trainset. These projects, all scheduled to be complete by 2017, will result in two additional round trips, improved on-time performance for business and leisure travelers, and reduced travel time between Seattle and Portland. WSDOT has worked with the Governor's Office of Financial Management Forecast Division to estimate the job impact

Testimony of Paula J. Hammond, P.E.
Secretary of Transportation, Washington State

associated with our high-speed rail program. Calculations conclude these investments supports more than 2,300 direct, indirect or induced jobs through 2017.

Partnerships and a Corridor Approach

Operating intercity passenger rail service requires many partnerships – we work with Oregon, British Columbia, Amtrak, three railroads, including BNSF, a train manufacturer, and international customs and border control agencies. These partnerships are managed through constant collaboration, service contracts and operating agreements. We are working with our partners to develop agreements to manage the service using a corridor approach, rather than each state or province managing its own segment.

Recognizing that passenger rail corridor development is a cooperative effort, last spring WSDOT and ODOT entered into a Memorandum of Understanding to better provide the service required by population growth for both business and leisure travelers. The two agencies committed to operate the service as one integrated corridor with shared resources and work towards achieving improved on-time performance, lower costs, increased reliability, and implementing schedules to meet customer demand. The Cascades Rail Corridor Management Workplan, endorsed in January 2013, defines how the two agencies will work together and establishes milestones for formalizing this joint relationship. We will continue to work with British Columbia to add them to the partnership. Managing the service using a corridor partnership approach has many advantages for planning and funding support that would not occur otherwise. Similar efforts are taking place around the nation including Texas-Oklahoma-Kansas, and Connecticut-Massachusetts-Vermont.

Implementation of a pre-clearance agreement is a priority for our partnership with Canada. The Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness Action Plan, released on December 7, 2011, calls for the U.S. and Canada to negotiate an agreement for full pre-clearance of travelers and accompanying goods at Vancouver, British Columbia for passenger rail and cruise ship traffic destined for the United States. Negotiation of that agreement is currently underway at the federal level. Pre-clearance for intercity passenger rail services would reduce border clearance time and expand the viability and success of international intercity passenger rail service. Implementing this change will also provide increased security for both countries through advance screening and interception of high-risk travelers.

Equipment Procurement

WSDOT is also part of multi-state equipment procurement efforts through the Next Generation Equipment Pool Committee (NGEC), established in Section 305 of the Passenger Rail Investment and Improvement Act (PRIIA). As you know, the NGEC was established to design, develop specifications for, and procure standardized next-generation corridor equipment. Since the NGEC was formally established in January 2010, it has developed an aggressive work plan with a goal of developing standardized specifications to help rebuild the railroad equipment manufacturing and supply industry in the U.S. Over the short three years of its existence, the NGEC has developed and adopted five next generation equipment specifications for Bi-level Rail Cars, Single-Level rail cars, Single-Level Trainsets, Diesel-Electric Locomotives, and

Testimony of Paula J. Hammond, P.E.
Secretary of Transportation, Washington State

Diesel Multiple Unit (DMU) Vehicles, and the Committee is currently preparing to develop a Dual-Mode Locomotive specification in the coming months.

With five specifications completed and one more on the way, the NGEC has turned its focus to procurement, and sustainable job creation through the reinvigoration of a U.S.-based rail manufacturing and supply industry. The Committee has had a successful solicitation of a Request for Proposals for the manufacture of 130 bi-level rail cars for the first ever multi-state procurement, led by the California and Illinois Departments of Transportation. A Notice of Award to Sumitomo Corporation and Nippon Sharyo was announced on November 6, 2012, and a contract was formally executed on November 27, 2012. The NGEC has now begun to move forward with a multi-state procurement of diesel-electric locomotives. The work of the Committee will lead to significant and sustainable job creation with the results being an improved economy, and a more efficient, reliable, safe, and environmentally-sound national intercity passenger rail system as an integral part of the nation's vast transportation network.

CONCLUSION

Thank you for the opportunity to share information on Washington's freight and intercity passenger rail systems. We are proud of our partnerships with BNSF, short line railroads, and Amtrak. Freight rail will always be an important component of how American goods get to market, and as the retail price of motor fuel continues to rise without predictability, people will continue to turn more and more to passenger rail to help meet their mobility needs. As you move forward with legislation in this Congress, I urge you to keep in mind the importance of a well-balanced transportation system; one that supports both freight and passenger rail. In particular, a successful intercity passenger rail partnership between the federal government and states has been developed and should be continued. There has been tremendous growth in passenger rail ridership and the time to build out the system is now. As you take up PRIIA reauthorization, I encourage you to capitalize on the progress to date and continue that important partnership. We need an integrated transportation system for the 21st century that provides travel options in congested corridors to meet growing population demand.