Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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April 8, 2013

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM: Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE: Subcommittee Hearing on "Amtrak's Fiscal Year 2014 Budget: The Starting Point for Reauthorization"

PURPOSE

The Subcommittee on Railroads, Pipelines, and Hazardous Materials will meet on Thursday, April 11, 2013, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to Amtrak's grant request for fiscal year (FY) 2014, and how it relates to Amtrak's on-going reorganization and the upcoming reauthorization of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). Additionally, the Subcommittee will discuss the Administration's past proposals for intercity passenger rail activities. The Subcommittee will hear from the President and CEO of Amtrak, Joseph H. Boardman, and the Administrator of the Federal Railroad Administration, Joseph C. Szabo.

BACKGROUND

The Rail Passenger Service Act of 1970 (P.L. 91-518) created the National Railroad Passenger Corporation (Amtrak) and charged it with the responsibility for providing intercity passenger rail transportation. Before Amtrak's creation, freight rail companies were required by federal law to operate passenger rail services. After the end of World War II, resumption of automobile production, development of the Interstate Highway System, and the explosive growth of air travel all combined to take away large numbers of passengers from the railroads. Given these trends, the railroads began petitioning the former Interstate Commerce Commission for permission to discontinue service.

Congress responded on several fronts, including the creation of Amtrak, a for-profit corporation, to take over the freight railroads' passenger service obligations and tasked the U.S. Department of Transportation (DOT) with designing Amtrak's route system to include short-to-medium distance corridors and a long-distance network.

On May 1, 1971, Amtrak began operating over a 23,000 route-mile system (which later grew to more than 26,000 route-miles), connecting 21 city-pairs designated by the Secretary of Transportation. Today, Amtrak serves more than 500 destinations in 46 states and 3 Canadian provinces on more than 21,200 miles of routes, with the help of more than 19,000 employees. In addition to passengers on 300 daily Amtrak trains, an average of 850,000 people travel over Amtrak infrastructure or on commuter trains operated under contract every weekday.

During FY 2012, Amtrak ridership reached 31.2 million passengers, the largest annual total in Amtrak's history, and the ninth annual ridership record in the last 10 years. Twenty of Amtrak's 27 short distance routes outside the Northeast Corridor and 5 of its 15 long-distance trains set ridership records.

Funding for Passenger Rail

Funding for Amtrak comes from revenues and appropriated funds authorized by Congress. The last reauthorization bill, the bipartisan Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (P.L. 110-432), authorized a total of $9.8 billion for Amtrak for FY 2009 through FY 2013, including $2.9 billion in operating grants and $6.7 billion in capital and debt service. Amtrak's authorization is set to expire at the end of FY 2013.

Amtrak requested the amounts authorized for operating grants until its FY 2013 funding submission to Congress which requested $450 million, about $181 million less than the authorized amount of $616 million. Amtrak also received an additional $30 million in funding for operating grants from the Hurricane Sandy Supplemental bill. With respect to capital and debt service, Amtrak has requested funding above the authorized amounts but congressional appropriators provided just $4.7 billion of the $6.7 billion authorized for Amtrak capital grants for FY 2009 through FY 2013.

Amtrak Operating Grants
(in millions)

	Authorized	Requested by Amtrak	Appropriated	Actual Loss
2009	530	525	550	458
2010	580	580	563	420
2011	592	592	562	446
2012	616	616	466	362
2013	631	450	472	415

Amtrak Capital and Debt Service Grants
(in millions)

	Authorized	Requested by Amtrak	Appropriated
2009	1,000	1,146	940
2010	1,239	1,239	1,002
2011	1,313	1,323	921
2012	1,565	1,606	952
2013	1,602	1,656	904

Amtrak Lines of Business

Amtrak is operated as a for-profit corporation; it is not a public entity. As one corporation, Amtrak operates three distinct types of services:

- Northeast Corridor (NEC): Running between Washington and Boston, the NEC is the backbone of the Nation's intercity passenger rail system, carrying more passengers than any other line. The NEC is host to intercity passenger rail, commuter rail, and freight rail operations. Of the 437 total miles of the NEC, Amtrak owns and controls 363 miles, with states controlling portions of the route north of New York City. Amtrak operates 153 daily trains on the corridor, including the Northeast Regional and Acela services, and Amtrak has captured over 75 percent of the Washington to New York air-rail market.

- State-Supported Routes: Amtrak operates 21 state-supported routes in 19 states[1], under which the states contribute funding to provide additional passenger rail services. These corridors of less than 750 miles, primarily located in the Northeast, Midwest, and Pacific Coast, connect major metropolitan areas and have seen substantial ridership growth over the past decade. State-supported corridor services carry nearly half of Amtrak's annual riders – about 15.1 million riders.

- Long Distance Routes: Amtrak operates 15 long distance trains over an 18,500 mile network, utilizing privately-owned freight rail track. These long distance trains are the only intercity passenger rail service in 23 states and 223 communities. In FY 2012, the long-distance routes carried a total of 4.7 million passengers, the highest ridership in 19 years. Despite this, the lion share of Amtrak losses are on the long distance routes.

As the chart below shows, the Northeast Corridor generates a substantial "above the rail" operating surplus, which cross-subsidizes the losses on the State-Supported and Long Distance routes. Losses on the State-Supported routes are expected to be reduced by approximately $85 million in FY 2014, when states will be required to contribute more financial support for their Amtrak services, under section 209 of PRIIA.

[1] States that provide funding, and the routes on which some or all service is state-supported, are: California, Connecticut, Illinois, Indiana, Maine, Massachusetts, Michigan, Missouri, New Hampshire, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wisconsin.

Operating Profit/(Loss) by Line of Business				
$ in Millions	**2010**	**2011**	**2012**	**2013 (Est)**
Northeast Corridor	142	255	308	344
State Supported Routes	(181)	(148)	(156)	(138)
Long Distance Routes	(520)	(554)	(559)	(580)
Other Activities	140	1	44	(41)
Total Net Loss	**(420)**	**(446)**	**(362)**	**(415)**

In the past, it has been difficult for Amtrak's stakeholders to understand the drivers of Amtrak's costs and performance. This issue has long been recognized and a diverse set of stakeholders have made recommendations to realign Amtrak's organizational structure along the lines of business they operate, which was recently highlighted in a report by the Brookings Institution.

As a result, Amtrak announced in 2012 that it would reorganize. As its first step, Amtrak would appoint general managers for the major business lines. Amtrak has also committed to revising its annual grant request to reflect this reorganization, though it appears the company did not do so for FY 2014. The Subcommittee will be exploring how Amtrak's reorganization is progressing, and how it can inform the reauthorization of PRIIA.

Amtrak's 2014 Legislative Grant Request

Operating Request

As Amtrak's ridership has grown on the NEC and other routes, the company's operating loss has narrowed somewhat; yet those savings have not translated into reduced federal operating grants. According to Amtrak and the Federal Railroad Administration (FRA), when Amtrak has received more operating grants than it utilizes, the company has used the excess funding to cover capital improvements.

In FY 2013, Amtrak received a $471 million appropriation for operating grants. Amtrak estimates that their actual operating loss for FY 2013 will be $415 million, providing an excess appropriation of $56 million in operating grants.

Amtrak Operating Loss versus Operating Subsidies				
$ in Millions	2010	2011	2012	2013 (Est)
Net Operating Loss	(420)	(446)	(362)	(415)
Operating Subsidy Appropriations	562	562	466	472
Excess Subsidy	**142**	**116**	**104**	**57**

For FY 2014, Amtrak is requesting $373 million in federal operating grants. However, beginning in FY 2014, section 209 of PRIIA requires certain states to cover more of Amtrak's costs for providing service to State-Supported routes. Amtrak estimates that this will increase the states' support by $85 million, meaning the federal support for those routes should decrease by $85 million in FY 2014, which is not reflected in Amtrak's funding request to Congress.

In fact, Amtrak is requesting more federal operating subsidies than it requested in FY 2013. In FY 2013, it requested $450 million (not including its Sandy needs). Had section 209 of PRIIA been implemented in FY 2013, then Amtrak could have requested an operating subsidy of $365 million. As stated above, the $373 million request from Amtrak for FY 2014 does not seem to include the $85 million it will receive from the State-Supported routes. **The FY 2014 request is actually $93 million more than Amtrak requested in FY 2013, for a total of $458 million.** The committee will explore these issues at the hearing.

Capital and Debt Service Request

Amtrak is requesting $2.27 billion in FY 2014 for its capital program, about $1.4 billion more than the amount ($904 million) that is being provided to the corporation in 2013. Of that amount, Amtrak is requesting $1.869 billion for capital projects (versus $646 million in 2013), $196 million in equipment lease buyouts (funded in previous years by the U.S. Department of Treasury), and $212 million (versus $258 million in 2013) in debt service payments.

Under its grant request, Amtrak would increase capital spending, including the procurement of new rolling stock ($356 million), initiation of several projects related to Amtrak's proposal for new Hudson River tunnels in New York ($167 million), and continued efforts to bring stations into compliance with the Americans with Disabilities Act. However, the Northeast Corridor Infrastructure Advisory Commission has estimated that there is $40 billion worth of critical infrastructure needs on the NEC. Amtrak's capital budget has historically supported maintenance projects, thereby deferring larger infrastructure projects.

Administration's Previous Rail Proposals

In its FY 2012 and FY 2013 Budgets, the Administration proposed to fold Amtrak into a larger intercity passenger rail program funded on the mandatory side of the Budget. The Administration proposed to fund this rail program out of an expanded Transportation Trust Fund

(currently the Highway Trust Fund), financed with mandatory Contract Authority and discretionary obligation limitations (similar to the Federal Aid Highway program).

The FY 2013 Budget proposed $2.5 billion for passenger rail activities, of which $1 billion would be for the development of new high speed rail corridors and $1.5 billion would be for existing passenger rail services, principally Amtrak. Over 6 years, the Administration proposed $47 billion for rail in its budget. To pay for these investments, the Administration proposed to utilize the "savings" from capping overseas military spending. The Administration's proposal has not gained traction due to lack of a specific dedicated funding source.

It is expected that the Administration's FY 2014 Budget will again include a large rail proposal, financed on the mandatory side of the Budget.

INVITED WITNESSES

The Honorable Joseph H. Boardman
President and Chief Executive Officer
Amtrak

The Honorable Joseph C. Szabo
Administrator
Federal Railroad Administration