

TESTIMONY OF P. MICHAEL REININGER
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BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS

OF THE

US HOUSE OF REPRESENTATIVES
COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE

Thank you, Mr. Chairman, Ranking Member, and members of the Subcommittee. I am the Chief Executive Officer of Brightline Holdings. It is an honor to be before you today. Over the past five years, Brightline has built and now operates the only private high-speed passenger rail system in the United States providing modern, eco-friendly service in one of the largest and most congested travel markets in the country. We are currently developing our second system to serve Southern California and Las Vegas. We think that across the country, there are multiple places in need of a high-speed rail alternative like ours.

Brightline is based in Miami, where we are represented by our distinguished Congresswoman and your subcommittee colleague, the Honorable Frederica Wilson, a true champion of our efforts. The Honorable Dina Titus, also on this subcommittee, is an advocate for Brightline West. We are grateful for their support, as well as that of the other dedicated committee members along our Florida corridor and of our efforts out west.

Four years ago; when Brightline was still under construction, I offered testimony before this Subcommittee as Executive Director of Brightline's parent company, Florida East Coast Industries. Since then, we have seen tremendous progress including the launch of Brightline's initial operation in Florida which showcases the potential of high-speed rail. We carried more than one million guests in our first full calendar year. Though COVID-19 has temporarily interrupted our operations – in part because as a private company, we were not eligible for CARES Act funding – we are preparing for a relaunch later this year.

I am delighted to share what we have learned from our investment of more than \$4 billion over the last 10 years, so that it might help catalyze more investment from private and public sector participants into high-speed rail in America.

We see tremendous opportunity to forge meaningful progress amidst the amplified discussion around high-speed rail as this subcommittee explores ways to expedite the realization of that potential. In particular, I would like to focus my comments on three areas.

First, our business model which parallels the most successful models from around the world, while applying American ingenuity to our different context and circumstances.

Second, the multiple benefits to customers, economies and communities that accrue from the introduction of transportation investments such as high-speed rail.

And third, steps this subcommittee can initiate to incentivize greater participation by the private sector to multiply the effects of public-sector investment and overcome hurdles that have inhibited progress to date.

Without question, passenger rail represents an important element of our transportation infrastructure, but we often hear the many voices who lament the fact that the U.S. does not enjoy the same level of modern service by train that exists in many competing global economies.

There is a direct correlation between market capture of passenger rail and travel time saved versus driving. Time savings of one, two, and three hours as compared to driving, translates to market capture rates of approximately 15%, 40%, and 50%, respectively. Examples include New York to D.C. 27%, Florence to Rome 30%, and Tokyo to Osaka 64%

Similarly, high-speed rail significantly displaces air travel. In markets such as France, Italy, England and Spain high-speed rail captures on average, 80% of the total rail and air travel market. Brightline shares the characteristics of these examples, serving medium distance corridors, connecting large populations, and saving time and money compared to alternative travel modes.

In addition to our approach, two other models exist in the United States. The first is the Amtrak model, in which the federal government provides all the capital for infrastructure and systems and subsequently subsidizes operating expenses. Another approach, being utilized in California, relies on participation from state and federal resources with a long-term commitment for operating and maintenance expenses.

Our model, by contrast, is premised on three key constructs:

1. Careful selection of markets and the introduction of a clear consumer value proposition.
2. Leveraging existing infrastructure to reduce capital costs, mitigate environmental impact and increase speed to market.
3. Integration across transportation systems to develop door-to-door optionality for a range of customer types.

We focus on high volume travel markets where the introduction of passenger rail presents a faster, safer, greener and more economical option to how people travel today. Changing habits requires offering a better option.

Specifically, we target city pairs that are “too short to fly and too far to drive.” As a practical matter, distances of 200-400 miles, where we offer considerable time savings over driving on

congested roads or comparable timing to flying at significantly less cost. Add to that basic proposition a thoughtful customer experience and you have the core of our business thesis.

Brightline links the downtowns of Miami, Fort Lauderdale and West Palm Beach. Our service is an alternative to reliance on one of the most congested and dangerous roadways in the country. We recently crossed the halfway point of construction, and in 2022 we will complete the extension of our service into the Orlando International Airport. Our total route will be 235 miles with connections to four of the largest cities in America's third largest state. Today, 400 million annual trips occur between these cities, with over 95% of them taken by car. Upon stabilization, Brightline will carry 9 million riders on this route.

Florida is an increasingly popular destination. In 2019, we welcomed 130 million visitors and are experiencing growing relocation of both individuals and businesses. With the growth of our market and the increasing adoption of our new service, we recently announced the addition of three new stops along our South Florida line in Aventura, Boca Raton and PortMiami.

Brightline West, the company's first expansion outside Florida, will connect Las Vegas to Los Angeles. Starting with a convenient station on Las Vegas Blvd., Brightline West will connect to LA via Rancho Cucamonga with an inline station in the Victor Valley.

Traveling at expected top speeds of 180 mph on eco-friendly electric trains, we'll cut the drive-time in half. Our system will provide a superior option for the 50 million annual trips taken by cars and over a hundred daily flights presently taxing this congested travel market. Brightline West expects to serve 11 million annual riders.

Central to our proposition is a commitment to optimizing every detail of our passengers' experience including free onboard Wi-Fi, Americans with Disabilities Act (ADA) accessibility from station to train, a wide selection of food and beverage and of course next-generation infrastructure including stations, trains and technology that rivals the best in the world.

In order to be profitable, we need to be efficient with our capital investment. For us, this starts with leveraging existing transportation corridors. By optimizing the total cost and time associated with creating the system infrastructure, we forge the basis of economic stability for the business.

In Europe and Asia high-speed rail has taken advantage of a rail network that is primarily focused on passenger trains and benefits from significant public investment into the ownership and maintenance of the infrastructure. By contrast, the US has focused on decades of infrastructure investment on freight lines and highways, so that is where we must look for opportunity.

In Florida, we expanded and upgraded an historic freight line first built by Henry Flagler in the 1890s which gave rise to the State's initial development surge. Enhanced with new value, a century of previous investment now supports the introduction of our new service, spearheading a 21st-century phase of development and growth.

We look to utilize existing road alignments. By building a rail network within existing transportation corridors we reduce environmental impacts and project costs while saving time in review, approval and construction. For example, to facilitate our planned extension from Orlando to Tampa we are negotiating with the Florida DOT to secure the Rights of Way along existing corridors such as Interstate 4. Brightline West will leverage this same strategy along Interstate 15. The smart use of previous investments and foresight regarding future investments is central to long-term economic effectiveness. This is an area where cooperation between public and private sectors can yield dramatic results.

The third element of our model is integration of various transit systems to facilitate “the last mile.” Again, learning from abroad we know high-speed rail is most successful in densely populated city centers, where the vast majority of individuals find themselves within easy reach of a station.

US cities tend to be less dense and more reliant on private automobiles, so we focus on linking our stations and systems to planned and existing transit operations to fashion a multi-modal network of services that is seamless and convenient.

As examples, MiamiCentral will connect Tri Rail, South Florida’s regional commuter system, to Miami’s Metrorail, Metromover and Metrobus systems and integrates ridesharing services, bike-sharing and e-scooter systems to connect customers to their ultimate destinations. In Fort Lauderdale, we connect with Broward’s Transit buses and in Palm Beach to the County’s Palm Tran Bus and Palm Trolley. In Orlando, we will be located within one of America’s most active airports, with opportunities for extensive transit integration. Looking forward, Brightline West will connect via Metrolink to greater Los Angeles.

This level of integration requires inter-agency cooperation, investment and innovation but also offers the most opportunity for real leverage in advancing the appeal of train travel in America.

Cooperation will unlock the substantial benefits of high-speed rail and advance the administration’s priorities related to jobs, climate, and equity. High speed rail benefits will come in many forms including improved public safety, enhanced environmental sustainability, valuable contributions to equitable access for underserved communities, and significant economic benefits across the spectrum.

Trains are one of the safest ways to travel. Some analyses have found intercity rail to be 18 times safer than automobile travel. As passenger rail takes millions of cars off America’s roads, travel becomes inherently safer.

All forms of mass transit represent environmental improvements over cars and planes. The International Energy Association indicates that passenger rail is already more than three times as energy efficient as a car and 12 times more energy efficient than air travel (per passenger). Shifting occupancy to and increasing electrification of high-speed rail, in combination with

increasingly lower carbon-intensity of electric power production, will deliver even greater emissions reductions.

Our Florida trains run on biodiesel and Brightline West will operate zero-emission, electric trains. Together, these routes will remove more than a half million tons of CO2 emissions annually by eliminating 7.6 million vehicle trips.

Additionally, high speed rail revitalizes downtown areas with new transit hubs, enhancing existing infrastructure and encouraging further development to consolidate around stations.

Both our transportation and development activities have advanced equity within our communities. Development of MiamiCentral helped spur revitalization of Overtown, an historically vibrant community of color that was cut off with the construction of I-95 decades ago.

We made a priority of establishing our corporate headquarters in Overtown and put in place a hiring system that offers preference to people within our local community. Moreover, we have increased equity in terms of access to transportation opportunities as a part of our partnership with local commuter services in South Florida.

In a powerful example of a public-private partnership, we have afforded access to a large section of our corridor for use by Tri-Rail. This arrangement helps provide free rides to everyone living in the Community Redevelopment Area and expands access to employment opportunities for many who historically did not have a connection to downtown Miami.

And of course, there's the \$6.4 billion in economic impact that Florida is already realizing as a consequence of our activities, including:

- \$2.4 billion in labor income.
- \$3.5 billion added to Florida's GDP.
- 10,000 jobs created through rail-line construction: 1000 workers daily during COVID.
- 2,000 jobs created post rail-line construction.
- Tens of millions of dollars already added to the state's tax base.

Our hope as we grow is to facilitate a "Buy America" foundation through technology transfer to a vibrant manufacturing sector for high-speed equipment and infrastructure here in the US. Currently, this equipment is primarily built abroad where sufficient markets already exist to support its production.

Establishing a next-generation form of transportation is capital-intensive and time-sensitive, but we believe Brightline has provided a proof-of-concept that can offer a model to accelerate a broader realization of high-speed rail in the United States.

I would also highlight what I believe this subcommittee can do to incentivize further private investment as the government seeks to increase its own commitment to high-speed rail.

The first area we would point the subcommittee's attention toward is access to efficient capital. Massive upfront capital needs require cost-efficient long-term capital. Specifically, increasing the private activity bond (PAB) volume cap and making improvements to the Railroad Rehabilitation & Improvement Financing (RRIF) loan program represent actionable opportunities for improvement.

PABs attract private lenders willing to accept lower rates on bonds because of their tax-exempt status and that lower rate reduces the cost of capital to the developer. The savings on interest expense can be redirected into hard assets. Any deferred tax revenue is made up over time as the invested money is put to work in the economy.

Our request is pretty simple: consider increasing the volume cap from the current \$15 billion – which has already been exhausted – to a minimum of \$30 billion to help finance projects.

Another opportunity to improve access to capital is to revamp the RRIF program to make it more attractive to private investors in passenger rail projects. RRIF offers direct loans for up to 100% of a railroad project with repayment periods of up to 35 years, with no pre-payment penalty, and interest rates equal to the cost of borrowing to the government.

Congress has authorized \$35 billion in loan authority for the RRIF program, but only \$6.2 billion in rail project funding over the last two decades¹ – none of which has gone to high-speed rail. The reason is that these projects are viewed as start-up ventures, with limited credit history and are therefore subjected to high upfront credit-risk premiums which defeat the intention of a low-interest loan.

Ways to overcome this include making credit risk premiums an eligible use of any USDOT discretionary grant program, such as CRISI, RAISE, INFRA or even a new program like PRIME that was included in last session's HR2 legislative package. High speed rail projects could then utilize grants to offset the initial costs of RRIF financing. Our view is that facilitating a loan that ultimately returns principal and interest to the government and lowers the burden of taxpayers by providing a mix of a grant and loan, is a more efficient way to affect the desired results and benefits of these projects.

Another opportunity to spur investment is to include private sector rail operators as eligible parties in both new and existing intercity passenger rail grant programs. This can be realized by allowing for current eligible applicants to partner with the private sector.

One final, and essentially cost-free, means of incentivizing further private-sector participation in advancing high-speed rail is to increase investor confidence by introducing greater certainty into the approval process.

¹ <https://www.transportation.gov/buildamerica/financing/rrif/railroad-rehabilitation-improvement-financing-rrif>

Advancing a high-speed project involves clearing a series of financing hurdles and a wide range of approvals at every level of government from municipal to federal. We understand and appreciate the diligence of officials in protecting the public and are more than willing to proceed within the existing laws and regulatory frameworks.

However, a challenge that often adds unnecessary time and expense to projects is the routine granting of extensions on deadlines for regulatory comment periods. Therefore, we would encourage the Subcommittee and Congress to consider reducing the degree of discretion in extending deadlines, especially for comment periods, under existing laws and regulatory reviews.

As a company we are committed to the model we outlined here today as an example of how the private sector can contribute to the goal of advancing high-speed rail in America. Brightline believes that working together we can achieve a rail sector that will compete among the best in the world. We again commend the Chairman, the Ranking Member and this Subcommittee for their efforts to re-engage the nation on how to initiate safe, convenient, affordable, efficient, and environmentally friendly high-speed rail in America.