Testimony by

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Before The

United States House of Representatives

Committee on Appropriations

Subcommittee on Transportation, Housing, and Urban Development,

and Related Agencies

Rail Safety and Infrastructure-Stakeholder Perspectives

April 11, 2018 9:30 a.m.

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AN OVERVIEW OF AMTRAK, RAIL SAFETY, AND INFRASTRUCTURE

Introduction

Good morning. I wish to extend my thanks to Chairman Diaz-Balart, Ranking Member Price, and the whole subcommittee for setting aside time today to focus on rail safety and infrastructure. My name is Stephen Gardner and I serve as Executive Vice President and Chief Commercial Officer for Amtrak and it is my pleasure to testify here today on behalf of our President and CEO, Richard Anderson.

Before beginning, I especially want to thank the members of this subcommittee and their staff for all the hard work and late nights that were dedicated to crafting, and eventually passing, the FY18 appropriations bill. We at Amtrak know it was not an easy task, and on behalf of our CEO and Board of Directors, I am here to offer our sincere appreciation.

FY18 Appropriations

The FY18 bill provided $1.94 billion for Amtrak, an increase of more than $400 million above last year's levels. This much needed additional funding will support long-standing critical infrastructure projects on the Northeast Corridor (NEC) and allow Amtrak to continue to improve our assets and operations across our National Network. This strong support allows us to move past simply maintaining the status quo and begin to address the twin challenges of old and unreliable assets and growing passenger demand. We look forward to working with the subcommittee as we progress the programming of these funds and you consider funding levels for FY19.

Equally important, the bill also included funding for several Federal Railroad Administration (FRA)-administered discretionary grant programs that will supplement Amtrak's annual grant funding and will further advance intercity passenger rail. For example, the Federal State Partnership for State of Good Repair grant program now has $250 million to help repair or replace some of the nation's most critical assets, like the tunnels and bridges that many of your constituents use every day to travel to work and support the national economy. The Consolidated Rail Infrastructure and Safety Improvements Program (CRISI) received $592 million to improve the safety, efficiency, and reliability of rail, including funding for Positive Train Control (PTC). Additionally, the FTA Capital Investment Grant program, and in particular the funds set aside for Core Capacity, has the potential to advance key infrastructure projects that we share with our commuter partners. These grants are just a few of the programs funded in the FY18 bill that will support passenger rail, and we fully intend to work with our various, state, commuter, and host railroad partners to pursue all appropriate grant opportunities once the official funding notices are made available by DOT.

Taken together, your subcommittee and this Congress has made historic investments in passenger rail that we believe will serve as the foundation for a new era of modernization and improvement. Like you, we see the value rail service brings to transportation, communities and our economy. We are confident in the increasing relevance of intercity passenger rail in 21st Century America, as population growth, greater urbanization, increasing air and highway congestion and a generational shift away from driving all propel consumers to our mode. From growing ridership and revenue to the significant reductions we have made in our operating losses, our progress is clear.

Yet, all this stands at risk without the kinds of investments you have made in our system in FY18. Today's success relies almost entirely upon assets that are at or near the end of their useful life and must soon be retired or rebuilt. From passenger cars over 40 years old to tunnels nearing 150 years old, our service and utility to the nation is in jeopardy. Without resources to recapitalize our system, we see a downward trajectory ahead as we become less reliable, marketable and viable at exactly the time when we should be doing more for America and a whole new generation of riders who want to ride trains if we can provide a convenient, modern and productive environment.

So, again, let me thank you for leadership, which combined with the authorizing committees' good work on the FAST Act, has begun what we hope will be a sustained period of renewal and modernization of the nation's railroad for the Century ahead.

FY17 and FY18 to Date

Amtrak carried a record number of passengers in FY17, our 17th year over year increase in the last 21 years. This ridership brought with it $3.2 billion in revenue, which enabled us to achieve a record low operating loss of -$194 million, a 16% reduction in loss over FY16. In fact, we recovered 94.7% of our operating expenses through ticket sales and other revenues and shows the progress we are making towards our goal of covering all our total operating losses with revenue on a consolidated basis. We completed $420 million in state of good repair and infrastructure renewal investments. These efforts included a significant project in New York Penn Station, where we began the renewal of critical track infrastructure that continues this year thanks to the funding provided by this subcommittee. In Chicago, we selected a Master Developer for a six-year, $1 billion redevelopment of Chicago Union Station and adjacent property, a powerful demonstration of how Amtrak is trying to maximize the potential of our assets while enhancing the value of the communities we serve. We also reduced our debt to $1.2 billion – a 64% reduction in the last ten years.

FY18 began with a strong start, with our best month ever for ticket revenue in November and Thanksgiving week continuing to be our busiest week of the year, with a record 777,897 riders, generating $61 million in ticket revenue. From this encouraging start, the fiscal year has turned

out to be more difficult than we anticipated. The December derailment of Train 501 near DuPont, Washington and the February collision between Train 91 and a CSX freight train in Cayce, South Carolina weigh heavily on all of us at Amtrak, prompting us to review and strengthen our safety practices and commit to building a new Safety Management System. In addition to the considerable human cost, these two incidents are anticipated to cost the company more than $42 million this year. Following these accidents, a spate of late winter East Coast storms pummeled the East Coast in March disrupting Amtrak service, including the cancellation of more than 300 Northeast Corridor trains. While repairing the storm damage has been expensive, the loss of revenue has also been substantial. We estimate that we have lost approximately $12 million in ticket revenue due to the winter weather. In response, we have been pursuing a variety of opportunities to reduce costs and regain revenue to stay on track with our budget for the year. Between these efforts and the funding Congress has provided, we are hopeful that FY18 will continue our trend of improving performance, despite the challenges we have faced.

Amidst this, Amtrak remains focused on the long-term initiatives we must pursue to deliver world-class safety, service, and value and we are optimistic about the future. We started the year by rolling out an operating plan resting on six themes or pillars upon which we will build. The first is to pursue excellence in our safety and operations. The second is to build a more collaborative team-oriented culture that balances speed, agility, and control. The third is to craft a more coherent, integrated strategy that will guide our three business lines, the renewal of our infrastructure, and the recapitalization of our fleet. The fourth is to place our customers at the center of all our efforts, which we will demonstrate with the courtesy of our frontline personnel, with reliable and clean rolling stock, and with convenient station facilities that serve as excellent beginnings and endings for our customers' rail journeys. Fifth, we will invest in our assets by moving closer to "steady state" spending that maximizes the reliability and lifetime of the assets in our care. Finally, for the sixth we will execute this plan with financial discipline, adhering to our budget so that we can accomplish another record setting year.

Safety

The first pillar I just mentioned referred to excellence in our safety and operations, and understandably the several incidents of the past years have compelled us to devote considerable attention to ensuring we learn all we can from these events and put in place every possible safeguard to safeguard our customers and employees. A central part of our response has been to centralize our safety expertise under a new Chief Safety Officer, Ken Hylander, reporting directly to our CEO Richard Anderson to drive consistency and focus. Foremost among Mr. Hylander's duties will be leading Amtrak in its implementation and operation of a Safety Management Systems (SMS) which will further Amtrak's safety programs by strengthening hazard identification and mitigation programs.

An SMS is a proactive risk management system, which will move us toward a more predictive safety management method at an organizational level. Having a safety culture that continually identifies, and mitigates, future risk is the proven way to improve overall safety performance and is a cornerstone of improving safety in many industries, including aviation, health care, and energy. Amtrak believes the implementation of SMS will truly take our safety performance to the highest level of service. These efforts are in line with the NTSB's recommendation that Amtrak and our unions implement a SMS Program and generally consistent with the Risk Reduction Program approach mandated in the 2008 Rail Safety Improvement Act and required by FRA through the development of a System Safety Program.

Positive Train Control

One of the most critical tools that the rail industry needs to improve safety vastly is the prompt implementation of Positive Train Control (PTC) technology. As Richard Anderson recently testified before the authorizing committees, Amtrak firmly believes that PTC must be standard for all Amtrak routes and that this technology can make the entire U.S. rail network safer for passengers, railroad employees, and communities.

Amtrak has long been a leader in the installation of PTC, having already deployed systems across the vast majority of tracks we control including on most of the NEC, the busiest railroad in North America. As we have already pledged in a letter to Transportation Secretary Chao, we are set to complete the required installation of PTC on the remaining elements of the infrastructure we control and on all our equipment by the December 31, 2018 Federal deadline.

For the tracks we use but do not own or control, we are cooperating with our freight and commuter host railroads as they advance their obligations to complete PTC installations, which are required either because of the presence of passenger trains or the haulage of certain hazardous material. Additionally, the various freight and commuter railroads that operate over Amtrak's infrastructure must equip their rolling stock with PTC for use on our railroad and we are working cooperatively with them to advance these tasks.

While we are seeing significant progress by our various hosts and tenants towards the 2018 deadline, we are now planning for and addressing the several scenarios we will likely face with our host railroads that may not have achieved full implementation by the end of the year. For those routes where a host railroad will qualify for an Alternative Schedule for PTC implementation from the FRA, Amtrak will also perform risk assessments to determine if any mitigations, technology applications and operating practice changes are necessary for continued operations prior to PTC becoming fully operational. Conversely, for those routes where a host railroads that may

not qualify for an Alternative Schedule, we will suspend Amtrak service over that section until PTC is implemented.

Finally, for those routes where there are existing FRA-granted mainline track exclusion addendums (MTEA) that exempt a portion of a route from the PTC installation requirements or PTC is not otherwise required, as is the case for our service in Canada, we are performing similar risk assessments as mentioned above to determine what may be necessary to achieve the common standard of safety that we believe is required for our network. Through this analysis, we may determine that implementation of a full PTC system is ultimately required for continued service over these portions of routes or, alternatively, a suite of mitigations that offers PTC equivalency for the relevant risks is sufficient. In either case, we will evaluate the investment levels necessary to accomplish our approach and any interim actions, including suspensions of service, which may be necessary during implementation of our identified approach to address known hazards. Again, I would like to thank the subcommittee for including important PTC funding for Amtrak and other railroads in the FY18 bill, which will help us undertake these efforts and make further safety improvements across our network.

Fleet Planning and Acquisition

Previously, when I spoke about the six pillars Amtrak is using to guide its efforts, the third pillar related to crafting integrated, coherent roadmaps for our business operations and plans. In any business as capital intensive as ours, a holistic planning effort is vital because of the long lives of our assets and the unique relationship between vehicles and infrastructure in the rail industry makes this imperative for our mode. Thus, one of our major activities underway this year is the development of a new fleet strategy aimed at improving, replacing, and modernizing Amtrak's aging fleet of locomotives and passenger cars to meet customer expectations and anticipated demand. An example of fleet improvements already underway are the Amfleet I and Acela refresh programs, which are bringing much needed interior and other upgrades to both these vehicles until new fleets arrive. As we work on our plans to acquire the new equipment, building atop the efforts we have already commenced for our new Acela Express trainsets, electric locomotives and single-level long distance cars, we see new diesel locomotives for National Network and single-level vehicles to replace the Amfleet I cars that support *Northeast Regional* trains and various state-supported routes as our first priorities.

We aim to begin the acquisition process this fiscal year and will present our full strategy in our forthcoming five-year Asset Plans as required by the FAST Act and due to Congress and the Administration in February 2019. The funding the subcommittee provided in FY18 is a critical foundation for these and future efforts to address these major fleet needs.

NORTHEAST CORRIDOR

Let me now address some important issues as they relate to the NEC, which continues to be America's busiest rail corridor. Today, the NEC serves as the backbone for our *Acela Express* and *Northeast Regional* operations, and it is also directly utilized by, and connects with, state supported and long distance trains, linking customers to Florida, Atlanta, New Orleans, Chicago and growing cities throughout the nation. The NEC also serves ten commuter agencies operating eight commuter services serving in nine states, and combined with Amtrak, it carries 820,000 people every weekday – an incredible number of people who simply could not be handled by the region's road network.

Acela Express 2021 Program

Since 2000, the *Acela Express* trains have served as the flagship service for the NEC, and over the last 18 years, they have carried just over 50 million customers. Combined with our *Northeast Regional* trains, Amtrak now commands more than three-quarters of the air-rail market between New York and Washington, and half of the air-rail market between New York and Boston.

The *Acela Express* has been a game changer for Amtrak. In FY 2000, the last full year before the introduction of *Acela Express* service, Amtrak's NEC operations lost money on an operating basis. Last year, NEC operations contributed nearly $500 million, due in large part to *Acela Express* service, which has the highest revenue and highest yields of any of Amtrak's service lines. The *Acela Express* service is presently provided by twenty first-generation high-speed trainsets that are becoming technologically obsolescent and progressively more difficult and more expensive to maintain. More importantly, Amtrak could use bigger and more than twenty trainsets, both to launch more frequencies and expand setting to address those peak-period trips that routinely sell out.

To maintain and grow this success, we are preparing to relaunch our premium NEC service. We call this effort Acela Express 2021, or AE 2021 for short. As the Committee is aware, Amtrak and Alstom Transportation entered into a contract in August 2016, to manufacture 28 high-speed trainsets each with about 30% more seats than the trainsets they will replace. This trainset design, which Alstom characterizes as fifth generation, is the latest evolution of the Alstom high-speed trainset design best known for providing the iconic TGV high-speed service in France. The production of this trainset will comply with the Buy America standards, creating what Alstom estimates as up to 1,300 jobs in up to 30 states.

AE 2021 is about more than just buying new trains – it is about redefining *Acela Express* and positioning this service for growth for the next generation. In addition to the new trainsets and updating of facilities to maintain and operate them, AE 2021 includes, safety, reliability, and ride quality investments on the NEC; enhanced passenger spaces in Washington Union Station and

the new train hall in Moynihan Station in New York City; and new and improved approaches to the customer experience.

Portal North Bridge

The existing Portal Bridge, which carries about 450 trains per day traveling between Newark, New Jersey and Penn Station New York, dates to 1910, is the busiest train span in the Western Hemisphere and is a major bottleneck and source of delay of for both Amtrak and New Jersey Transit (NJ Transit) train traffic. The nearly 200,000 people who cross it every day know all too well how often the aging mechanical and electrical components can malfunction while opening and closing for maritime traffic.

The two-track replacement bridge, known as Portal North Bridge, will be a high-level, fixed-span bridge, eliminating the movable components and risk of malfunction. The new bridge, which is fully designed and permitted, is estimated to cost approximately $1.7 billion and now awaits construction funding. In partnership with Amtrak, NJ Transit and the Port Authority of New York and New Jersey have developed a funding and financing plan and Amtrak has committed to fund $177 million, or about 10% of the project cost, proportionate to our share of the ridership over the bridge.

In October 2017, a major milestone occurred when work commenced on early preparations for the new Portal North Bridge. The work includes realignment of a 138kV transmission pole, installation of new fiber optic cable poles, construction of a finger pier, construction of a steel bridge structure over the Jersey City Municipal Utility Authority water main, and construction of a retaining wall just west of Secaucus Junction.

The early construction work that began in October is a necessary step toward major construction of the bridge approaches and span. Funding was provided through the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program. A $16 million grant was matched by $4 million from the New Jersey Transportation Trust Fund. With the funding provided to Amtrak, the FRA, and the FTA in FY18, we are hopeful that progress can be made to begin full construction of Portal North this year.

Hudson Tunnel Project

Closely linked to the Portal North Bridge, and only three miles distant, is the site of the effort to build a new rail tunnel under the Hudson River. Since Super Storm Sandy inundated both tubes of the existing North River Tunnel, as it is called, with brackish seawater this project has become the most urgent infrastructure project in America. The 107 year-old tunnel entered service in 1910 and has been in constant, increasingly demanding use ever since. The tunnel consists of two tubes, one primarily carrying eastbound traffic and other westbound. As the subcommittee

knows, if one of the two tubes has to be removed from service to commence reconstruction, the remaining tube lacks the capacity to carry the necessary number of trains to meet the demand into and out of Manhattan. Capacity would be reduced by 75% from 24 trains per hour in the peak direction to 6, which would have catastrophic consequences for travelers throughout the Northeast and New York City. The road network and other transportation modes in and out of Manhattan do not have the capacity to carry all the displaced train riders, and the resulting traffic congestion would be crippling for the city, its workforce, with impacts for the entire region and, indeed, the nation.

To avoid this catastrophe, we have been working diligently with the states of New York and New Jersey and the Federal Railroad Administration (FRA) to advance construction of a new tunnel, which would initially enable the rehabilitation of the existing tunnel and later support a significant and much needed increase in trans-Hudson rail capacity. The FRA and NJ Transit released a Draft Environmental Impact Statement (EIS) in July 2017 and we are hopeful that a Final EIS and Record of Decision will be issued shortly by the FRA. A ticking clock is the central issue the project faces, and New York City, the states of New Jersey and New York, and hundreds of thousands of northeast commuters are depending on this process to move forward with approval and funding to permit this project to begin. Current plans envision construction starting in 2019, and completion of the new tunnel in 2026 at which time Northeast Corridor traffic can be shifted into the new tunnel, permitting the closure and rehabilitation of the existing tunnel, one tube at a time for a period of approximately two years each. Project costs for this multi-billion dollar effort are significant and every day of delay in the construction schedule is estimated to add more than a million dollars to the cost of the project. Given the age and decreasing reliability of the North River Tunnel, there is no time to waste to do what needs to be done to move this project forward at full speed.

Penn Station and Moynihan Train Hall

Beyond our current program to improve our track and other assets at Penn Station through our ongoing Renewal Program, Amtrak has a significant number of efforts underway to improve the experience of our passengers at the nation's busiest train station. In partnership with New York's Moynihan Station Redevelopment Corporation and the Metropolitan Transportation Authority, the new Moynihan Train Hall that will expand Penn Station into the James A. Farley Post Office Building across 8th Avenue is now underway. The imposing Post Office Building was designed by the same architecture firm, McKim, Mead, and White, as the original, iconic Pennsylvania Station and the new Train Hall will be the focal point in a new mixed-use redevelopment of the entire super-block that extends from 31st to 33rd Streets and 8th to 9th Avenues.

Moynihan Train Hall will offer enhanced passenger facilities for Amtrak's Northeast Corridor, state supported, and long distance services within a grand concourse featuring a sky-lit atrium. The Train Hall will feature a boarding concourse, a ticketed waiting room shared with the Long Island Rail Road, and newly combined ticketing and baggage handling windows. Moynihan Train Hall is being constructed in multiple phases, with Phase I, now complete, creating the West End Concourse and other improvements, including new stairs and elevators to boarding platforms and new entrances. Phase II, now in construction, is rehabilitating the surrounding Post Office Building and creating the Train Hall. Moynihan Train Hall is expected to be fully completed in 2021.

While this exciting upgrade is under construction, Amtrak is also busy refreshing the current New York Penn Station. Projects now underway include restrooms, escalators, elevators, heating and air conditioning, waiting rooms, retail, and customer information. Following Amtrak's expansion to the Moynihan Train Hall, Amtrak will pursue redevelopment of our portions of Penn Station.

Baltimore Tunnel Replacement

Turning our attention to the southern part of the corridor, the Baltimore & Potomac (B&P) Tunnel is a two-track railroad tunnel running beneath central Baltimore City between Baltimore Penn Station and the West Baltimore Maryland Area Regional Commuter (MARC) station. This busy section of the Northeast Corridor is used by Amtrak and MARC passenger trains, as well as Norfolk Southern Railway freight trains. Built 145 years ago, shortly after the Civil War in 1873, the B&P Tunnel is among the oldest portions of infrastructure along the NEC. Due to its age, the tunnel is approaching the end of its useful life. Its obsolete design creates a low-speed bottleneck on this highly trafficked section of track. Both the constriction of tunnel volume from four tracks to two tracks, as well as the tunnel's tight curvature, require trains to reduce speeds to 30 miles per hour, placing limitations on all train traffic. The tunnel requires replacement or will have to be taken out of service for significant rehabilitation to extend its useful life. Any closure of the tunnel will greatly jeopardize the intercity, commuter, and freight rail traffic that relies upon the tunnel to move people and goods throughout the region.

The B&P Tunnel system is approximately 1.4 miles long and is comprised of three shorter tunnels: the John Street Tunnel, the Wilson Street Tunnel, and the Gilmor Street Tunnel. The narrow, single-bored, double-track tunnel was originally constructed out of brick and stone masonry, though repairs have added additional building materials over time. Electrification was added in the 1930s, and the tunnel was rehabilitated in the 1980s. That work was not intended as a permanent fix and continuously increasing maintenance is required to address water infiltration and masonry repairs of the aging structure.

The FRA, Maryland Department of Transportation (MDOT), the City of Baltimore, and Amtrak have cooperated on an Environmental Impact Statement for a replacement tunnel as required by the National Environmental Policy Act (NEPA). After evaluating sixteen alternatives, and soliciting public input, the Record of Decision was released in March 2017 for Selected Alternative 3B that proposes a four-track tunnel system, increasing capacity and speeds and offering significant improvements to travel time. The plan will also result in accessibility improvements at the West Baltimore MARC station and incorporates mitigation measures to reduce environmental impacts. Funding is now needed to finish design and start construction of the approximately $4 to $5 billion new tunnel system. Funding like the type provided in FY18 will be essential for us and our partners to pursue this project and we will be working with our other relevant stakeholders to seek funding from the various relevant Department of Transportation grant programs.

Susquehanna Bridge Replacement

Less than fifty miles north of the B&P Tunnels, roughly midway between Baltimore and Wilmington, Delaware, you will find the 1906 Susquehanna River Bridge. Like the B&P Tunnel, this bridge also serves Amtrak, MARC, and Norfolk Southern trains – up to 110 every day. In addition to passenger rail, the bridge provides critical freight connectivity to the Ports of Baltimore and Wilmington, moving manufacturing, agricultural, and raw materials, throughout the region, nation, and around the globe.

Spanning the river from Havre de Grace to Perryville, this two-track bridge is owned by Amtrak and, with a length of 4,000 feet, it is the longest movable bridge on the NEC. At 112 years old, it is approaching the end of its service life and will need to be replaced with a new structure to maintain future rail services across the Susquehanna River. The age of the bridge and its constriction from four to two tracks limits the speed and number of trains that can use the bridge. The replacement of the Susquehanna River Bridge is necessary to preserve reliability and allow the future expansion of MARC commuter rail service and Amtrak high-speed service. The project will also significantly improve the navigation channel for maritime users.

The limited number of tracks across the river, combined with the wide variety of trains utilizing the bridge and the need for continual maintenance, results in tightly managed and restrictive operations. While regular, major repairs have occurred on the bridge since the 1960s, repairs and inspections cannot be made without disrupting rail operations. The existing bridge's movable swing span causes train delays when opening is required for marine traffic, and large crews are needed to operate the span because work must be done quickly. Each bridge opening introduces risks of significant train delays if a breakdown of the operating mechanisms were to occur. A new bridge would enable more reliable, flexible, and faster service and permit expansion of future freight, commuter, intercity, and high-speed rail operations.

With significant growth in passenger and freight rail service expected by 2040, the replacement bridge is being designed to accommodate future capacity needs. The new bridge design includes two new high-level, fixed bridges with a total of four tracks – doubling capacity compared to the current two tracks. One of the new bridges would be built primarily to serve high-speed trains operating at speeds up to 160 miles per hour. With 60 feet of vertical clearance, the new fixed bridges will support better maritime uses along the river by maintaining navigation and eliminating the need to open and close for tall vessels.

Amtrak, the FRA, and MDOT have cooperated on an Environmental Assessment (EA) for a new replacement bridge, as required by NEPA. After the evaluation and public screening of multiple alternatives, a Finding of No Significant Impact (FONSI) was released in June 2017 for Selected Alternative 9A. The study included preliminary engineering and 30% design which has been advanced in close coordination with the adjacent communities to ensure aesthetic consistency and to respect the historic character of the surrounding area. Funding is now needed to finish design and construct the estimated $1.7 billion new bridge. Again, the funding provided to Amtrak and the various DOT grant programs that support rail in FY18 is critically necessary in future years if we are to undertake important projects like this one.

Connecticut River Bridge

Another piece of infrastructure that needs to be replaced is the Connecticut River Bridge. Built in 1907, it is the oldest moveable bridge on the NEC between Boston and New Haven, and it provides service for both Amtrak and Shore Line East trains. More than a century of operation in a marine environment has meant that elements of the structure have reached the end of their design life and require extensive maintenance to remain operable. Frequent openings of this bridge – over 3,000 times yearly – place high demands on components and reduce reliability for both railroad and marine traffic. Complete replacement of this bridge is estimated at $660 million and is in design, but unfunded at this time.

NATIONAL NETWORK

Having spoken about several NEC topics, I will now discuss a number of issues that relate to our National Network. The National Network includes two train service lines – the state supported trains, which serve short distance routes of not more than 750 miles through cost-sharing agreements with state partners, and the long distance trains, which include routes over 750 miles, which are funded by a combination of their ticket revenue and federal support. It is important to understand that our state supported and long distance trains operate over track owned by 28 different host railroads, comprising over 70% of the total train-miles we operate.

Operations over third-party host railroads hold many safety and operational implications, but from an investment perspective, they pose a particular challenge. In portions of the national rail network where Amtrak is the only passenger railroad that operates on a given segment, we then become responsible for 100% of the incremental capital costs to provide passenger service on that segment. This is the case not only for upfront capital costs, but also for ongoing capital upkeep. These costs are significant and impose a significant burden on our services where we are the only operator. Given our mission of providing rail transportation to as many Americans as possible, there is a cost-benefit discussion that may need to take place as we evaluate how best to allocate our funds across our network.

State Supported

Let me focus now on the state supported service line, whose mission is to effectively deliver efficient short-distance intercity passenger rail transportation and supporting services across the network, meeting the needs of our state partners and passengers. Across the country, 29 routes are funded by 21 partners from 18 states, including state departments of transportation and authorities chartered specifically to administer specific rail corridors. Collectively, we refer to these sponsors as state partners, and the routes they fund are referred to as state supported routes. All routes are under 750 miles in length and outside the NEC Boston-Washington main line. Our state supported trains have two primary customers: the passengers who use the services and the states that provide funding. These services have been the fastest growing segment of Amtrak's rail network, linking urban areas with frequent, reliable rail service and they represent the future of Amtrak.

There is a wide spectrum of state supported routes, and we work with a wide spectrum of organizations to plan, fund, and administer these services. They range from small teams in the rail offices of state departments of transportation looking for a turnkey passenger rail solution to larger freestanding agencies chartered to manage their specific rail corridors. Within our regulatory and operating requirements, the state supported team strives to provide each partner a mix of rail services tailored to its needs. Amtrak and our state partners also collaborate through the State-Amtrak Intercity Passenger Rail Committee (SAIPRC) to analyze growth and efficiency opportunities that are the foundation of this plan.

Amtrak, through appropriated funds from Congress, provided $79.1 million in FY17 in funding to state supported services, along with equipment and other system assets that enable these services. In the years ahead, including FY18, Amtrak seeks to increase our capital investment in these services through fleet acquisitions, targeted infrastructure improvements, technology improvements, station investments, and planning activities aimed at service expansion and improvement.

This year will mark the ten-year anniversary of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) that fundamentally changed the delivery and expectations of rail passenger service. In those ten years, the states and Amtrak have come a long way in developing, increasing, and improving these services. The growth of urban centers continues apace and those residents, especially millennials, are expecting choices in transportation. We believe that the brightest days of corridor service lie ahead. What is clear is that there is a pent-up demand for intercity rail passenger service and bringing safe, reliable, and relevant transportation is not just our mission, but is what is expected of us from our customers.

Large and growing urban centers across the nation offer significant opportunities on existing and new state supported routes – both in customer growth and financial performance. In FY17, these routes carried over 15 million people, or 47% of total Amtrak ridership. The $505 million in ticket revenue covered nearly two-thirds of costs. Both measures improved over FY16 results. More than 40% of state supported routes carried greater than 500,000 passengers and five routes each carried well over one million passengers. These services also provide valuable revenue to Amtrak's other service lines, contributing approximately $33.6 million in gross ticket revenue to the NEC and long distance trains through connecting passengers.

These trains are, by definition, closely tied to the markets they serve. While a long distance train may start and end its journey at convenient times, many of its intermediate stops can occur at times of day that do not encourage ridership. Conversely, the shorter routes served by these trains enable us to tailor their operations for specific markets, and again and again we see how the communities served by state supported trains come to rely on them for the convenience and dependability they offer. This has resulted in ridership growth, and our state supported trains have seen their ridership increase by more than a third in the last decade. By working with our state partners and delivering compelling transportation options that serve the market and meet genuine needs, we feel certain that with the right investments we can continue and accelerate that growth.

Amtrak demand correlates strongly to three primary economic statistics: population change, average household income change, and the change in employment. Between 2006 and 2016, state supported counties grew by 7.2%. Forecasted growth to 2020 will continue this trend, offering greater opportunities to provide viable transportation options by connecting urban areas. Amtrak's state supported service line has set forth an array of strategies they plan to pursue to ensure they are delivering a safe, reliable product and working effectively with and for their state partners.

Long Distance

Now that I have covered the state supported portion of our National Network, I will turn to our long distance trains, which provides intercity rail passenger transportation along routes 750 or

more miles between endpoints. Long distance intercity passenger rail service and its 15 routes range in length from 764 to 2,438 miles. These services account for roughly 15% of Amtrak's ridership and 22% of Amtrak's total revenue, providing service in 45 states. Many of these routes have been served by Amtrak since the company's founding in 1971 and all receive significant operating and capital support from the federal government through appropriation to the National Network account. Thus, the primary customers of the long distance trains are intercity train travelers along these routes and the federal government as the sole funder, beyond ticket revenue, of these services.

The mission of the long distance service line is to connect travelers and their destinations across the National Network efficiently. With Amtrak's six strategic pillars in mind, the long distance service line remains focused on driving accountability and optimizing operating and financial efficiencies while providing exceptional customer service. To improve the operating economics of its long distance service, Amtrak has begun an analysis on its network, structure, and fleet plan. We will look for opportunities to remove excess capacity and drive out inefficiencies across the network by sizing the long distance services for national demand, rather than peak segments. Amtrak's long distance service line has set forth an array of strategies they will pursue to ensure they are delivering a safe, reliable product. We need to focus carefully on delivering a product that our customers value. As we execute on that plan, we will review possible new approaches that enable us to provide the critical connectivity that so many communities rely on us to provide while serving even more people in ways that compete effectively with other modes and remain broadly affordable.

On Time Performance

For a passenger train to be a compelling option for its customers, it needs to operate on a competitive and reliable schedule. As I alluded to earlier, Amtrak's National Network is dependent on our host railroads, and Amtrak's on time performance (OTP) on most host railroads is poor, has declined over the past five years, and continues to decline today. In FY17, on average, long distance trains were on time at stations only 47% of the time, a decline of 7% over the course of just one year (FY16 to FY17). Numerous state supported routes also have poor on time performance. The largest cause of delay is freight train interference. During FY17, Amtrak trains were delayed by freight trains on host railroads almost 100,000 times. These delays totaled more than one million minutes (or 17,500 hours) and we believe that freight train interference is often caused by violations of Amtrak trains' right to preference.

To be clear, host railroads are statutorily required to provide Amtrak passenger rail service "preference" over freight transportation. This is the law, and has been for 45 years; unfortunately,

freight railroads appear to be ignoring this statutory obligation in certain instances and significantly impacting Amtrak's business in the process.

OTP improvements are absolutely achievable. Initially, the ability of Amtrak to enforce its right to preference established by PRIIA was effective in improving performance. Following PRIIA, Long Distance OTP exceeded 75% and it was more than 80% on State Supported routes. In fact, on certain hosts, freight train interference delays dropped by roughly two-thirds in a matter of weeks after PRIIA's passage. Unfortunately, over time, PRIIA's effects were diminished by two factors: ongoing legal challenges by host railroads and lack of progress at the STB on the investigations which Amtrak requested. As a result of these host railroad delays and violations of Amtrak trains' right to preference, Amtrak has been consistently unable to meet its congressionally mandated mission and goals (49 USC 24101) as they relate to providing on-time service to its passengers. Worse, given the legal challenges to PRIIA, Amtrak is currently without an effective mechanism to seek direct enforcement of its statutory right to fulfill its mission and goals.

By statute, currently only the U.S. Department of Justice (DOJ) can enforce preference in a civil action before a District Court judge. In Amtrak's entire history, DOJ has initiated only one enforcement action, against the Southern Pacific in 1979. Amtrak supports continued authority for the DOJ to initiate an action but we request that this authority be supplemented by creating a private right of action to enforce preference, just as any other company would have a right to go to court if its rights were being violated. We have officially transmitted this request for a private right of action via Amtrak's annual legislative and grant request to Congress in February of this year, and we look forward to working with Congress to find a solution to what is the single biggest challenge to our national network.

FISCAL YEAR 2019

It is encouraging that Congress reached a two-year deal to raise the budget caps for FY18 as well as for FY19 which permits an increase in vital infrastructure funding. As you now begin your work on FY19 appropriations, we hope that the FY18 enacted levels will serve as the new baseline for funding levels for passenger rail. We have good momentum and by continuing robust levels of investment in FY19, we can finally make sustained progress towards the major infrastructure projects and fleet needs so critical to this nation and to your constituents.

Amtrak's leadership has great confidence in our employees and our company to become the safest passenger railroad in North America, but we need your continued support to invest in the capital investment needed to address many of the challenges I discussed today. We owe our customers, and your constituents, nothing less.

Thank you for the opportunity to appear before you today, and I welcome your questions.