Testimony of

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Before the
United States House of Representatives
House Committee on Appropriations
Subcommittee on Transportation, and Housing and
Urban Development, and Related Agencies

Stakeholder Perspectives: Passenger Rail Development

Tuesday, March 12, 2019 11:00 a.m.
2358-A Rayburn House Office Building

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Good morning, Chairman Price and Ranking Member Diaz-Balart. My name is Stephen Gardner, and I serve as Amtrak's Senior Executive Vice President for Commercial, Marketing and Strategy. On behalf of our 20,000 dedicated employees and our CEO, Richard Anderson, I want to thank you and everyone on this committee for holding this hearing on intercity passenger rail.

Before I begin, I would also like to note the recent passing of our former President and CEO, Joe Boardman. Mr. Boardman was a frequent visitor to this Subcommittee and left an indelible mark on our company and the nation's intercity passenger rail network. He was an impassioned advocate for Amtrak and a dear friend to many of our employees and partners, me included. He will be missed deeply, and we owe him a tremendous gratitude for all he did for Amtrak and our national transportation system in his over 25 years of work on behalf of the public.

I would also like to take this opportunity to thank you and your staff for all your hard work on the Fiscal Year 2019 Transportation Appropriations bill. We appreciate the strong funding levels your bill provided for Amtrak and Federal Railroad Administration (FRA) competitive grants, and we know it was not an easy task getting this bill across the finish line. Congratulations, and we look forward to working with you on the FY 2020 spending bill. In fact, we will be transmitting our FY 2020 grant request to you next week after we have had the opportunity to review fully the Administration's proposal for intercity passenger rail. While we will be requesting $1.8 billion, which is the fully authorized amount we are allowed to request under current law, we have significant needs well beyond this total that we encourage you to consider, some of which I will highlight for you today.

Let me start with some good news – despite facing two significant accidents and several major service disruptions due to weather and other events last fiscal year – I am happy to report that we made strong progress on many important fronts. We reduced our operating loss to a historic low of $171 million, an improvement of 12 percent from the prior year, boosting our cost recovery to a record 95 percent. Our total revenue was $3.39 billion and we invested more than $1.4 billion in capital on assets such as infrastructure, rolling stock, and stations. In response to the accidents and other safety challenges, we have taken major steps towards becoming America's safest passenger railroad by being the first major railroad in the U.S. to implement a comprehensive Safety Management System (SMS). Additionally, we made great strides in implementing Positive Train Control (PTC), with PTC now in operation over the vast majority of Amtrak-owned or controlled track and across 84% of the host railroad network we rely on for the operation of more than half our trains. In places where the hosts have not completed PTC, those railroads have all complied with the law regarding alternative schedules, and Amtrak has adopted an array of risk mitigation measures to provide additional protections in the meantime. Finally, through the strong partnerships we have with states across the nation, we have recently extended new or more service to Roanoke, Virginia and Brunswick, Maine, added additional daily frequencies between Raleigh and Charlotte, North Carolina, and the Northeast Corridor (NEC) and Norfolk, and are on track to add our 13th round trip on our *Pacific Surfliner* service.

While we are proud of our accomplishments to date, we know we have much more to do, and we are working hard to improve and expand our service, modernize our products, and further reduce our operating loss so we can invest more of our Federal dollars into our capital assets. We face several daunting tasks ahead, and while Amtrak will continue to address these challenges directly, we cannot do it alone. My testimony today will focus on the opportunities and challenges facing Amtrak and the support we need from Congress and the Administration to continue to grow and improve our system.

Two of our most immediate challenges – which both threaten our current services and must be addressed if we are to grow – are the needs to replace or rehabilitate our aging assets and improve the Amtrak-host railroad relationship. Starting with our assets, I will refer to the most recent report by the American Society of Civil Engineers which observed that passenger rail service, like nearly all modes of transportation, depends on a significant portion of government funding for its capital needs. As an asset-intensive industry with long-lived infrastructure, robust capital investment is the key ingredient for reliable service and effective networks. Yet, despite the excellent work of this Subcommittee to increase investment resources to Amtrak over these past years, steady, reliable capital funding is precisely what America's intercity passenger rail network does not have, and that shortcoming is at the root of the challenges our infrastructure, rolling stock, and stations face today.

Without this sort of reliable funding over the five decades of Amtrak's existence, significant portions of our assets have become outdated and aged beyond their useful lives. At the same time, the network's assets are now being asked to accommodate far more traffic than they were designed to handle, making it more difficult to ensure safe, reliable, on time service. In an era where perpetual highway congestion and environmental concerns highlight rail's compelling advantages, we should be discussing the significant upgrades to achieve speeds and levels of service found around the world today. To do that, we need adequate and stable funding to address our insufficient and outdated passenger car fleet and the railroad bridges, tunnels, and supporting systems that were built over a hundred years ago and are in clear need of replacement.

According to the NEC Commission, there is approximately a $40 billion state of good repair backlog on the corridor. This substantial figure represents a problem that has been a long time in the making, and it will take a concerted effort over time to fully address these pressing needs. While there are hundreds of projects that make up this backlog, let me highlight a few of the most critical. At the top of the list are the roughly $15 billion Hudson Tunnel and Portal Bridge projects, which the Subcommittee knows well, and will require more than $7 billion in Federal funding over the next decade in order to protect the nearly 450 weekday trains that use this stretch of railroad connecting New York City and points south each day. A close second is the estimated $4.3 billion replacement of the 1.4-mile-long Baltimore & Potomac (B&P) Tunnel, which is a two-track railroad tunnel running beneath the city of Baltimore and serving Amtrak and MARC passenger trains, as well as Norfolk Southern Railway (NS) freight trains. Built in 1873, the B&P Tunnel is among the oldest infrastructure along the NEC. Due to its age, the tunnel is at the end of its useful life. Its obsolete design creates a low-speed bottleneck on this high-traffic section of the NEC. Next, some 35 miles up the NEC, comes Amtrak's existing two-track Susquehanna River Bridge, built in 1906, which serves Amtrak, MARC, and NS to carry passenger and freight trains across the Susquehanna River. 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, few repairs and/or inspections can be made without disrupting rail operations and we have now completed preliminary engineering and the environmental work needed to commence with the $1.7 billion four-track replacement bridge. All that awaits all four of these critical projects is funding and these represent only the biggest and farthest along of our many needs, which you can learn more about in our soon-to-be-released Five-Year Infrastructure Asset Line Plan.

Without a well-funded, predictable plan to address these infrastructure projects, we place our transportation system at risk of unreliable structures creating reduced speeds and capacities, which result in prolonged commute times and travel delays. These disruptions will impose significant costs – to individuals, to neighborhoods and cities, and to the nation – all when the use of intercity passenger rail should be increasing across our country.

In addition to our infrastructure, Amtrak's aging equipment, such as our locomotives, railcars, and trainsets, must be addressed. This rolling stock is used to carry Amtrak customers on the Northeast Corridor, State Supported Routes, and Long Distance service, and a significant portion of it is at or nearing the end of its useful service life. As of late 2018, the active fleet includes some 262 road diesel locomotives, 66 electric locomotives, 1,408 passenger cars, and 20 high-speed trainsets. Additionally, Amtrak and various state partners own fleets of seven Talgo trainsets and 49 Alstom Surfliner railcars, with Amtrak owning 29 Talgo car equivalents and 39 Surfliner cars. Amtrak operates an additional 196 locomotives and railcars wholly owned by state partners.

With the railcar fleet averaging nearly 33 years of age, diesel locomotives averaging nearly 21 years of age, and a long lead-time to procure any replacement units, modernization of our fleets is a major challenge. Many of our current vehicles feature outmoded mechanical designs and systems, limited parts availability, poor reliability, commercially-outdated appearances and amenities, and high operating costs. Left unaddressed, these issues will decrease customer satisfaction and the competitiveness of our services, impair on-time performance, and drive up our expenses, impacting our bottom line. To ward off these outcomes, we continue our re-fleeting efforts, with a diesel locomotive order for our National Network fleet just completed and a solicitation underway for new coach capacity. But, much more remains to be done and more funding will be required, particularly for our Long-distance passenger car fleet, to create a modern and reliable fleet across our network. Congress will need to decide in the coming FAST Act reauthorization what to do about this pending crisis and detailed descriptions of all our current fleet efforts will be available in our soon-to-be-released Five-Year Equipment Asset Line Plan.

Finally, let me touch on the last major asset class of our infrastructure - the more than 500 stations across 46 states, the District of Columbia, and three Canadian provinces that we serve. From small towns to the nation's largest metropolitan areas, our stations provide points of entry, resources, and customer support across our network, in addition to serving as hubs for other multimodal transportation service. We are the owner and manager of a nationwide portfolio of more than eight million square feet of station and maintenance facilities and five of our top ten busiest stations. Our station asset portfolio is aging, suffers from decades of deterioration, and needs modernization to meet growing demands. Amtrak is investing in critical projects that will enhance the passenger experience, improve accessibility, provide much-needed additional capacity and increase reliability and safety, but much more needs to be done. Particularly as projected ridership growth and the surge in economic development happening around many of our stations creates greater demands, we need to address the basic state-of-good-repair needs of our stations as we partner with the private sector and local communities to redevelop these community hubs. Between now and FY 2024, we plan to spend more than $1.8 billion on stations, including for safety and mandates, normalized replacement, major backlog, and improvements. A large portion of these capital investments are directed towards major facilities that Amtrak owns. While Amtrak is making good progress and has a strong five-year plan to invest in its stations, the needs far outweigh the available resources. Detailed descriptions of all of these efforts will be available in our soon-to-be-released Five-Year Stations Asset Line Plan.

Turning now to our host railroads, we have major challenges with our current relationships that must be remedied if we are to achieve a sustainable and growing system. Today, more than 70% of total Amtrak train-miles are operated over tracks owned and dispatched by other railroads. These so-called host railroads are in many cases the corporate descendants of the companies that were required to operate intercity passenger rail in this country until Amtrak was created in 1971 to relieve these companies of this obligation and the significant subsidies that these companies provided to the passenger business. In exchange, Amtrak was given unique rights to operate over these hosts, and just a few years after Amtrak began operations, Congress codified in law the practice that these hosts were to provide Amtrak passenger trains preference over freight trains. Unfortunately, many freight railroads today are simply disregarding the preference law since there is currently no enforcement of this requirement. Instead, Amtrak trains are routinely delayed at the convenience of the freight railroads, resulting in abysmal on time performance that disappoints our customers and increases our costs, making us more dependent on an operating subsidy from the federal government. In a way, the federal government is increasingly subsidizing these host freight railroads today by failing to gain fully the rights it negotiated as part of the creation of Amtrak and rewarding freight railroads for disregarding the law by failing to enforce the statute. Surely this is not what Congress intended, and it needs to be addressed.

Freight railroads make all dispatching decisions about which trains have priority on their rail lines, which means they have a tremendous amount of influence over Amtrak's operations and they are the largest cause of delays to Amtrak customers. In 2018, Amtrak trains were delayed 1.2 million minutes by freight trains. That is the equivalent of more than two years of delays caused by freight railroads putting freight before passengers and this total does not include the many other delays caused by freight railroads stemming from things like issues with their tracks or signals.

We recently released a report card that grades each Amtrak route operating on host railroads. The results tell the story of our customers' experience. In 2018, only eleven of Amtrak's 28 State Supported services were on-time at each station more than 80% of the time. Of our 15 Long Distance routes, only one service was on-time more than 70% of the time. In fact, if you lower the on-time standard to 50% – meaning a train arrives at each station within 15 minutes of the schedule only half of the time – two-thirds of Long Distance routes still fail. The number one cause of this poor performance is freight railroads failing to comply with the Federal law requiring that Amtrak trains be given preference over freight. Simply put, passengers today often wait for freight.

Currently only the U.S. Department of Justice (DOJ) can enforce Amtrak's preference right in a civil action before a District Court judge. In Amtrak's entire history, DOJ has initiated only one preference enforcement action, against the Southern Pacific in 1979. Amtrak supports continued authority for the DOJ to initiate an action, but we are also requesting that this authority be supplemented by also allowing Amtrak to bring forward a case against a freight railroad in district court, just as any other company would have a right to go to court if its rights were being violated.

In addition to poor on-time performance due to freight train interference, Amtrak also faces regular difficulties negotiating with hosts over changing our schedules, increasing service frequencies or expansions to new routes or destinations. Again, while the hosts are obligated by law to extend to Amtrak access to their infrastructure, the current process of negotiation with host railroads and the infrastructure investment demands made by hosts for that access often make it prohibitively difficult for Amtrak to add frequencies and new routes. To address these, we need clearer standards about what levels of investment are required to permit service growth and we need fast and impartial decision-making by an appropriate third-party when we and a host cannot agree. We recognize the need for and support investments in our host railroad's infrastructure, but we must find a better way to ensure that the right level of investments are made and that, after making them, Amtrak and the public receive the promised performance benefits.

Finally, let me turn to the longer-term set of opportunities and challenges facing Amtrak's network. Building on the strong base of growth achieved over the last decade, we are convinced that we must modernize our network and evolve and expand our services in order to move more people in communities across America. We believe that a focus on achieving ridership growth, faster and better schedules, increased frequencies, modernized fleets, enhanced infrastructure, and improved stations can lead to an intercity passenger rail renaissance in 21st Century America.

Right now at Amtrak, we are busy developing a vision and plan for this 21st Century network that we will share as part of Congress's upcoming reauthorization of the FAST Act. As our owner, the Federal government – through Congress and the Administration – has the role of setting forward the overall vision, funding-levels, policies, and rules that structure our intercity passenger rail system. The fundamental questions we will be presenting to Congress are what role do you want Amtrak service to play in the nation's transportation system, what goals do you wish to achieve, and how do you want to invest your limited resources to support intercity rail service across the nation?

For the vast number of our customers and your constituents, we believe we can do more in the future to provide them with better transportation options. While there has been some growth in our State Supported services, Amtrak's current route map still closely resembles the map that was created by the United States Department of Transportation in 1970 at the time of Amtrak's creation. With 118 million more people now compared to our founding year of 1971, this simply does not make sense. There are major markets that Amtrak serves once a day or less, and in some cases, not at all. For too long, residents of major metropolitan areas such as Atlanta, Houston, Dallas, Orlando and Tampa, Denver, Salt Lake City, Las Vegas, Phoenix, Nashville, Austin, Cincinnati, New Orleans, and Birmingham have found themselves situated in the midst of glaring gaps in Amtrak service. For too long, these communities have not had access to a relevant, compelling intercity passenger rail option. These include 14 of the largest 25 cities in the United States and are home to 13 million people.

It is projected that the nation's population will grow to between 400 million and 450 million by 2050, and much of this growth will be in the major metropolitan areas across the south, southwest, mountain west, and west that are driving growth today. This growth, and the continuous trend towards urbanization, are driving congestion and demand in major metropolitan areas and the corridors that connect them. In particular, the millennial generation, set to become the majority of the U.S. population this year, is changing the overall travel landscape with their preference for flexibility, constant connectivity, and affordability. While highway and air capacity is limited and performance is likely to grow worse for these modes, intercity passenger rail can help provide a solution for the travel demands of this nation's future.

Significant portions of our network only receive daily or tri-weekly service as part of our Long Distance network. These trains can only provide limited utility connecting such major population centers to adjacent cities and towns within intercity passenger rail's "sweet spot" of 400-mile corridors or less because of the limited frequencies, often uncompetitive trips time, and very poor on-time performance. Given that already the vast majority of our riders use these Long Distance trains for shorter distance trips along the route, the market demand is clearly there for additional short corridor service throughout the U.S., which includes both additional frequencies for existing routes and establishing new routes between major city pairs. The need for this is reinforced when you look at where Amtrak is most successful today. Approximately 85% of Amtrak's ridership comes from the top 100 metro areas. Further, approximately 96% of Amtrak trips are less than 750 miles in length. In fact, the vast majority of our riders' trips are less than 250 miles and only 8% of the roughly 4.5 million annual Long Distance train riders travel the entire length of the route. So, while our network serves many of the right places, it does so with too little service and the wrong products to fit the future needs of the nation.

As Congress debates the future of our intercity passenger rail system, it will need to grapple with the changing landscape of our nation and the transportation needs of the 21st Century. Is Congress prepared to provide reliably all of the billions necessary over the next decade needed to recapitalize the Northeast Corridor's infrastructure, fund the on-going operating subsidies and major re-fleeting costs of our current Long Distance network, and launch the expansion of short-distance corridor services across the country where rail has the best chance of making a meaningful contribution to creating a more-sustainable and effective transportation network? Can we do all of this or will tradeoffs be necessary between these priorities? Will we favor preservation of the current network over the needs of those that reap little value from today's services? Should reliable, trip-time competitive, multi-frequency Amtrak service be provided to all of the top 50 metropolitan regions? What about the two continental states – South Dakota and Wyoming – that have no Amtrak trains today? And for any of these questions, what should the relationship be between the Federal government, Amtrak, the states, and the host railroads?

As you can see, there are a myriad of questions and challenges facing intercity passenger rail, but every problem I have discussed today has a clear, obtainable solution, if we are ready to tackle these issues. While I recognize there are political and fiscal constraints to what Congress is likely to address in an appropriations bill, or perhaps even within a multi-year surface transportation reauthorization, I remain optimistic about Amtrak's future and the growth of intercity passenger rail throughout this nation if we can establish clear goals and stay focused.

I commit to you that we at Amtrak will always work to provide a safe, high-quality transportation alternative in the most cost-effective manner consistent with our statutory mission, but to truly modernize and expand intercity passenger rail, we will need your help. Now more than ever, we see the possibility and the necessity of bringing an essential transportation choice to millions of Americans who have had limited or no access to it up till now, and I am excited to work with you to determine the path forward.

Thank you all for the opportunity to speak before you here today, and I look forward to answering any questions you may have.