

TESTIMONY

OF

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PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMTRAK

BEFORE THE

UNITED STATES
SURFACE TRANSPORTATION BOARD

WEDNESDAY, APRIL 11, 2007
8:00 A.M.
FIRST FLOOR HEARING ROOM, STB HEADQUARTERS
395 E STREET SW, WASHINGTON, DC

Chairman Nottingham, Vice Chairman Buttrey, and Board Member Mulvey, thank you for the opportunity to address the Board on the critical issue of rail capacity and infrastructure requirements. I am pleased to be here today with many of my colleagues from Amtrak's host railroads.

By way of introduction, I have been with Amtrak for just over six months, and in my short tenure here I have traveled to the headquarters of each of the major US-based freight railroads to speak with their Chief Executive Officers. I believe in the importance of maintaining regular contact with my counterparts at the host railroads, whose tracks Amtrak trains use to travel throughout the country every day. Amtrak's success outside the Northeast Corridor is closely linked to the success of the freight railroad industry, and I intend to work hard to strengthen our relationship.

The main body of my remarks is divided into two parts: Amtrak's view of the nature and magnitude of the rail capacity problem, and Amtrak's support for public investment in rail infrastructure. However, allow me to begin with an overview of the corporation today.

Amtrak operates over a large portion of the national rail network. Our trains traverse approximately 22,000 route miles in 46 states, serving over 500 stations. Amtrak employs approximately 19,000 people. In FY06, Amtrak ridership was 24.3 million passengers, up 1.1% from FY05. (Ridership is up 4.1% year-to-date in FY07). FY06

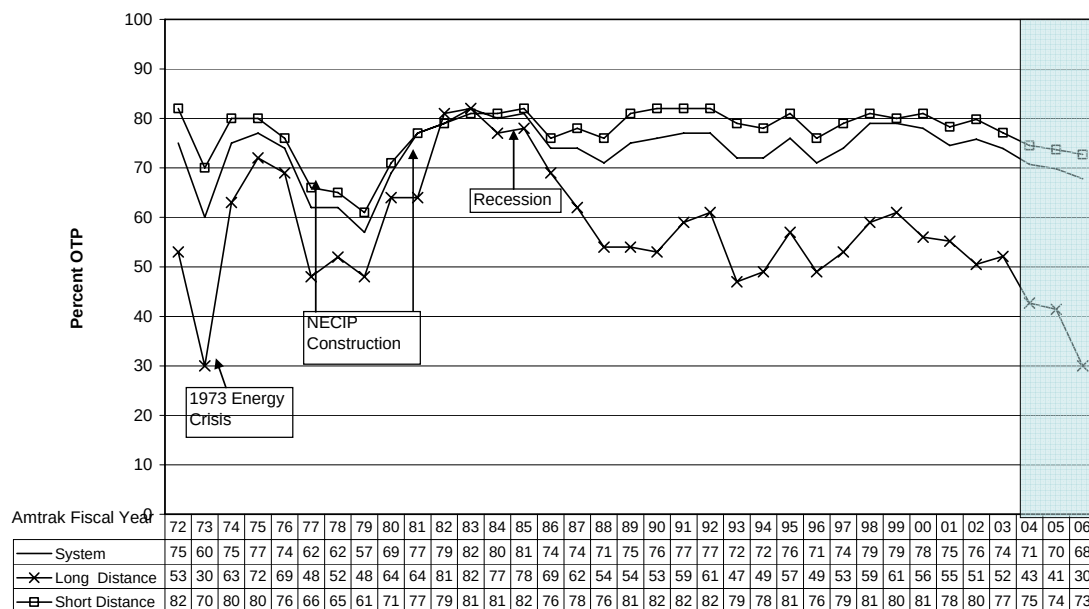
ticket revenue was \$1.371 billion, up 10.7% vs FY05 (Ticket revenue is up 10.3% year-to-date in FY07).

Systemwide on-time performance (“OTP”) was 68% during FY06. However, OTP for Amtrak trains operating primarily on our own tracks was much higher. Nationwide, Amtrak controls train dispatching on fewer than 700 route miles of track, primarily the Washington to Boston Northeast Corridor (“NEC”). On the NEC, OTP of Amtrak’s *Regional* trains was 79% during FY06, and 85% for *Acela Express*. *Acela* OTP was nearly 90% during the first half of FY07.

Outside the NEC, Amtrak’s long distance and short distance corridor trains operate on host railroads’ tracks, and their movements are controlled by those host railroads’ dispatchers. Because of this arrangement, Amtrak is uniquely positioned to observe the state of the national rail network. Unlike shippers, who entrust their goods to the railroads to transport, Amtrak operates its own trains on host railroads across the country, with Amtrak conductors and Amtrak engineers in the locomotive cab, witnessing first hand the state of each railroad we travel each day.

Amtrak has been called the “canary in the coal mine,” meaning that, because we operate trains filled with hundreds of passengers, each of whom expects to arrive on schedule, we are more sensitive to service disruptions than freight users of the rail network. When Amtrak trains experience declines in service, declines for the other users of the rail network are likely to follow.

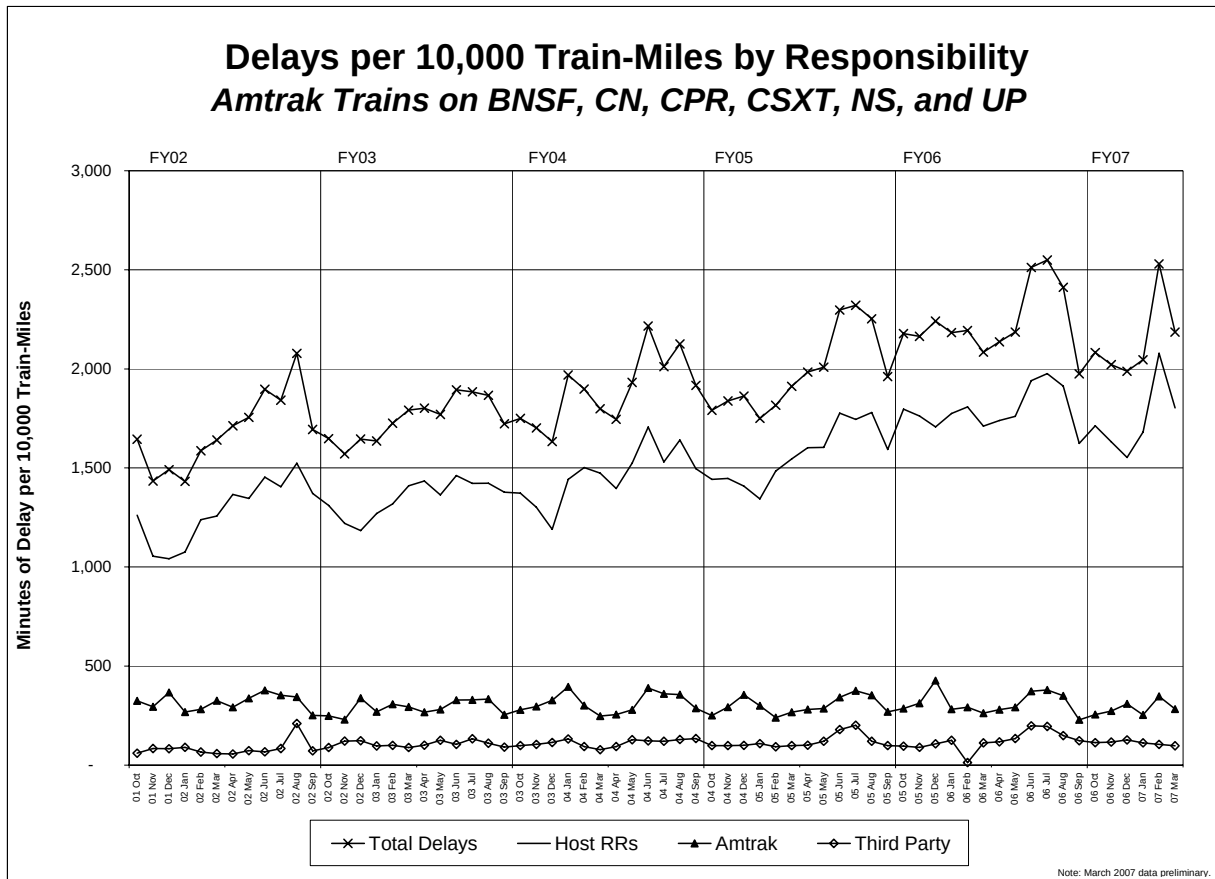
Amtrak has experienced significant service declines since 1999. Each route over which we operate has different challenges, but all of them, to a greater or lesser degree, encounter delays related to insufficient rail capacity and the need for additional infrastructure investment. OTP of Amtrak trains operating outside the NEC has declined in recent years, but the drop accelerated sharply in FY04, the same time that rail freight traffic began its current period of strong, sustained growth.



Sources: Through 2000, Amtrak Annual Reports; 2001-6, Amtrak OTP Monitor Report System

What is causing these OTP declines? Amtrak's train conductors, as they travel across the rail network, log every minute of delay experienced by their train. They also identify if the cause is the responsibility of the host railroad, Amtrak, or a Third Party (such as trespasser or weather-related delays). As a result, Amtrak has a comprehensive database

of delay locations, durations, and causes experienced by our trains on the national rail network over the last six years.



Three patterns emerge from Amtrak’s delay experience on host railroads:

1. The overwhelming majority (approximately 80%) of the delay minutes experienced by Amtrak trains operating outside the NEC are caused by host railroad issues. Amtrak is typically responsible for about 15% of delay minutes, and Third Party delays average about 5%.
2. Most of the variability in delay is also associated with the host railroads, while Amtrak and Third Party delays are consistently small and stable.

3. Host railroad delay minutes are increasing dramatically, up 50% during the five years from the first half of FY02 to the first half of FY07.

What is causing this increase in host railroad-related delays? While Amtrak believes that growth in freight traffic does not relieve freight railroads of their Amtrak performance obligations, the overall negative network effect of dramatically increased freight volume is inescapable.

The conditions our trains experience are very much like those experienced by drivers on the highway network. Imagine the Capitol Beltway at 4:00 in the afternoon. If any disturbance occurs, the problems cascade and traffic slows or stops. Do travelers eventually reach their destinations? Yes. But travel time is slow and highly variable, depending on whether there are any “hiccups” that day. This is the problem faced by the national rail network today. Traffic can move, and everything eventually gets where it is going, but trips are slower and more variable, which is the pattern experienced by Amtrak trains on our host railroads. Delays that might have affected only a few trains a couple years ago can now require several days to straighten out...just in time for the next shock to the system.

The tightly constrained national rail network also inhibits freight and passenger movement in another way: It limits growth. Given the demonstrated public demand for

intercity rail passenger service, this aspect of a capacity shortage is particularly harmful to Amtrak and to the public.

As I recently testified before the Subcommittee on Transportation of the House Appropriations Committee, Amtrak's vision is one of growth (particularly in corridor services); product excellence (as we are demonstrating with Acela); and sound overall management. Capacity problems on the host railroads are thwarting two if not three of these goals: Amtrak's growth is constrained by a national rail network that has little available capacity; and we cannot provide product excellence if our trains are consistently late. As to the third goal, it is difficult to manage a business whose product has serious flaws over which we have relatively little influence or control. Late trains take a toll not only on our customers and revenue, but also on equipment maintenance and on our employees.

Late Amtrak trains also take a toll on the public perception of the freight railroad industry. Don Philips, one of our country's premier rail industry observers, has pointed out that what the American public knows about the US rail industry comes primarily from what they see through the windows of Amtrak trains.

So what can be done?

Everyone's interests are served by a fluid rail network where all trains move without delay. Railroads are motivated to add capacity to increase the efficiency and reduce the cost of handling current traffic, and to create room to grow their markets.

However, because investments in rail capacity are expensive and long-lived, railroads typically make them only when the need is clearly established. Service during the period until needed investments are completed is usually poor, raising the fundamental public interest question.

It is clearly in the freight railroads' interest to build most of the capacity that is needed, although their ability to generate return on capital is very challenging. The inherent lag between capacity need and investment will always drive social and environmental costs during the period when too much freight is crowded onto too little infrastructure. At the same time, the rest of the nation's infrastructure – our highways and airports – also experience the ripple effects of increasing congestion, interruptions and delays. In the face of these problems, public policy makers can choose to help host railroads *accelerate* investment, to capture public benefits now.

The freight railroads appearing before you today will thoroughly describe the public benefits of increasing their ability to move more freight by rail. Amtrak agrees with these public benefits, but there is no need to stop there. Public expenditure can be leveraged further by investments that generate public benefits by improving and expanding passenger rail as well.

There are many types of investment frameworks under discussion, including Investment Tax Credits; Public-Private Partnerships; Federal-State matching programs; Grant, and

Loan programs for specific projects. I propose that each is needed for a particular purpose to address different aspects of the rail capacity problem.

Investment Tax Credits are advantageous for funding investments in remote, non-urban areas that benefit the entire rail network but have little local constituency. As the only entity other than the host railroads themselves that operates trains throughout the national network over thousands of miles of track, in urban and rural areas, Amtrak can attest that there are many crucial rail lines, junctions, and yards, such as at Rocky Mount, NC, or Porter, IN, or Elko, NV, whose functioning, or lack of it, can profoundly affect the efficiency of the national rail network, although few voters have ever heard of them.

Federal-state matching programs and Public-Private Partnerships allow building specific capacity in local projects where Amtrak and its state partners are focused on areas of population density. These projects are likely primarily to drive expanded intercity passenger or freight rail capacity in a particular area. Under these funding mechanisms, Amtrak and its public partners such as states must agree with host railroads on project needs, locations, specifications, and benefits, but must also provide some, if not all, of the funding to realize benefits specific to passenger needs.

Regardless of the specific funding method used, if policy makers choose to help accelerate capacity expansion on host railroads, as Amtrak believes they should, I would encourage being mindful of two key points:

First and foremost, private investment should continue to be the largest source of capital in the freight rail industry. Nothing should be done to reduce the flow of private capital into the industry, such as legislated open access provisions.

Secondly, when the public does invest in rail lines over which passenger trains operate, there must be identifiable and measurable benefits that are agreed to up front by the host railroad, the funding agency, and Amtrak: These benefits could include:

- Additional “slots”(e.g. new and expanded frequencies) for passenger trains
- Measurably sustained, improved on-time performance for specific passenger trains
- Increased capacity to move freight by rail along with timely passenger service

I encourage federal and state policy makers and appropriators to fund a variety of means to expand the national rail network. The public benefits are real, both for freight and for passenger transportation. For Amtrak, additional rail network capacity is critical to achieving growth and product excellence, which, if realized, can lead to long-term passenger rail growth and a real multi-modal solution to this country’s transportation challenge.

Thank you again for the opportunity to discuss this subject, which we consider critical to the future of Amtrak and to the future of a competitive America.