TESTIMONY

OF

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BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

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2:00 P.M.
2167 RAYBURN HOUSE OFFICE BUILDING

Madam Chairwoman and Members of the Committee, thank you for the opportunity to appear before the Subcommittee today. As Chairman Laney has indicated, we are encouraged that you are addressing the issue of Amtrak reauthorization and we look forward to working with you in the future.

While this hearing is focused primarily on the future of Amtrak and U.S. passenger rail service, I do want to say a few quick words about where we are today.

PEFORMANCE AND KEY INDICATORS

First, for another year, Amtrak will set new ridership and revenue records. There are a number of contributing factors for this: the rising cost of gasoline and added frequencies in California, Illinois, and Pennsylvania. In the Northeast, the challenges of air travel combined with gas prices are clearly factors as to why the *Acela* ridership has grown a remarkable 20 percent year over year. Another key ingredient to the success of the *Acela* Service on the Northeast Corridor is our on-time performance, which is at 88% year-to-date for fiscal year 2007. This improved on-time-performance is a function of our incremental investment in the Northeast Corridor infrastructure, as well as sustained improvements in day-to-day operating efficiencies. Revenues for the year are 11% higher than last year.

In addition, we continue to improve our safety numbers and we are increasing our focus on passenger security. We have not assumed any new debt in four years. In fact, in that same time frame Amtrak has paid down close to $500 million in debt. In short, all of these leading indicators continue to move in the right direction.

FACING TODAY'S CHALLENGES

All of this good news does not mean that we are without our challenges on the one hand or our ambitions about the future of U.S. passenger rail on the other. It has become clear to me in the months that I have been with the Amtrak that we are truly at a crossroads. The company must do everything in its power today to position itself for the future. The decisions we make, the service we provide, the product we deliver today will determine if Amtrak will truly play a key role as a provider of passenger rail service down the road.

In order to realize the potential, we are developing a strategic plan that focuses on continued company-wide cost reduction initiatives that will help reduce Amtrak's reliance on federal operating assistance. Increasing revenue is also a key element of the plan that will hinge on Amtrak's ability to add frequencies and improve revenue management. Our other key goals and objectives include containing cost growth, improving financial transparency, providing a safe environment for employees and passengers, improving the management of our human capital, and finally conserving natural resources. By increasing revenue and containing costs, it is our intent to reduce our dependence upon Federal operating support over the next five fiscal years.

Amtrak now confronts a different set of challenges than it faced when it was created 35 years ago. There has never been a time in Amtrak's history where there has been such demand for its services. At the same time, America's rail infrastructure capacity is significantly stretched, particularly in the corridors that are the most likely candidates for expansion. No matter what else is done, we will have to address capacity bottlenecks and shortfalls in many parts of our

national rail system, most of which is not owned by Amtrak. Central to our strategy is to position ourselves to expand state corridor service where circumstances and resources permit. It is where the growth in ridership and revenue will lie in the years ahead. If you want to look at models of successful state programs, California, Washington, and Illinois are great examples.

REAUTHORIZATION - STRATEGIC PLAN

Overall, our goal for our reauthorization bill is to solidify Amtrak's role in providing intercity passenger rail service. That includes a federal policy for corridor development and improvement of our long-distance services so that they better link state and regional corridors and become a more relevant transportation alternative. Amtrak's reauthorization should also help us take advantage of opportunities to connect Amtrak's intercity trains with other modes of travel.

For each of the strategic goals and objectives we are developing, we will outline a series of actions to be taken. I believe that will produce a balanced strategy. It is clear to me that our future hinges on our ability to become more cost efficient and deliver a superior product to our passengers. Another key aspect of our future includes addressing the need for new equipment. We have an aging fleet and one that is becoming increasingly stretched. While we have enough equipment to serve today's needs, we lack the equipment it takes to foster corridor development. When Amtrak was created, there were a number of U.S car manufacturers. Today there are none. It will be a challenge to obtain the necessary equipment to fully exploit our intercity corridor development opportunities, as well as to modernize and replace much of our existing fleet, some of which dates to the early 1950s.

As I have stated, a central part of our strategy is to focus our efforts on meeting the needs of the states. But while we work with states to develop and expand intercity corridors, we will not forget or overlook the importance of the Northeast Corridor. The Northeast Corridor is the realization of what a mature corridor should be. As future hearings will address Amtrak's specific capital needs, at that time we will talk more about what we need to do and would like to do in the Northeast Corridor. Let me just leave you with the following thought. In the past several years, Amtrak has made significant investments in this asset, and I believe that it is in the best condition it has been in decades. Our challenge now is to maintain the Northeast Corridor at a high level of utility and to define and move to the next level of use for the Northeast Corridor. Future work in the Corridor will focus on capacity expansion, trip time reduction, and third-party use. In fact, later this week, we will be meeting with a group of Northeast Corridor stakeholders to discuss how we can collectively build a vision and develop a plan to meet the future needs of this corridor.

CONCLUSION

It is remarkable that a few years ago there were many who felt that Amtrak would fall into bankruptcy. That is no longer the case. Reliability, mobility, and environment—these are things that consistently resonate with America's traveling public, particularly in an era of rising fuel prices, highway and airport congestion, and heightened interest in environmental protection. Amtrak continues to be the most promising and welcome alternative.

To that end, our Board and Management are producing a confident statement about the future of Amtrak and of passenger rail service in this country. We look forward to working with you as

you develop a reauthorization bill which will set the course for the future of passenger rail service in the United States. I look forward to our discussion today and will be happy to answer any questions you have.