

TESTIMONY

OF

JOSEPH H. BOARDMAN

PRESIDENT AND CHIEF EXECUTIVE OFFICER

AMTRAK

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BEFORE THE

COMMITTEE TRANSPORTATION & INFRASTRUCTURE

OVERSIGHT HEARING ON

“A REVIEW OF AMTRAK OPERATIONS PART 3:  
EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES”

THURSDAY, SEPTEMBER 20, 2012

9:30 A.M.

2167 RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman, Ranking member, Members of the Committee, good morning.

I'm here today to talk to you about Amtrak, America's Railroad. Since the focus of today's hearing is on the value Amtrak provides for the Federal funding we receive, I'll start with a few key metrics that highlight our performance.

Last year (FY11), Amtrak recovered 79% of its operating costs from fare box revenues, up from 76% in FY10. That's well ahead of all of the other U.S. passenger railroads, which have fare box recoveries between 5% and 60%.<sup>1</sup> When you add the net revenues that Amtrak generates from other activities that reduce our Federal funding requirements – such as real estate, and our operation of contract commuter services that was the subject of the hearing earlier this month – revenues cover 85% of operating costs.

What that means is that Federal taxpayers pay just 15 cents of every dollar Amtrak spends on our operations. Our Federal operating grant in FY12 – \$466 million – works out to \$1.48 per American. That's less than the cost of a small cup of coffee at the Starbucks in Washington Union Station.

And the longest line at Union Station these days isn't for Starbucks, but rather to board our trains. Amtrak ridership has grown more than 44% since 2000. That's a major reason our Federal operating funding need, adjusted for inflation, has gone down almost 50% since 2004. We set annual ridership records in 8 of the last 9 years despite the Great Recession, and monthly records in 11 of the last 12 months. At the end of this month, we expect to once again set new annual and monthly records.

We've improved our performance in many other ways as well. We cut our debt by more than half over the last ten years, from nearly \$4 billion to \$1.6 billion. On-time

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<sup>1</sup> National Transit Database, 2010 Annual Transit Profiles for commuter railroads and the Alaska Railroad (<http://www.ntdprogram.gov/ntdprogram/data.htm>).

performance has improved on all of our business lines, increasing to 88.4% on the Northeast Corridor during the first 11 months of FY12 despite all the track work and bridge replacements we're doing to bring the Corridor to a state-of-good repair.

We've achieved these accomplishments even though, throughout Amtrak's existence, passenger rail has received only a tiny portion of the annual Federal transportation budget. To give just one example, in the past four years the Federal government has appropriated \$53.3 billion from the General Fund of the Treasury to bail out the Highway Trust Fund. That's almost 30% more than the *total* Federal expenditure on Amtrak since 1971. Revenue generated from highway users accounted for only 45.7 percent of total funding available for highways in 2010. The rest came from taxpayers.

Amtrak has significantly improved financial performance while meeting the statutory obligation to "operate a national rail passenger transportation system which ties together existing and emergent regional rail passenger service."<sup>2</sup> None of our 15 long distance train routes covers all of its operating costs. But long distance trains are heavily utilized: their ridership grew 18.4% from FY07 to FY11, and they accounted for 43% of our passenger miles in FY11.

Long distance trains play an important role in national mobility and connectivity. They provide the only intercity passenger rail service in 23 states and 223 cities and towns. They connect our 28 short distance corridor routes, creating a national public transportation network. Most importantly, our long distance trains are increasingly the *only* public transportation option for many who ride them.

The Chinatown and other curbside buses that have proliferated on the streets of our major cities have attracted a lot of attention. They're especially prevalent between

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<sup>2</sup> 49 U.S.C. 24701.

Washington and New York, where they provide service that is cheaper than our trains but is much slower (scheduled trip time of four and a half hours) and subject to traffic delays. Our ridership between Washington and New York has continued to grow since curbside buses entered the market.

But you won't see a curbside bus – or, increasingly, *any* bus – in the small and mid-sized communities our long distance trains serve. While intercity bus service is increasing in a few major city markets, it has declined precipitously the rest of the country. Bus operators – and airlines – have cut service to smaller cities and rural communities for the same reason all of the private railroads eagerly got out of the passenger business after Amtrak was created: the service loses money. According to the Bureau of Transportation Statistics, the number of Americans who no longer have access to intercity bus or air service, and are served only by Amtrak, *tripled* in just five years.<sup>3</sup>

In addition to serving locations no longer served by intercity bus, Amtrak has Thruway bus connections, many of which are operated in partnership with privately-owned bus companies, that link places rail does not serve to our national network. Next month, we will begin connecting bus serve to the eastern part of North Carolina. In California, one in three rail passengers begin or end their trip on a bus.

We also hear a lot about privatization of passenger rail services in other countries. In a number of countries, including the United States, many commuter and local rail services are operated by for-profit, multinational companies that receive government subsidies. However, only two major countries – Japan and Great Britain – have

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<sup>3</sup> Bureau of Transportation Statistics, *The U.S. Rural Population and Scheduled Intercity Transportation in 2010: A Five-Year Decline in Transportation Access*, February 2011.

privatized *intercity* passenger rail services to any significant extent. The results have been mixed at best.

- Japan privatized its services *after* the government-funded construction of the country's major high-speed lines. It also provided a huge one-time infusion of funding to subsidize future losses from unprofitable services, and continues to provide funding for construction of new high speed lines.
- In Great Britain, a government-commissioned report issued last year concluded that the "objectives of privatization [were] not achieved" because public funding needs have increased rather than decreased.<sup>4</sup> Government expenditures on passenger rail rose from less than £2 billion (\$3 billion U.S.) in 1993-1994, the year privatization began, to £4.6 billion (\$7.4 billion U.S.) in 2010-2011. The share of the railway system's costs (operating and capital) paid by the British public rose from 40% to 50%.

No country has succeeded in constructing an initial high speed rail (HSR) system primarily or exclusively with private funding. Great Britain and Taiwan had to take over, at huge public expense, the private entities created to develop their initial HSR lines. In Australia, Brazil and Argentina, planned HSR systems were scuttled after it became apparent that the anticipated private funding would not be forthcoming.

Finally, I want to emphasize that Amtrak is not complacent about our recent accomplishments. Rather, we aim to do much better. To achieve that objective:

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<sup>4</sup> *Realizing the Potential of GB Rail: Report of the Rail Value for Money Study, Summary Report*, May 2011 (<http://www.dft.gov.uk/publications/realising-the-potential-of-gb-rail/>), p. 41.

- We have begun implementing our Strategic Plan<sup>5</sup> by, among other things, expanding our Safe-2-Safer initiative, restructuring our operating departments by business line to improve our bottom line and enhance customer focus and adopting strategic management techniques used by the nation's largest and most successful companies.
- We have issued a new Fleet Strategy<sup>6</sup> and have begun its implementation. We've ordered 70 new electric locomotives for the Northeast Corridor, and 130 long distance single level cars to replace equipment that is more than 50 years old.
- We've successfully rolled out our nationwide eTicketing program, replacing 19<sup>th</sup> century railway processes with innovative mobile technology that won an award from IDG's CIO magazine.
- We now offer Wi-Fi on most of our trains.

Federal expenditures on Amtrak during the past 41 years pale next to what virtually every one of our European and Asian competitors has spent on passenger rail. But Amtrak has provided a high return on the limited Federal investment we've received. Our aim is to continue to do that in the years ahead. Thank you.

<sup>5</sup> <http://www.amtrak.com/ccurl/30/12/Strategic-Plan-2011-2015.pdf>.

<sup>6</sup> <http://www.amtrak.com/ccurl/36/921/2012-Amtrak-Fleet-Strategy-v3.1-%2003-29-12.pdf>.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
*Truth in Testimony Disclosure*

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Joseph H. Boardman

(2) Other than yourself, name of entity you are representing:

Amtrak

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

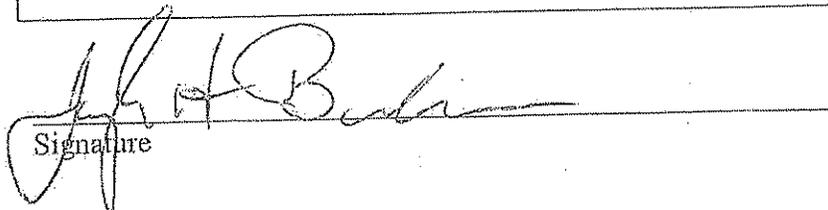
YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

Please see the attached

  
Signature

7/31/2012  
Date

**NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)**

**Illustrative Schedule of Expenditures of Federal Awards**

For the Period Ending July 31, 2012

Federal Grantor	Pass-Through Grantor	Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor No.	Award Amount
U.S. Department of Transportation	N/A	FY2012 Capital and Debt Services Grant Agreement	20.315	N/A	\$942,480,000
U.S. Department of Transportation	N/A	FY2012 Operating Expenses Grant Agreement	20.315	N/A	\$466,000,000
U.S. Department of Transportation	N/A	New York City to Trenton, NJ High-Speed Rail Improvements	20.319	N/A	\$649,944,000
U.S. Department of Transportation	N/A	Efficiency Incentive Grant Agreement 2008/2007	20.315	N/A	\$62,663,000
U.S. Department of Transportation	N/A	Biodiesel Inter-City Passenger Rail Revenue Service Test	20.313	N/A	\$275,328
U.S. Department of Transportation	N/A	Cross-Functional Risk Reduction Team	20.301	N/A	\$70,000
U.S. Department of Transportation	N/A	Section 305 Equipment Pool Committee Grant Agreement	20.315	N/A	\$4,000,000
U.S. Department of Transportation	N/A	Exercise of Early Buy-out Options Grant Agreement	20.315	N/A	\$365,746,963
U.S. Department of Transportation	N/A	Northeast Corridor Operations and Infrastructure Advisory Commission	20.315	N/A	\$9,252,014
U.S. Department of Transportation	N/A	Advanced Civil Speed Enforcement System (ACSES) - Vital Train Management System Interoperability	20.321	N/A	\$10,280,000
U.S. Department of Homeland Security	N/A	FY2011 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$22,214,456
U.S. Department of Homeland Security	N/A	FY2010 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$20,000,000
U.S. Department of Homeland Security	N/A	FY2009 Intercity Passenger Rail Security Grant Program	97.075	N/A	\$25,000,000
U.S. Department of Homeland Security	N/A	FY2008 Intercity Passenger Rail Grant Program	97.075	N/A	\$25,000,000
U.S. Department of Homeland Security	N/A	FY2007 IPP - Intercity Passenger Rail Security Grant Program	97.075	N/A	\$8,308,537
U.S. Department of Homeland Security	N/A	FY2007 IPP Transit Security Grant Program Supplemental	97.075	N/A	\$5,100,000
U.S. Department of Homeland Security	N/A	American Recovery and Reinvestment Act and Transit Security Grant Program - Law Enforcement	97.113	N/A	\$5,343,500
U.S. Department of Homeland Security	N/A	National Explosive Detection Canine Team Program	97.072	N/A	\$2,669,500
U.S. Department of Homeland Security	N/A	Amtrak Pilot for Securing Critical Underground Infrastructure (SCUI Grant Program) (1)	97.129	N/A	\$876,756
U.S. Department of Transportation	Illinois Commerce Commission Metropolitan Washington Council of Governments	PEERS (Public Education & Enforcement Research Study)	20.313	007PEERS1	\$9,270
U.S. Environmental Protection Agency	Washington Council of Governments	Reducing Emissions from Rail Terminal Operations at Union Station	86.039	N/A	\$1,500,000
<b>TOTAL FEDERAL AWARDS</b>					<b>\$2,430,994,343</b>

The accompanying notes are an integral part of this schedule.

(1) The award amount is the value of in-kind equipment estimated by the grantor in the grant agreement. All in-kind equipment has been received by Amtrak.



**Joseph Boardman**  
President and Chief Executive Officer  
National Railroad Passenger Corporation (Amtrak)

Joseph H. Boardman was appointed President and Chief Executive Officer (CEO) of Amtrak by its Board of Directors in November 2008.

As President and CEO, Mr. Boardman oversees the management of America's Railroad which carried more than 30.2 million passengers in FY 2011, an all-time record. Amtrak operates more than 300 passenger trains each day – at speeds up to 150 mph (241 kph) – connecting more than 500 destinations in 46 states, the District of Columbia and three Canadian Provinces.

Under his leadership, Amtrak is building the equipment, infrastructure and organization needed to ensure its strong growth continues into the future. The company is investing in projects critical for enhancing the passenger experience and essential for supporting its national network of intercity and high-speed rail services.

Before joining Amtrak, Mr. Boardman was the Administrator of the Federal Railroad Administration (FRA), an agency under the U.S. Department of Transportation, and also served as a member of the Amtrak Board of Directors. Prior to his position at FRA, Mr. Boardman was the longest serving Commissioner of the New York State Department of Transportation.



Mr. Boardman has been involved with the transportation industry for more than 40 years with experience on the local, state and federal levels and his own transportation management company. In addition, he is a former Chairman of both the Executive Committee of the Transportation Research Board (TRB) and the American Association of State Highway and Transportation Officials' (AASHTO) Standing Committee on Rail Transportation (SCORT).

He is a native of New York State and is the second of eight children born and raised on a dairy farm in Oneida County. In 1966, he volunteered for military service in the United States Air Force and later received a Bachelor of Science degree in Agriculture Economics from Cornell University in Ithaca, NY, and a Master of Science degree in Management Science from the State University of New York at Binghamton.

Mr. Boardman presently resides with his wife Joanne in Washington, D.C.