

TESTIMONY

**Before the United States House Committee on
Transportation and Infrastructure
Subcommittee on Railroads, Pipelines and Hazardous
Materials**

**On High Speed Rail in the United States –
Opportunities and Challenges**

**by
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Chairwoman Brown, Ranking Member Shuster and Members of the Committee, my name is Frank Busalacchi. I am Secretary of the Wisconsin Department of Transportation and Chair of the States for Passenger Rail Coalition (SPRC), a coalition of states that support passenger rail expansion. I am here today representing the Coalition and appreciate the opportunity to share with you my views on the key opportunities and challenges that we must address to achieve our national passenger rail service vision.

For several years I have worked with other states and a SAFETEA-LU-designated Commission to outline the need for passenger rail investment. Until recently, it appeared that our efforts were fruitless and our national public policy would barely support the continuation of our Amtrak service, much less new state passenger service. In that atmosphere the States for Passenger Rail Coalition (SPRC) was organized. Our membership grew to over 30 states that believe passenger rail is a critical transportation mode in which the nation needs to invest. These states believe the federal government has invested in highways, airports and transit for many decades and it is now time for passenger rail investment. The key focus of the SPRC was to demonstrate the need for a federal funding partner to support the states' efforts.

Over the past two years, we have made tremendous progress on moving the passenger rail vision forward. First, the National Surface Transportation Policy and Revenue Study Commission recommended that the national passenger rail network be expanded. The Commission recommended a 50-year vision that phased in service over decade-long increments and focused on intercity pairs within 500 miles of each other. Finally, the bipartisan Commission recommended a significant increase in the gas tax to support an annual investment of \$5 billion annually in passenger rail. The Commission delivered its report to Congress in January 2008; the Commission's policy prescription supported the efforts of members who have long believed the nation's intercity passenger rail network must be expanded and funded by the federal government.

What followed was the adoption of major pieces of policy and funding legislation. The Passenger Rail Investment and Improvement Act (PRIIA) of 2008 and the American Recovery and Reinvestment Act (ARRA) of 2009 provided a policy and funding basis for significant expansion of the nation's passenger rail network. Through President Obama's federal fiscal year 2010 budget request and the action of the House and Senate Appropriations committees, Congress has shown its commitment to re-envision our passenger rail network. States have

seized upon these opportunities through their applications for ARRA passenger rail funds which far exceed the \$8 billion that ARRA provided.

I am an optimist at heart, but we must address the issues of the moment. Opportunities and challenges represent two sides of the same coin. Right now, we have an unprecedented level of funding approved by Congress to take the first steps toward expanding our passenger rail network and achieving our passenger rail vision. But the other side of the funding opportunity coin – the challenge – is that we build the right projects, use the available funds wisely, and plan for the future. With that said, the remainder of my remarks will focus on the key challenges we face – and recommendations for your consideration.

Establishing the network – New Starts or Highway Model

Since the 1940s, this country has disinvested in passenger rail while countries in Europe and Asia have made passenger rail the centerpiece of their transportation systems. Instead, we invested in our interstate highway and aviation networks. Now, we have well-developed aviation and highway networks, albeit with challenges of their own, but our nation's rail network needs significant investment after a half century of disinvestment.

The model used to build the national interstate highway network was a partnership between the federal government and the states. The federal government assured funding – 100 percent for a period of time – and worked through an organized process with the states to assess which elements of the network should be built in which phases. Depending on how you calculate it, the entire interstate network took between 30 and 40 years to build.

The states have been at the center of this passenger rail renaissance, investing our state transportation funds in corridors that enhance existing Amtrak service and expand that service. Wisconsin has invested almost \$7 million per year on operating costs associated with providing additional frequencies and capacity on the Hiawatha service between Milwaukee and Chicago. We share these costs with the state of Illinois, and this partnership has endured through changes in administrations in both states.

When Congress passed PRIIA, that legislation employed the New Starts model for funding distribution. States with significant matching funds would likely be eligible for federal funds, however funding is competitive on a year to year basis and competition among states for funding will be intense. ARRA funding was a wonderful shot in the arm for states with the

added benefit of a 100 percent federal share, but FRA has asked states about their ability to match these federal funds through the application process.

I would strongly urge Congress to adopt the interstate model to build the national passenger rail network. Many states want to develop their passenger rail networks; they will be able to support projects on an 80 percent federal and 20 percent state funding split, but they will need that federal share.

The federal government and the states need to think strategically about expanding the passenger rail network. We need to work towards a long-term vision. All states are at different phases of rail network development. A phased approach will allow states that are ready to go to start constructing their projects, while states that are not ready can work on their planning and environmental processes with some confidence that they will receive federal funds to build their projects in a later phase.

This issue should be addressed in the National Rail Plan. Soon, the FRA will report to Congress on a preliminary plan; it will be up to Congress to provide guidance to US DOT and FRA on which model – New Starts or Interstate – that Congress believes will best support their vision for the high speed passenger rail network implementation.

Assuring the funding – pay as you go or debt-financed

Whether you are building a home, a school, or a rail network, you have to know when you begin your planning that you will have the capacity to pay for the project through completion. The funding that is currently available – over \$8 billion -- is a tremendous down payment, but without assurance of a long-term commitment on funding, the national passenger rail vision will not be achieved.

The States for Passenger Rail Coalition has been consistent in its advocacy for funding. We seek a federal funding partner that can make a long-term commitment to passenger rail funding.

Elements of funding policy include:

- Recognition in federal transportation policy and funding that passenger rail is a critical transportation element of the national and state networks and should be part of our intermodal transportation network.
- Provision of an 80 percent federal/20 percent state funding program for states to plan, design and implement passenger rail.

- An ongoing source of federal revenue to fund the program – again, similar to the highway program.
- Establishment of program and funding policies similar to highway program, which provides efficient and effective grant distribution to the states.

To accomplish this, I would recommend that the next surface transportation authorization bill contain a multi-year authorization for passenger rail funding. The bill would also include funding for states to plan, design and construct their networks. Without a strong federal partnership, only a very few states will be able to develop and deliver passenger rail service. Finally, the authorization bill will need a revenue source that is adequate to pay for the network as we build it.

Establishing an equipment supply network – coordinated or piecemeal

With constrained funding over the past decades, it is not surprising that our passenger rail car fleet is old and in desperate need of replacement. Domestic passenger rail car manufacturers left the country during those decades of passenger rail disinvestment. Most train cars are from the previous century; we have been refurbishing these cars where we can, but the next generation of passenger trains along with establishing a domestic manufacturing sector is a big challenge, but also a big opportunity.

Recently, the state of Wisconsin entered into a contract to buy two Talgo train sets. The shells for these fourteen car train sets will be manufactured by Talgo in Spain, but all of the assembly and interior finishing will be done in the United States. My state is investing over \$47 million in these train sets. Are there risks in this deal – certainly! But Governor Doyle sees the opportunity as well. We hope to bring manufacturing jobs back to the Midwest. We hope to show the riders of our Hiawatha service between Chicago and Milwaukee that the next generation of train cars is all about making the travel experience both pleasant and efficient.

Our country needs to attract train manufacturers; to make this happen, these manufacturers need a reliable revenue stream they can trust to make economic investments in plants and equipment. We need a coordinated national effort to assure that states are working together to assure that we get economies of scale in the pricing of train cars and interoperability of train cars. As a national network – the states need to coordinate with each other. Eight Midwest Governors and the city of Chicago¹ recently signed a Memorandum of Understanding to create a steering group to align the efforts of

¹ Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, Wisconsin and the City of Chicago

our states as we develop our passenger rail network. While cooperative efforts like these are important at the regional level, we need federal leadership on this issue.

Freight Capacity and On-time Performance

The most important performance measure for passenger rail is on-time performance. We all remember a couple years ago when on-time performance was a major problem for our passenger trains. Due in part to the recession and improvements on the network, on-time performance has improved, but continues to be a challenge. Nothing will turn riders away faster than late, undependable trains.

Since most of our expanded and new service will run on existing, privately owned freight rail tracks, capacity is a critical challenge for states and the freight rail lines. States must pay for capacity – but fair negotiations with freight rail lines will be critical to our success. The private freight rail owners must assure their shareholders that they will have adequate capacity to operate their business. At the same time, the public will want to be assured that states are using public dollars for the public benefit.

This will be a tremendous challenge for all stakeholders in the coming years. Federal and state governments cannot realize their passenger rail vision without access to freight lines. But, we must all be aware of the challenges we face in this area.

Administrative Challenges at the Federal Level

In a very short time, the Federal Railroad Administration has had to recreate itself and rethink its mission. It has had to move from being almost exclusively a regulatory organization to having the added responsibility of assuring that billions of dollars in federal grant funds will be spent wisely and efficiently. As mentioned earlier in this testimony, the FRA also has to develop the National Rail Plan.

I give the FRA high marks for its efforts to consult with stakeholders and work with the states. Administrator Szabo and his team are doing their very best and have been extraordinarily responsive to the states' needs and questions. But they need additional resources that should certainly be provided as this committee works on its reauthorization policy development. There are many approaches that can be adopted from the Federal Highway Administration – particularly on project streamlining. The States for Passenger Rail Coalition looks forward to

working on these issues with your subcommittee and the FRA to assure that they have the resources to help us deliver the program.

The Passenger Rail Working Group – a model for strategic vision and phased projects

As the subcommittee continues to develop and refine its reauthorization policy, I would ask that you consider the issues outlined in this testimony. We have all been frustrated with the pace of the surface transportation authorization bill; passage of this bill is critically important to the nation. As a state DOT Secretary, every mode is important – but we have this opportunity now to define the policy that will allow the nation to build its 21st century rail network. For that reason, I think it is important to press forward the development of the National Rail Plan so that this subcommittee can incorporate that policy framework into this authorization bill. We should not wait another six years to complete that task.

The National Surface Transportation Policy and Revenue Study Commission released its estimates of national needs for the passenger rail network as part of its January 2008 report. Based on the December 2007, Passenger Rail Working Group report, commissioned by the National Commission, the federal share of the network needs is estimated at approximately \$5 to \$6 billion per year.

I would encourage the subcommittee to reconsider the report developed by the Passenger Rail Working Group titled, *Vision for the future – U.S. intercity passenger rail network through 2050*. The report outlines a 50 year vision that includes the network build-out in three specific timeframes that include gross cost estimates. The maps were illustrative; what is needed now is for states to plan their intrastate and interstate networks and those plans – based on specific national criteria – can then be phased over time, beginning with the reauthorization timeframe. States can receive funding based on approval of the build out plan and on their own phase of the process; that is, whether the state is in the planning, design and environmental or construction phase. Acquisition of ‘state of the art’ train cars would be part of the build out costs.

The Executive Summary of the Passenger Rail Working Group 2007 report is attached to this testimony. I hope the subcommittee will consider this approach as it provides feedback to the FRA on the National Rail Plan and as you proceed with your work on the Surface Transportation Authorization Act.

States are ready to be partners in the development and delivery of new passenger rail service in our nation. We have proven that the partnership works in the highway and transit modes. There are many opportunities and challenges ahead, but I believe we can maximize this golden opportunity to create a 21st century passenger rail network that will benefit the citizens of our nation for decades to come.