AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

AASHTO

THE VOICE OF TRANSPORTATION

TESTIMONY OF

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ON BEHALF OF

THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

REGARDING
Finding Ways to Encourage and Increase Private Sector Participation in Passenger Rail Services

BEFORE THE
SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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Chairman Shuster, Ranking Member Brown and Members of the Committee, thank you for the opportunity to testify today on Finding Ways to Encourage and Increase Private Sector Participation in Passenger Rail Services. My name is Patrick Simmons and I am the Director of the Rail Division of the North Carolina Department of Transportation. I also serve as a member of both the PRIIA Section 209 State Working Group as well as the PRIIA Section 305 Next Generation Equipment Committee (which I will go into greater detail later). Today I speak on behalf of the American Association of Highway and Transportation Officials (AASHTO). AASHTO represents all 50 state departments of transportation (DOTs) as well as the District of Columbia and Puerto Rico departments of transportation. My Secretary, North Carolina Secretary of Transportation Eugene Conti serves as Chairman of AASHTO's Standing Committee on Rail Transportation.

State-supported services not only have the most robust growth in ridership and passenger revenues, they also are the nation's laboratory for innovation. As states take the lead in implementing the newly created High Speed and Intercity Passenger Program (HSIPR), it is through the states that opportunities for public private partnership will grow.

States strongly support the need to fund Amtrak and to provide for a national intercity passenger rail network.

States want to provide efficient, high quality mobility for our citizens and we recognize that to accomplish this goal requires many public and private partners.

Section 209 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) directs the states and Amtrak to "develop and implement a single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak" related to trains that operated on corridors of 750 miles or less. The intent of Section 209 is to ensure that Amtrak treats all states equally and to allocate to each route a proportionate set of costs that reflect the routes' relative use.

State-developed high speed and intercity passenger rail operations are an integral element of Amtrak's intercity passenger rail (IPR) network. These 750-mile or less IPR trains generally operate in corridors within a single state or connect intermediate-distance intercity pairs providing valuable alternative to air or auto travel. Portland (OR) – Seattle, San Jose – Sacramento, Los Angeles – San Diego, Ft. Worth – Oklahoma City, Kansas City – St. Louis, Detroit – Chicago, Milwaukee – Chicago, Richmond – D.C., Harrisburg – Philadelphia, Buffalo – Albany, Hartford – New York, Portland (ME) – Boston and in my home state Charlotte – Raleigh, North Carolina. These are just a sampling of the corridors being served by Amtrak in the intercity market.

Today, Amtrak provides state-supported passenger rail service in 15 states, generally offering a turnkey operation that may include rolling stock, on-board operating crews, station staff, management and administrative support, maintenance of equipment, maintenance of way (tracks and signals), marketing and advertising, reservation sales and ticketing. The 1970 Rail Passenger Services Act (RPSA) created the framework for individual states to request these additional rail services, and Section 403 (b) of the RSPA allowed Amtrak to be reimbursed by the states for these services. This policy established that the direct operating losses of a corridor service must be covered through a combination of farebox revenues and state support.

Under the provisions of PRIIA Section 209, all states must pay the operating and capital costs associated with their corridor routes. Over the last year, Amtrak and the States have been charged with working collaboratively to create a methodology to set a fair and equitable basis for the direct costs and a portion of shared/indirect costs, plus an annual capital charge for Amtrak-owned equipment and facilities used for these IPR trains. Once Section 209 is implemented, the current 36 trains that have historically been paid by Amtrak will now become state-supported IPR trains consistent with the other 74 state-supported trains.

States need a consistent budget planning process with Amtrak to develop costs and revenues for IPR services, which, in turn, will help states secure stable, predictable funding sources to support and expand Amtrak-operated, state-supported IPR trains. Such efforts are critical in supporting state policy-makers as they initiate long-term planning and investment strategies to properly understand current costs and to project costs associated with future regional intercity passenger rail service as part of states' multi-modal transportation investment plans.

The direct benefits of IPR investment include: reduced train travel times, increased service frequencies and reliable schedules that build ridership and reduce operating costs. Indirect benefits include reduced traffic congestion, improved regional air quality and job creation and economic growth.

By working through this process of a more transparent accounting and methodology system at Amtrak, States are now able to see the fully allocated costs associated with their individual routes and the break down in how these services are delivered. Why is this important?

In order to look at private investment in intercity passenger rail – one must know the true costs associated with that service. By having a menu-list of items that Amtrak provides a state for a state-supported corridor allows both parties to work toward controlling and in some cases reducing costs based on a number of factors.

As has been mentioned, statutorily states can look at other entities to provide intercity passenger rail service. With the new accounting system and cost allocation, states and entrepreneurs will be able to see exactly what the charges are for providing this service.

Some examples of innovation include: In North Carolina we own and maintain our equipment and stations, thus the cost associated by Amtrak for these services in our menu-list of items is lower. As we have reduced travel time in our major market, we have eliminated the need for food and beverage service and now provide on-board vending machines. For stations that are essential for service but that do not generate revenues sufficient to support their being staffed by Amtrak, are staffed through a private staffing contract. These employees provide an essential presence at many of our stations although they do not engage in ticket sales nor handle baggage.

In Maine, the Northern New England Passenger Rail Authority contracts out the food and beverage and turn-around maintenance servicing. In California, the Capitol Corridors has opted out of the Amtrak Call Reservation Service and Caltrans not only owns its own equipment but jointly owns a maintenance facility as well. Stations are another example of where private industry, local governments or other investors could offer services that in some cases are provided by Amtrak.

Two areas that Amtrak has a great advantage over other carriers is their ability to provide liability insurance for passenger rail service and their statutory right of access to operate over freight rail lines. Amtrak offers this access right for a reduced price on intercity passenger rail routes – a huge cost savings to the states.

States pay for annual insurance premiums through an allocated contribution as part of the Amtrak national system. Such economies of scale provide a significant advantage for states and to Amtrak. As insurance is a necessary component of the business, we recommend Congress authorize an analysis to evaluate establishing a national insurance pool for intercity and commuter providers?

A birthright of Amtrak is it pays a legislatively mandated access rate to Class I host railroads that is approximately 20% of the amount a commuter railroad pays for similar access. Under an alternate operator scenario, should a state or state-supported agency select an operator other than Amtrak, we urge you to consider allowing the new operator or IPR agency full utilization and use of Amtrak's access rate to the Class I Host RR.

This birthright also is a critical element in development of the Southeast High Speed Rail Corridor (SEHSR). North Carolina has sponsored operation of the Carolinian between New York City and Charlotte, North Carolina since 1990. Last year farebox revenues paid for 78% of the train's annual $20 million operating costs. The train operates over three host railroads: Amtrak in the Northeast Corridor, CSX Transportation from Washington, DC to Selma, North Carolina, then over the North Carolina Railroad Company operated by Norfolk Southern Railway. The highly successful Carolinian operation foreshadows the strong performance projected for SEHSR at build out.

Our current operation, an earlier report from USDOT to the Congress, and our plans for SEHSR all point to an unusual outcome: if the public invests in the infrastructure costs, operation of the trains would require little or no subsidy. In fact, the SEHSR service is projected to provide a concession opportunity or public private partnership.

The issue of access and at what cost will determine whether this will be a monopoly or a genuine public private opportunity. The Committee will hear testimony today from other witnesses about how access is provided in other countries. Elsewhere access to multiple operators is accomplished in a manner that also protects essential freight capacity and operations.

It also should be noted that any operator of intercity passenger service other than Amtrak is required to "look" very much like Amtrak, and comply with the appropriate labor protection provision.

Hopefully Section 216 of PRIIA, through which Amtrak is encouraged to increase the operation of special trains funded by, or in partnership with, private sector operators through competitive contracting to minimize the need for Federal subsidies, can be a good starting point. Together with Section 217 the issue of access and public private partnerships can be developed and assessed.

North Carolina participated in the Section 502 solicitation for public-private partnership opportunities. While this initiative was superseded by the FFY 2009 appropriation for HSIPR, we did discuss this opportunity with several national and international companies. Together we believe SEHSR presents a viable opportunity for public private partnership. I also believe that similar opportunities may exist elsewhere in the country and that we ought to identify and consider them more fully.

Section 208 of PRIIA required Amtrak to evaluate the worse performing long-distance route and develop plans for improvement, why not also examine the best-performing routes and evaluate whether there are steps that can be taken to bring them to a break-even or even profitable operation?

Section 305 authorized the Next Generation Corridor Train Equipment Pool comprised of representatives of Amtrak, the Federal Railroad Administration, host freight railroad companies, passenger railroad equipment manufacturers, interested States, and, as appropriate, other passenger railroad operators. The purpose of the Committee shall be to design, develop specifications for, and procure standardized next-generation corridor equipment.

Through development of common equipment specifications and coordinated procurement states and Amtrak will realize the benefits of reduced manufacturer development costs help enable recovery of America's rail car manufacturing and supply industry and establish a system for the efficient parts and inventory supply.

North Carolina has built its rail program through a series of incremental steps. Among these steps was to develop our own specifications for locomotives and equipment. We use rehabilitated locomotives and refurbished rail cars, and this enabled us to inaugurate new service last summer. Our equipment is serviced via a mechanical contract. This grants us flexibility and enables us to offer a high level of service quality and to make timely adjustments when necessary.

States support the Buy America principles for new equipment purchases and make two observations about implementation of this standard.

First, to bootstrap the industry will require significant and dedicated public and private funding. Such funding also requires being predictable and sustained over time. Few if any manufacturers are in a position to support equipment development costs on speculation.

Second, the Congress has set different requirements for Buy America content for HSIPR grants to states, for Amtrak, and for commuter rail or transit operators. While states all want to be the site of manufacturing plants and benefit from job creation, we recognize that it is impractical to expect the industry to go from 0% to 100% in a single step. Rather we believe achievement of this goal will be accomplished in a series of steps through collaboration with the manufacturing and supply industry.

Supplemental Information Sheet

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North Carolina Department of Transportation (NCDOT)

NCDOT web site: www.ncdot.gov

NCDOT-Rail Division web site: www.bytrain.org

Southeast High Speed Rail web site: www.sehsr.org

States for Passenger Rail Coalition web site: www.s4prc.org

AASHTO SCORT web site http://www.highspeed-rail.org/Pages/default.aspx

See also: http://www.bytrain.org/fra/track2/financial_plan.pdf for a copy of the North Carolina's Financial Plan for the High Speed and Intercity Passenger Program, October 2009