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U.S. House of Representatives

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Establishing and Funding Private Competition for Northeast Corridor High-Speed Rail

The Infrastructure Management Organization Plan

Statement of
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Working Group on Intercity
Passenger Rail

Chairman Mica, Ranking Member Rahall, and distinguished Committee Members:

Thank you for the opportunity to review the recommendations of the Working Group on Intercity Passenger Rail, colloquially known as the Amtrak 'Blue Ribbon Panel'. The Blue Ribbon Panel, of which I was a member while a banker at JP Morgan, issued a report in 1997. The report's recommendations regarding private sector high-speed rail competition on the Northeast Corridor are as applicable and even more pertinent today than they were then.

The foundation for today's hearing and my testimony was laid by the Blue Ribbon Panel, a panel established by Congressman Bud Shuster, then Chairman of this committee, and by Congresswoman Susan Molinari, then Chairwoman of the Subcommittee on Railroads.

The Panel was convened because Congress and Amtrak faced the same problems then that they face now: a government-owned and managed Northeast Corridor rail infrastructure that requires significantly more investments than Amtrak can afford and that Congress can politically fund.

The solution to this problem—which has persisted for 35 years (because for the first 5 years, Amtrak did not own the NEC)—and the way to unlock the potential of the Northeast Corridor ("NEC") is found in the conclusion of the Blue Ribbon Panel report:

".... the working group is of the view that a division between infrastructure management and operations affords the best chance for the preservation and renewal of passenger rail service in this country. Amtrak has operated for too long under conditions that no business could endure."

After the Blue Ribbon Panel, I took action. The recommendations of the Blue Ribbon Panel are both a means to address an important public policy challenge and a business opportunity. Accordingly, I took steps to implement the Blue Ribbon Panel's recommendations.

I enlisted Robert Serlin, who, for over 25 years, has developed business solutions to revitalize capital-intensive transportation and basic commodity companies. In turn, he assembled a group of experienced rail industry professionals and companies to develop a plan to implement the recommendation of the Blue Ribbon Panel that is built on a viable business model and that is responsive to the many stakeholders associated with the NEC.

Ultimately, using techniques from existing legislation and Federal programs, a method to inject significant private sector funds into Amtrak and its owned infrastructure was identified. The solution was embodied in the Infrastructure Management Organization ("IMO") Plan.

The IMO Plan, developed as a direct result of numerous meetings with stakeholders interested in better intercity rail service—

- preserves Amtrak as our country's single national passenger rail carrier;
- keeps all of Amtrak's assets under Federal ownership and oversight;
- reduces Amtrak's grant-requirement by about $1 billion per year;
- permits the FRA's to redirect Amtrak capital grants to Amtrak's fleet renewal;
- provides a platform to grow train services and rail industry employment; and
- creates thousands of new, long-term, high-paying jobs.

The vision for the IMO Plan—and the basis for its success—is entirely dependent on a very positive view of the NEC's passenger rail potential. We believe in the tremendous opportunity inherent in the Northeast Corridor and we are prepared to make a substantial investment in the corridor—on the order of $60 billion of private sector capital over the lifetime of our investment.

We are prepared to do this precisely because we know there is great demand for passenger service in the NEC that is not being met today. The NEC is the most densely populated, affluent corridor in the world, yet the current service has not adapted to meet the needs of the traveling public.

The IMO Plan is a transformative, not radical. The plan creates a new model that will help realize the potential of the NEC by relying on the proven principles of free markets and competition with appropriate federal oversight and regulations. This model—with separate management for rail infrastructure and for passenger transportation operations—is entirely consistent with all other modes of transportation and with the way in which the rest of the world is structuring passenger rail service today.

BACKGROUND

Amtrak is active in two different businesses: furnishing rail transportation services, and owning and operating rail infrastructure.

- The rail transportation services business is a variable cost business. New train services can be added and existing train services dropped or modified on short notice with few drastic or unforeseeable financial consequences.
- The rail infrastructure business, in contrast, is a fixed cost business. Infrastructure projects take years, sometimes decades, to implement. During the implementation period, there is very little to show other than large front-loaded outlays. Furthermore, once completed, those formerly new infrastructures must be repaired, maintained and upgraded—invisible tasks, for which the public has little appreciation, and consequently, for which it has proven not possible to appropriate funds.

Amtrak's owned rail infrastructure is the overwhelming problem. It has been recognized for decades as the part of Amtrak that singularly requires the most funds. Amtrak cannot live without using its owned infrastructure, but it also cannot afford to keep it.

While Amtrak operates passenger trains over roughly 22,000 route-miles, it owns and is responsible for only less than 3% or 600 route-miles (about 500 route-miles in the Northeast and about 100 route-miles primarily in Michigan).

Former Amtrak President David Gunn stated in a Railway Age article that it is a myth that Amtrak's long-distance trains are the primary source of Amtrak's losses. "Out of our current year Federal subsidy of $1.05 billion, only $300 million will go to covering the operating loss of long-distance trains."[i] Kenneth Mead, former Inspector General, US Department of Transportation, found that eliminating long distance trains would only reduce operating losses by $300 million[ii]. In 2003, Amtrak had a comprehensive loss of approximately $1.3 billion[iii]. Consequently, losses of about $1 billion must be attributable primarily to Amtrak's owned infrastructure. In 2010, Amtrak's comprehensive loss was somewhat under $1.5 billion[iv]. 2010 losses attributable to its owned infrastructure can, therefore, be expected to be on the order of $1.2 billion.

A previous Amtrak President, W. Graham Claytor, Jr., once said Amtrak would be congressionally unfundable were the country to recognize that the great majority of Amtrak's annual appropriations went into Amtrak-owned rail infrastructure in just a few Northeastern states. On a route-mile basis, two states alone (Pennsylvania and Maryland) account for about 50% of Amtrak's owned Northeast Corridor infrastructure.

Even without political considerations, it is inherently harder to secure public support for infrastructure projects than for transportation services. Infrastructure investment benefits are not immediately, publicly apparent and can easily be delayed with few immediately visible consequences. Yet, infrastructures must be funded. Without continuous funding, infrastructure will deteriorate to the point of being unusable.

Since 1997, the Department of Transportation's Inspector General, the Government Accountability Office and, most recently, numerous members of Congress have reached the conclusion: Amtrak's status quo is not sustainable and change is necessary.

Ken Mead, the former Department of Transportation Inspector General put it most succinctly on September 21, 2005 when, before the House Committee on Transportation and Infrastructure, Railroads Subcommittee he stated: "We have testified numerous times since Amtrak's authorization expired in 2002 that the current model is broken. Amtrak continues to incur unsustainably large operating losses, provide poor on-time performance, and bear increasing levels of deferred infrastructure and fleet investment on its system."[v]

Infrastructure degradation reduces service reliability, and jeopardizes all of Amtrak and its national rail system.

The IMO Plan is the best solution both to Amtrak's short-term funding requirements and the two-pronged challenge of Amtrak's infrastructure needs—injecting new current maintenance funds annually into Amtrak's owned Midwest and Northeast infrastructures, and addressing Amtrak's looming $9 billion plus deferred maintenance liability.

Under the IMO Plan, the IMO—

- makes a one-time payment of about $1 billion to Amtrak;
- assumes from Amtrak almost $500 million in infrastructure-secured debt; and
- invests not less than $1 billion annually in Amtrak's owned Midwest and Northeast infrastructures.

THE IMO PLAN

The IMO Plan separates Amtrak into two federally owned entities.

The first Federal entity, Amtrak, continues its primary responsibility as a transportation service provider. It retains the reservations system, locomotives, passenger cars, maintenance of equipment workshops, and operating rights on the nation's rail network. It continues to operate all of its current intercity, Northeast Corridor and contract commuter trains.

By separating Amtrak's train operating functions from its owned infrastructure, William Crosbie, Amtrak's Senior Vice President of Operations estimated that the current forty-six state network can be sustained on an annual appropriation of under $500 million[vi]—significantly less than the $1.5 billion that Amtrak requested for FY'08.

The second Federal entity owns the 600 route-miles of Amtrak infrastructure, passenger stations on that infrastructure, and overhead wires that power the trains. The Surface Transportation Board (STB), in a process similar to its existing "directed service" authority, would conduct a public solicitation and select a private sector IMO from among the qualified applicants.

The IMO, for a period of fifty years, is responsible for managing and funding all rail infrastructure operations and improvements. This time period is necessary due to the very high level of front-end loaded investments—it is projected that the IMO will require about fifteen years to generate enough revenue to break even. Each improvement becomes the property of the Federal government as it is made. At the end of the fifty years, the Federal government can either re-bid the management concession or operate the infrastructure itself. At any time during the concession, the designation of the IMO is revocable for cause.

FUNDING STRUCTURE

The IMO is financed using the existing Railroad Rehabilitation Infrastructure Financing ("RRIF") loan program. Under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2005 (SAFETEA-LU), RRIF program authorization was increased to $35 billion.

The IMO would be allowed to borrow up to $25 billion under the RRIF program, after having given the United States Treasury a repayment guarantee issued by an investment-grade third party in the amount of the full $25 billion.

As interest on the loan, the IMO is required to invest a minimum average of $1 billion annually in the Federal Government's owned infrastructure. This "payment-in-kind" has been successfully used in other Federal government initiatives in defense and power generation. On average, this statutory minimum investment exceeds by almost 400% the average amount Amtrak spent annually on its owned infrastructure between 2000 and 2009, prior to the one-time benefits accrued from the American Recovery and Reinvestment Act of 2009[vii]. It is my expectation that the IMO will consistently invest in excess of $1 billion annually.

The IMO Plan does more than just shift the financial burden of Amtrak's owned infrastructure from Congress to the private sector; it provides natural incentives to increase capacity, services, reliability and safety. It is the IMO's responding to these incentives that translate into an increase in the number of passengers carried by all transportation service providers and, in turn, into new revenues for the IMO. Revenue increases come from new train services that pay track-mileage fees to the IMO and from which the IMO pays for infrastructure improvements.

STAKEHOLDER BENEFITS

The IMO Plan is predicated upon growth and funding that growth. That growth will fuel new long-term, high-paying jobs both within and outside the rail industry. Job creation comes from two sources. The first is from the funds being invested in the infrastructure. This will result both in increased IMO employment to handle year-around maintenance and capital improvements, and construction industry jobs to handle the major infrastructure improvements. (DOT has estimated that for every $1 billion spent on infrastructure projects between 20,000 and 30,000 new jobs are created.) The second is new rail transportation jobs necessary to move the increased number of passengers the IMO Plan will generate.

The IMO Plan creates a platform upon which new and exciting rail services can be launched by Amtrak, existing commuter operators, or new transportation service providers, while the IMO, which is prohibited from operating trains, focuses on infrastructure management and improvements. The result will be more service options with greater access to both the Northeastern and Midwestern rail networks, allowing more passengers to enjoy the efficiencies and benefits of rail travel.

The Plan forces the IMO to innovate by developing new opportunities for transportation service providers. To meet these goals, the IMO must be a truly neutral party. This is achieved by not permitting the IMO to operate its own trains. The IMO may not compete with its customers—the users of the infrastructure it manages. The only way the IMO should succeed is if its customers succeed.

This vision of rail passenger service can be reached. The IMO Plan is the route:

- High-speed train trip-times between New York and Washington will be reduced from close to three hours to roughly two hours through capital expenditures that eliminate choke points and provide infrastructure redundancy.
- Commuter carriers will be able to integrate their services by operating new run-through trains, as the IMO adds infrastructure capacity, instead of being confined to historic geographic areas. For example, New Jersey Transit and SEPTA will each be able to save millions of dollars and be able to offer faster and more attractive travel options by instituting a pooled New York—Philadelphia service, instead of forcing all passengers to change trains at Trenton, NJ.
- New city pair combinations will be encouraged to permit rail passenger traffic to expand meaningfully. For example, Princeton Junction, NJ has sufficient population and business activity to support multiple direct trains daily to Baltimore and Washington. New riders will be attracted by convenient and faster direct trains offering expanded travel options.
- Building fourteen new stations in the first twenty years at rail / highway intersections will attract more travelers though more convenient access.
- Dedicated airport express train services will help speed travelers to airline check-in while reducing airport overcrowding.
- Redundancy of infrastructure will provide more security and reliability.
- More employment will be created to build and maintain the enhanced infrastructure.
- Further employment will be created to staff and operate added train services.
- Carbon emissions will be reduced by seamlessly shifting travelers from automobiles to electrically powered trains.

STAKEHOLDER PROTECTIONS

Addressing the needs of principal stakeholders is a key element of the IMO Plan's win-win solution.

Federal Government

The RRIF loan principal is not at risk because it is fully secured by an investment-grade third party guarantee in the full amount of the RRIF loan.

The Inspector General of the Department of Transportation is vested with the authority to certify compliance with the terms of the legislation. The IMO is also required to file with the Secretary of Transportation and Congress annual reports both of its audited financial results and its operations, thus ensuring accountability to the public and to Congress.

To align the long-term interests of the owners of the IMO to those of the Federal government, ownership of the IMO is non-transferable for the full fifty-year management concession term.

Under the IMO Plan, Congress continues to maintain oversight over both Amtrak and Amtrak's owned infrastructure, yet is relieved of the burden of funding Amtrak's owned infrastructure since the IMO, using non-appropriated funds, is now responsible. It frees Congress to focus more on transportation services that constituents demand, and that states and other governmental entities desire.

States

Through the Passenger Rail Investment and Improvement Act of 2008, the states have achieved a strong voice and role in planning infrastructure investment. The IMO Plan protects the states from having to assume financial responsibility for the NEC.

Under the IMO Plan, multi-state compacts are not required and states are not obligated to fund the maintenance of or capital expenditures in the government's owned infrastructure. Multi-state compacts are fraught with problems: for example, timing issues arising from different states having different legislative schedules and the failure by one or more states to appropriate its or their proportional share. Should a state fail to contribute its share, the functionality of the compact is compromised. (It is interesting to note that Washington, DC and New York State have relatively similar route-mile shares, but significantly different funding capacities.) On the other hand, should the states count on the Federal government to fund it or its undertaking, what's the point of the multi-state compact?

Labor

The existing Amtrak employees are a great and irreplaceable resource. Labor must be treated fairly and equitably in order to assure the success of the IMO. Wages must be increased to be competitive in the region.

Under the IMO Plan, the IMO is required to offer employment in seniority order to <u>all</u> Amtrak employees performing infrastructure work to be performed by the IMO. The IMO is also required to honor existing collective bargaining agreements. On a personal note, in order to make the IMO Northeast wage-competitive, I would not be surprised were the IMO to negotiate with the labor organizations to increase rates of pay and improve working conditions for the IMO employees.

The IMO is investing more than $1 billion annually in the NEC infrastructure. Numerous times, the US DOT has stated that between 20,000 and 30,000 jobs are created for each $1 billion spent. In the case of the IMO, these jobs will be long-term and high-paying.

To summarize, the IMO Plan—

- makes the IMO subject to the Railway Labor Act, the Railroad Retirement and Unemployment Insurance Acts, FELA, and all rail safety legislation and FRA regulations;
- protects employees affected by the transfer; and
- preserves collective bargaining agreements and rights, including labor representation for IMO employees.

Amtrak

The IMO Plan improves Amtrak's financial statements by—

- transferring about $1 billion to Amtrak;
- assuming from Amtrak up to $500 million in infrastructure-secured debt;
- relieving Amtrak of its responsible for the roughly $1 billion in annual losses attributable to Amtrak's owned infrastructure, most of which are incurred in just five Northeastern states;
- positioning Amtrak to offer third-party, intercity rail car maintenance on a cost plus basis; and
- allowing Amtrak to pay only for those train-miles used.

The Plan allows Amtrak to run its high-speed trainsets at speeds of 150 mph and more between Boston and Washington, to offer Washington to New York service in as few as two hours.

This furnishes Amtrak the means and allows it the time to address the needs of its entire forty-six state system, including the need to acquire new passenger cars and locomotives.

Commuter Carriers and Freight Railroads

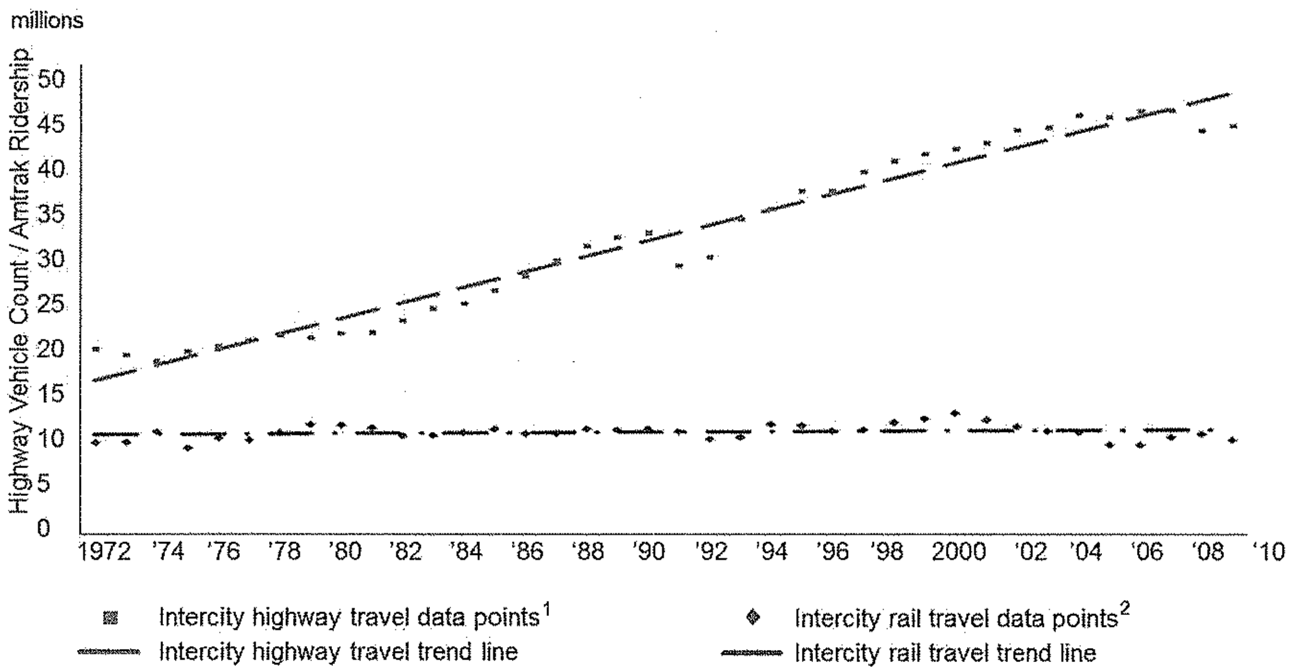
Vested commuter carriers and freight railroads with operating rights must also be protected. All pre-existing contracts and agreements are transferred to and honored by the IMO, including the commuter carriers' "avoidable cost" access fee structure codified in Title 49, United States Code[viii].

The Traveling Public

For the traveling public, the IMO plan is the best path. Reliability and security redundancy will increase, while trip-times will be reduced by the IMO's addressing deferred maintenance through aggressive engineering and construction, and major new capital investments. Train riders will also enjoy more frequent service, increased travel options, new city pairs, and—very likely—lower prices.

The traveling public is looking for transportation options. Rail can offer such options, but it requires a new vision. In 1977, Amtrak reported carrying approximately 10.6 million Northeast Corridor riders[ix]. By 2010 this figure had declined to approximately 10.5 million[x]. Despite the fact that the number of I-95 automobile trip more than doubled over the same period of time[xi], Amtrak's ridership remained flat[xii]. The following graph shows this long-term divergence.

NEC Ridership vs. I-95 Highway Count



1. Cecil County, MD Susquehanna River crossings
2. Includes non-NEC Spine trains using NEC

Since its inception, burdened by its ownership of the NEC, Amtrak has seen no growth in ridership on the Northeast Corridor. Amtrak's NEC ridership numbers have been flat at roughly 11 million per year for about 40 years. Amtrak's long-distance services have also been flat, averaging about 5 million riders per year. Only Amtrak's state supported services have increase—and they have increase dramatically, rising from about 4.6 million in 1977 to about 14.6 million in 2010.

Amtrak Ridership (in millions)[xiii]

Year *	NEC Spine	Long Distance	Total NEC Spine & Long Distance	State Supported & Other	Total
1972					16.6
1973					16.9
1974					18.2
1975					17.4
1976					18.2
1977	10.6	4.0	14.6	4.6	19.2
1978					18.9
1979					21.4
1980					21.2
1981					20.6
1982					19.0
1986	10.7	5.1	15.8	4.4	20.2
1987	10.7	5.2	15.9	4.5	20.4
1988	11.2	5.4	16.6	4.8	21.4
1989	11.1	5.5	16.6	4.7	21.3
1990	11.2	5.8	17.0	5.2	22.2
1991	10.9	na		na	22.0
1992	10.1	na		na	21.3
1993	10.3	na		na	22.1
1994	11.7	6.3	18.0	3.2	21.2
1995	11.6	6.1	17.7	3.0	20.7
1996	11.0	5.4	16.4	3.3	19.7
1997	11.1	5.4	16.5	3.7	20.2
1998	11.9	5.6	17.5	3.6	21.1
1999	12.3	5.5	17.8	3.7	21.5
2000	12.9	5.5	18.4	4.1	22.5
2003	11.0	3.9	14.9	9.7	24.6
2004	10.9	3.7	14.6	10.2	24.8
2005	9.5	3.8	13.3	10.8	24.1
2006	9.5	3.8	13.3	11.3	24.5
2007	10.4	3.9	14.3	12.3	26.6
2008	10.7	4.2	14.9	13.8	28.7
2009	10.0	4.2	14.2	13.1	27.3
2010	10.5	4.5	15.0	14.1	29.1

THE STATUS QUO HAS FAILED—AMTRAK'S HIDDEN LIABILITY

Amtrak's owned infrastructure, particularly its Northeast Corridor, suffers from many years of deferred maintenance and depreciated assets. Major infrastructure components, renewed in the early 1980's, are now approaching the end of their useful and reliable lives, and will soon have to be replaced.

According to Kenneth Mead, former Inspector General, US Department of Transportation, "Amtrak [had in 2002] an estimated $5 billion backlog of state-of-good-repair investments, and underinvestment is becoming increasingly visible in its effects on service quality and reliability."[xiv] In 2009, Senator David Obey reported that "The Department of Transportation's Inspector General estimates the North East Corridor alone has a backlog of over $10 billion."[xv]

In light of the Federal deficit and Amtrak's potentially reduced capital grant for FY 2012, the "$1.1 billion [Amtrak received] to improve the speed and capacity of intercity passenger rail service"[xvi] under the American Recovery and Reinvestment Act of 2009 will, at best, temporarily slow down the rate of increase in Amtrak's backlog of state-of-good-repair investments.

If Amtrak's deferred maintenance is not addressed in a timely and continuous manner, the integrity of the Federal Government's owned infrastructure will be in jeopardy. Trip-times will be increased. Service will be degraded. Safety could be compromised. 'Deferred maintenance' may be defined as maintenance, which should have done, but was not done causing an asset to no longer function as designed.

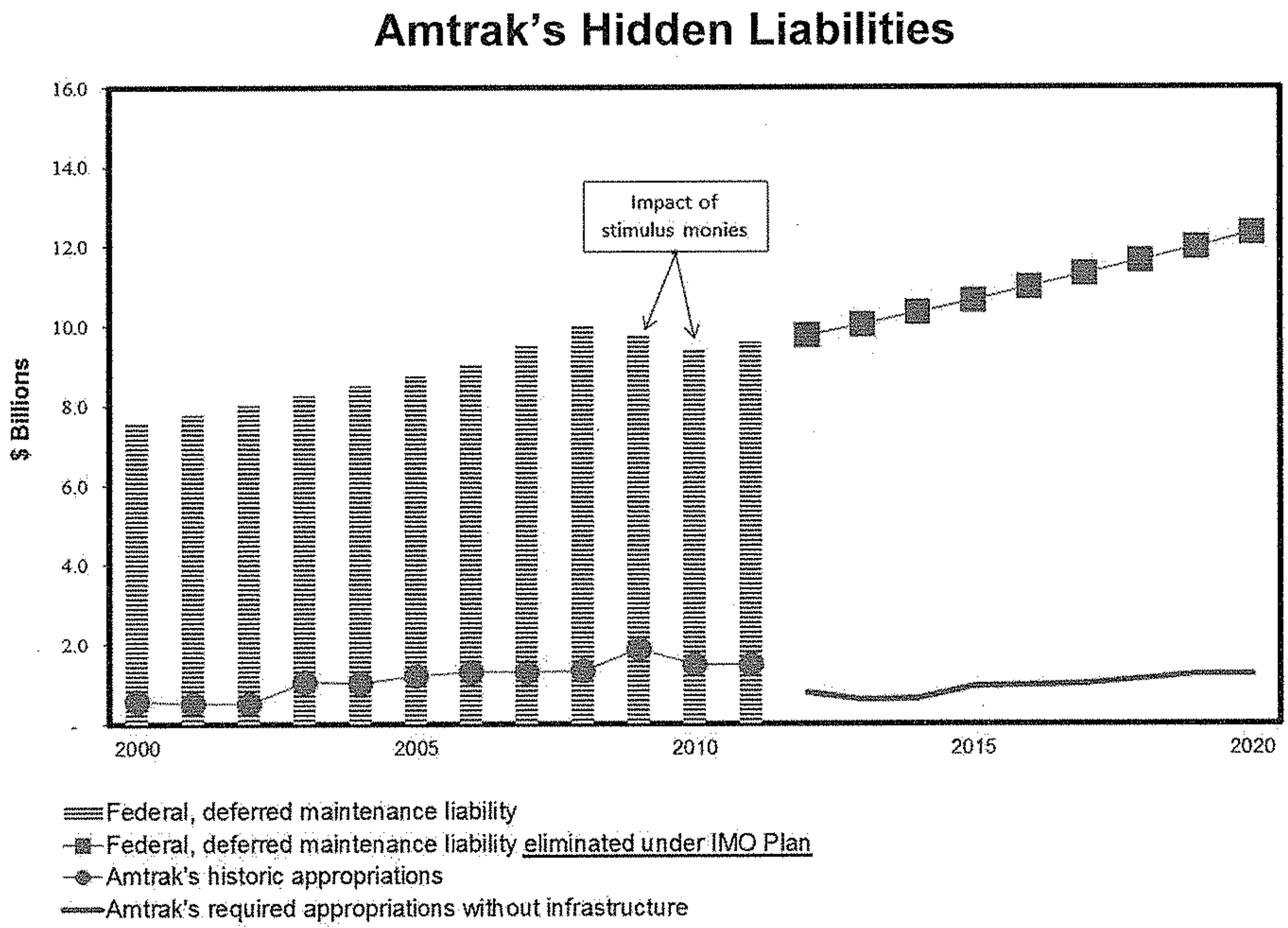
The Government Accountability Office defines "state-of-good-repair" to be a condition requiring only cyclical maintenance. The last time the Northeast Corridor was in a state of good repair, was in 1981 at the conclusion of the Northeast Corridor Improvement Project.[xvii]

If all we do today is desire to bring the corridor up to a state-of-good-repair, we are aspiring to return it to its state in 1981. Is that our goal in 2011, to return the corridor to its condition in 1981?

My answer is: No! I believe that the Northeast Corridor should move into the 21st century and am personally prepared to help facilitate the investments to move it there.

Through enactment of the IMO Plan, the repair, operations, and improvement of Amtrak's owned infrastructure are fully funded using non-appropriated funds.

The following graph underscores the positive effects of transferring the Federal Government's infrastructure liability to the private sector and of reducing—by about two-thirds—Amtrak's required annual appropriations.



* Based upon DOT IG's 2009 deferred maintenance liability estimate and Amtrak's 2009 PRIIA-mandated NEC State of Good Repair Spend Plan.

APPROPRIATION CHALLENGES

The Federal government is able to fund Amtrak's annual operating budget. Amtrak's transportation services-related commitments (whether capitalized or expensed) tend to be completed in less than one year—a time period that corresponds to an appropriation cycle. Those outlays are expended throughout the forty-six states through which Amtrak operates.

The Federal government has been unsuccessful at funding all of Amtrak's capital improvements and infrastructure investments. Infrastructure undertakings tend to be multi-year in nature and, to be implemented efficiently and cost-effectively, require multi-year funding commitments. They, by their very nature, do not conform to the appropriations process. This has resulted in the massive and increasing deferred maintenance liability shown in the graph.

LESSONS LEARNED FROM THE UK EXPERIENCE

Over the last several decades most of the world has separated rail infrastructure ownership and management from rail transportation. In Europe, this was initially mandated through European Union Directive 91-440. Beginning with Sweden, the separation process worked quietly and effectively. In one cases, the UK, it didn't work well. But the UK situation represents very different circumstances with none of the legislative protections conceived to protect US rail users.

The problems experienced in the UK are unique to the UK—inadequate safety oversight, a lack of senior infrastructure management rail experience, and a misdirected incentive system. They are not applicable in the United States and not applicable under the IMO Plan.

In the UK there was no separate, independent safety regulatory agency to oversee the new system. The safety and performance failures were, in retrospect, almost foreseeable, but neither are nor were ever possible in the US, given the established roles played by the FRA, STB, and other transportation regulatory agencies.

To assure the IMO's management competency, the IMO is statutorily obligated to hire those Amtrak's employees currently performing infrastructure work. Additionally, in order to be awarded the right to be the IMO, the awardee will be subject to a rigorous selection process based upon its demonstrated qualifications and senior personnel. The IMO Plan, through the enabling legislation, is subject to:

- strong oversight by the FRA and DOT Inspector General;
- regular reports to Congress and the President;
- statutorily mandated long-term (50 years) incentives;
- significant financial risk associated with a $25 billion RRIF loan; and
- authority of the US Government to revoke the concession for failure to perform.

Despite failures of the UK's Railtrack, bifurcation and privatization have resulted in a continuous increase of train ridership. Ridership has more than doubled in the last 15 years. In 2010 about 33 billion passenger-miles were achieved, the highest total passenger-miles ever.

U.K. Passenger-miles at Highest Levels Ever

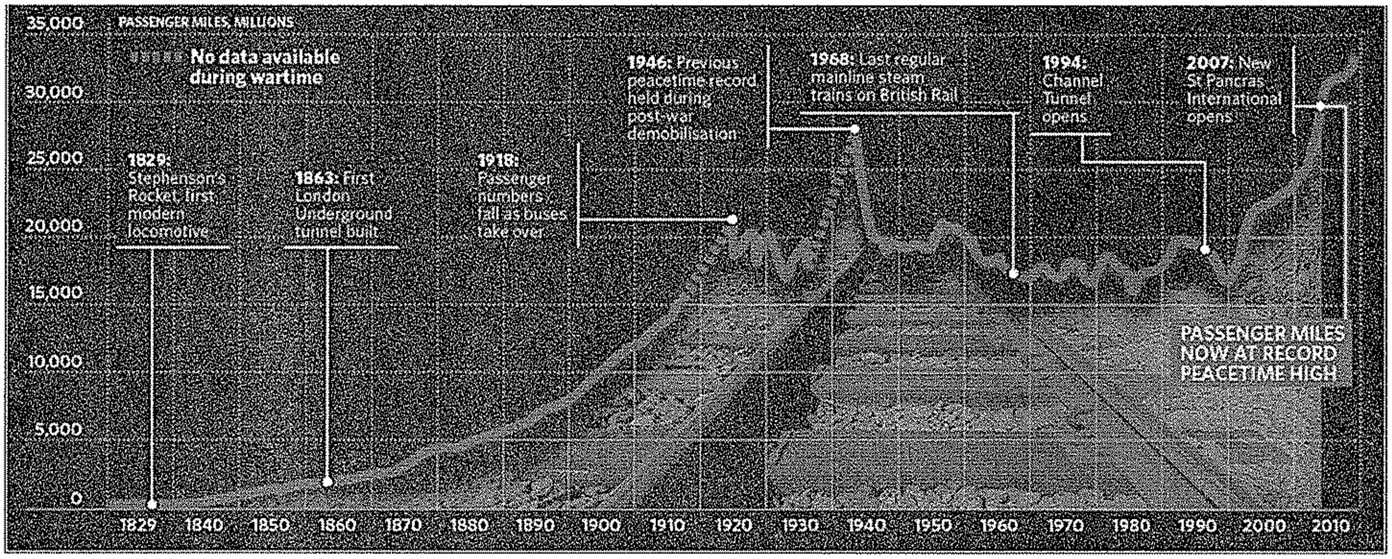


Image and graph credit: The Independent. Modified by the addition of 2010 data.

CONCLUSION: THE SOLUTION IS AT HAND

By increasing the RRIF loan authority in 2005, Congress expanded a loan program that enables the private sector to fund our nation's rail infrastructure multi-year investments. The vehicle to achieve this is the IMO Plan—a Plan that benefits labor, the Federal government, states, the commuter carriers, and Amtrak.

By enacting the IMO Plan, Amtrak's infrastructure improvements and debt repayment appropriation-requirements will be reduced by over $1 billion annually. And, that $1 billion will be available to this Subcommittee to allow Federal funds to focus on providing enhanced passenger rail service to the United States.

The IMO Plan is a win-win opportunity for the nation's rail passenger stakeholders—labor, the states, rail passengers, transportation service providers, Amtrak. It provides a solid base upon which to build the modern rail passenger network that government leaders and travel advocates have championed for the past thirty years.

The Northeast Corridor is the wealthiest, most densely populated corridor of any in the world. Given the capital requirements of the Northeast Corridor; the size and seriousness of the Federal deficit; and the lack of funding alternatives, it is my view that now is the time to implement: (1) the Blue Ribbon Panel's recommendation to bifurcate Amtrak and (2) the IMO Plan to assume the funding and management (not ownership) responsibilities for Amtrak's owned infrastructure assets.

I believe that Amtrak, unburdened by infrastructure ownership, can fulfill the new vision.

BENEFITS OF THE IMO PLAN

The IMO Plan:

- Retains full Federal Government ownership of all Amtrak infrastructure assets
- Keeps Amtrak as the single national rail passenger carrier
- Assures Amtrak's infrastructure employees their positions, preserves their collective bargaining agreements and rights
- Creates new jobs both in infrastructure and train operations
- Invests almost 400% more annually in Amtrak's owned infrastructure than now
- Allows Amtrak to run entire current National System for an operating appropriations of $600 million annually plus a capital appropriation
- Permits Amtrak to match passenger revenues with train costs to increase accounting transparency to public agencies, as required by PRIIA

[i] David Gunn, *Separating Fact from Fiction, Railway Age (May 2003).*
[ii] *Hearing Before the Subcomm. on Railroads, Transp., H. Comm. on Trans. And Infrastructure,* 109th Cong., 1st Sess., Dep't of Transp. Doc. No. CC-2005-070, at 8 (2005) (statement of Kenneth M. Mead, Inspector General, Department of Transportation) [hereinafter IG TESTIMONY].
[iii] *See* NAT'L R.R. PASSENGER CORP., 2003 CONSOLIDATED FINANCIAL STATEMENT, CONSOLIDATED STATEMENT OF OPERATIONS (2004)
[iv] See NAT'L R.R. PASSENGER CORP., 2010 CONSOLIDATED FINANCIAL STATEMENT, CONSOLIDATED STATEMENT OF OPERATIONS (2010)
[v] IG TESTIMONY at 2.
[vi] William Crosbie, Senior Vice President of Operations, National Rail Passenger Corporation, Remarks at Railway Age Conference (October 17, 2006).
[vii] The change in Right-of-way and Other Properties and Leasehold Improvements between the years 2000 and 2009, inclusive. *See* NAT'L R.R. PASSENGER CORP., 2000 THROUGH 2009 CONSOLIDATED FINANCIAL STATEMENTS, CONSOLIDATED BALANCE SHEETS.
[viii] *See* 49 USC. § 10904.
[ix] NAT'L R.R. PASSENGER CORP. 1977 CONSOLIDATED FINANCIAL STATEMENT. Multiplied Northeast Corridor passenger percentage by total ridership.
[x] AMTRAK MONTHLY PERFORMANCE REPORTS -- Oct. FY'09 through Dec. FY'11 Ridership and Revenue.
[xi] Highway—Maryland Department of Transportation, State Highway Administration.
[xii] Amtrak—1972: ICC freight railroad filings; 1973-1976: extrapolated; AMTRAK ANNUAL REPORT 1975--Operating Statistics, page 22; AMTRAK ANNUAL REPORT 1977--Operating Statistics, page 24; AMTRAK ANNUAL REPORT 1977--Marketing commentary, page 6; AMTRAK ANNUAL REPORT 1982--Operating Statistics, page 27; 1983-1985: former Amtrak personnel; 1972-1976, 1978-1985 allocations from former Amtrak personnel; AMTRAK ANNUAL REPORT 1990, Operating Statistics, page 23; AMTRAK FY'2000 ANNUAL REPORT, Statistical Appendix, page 47; 2001, 2002: extrapolated; AMTRAK MONTHLY PERFORMANCE REPORTS -- Jan. FY'04 through Sept. FY'04 Ridership and Revenue section A-2.3; AMTRAK MONTHLY PERFORMANCE REPORTS -- Oct. FY'05 through Sept. FY'05 Ridership and Revenue section A-2.2; AMTRAK MONTHLY PERFORMANCE REPORTS -- Oct. FY'06 through Jan. FY'07 Ridership and Revenue section A-3.2; AMTRAK MONTHLY PERFORMANCE REPORTS -- Feb. FY'07 through Apr. FY'09 Ridership and Revenue section A-3.4; AMTRAK MONTHLY PERFORMANCE REPORTS -- May FY'09 Ridership and Revenue section A-3.5; AMTRAK MONTHLY PERFORMANCE REPORTS -- June FY'09 through Aug. FY'09 Ridership and Revenue section A-3.4; AMTRAK MONTHLY PERFORMANCE REPORTS -- Sep. FY'09 Ridership and Revenue section A-3.6; AMTRAK MONTHLY PERFORMANCE REPORTS -- Oct. FY'09 through Dec. FY'11 Ridership and Revenue section A-3.4. [hereinafter AMTRAK RIDERSHIP STATS].
[xiii] AMTRAK RIDERSHIP STATS AT 12.
[xiv] IG TESTIMONY at 2.
[xv] *Summary: American Recovery And Reinvestment, Senator David Obey, January 15, 2009 on the American Recovery and Reinvestment Act of 2009* [hereinafter Senator David Obey Summary].
[xvi] Senator David Obey Summary at 13.
[xvii] *Briefing Report to the Chairman, Subcomm. on Surface Transp. and Merchant Marine of the S. Comm. on Commerce, Science and Transp., 104th Cong., 1st Sess., Gen. Accounting Office Doc. No. RCED-95-151BR, at 47 (1995).*

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:

D. T. Ignacio Jayanti

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

The Working Group On Intercity Passenger Rail

(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:

None / Not Applicable

Signature — Date: 5/23/11

D.T. Ignacio Jayanti, ***President Corsair Capital LLC***

Mr. Jayanti is President of Corsair Capital, a private investment firm based in New York.

Prior to spinning off Corsair Capital from J.P. Morgan & Co. as an independent business in 2006, Mr. Jayanti served as Secretary and Treasurer of Corsair I from 1994 to 2000 and served as President of Corsair II and Corsair III. During this time, Mr. Jayanti participated in all of the Corsair funds' investments.

From 1993 to 1999, Mr. Jayanti was also a senior member of the Investment Banking Department of J.P. Morgan, where he held a variety of roles including Managing Director of J.P. Morgan's North American Mergers and Acquisitions and Corporate Finance Advisory group and also headed the Emerging Markets Financial Institutions group. Prior to J.P. Morgan, Mr. Jayanti worked at Credit Suisse First Boston in the Financial Institutions group. His experience includes banking assignments in the United States, Europe, Asia and Latin America, among them Mexico's bank privatizations, the recapitalization of the Swedish banks, consolidation and restructuring transactions in the Austrian, Swiss and German markets, the acquisitions of various Latin American banks by European financial institutions, the restructuring of financial institutions in Southeast Asia following the Asian crisis and the privatizations of financial institutions in former communist countries of Eastern Europe.

Mr. Jayanti served as a member of The Working Group on Intercity Passenger Rail convened by Congress in 1997.

Mr. Jayanti holds both a B.A. and an M.A. in economics from Cambridge University.