

**STATEMENT OF
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BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES**

*The Federal Railroad Administration's High Speed and Intercity
Passenger Rail Program: Mistakes and Lessons Learned*

December 6, 2011

Chairman Mica, Ranking Member Rahall and Members of the Committee, it is my pleasure to be here today to discuss the High-Speed Intercity Passenger Rail (HSIPR) program. In this testimony, I will first explain why we believe high-speed rail is critical to our transportation future, and then discuss the current status of the HSIPR program. I will conclude by describing the path forward for the HSIPR program and the United States' passenger rail network.

Why are we investing in high-speed rail?

The nation faces significant transportation challenges that require new approaches and bold, innovative solutions:

- **Population growth:** By 2050, the U.S. Census Bureau projects that an additional 100 million people will reside in the United States. The vast majority of this growth will be concentrated in a small number of “mega-regions.”
- **Energy consumption:** In 2010, the United States used more than 13 million barrels of oil every day for transportation. U.S. citizens consume nearly twice the oil per capita as citizens of OECD member nations, and approximately 50 percent of this oil is imported.
- **Energy costs:** The inflation-adjusted cost of oil increased 129 percent from 1990 to 2010. As a result, Americans spent \$630 million more *per day* on oil for transportation than they did 20 years earlier—an average annual increase of nearly \$750 for every American. The Energy Information Administration expects crude oil prices to rise an additional 50 percent between 2011 and 2035.
- **Environmental protection:** The *U.S. Climate Action Report 2010* found that the United States emitted 17 percent more greenhouse gases in 2007 than it did in 1990; 32 percent of all greenhouse gas emissions are now from the transportation sector.
- **Mobility:** Highway and aviation congestion has risen dramatically in recent years, with an estimated economic impact of \$125 billion in lost time, productivity, and fuel. In many places with the worst congestion levels, expansion of airports or highways tends to be prohibitively expensive (e.g. the fifth runway at Atlanta Hartsfield cost \$1.3 billion, and the 7.5-mile Woodrow Wilson Bridge Reconstruction project outside of Washington, D.C. cost more than \$2.5 billion).

Not addressing these challenges is simply not an option if the United States is to retain its position as a global economic leader. The World Economic Forum (WEF) notes, “Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy... Well-developed [transportation] infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions.” Unfortunately, the United States is stumbling in this arena—the WEF ranks the U.S. 23rd in quality of overall infrastructure, down from 7th place in 1999 and below nearly all western European nations as well as Taiwan, South Korea, and Oman.¹ The American people recognize the central role that our transportation system plays in both our economy and quality of life, with almost 19 of 20 people concerned about the state of our infrastructure, and approximately 84 percent supportive of additional investment.²

In recognition of these challenges, this Committee crafted the landmark Passenger Rail Investment and Improvement Act (PRIIA), signed by President George W. Bush in 2008, which created a framework for advancing the role of rail in the nation’s intermodal transportation network and established the foundation for the High-Speed Intercity Passenger Rail (HSIPR) program. Since this legislation was passed with broad bipartisan support,³ the need for rail has only grown:

- The U.S. added an estimated 5.25 million people from 2008-2010 – more than the entire population of Colorado.
- A gallon of gasoline cost \$1.98 when the American Recovery and Reinvestment Act (Recovery Act) was passed in February 2009; in November 2011 the average was \$3.37, an increase of 70 percent.
- Average minutes of delay at JFK, LaGuardia, Atlanta Hartsfield, and Chicago O’Hare have increased by more than 8 percent since 2009—and since these are major hub airports, delays have a strong ripple effect across the entire aviation system.
- Highway congestion in the nation’s largest cities increased 5 percent from 2008 to 2010—resulting in an annual congestion cost increase of \$226 million.
- As highway and airport congestion grows, intercity rail ridership has risen. Nationwide ridership surged past 30 million in FY 2011 (the highest total in Amtrak’s history, and an increase of 44 percent since 2000), with 26 of 44 services setting all-time records. These records are being set even before HSIPR-funded service improvements come on-line.

The Administration, and DOT believe passenger rail should serve a larger role in our multimodal network and will address many of today and tomorrow’s transportation and economic challenges. In addition to providing a large amount of transportation capacity with a limited environmental footprint, rail yields other significant public benefits. Utilizing domestic and international best practices, DOT’s Federal Railroad Administration (FRA) recently analyzed the benefits that would accrue from Fiscal Year 2010-funded HSIPR investments in four corridors.

¹ World Economic Forum, “Global Competitiveness Report, 2010-2011,” <http://www.weforum.org/issues/global-competitiveness>, Table 2.01.

² U.S. Department of the Treasury and Council of Economic Advisers, “An Economic Analysis of Infrastructure Investments,” October 11, 2010, http://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf.

³ The final vote in the House of Representatives was 311-104, and in the Senate was 74-24.

The following table highlights many of the direct project benefits. In addition to these direct benefits, economists generally agree that large-scale, long-term infrastructure investments invariably have wider—even transformational—economic benefits that are likely to have important and long-lasting effects, such as spurring growth in regional productivity and competitiveness.⁴

Benefits	Preliminary Benefit Estimates Over 40 Years* (2011-2050)			
	Chicago-Detroit	Chicago-St. Louis	Chicago-Iowa City	California (2022-2061)
Passenger Travel Time Savings	19 – 24 million hours	12 – 16 million hours	<i>n/a</i>	2.8– 3.5 billion hours
Passenger Cost Savings	\$220 – \$280 million	\$260 – \$320 million	\$560 – \$720 million	\$7.6– \$9.6 billion
Safety	36 – 48 fatalities, 800 – 1,000 injuries, and 1,650 – 2,100 accidents avoided	24 –32 fatalities, 760 – 1,050 injuries, and 1,600 – 2,050 accidents avoided	4 – 8 fatalities, 600 – 800 injuries, and 1,350 – 1,750 accidents avoided	720 – 920 fatalities, 120,000 – 170,000 injuries, and 280,000 – 360,000 accidents avoided
Pollution Reduction Savings⁵	\$140 – \$190 million	\$140 – \$180 million	\$48 – \$64 million	\$11– \$15 billion
Mobility / Congestion	Reduction of 760 million – 1 billion vehicle miles travelled (VMT)	Reduction of 760 – 960 million VMT	Reduction of 640 – 800 million VMT	Reduction of 130– 170 billion VMT

*Undiscounted sum of benefits over this period.

What has been accomplished to date?

The HSIPR program is only a couple of years old—PRIIA (which provided the underlying legislative framework) was passed in October 2008, and the Recovery Act (which provided the initial \$8 billion in funding for the program) in February 2009. In this short amount of time, FRA has developed a sophisticated grants management apparatus for one of the largest discretionary infrastructure programs in the U.S. The Government Accountability Office conducted a thorough review of this structure and found that “FRA established a fair and objective approach for distributing [Recovery Act] funds and substantially followed recommended discretionary grant award practices used throughout the government.”⁶

Over a 20-month period, FRA received nearly 500 applications requesting over \$75 billion from more than 39 States, demonstrating an enormous level of interest from every region in the nation. From these applications, the HSIPR program has distributed \$10.19 billion in Recovery Act, FY

⁴ See, e.g., Ahlfeldt, Gabriel M. and Arne Feddersen, “From Periphery to Core: Economic Adjustments to High-Speed Rail,” London School of Economics and University of Hamburg, 2010. http://mpra.ub.uni-muenchen.de/25106/1/MPRA_paper_25106.pdf.

⁵ Includes reductions in sulfur dioxide, carbon dioxide, particulate matter, nitrogen oxide, and volatile organic compounds.

⁶ U.S. Government Accountability Office, *Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grant Making Practices*, GAO-11-283, May 2011.

2009, and FY 2010 appropriations to 32 States, D.C., and Amtrak. While funding has gone to a number of different grantees—with the objective of improving upon existing services, spurring new passenger rail capabilities, and initiating long-term planning activities—nearly 90 percent of this portfolio is invested in five key corridors.⁷ Additionally, 95 percent of all HSIPR funding is committed to corridors that will operate at 90 miles per hour or faster.

The current portfolio of HSIPR projects is comprehensively addressing all aspects of passenger rail development, including: 1) designing and building world-class systems operating at over 200 mph; 2) improving speed and reliability and increasing frequencies on existing services through enhanced track, signal systems, and station facilities; and 3) planning for new services and developing a pipeline of future projects. These projects will ultimately lay thousands of miles of track and ties, build new stations and make existing facilities more functional, comfortable, and accessible for all passengers, install advanced signaling and communications systems, and procure hundreds of modern and more efficient and comfortable locomotives and passenger cars.

Since the first project selections were announced in January 2009, FRA and its grantees have been hard at work refining project scopes, budgets, and schedules as part of the award obligation process. To date, the Department has obligated nearly 92 percent of total HSIPR funding, including more than 97 percent of Recovery Act funding,⁸ most of which has been obligated at least a year before the legislative deadline (end of FY 2012). With the passing of this important milestone, we are now starting to see real, tangible, on-the-ground accomplishments throughout the nation:

- **Projects underway:** \$1.4 billion in construction is underway for HSIPR-funded projects around the country, creating jobs and supporting local economies and construction businesses, as well as domestic rail manufacturers. For example, the Illinois DOT is finishing its second construction season laying track on the Chicago to St. Louis corridor, with preparation for summer 2012 work underway. Once completed, passenger trains will operate at speeds up to 110 mph. In Maine, extension of the Boston-Portland service to Brunswick is underway; Brunswick has already seen \$100 million of real estate investments in the area around the future station, partially in anticipation of the new rail service. Other construction is developing in California, North Carolina, Oregon, Minnesota, and Vermont.

Projects funded by an additional \$1.2 billion in HSIPR grants are scheduled to begin construction activities during the first few months of 2012. Additional trains in Washington State, station improvements in New York, Michigan, and Wisconsin, a new bridge over Missouri's Osage River, and relocation of the historic *Vermont* corridor in western Massachusetts, among other projects, will reduce travel times and improve safety, comfort, and accessibility of these services.

California continues to move forward on the nation's first world-class high-speed rail system. The California High-Speed Rail Authority is close to completing several major

⁷ Seattle-Portland, Los Angeles- San Francisco, the Chicago Hub, Charlotte-Washington, D.C., and the Northeast Corridor (D.C.-New York City-Boston).

⁸ As of December 2, 2011.

milestones, including the finalization of the 2012 Business Plan (a draft released in November is currently going through a public comment period), completion of major environmental studies in the first half of 2012, and initiation of construction in the Fresno area by late 2012. In mid-November, the Authority issued an RFQ for a \$1.5 - 2 billion design-build construction contract.

In addition to the projects breaking ground around the country, 93 percent of the selected planning projects, engineering studies, and environmental analyses are underway. These projects are also creating jobs for engineering and design professionals, and the studies and plans that result will lay the foundation for future construction projects and service improvements.

- **Manufacturing:** Dozens of manufacturers and suppliers are beginning to receive orders from project sponsors, delivering jobs and other economic benefits to a variety of states and communities, even those without HSIPR projects in their regions. For example, Progress Rail's plant in Sherman, Texas, is supplying switches for the Portland-Seattle corridor. On the Northeast Corridor, more than 100 miles of wire, hundreds of catenary poles, and large volumes of electric equipment (such as transformers) are being procured for an upgrade project between Trenton and New York. Caterpillar has committed to building locomotives at its subsidiary in Indiana, while companies like Nippon Sharyo and National Railway Equipment Company have committed to manufacturing rolling stock in Illinois.

General Electric (GE) Transportation recently announced that they would hire an additional 250 workers for their rail manufacturing facility in Erie, Pennsylvania, and that the company would also build a new plant in Fort Worth, Texas employing another 500 people. For the plant in Erie, every GE job supports close to 3 additional jobs. GE's annual economic impact is \$2.7 billion on Erie County and \$4.6 billion on the entire State—an annual economic impact larger than the combined impact of all Pennsylvania-based professional sports teams (\$1.4 billion) and the State's mining, oil, and gas extraction industries (\$1.8 billion).

- **Planning:** Although planning projects represent only a small fraction of HSIPR funding (about 1%), the completion of these studies is vital to identifying cost-beneficial investments and maintaining a "pipeline" of projects, as well as for developing rail engineering and project development expertise at the State and local levels. The first step, as required by PRIIA, is to develop a State rail plan that comprehensively defines a vision for the future role of rail and identifies projects that will promote these goals. To date, 42 State rail plans have either been completed or are underway, with many of these funded through HSIPR grants. Additionally, 22 corridor plans are underway, evaluating how best to implement new (or improve existing) rail services. Nearly a dozen of these projects are scheduled to finish in 2012.
- **Agreements with Infrastructure Owners:** FRA has helped facilitate critical multi-party, performance-based agreements with five Class I freight railroads and three Class 2 and 3 railroads. These Service Outcome Agreements ensure that HSIPR projects will

protect taxpayer investments by delivering real and lasting public benefits while also preserving the business interests of the freight railroads. These agreements among private railroads, service operators, and project sponsors mark the beginning of a new paradigm of collaboration and cooperation on shared-use rail corridors.

Where do we go from here?

The HSIPR program is currently focused on three key priorities:

1. Executing high-quality projects
2. Developing institutional capacity
3. Laying the foundation for sustainable long-term passenger rail improvements

Priority #1. Executing high-quality projects

First and foremost, the Department is strongly focused on ensuring that the current \$10.19 billion grants portfolio results in high-quality projects that are delivered on-time and on-budget. With 92 percent of HSIPR funding currently obligated to 35 grantees,⁹ construction, planning, and engineering activities are now underway across the country. FRA has implemented a grants monitoring plan, and has developed a comprehensive strategy for using Monitoring and Technical Assistance Contractors (MTAC) to support the effective oversight of HSIPR grants.

FRA's HSIPR oversight approach leverages the best practices from other grant-making agencies, and seeks to strike the appropriate balance between protecting taxpayer investments while still providing grantees with the necessary flexibility to adapt to changing conditions and project innovations. A key element of this approach is fostering strong partnerships between FRA and the grantees. By working collaboratively to track milestones, identify emerging issues, and evaluate challenges, FRA and the grantees will work together to resolve concerns in the most efficient and effective manner possible. While no infrastructure grant is without risk, FRA's strategy ensures that those risks can be identified and mitigated early in the project delivery process.

Priority #2. Developing institutional capacity

There is no question that our passenger rail industry—from engineering expertise to manufacturing prowess—has atrophied over the past several decades. The Department considers capacity-building to be a national strategic objective, and views this need as two-fold: building organizational and industrial rail capacity.

Organizational capacity

- **Training and technical assistance:** DOT understands that this is a new program and a new area of responsibility for many of our grantees. Coupled with the fact that many of

⁹ As of December 2, 2011.

these investments are among the most complex rail infrastructure projects undertaken in decades, the need for technical guidance and assistance is great. Providing comprehensive training opportunities and other forms of assistance—on issues ranging from grants management and organizational structures to engineering and project delivery—is critical to the long-term success of the program. As current HSIPR projects are implemented, FRA will identify common pitfalls and challenges, and develop a variety of resources to address these systemic issues.

- **Technical guidance:** FRA is developing additional technical guidance for current grantees and prospective program applicants regarding service development planning, state rail planning, engineering documentation, and other issues. These guidance documents will help ensure greater consistency in the methodologies and assumptions used by project sponsors across the nation.
- **Information sharing and coordination with grantees:** Since the start of the program, FRA has held biweekly conference calls with grantees and has organized or attended dozens of workshops, conferences, webinars, and other venues for sharing information and best practices with all stakeholders. These efforts will continue, and will evolve based on the latest challenges and successes occurring on-the-ground.
- **Site visits:** During site visits, conducted as part of our oversight strategy, we look for opportunities to advise grantees on organizational capacity issues and approaches.

Industrial capacity

- **Equipment specifications:** FRA has played a major role in the Next Generation Corridor Equipment Pool Committee established under PRIIA Section 305. The Committee has now issued specifications for four types of passenger rail rolling stock: diesel-electric locomotives, single- and bi-level coaches, and trainsets. These specifications enable standardization, thus lowering unit costs, providing manufacturers with greater certainty in their designs and factory investments, and permitting equipment interoperability across corridors and states.
- **Buy America:** As noted above, rail manufacturers and suppliers across the nation are beginning to benefit from HSIPR investments—even in places not receiving HSIPR construction grants. Strict Buy America policies are ensuring that the HSIPR program contributes to boosting domestic rail manufacturing capacity, which will pay both short- and long-term dividends to the industry as a whole and to the communities in which they operate. The United States was once a global leader in rail manufacturing—these investments are helping us to regain this strong competitive position.
- **Manufacturing Extension Partnership:** DOT is teaming up with the Department of Commerce’s Manufacturing Extension Partnership (MEP) to connect American manufacturers with American suppliers through transportation investments. MEP serves more than 30,000 American suppliers, helping them to compete in the global marketplace and sell American-made products all over the world. MEP will identify suppliers’

production and technical capabilities and match them up with viable business opportunities that may otherwise have gone to foreign suppliers, ensuring maximum domestic economic benefits from federal transportation investments. MEP Centers are already working on local outreach strategies; for example, the MEP Center in Kansas is planning to hold a national forum for prospective rail industry suppliers that would include addressing workforce training issues, and MEP Centers in Illinois, New Jersey, and Michigan are also actively planning similar development activities.

Priority #3. Laying the foundation for sustainable long-term passenger rail improvements

Finally, the Department is developing the organizational and institutional tools and strategies that will ensure a solid long-term foundation for continued improvement of the nation's rail network—where these improvements make financial and transportation sense—regardless of whether those improvements are made through HSIPR grants, state projects, or private sector investments.

- **Comprehensive equipment strategy:** One of the largest-ever investments in new intercity passenger locomotives and rail cars is currently underway through \$1.7 billion in HSIPR, Amtrak, and state funding. FRA is playing a central role in developing a comprehensive strategy to coordinate procurements, manage fleets across corridors and states, and develop technical specifications to promote standardization.
- **Northeast Corridor planning and environmental studies:** The Northeast Corridor (NEC) is the nation's busiest passenger rail service, and serves as a critical transportation backbone for a region of nearly 50 million people. Rail now serves 73 percent of the air/rail market between New York and Washington, D.C., and demand clearly exists for further service improvements. While the NEC has received nearly \$1.8 billion from the HSIPR program and Recovery Act grants through Amtrak (in addition to a \$563 million loan from the Railroad Rehabilitation and Improvement Financing program), it is clear that a consensus long-term vision—and a strategy for achieving that vision—is needed.

To set the stage for this next phase, FRA is working with stakeholders to develop the NEC Passenger Rail Corridor Investment Plan (PRCIP). The NEC PRCIP will define the investments necessary for implementing world-class high-speed rail as a core component of a better integrated, more efficient, and higher capacity regional transportation network. The PRCIP is comprised of two components: 1) a Service Development Plan that articulates the overall scope and approach for future service, and 2) service-level National Environmental Policy Act (NEPA) documentation. Once completed, these documents will provide the foundation and consensus necessary for implementing significant service changes and improvements on the Corridor.

- **Other planning analyses:** FRA is undertaking a variety of analytical studies and evaluations that will help states and industry stakeholders better understand how to successfully integrate high-speed rail into regional transportation networks. These analyses will yield valuable insights and data regarding HSR ridership and revenue

models, service planning approaches, engineering issues, and other important factors, all within a U.S. context.

Conclusion

The HSIPR program is now a couple of years old. At this same point in the life of the Interstate Highway program, skeptics asked: “Is the program too big? Who will pay for the program? Is such a public-works program an anti-recession measure? Will the program further extend the power of the federal government?” (*Fortune Magazine*, 1958). These are all perfectly valid questions, which were addressed as the program has evolved based on new ideas, new priorities, new technologies, and new challenges. The HSIPR program can—and should—follow a similar trajectory of evolution and adaptation.

The Administration remains fully committed to addressing the need for improved rail transportation. Thirty-two states, the District of Columbia, and Amtrak are hard at work on over 150 projects, many of which are among the most substantial capital improvements to the nation’s rail network in decades. Americans will soon begin seeing significant travel time, frequency, and reliability improvements, in addition to upgraded stations and equipment. We are only at the beginning of this multi-generational process—the simple fact is that the transportation challenges that are driving increased demand for rail are not going away. The Department looks forward to working with Congress and all stakeholders to improve upon the HSIPR program and to ensure we find the most innovative, cost-effective, and practical policies for building a world-class rail network.

I would be happy to address any questions the Committee might have.

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