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BEFORE THE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION
UNITED STATES SENATE

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Mr. Chairman. I appreciate the opportunity to appear before this Committee in support of the Federal Railroad Administration's FY 1985 budget request. And it is a particular pleasure to share this table with Graham Claytor. There is nothing I could say that would add to the luster of Graham's accomplishments -- they speak pretty eloquently for themselves. But I do want to give special recognition to the fact that Amtrak in 1985 will run more route miles than it did in 1981 at approximately 28 percent lower funding. Those numbers say a great deal about Graham, and a great deal about the progress being made at Amtrak. And I think what we've seen is only the beginning.

Before reviewing the specifics of FRA's budget request, I would like to make a brief opening comment on FRA's recent activities, as well as our priorities for the next fiscal year.

FRA PRIORITIES

While FRA has numerous ongoing responsibilities, railroad safety and railroad restructuring are our primary concerns. And the agency's FY 1985 budget request reflects those priorities.

Four weeks ago I had the privilege of announcing the industry's safety statistics for 1983. By any standard, it was the finest safety performance in the history of the railroad industry. The total number of reported accidents was the lowest ever recorded -- a remarkable 14 percent below the second best year we've ever experienced. That improvement tracks through all categories of the reported statistics.

These results continue a trend of consistent safety improvements that began in 1979. During the five years 1979 to 1983, train accidents decreased 60 percent; railroad fatalities declined 25 percent and railroad injuries dropped 53 percent. During that same time period, grade crossing accidents decreased 43 percent, and resulting fatalities and injuries declined by 35 and 40 percent, respectively.

These numbers speak for themselves, and they give us an impressive standard to best in the year ahead. They also speak persuasively for the public safety commitment of the industry, for the care and dedication of railroad employees, and, I believe, for the increasing effectiveness of the FRA safety program.

FRA approaches safety from two perspectives, that of a regulator, and that of an agency charged with enforcing its regulations. In addition, we carry on a research and development program focused solely on safety issues.

On the regulatory front, FRA has succeeded in closing seven major and two minor regulatory proceedings since January 1. Included in that list is a rule requiring retrofit of 3,000 hazardous material tank cars to improve their ability to survive accidents, the first modernization of the industry's signal and train control rule in more than three decades, and several actions to ease reporting requirements for smaller, short line railroads. This exceeds the total number of regulatory actions ever closed by FRA in any single preceding year. In addition to the accomplishments resulting directly from the particular rulemakings, eliminating this backlog has freed our safety enforcement staff to pursue violations and more rigorously enforce existing standards. As the regulatory backlog has eased, the time it takes to process violations has been reduced by nearly 32 percent.

In the months ahead, FRA will complete its rulemaking proceeding on alcohol and drug abuse, initiate an inquiry and possible rulemaking on occupational safety in railroad locomotive cabs, and institute a major effort on grade crossing safety.

Our greatest accomplishment on the enforcement side lies in the hiring of new safety inspectors. FRA has traditionally been between 30 and 50 inspectors short of the ceilings imposed by this Committee. There are several reasons for this, including high turnover in the inspector work force. In November, we instituted a variety of management initiatives designed to surmount these obstacles, and those changes have accomplished their objective. The FRA field force now consists of 321 safety inspectors against an authorized ceiling of 325, along with 46 clerical positions against an authorized ceiling of 54. This is by far the highest number of safety inspectors FRA has ever had -- 30 more inspectors than we had a year ago at this time. We intend to fill the 4 remaining inspector vacancies within the next 60 days, so that by early summer FRA's inspection force will be at full strength for the first time in its history.

During calendar year 1983 that inspection force made 66,400 inspections of track, signals, vehicles, and other elements of railroad operations, a 31 percent increase over 1982. In addition, the inspectors continued to supplement those ongoing inspections with systemwide assessments of selected railroads. Seven such assessments will be begun or completed this calendar year. Our FY 1983 civil penalty collections of \$2.4 million were the highest since 1980.

I believe that this combination of actions has played a material role in the continued improvement in rail safety statistics. The budget request now before this Committee will enable us to continue and accelerate our railroad safety activities, and hopefully, continue the downward trend in rail accident statistics.

Our other major area of emphasis is rail restructuring, and that's a reflection of the historic changes now taking place in the railroad industry. Some of those changes occur on a macro scale -- large regional mergers, the Conrail and Alaska Railroad sales, and intermodal acquisitions. FRA's policy office has played a significant role in analyzing the economic impact of these changes, and assisting the agency in formulating policies designed to protect the public interest within the context of an industry evolving toward greater efficiency.

But not all the changes are on a macro scale. The real "action" in the rail industry today is coming underneath the umbrella of large regional mergers, as short lines and new regional railroads spring up to restore service on the lines being abandoned by the evolving regional carriers. The Chairman has seen these activities in his state, as I have in my home state of Minnesota. We know that the same rail line can have completely different economics in the setting of different rail systems. There are countless cases across the nation illustrating the ability of small railroads and shipper groups to operate profitable short lines on routes that did not work within the context of major systems.

We all have a stake in their success. For shippers, particularly agricultural shippers, and their communities, it means continued access to the national transportation system at reasonable rates. For the major carriers, it means enhanced volume on regional main lines. Conrail, for example, draws nearly 5 percent of its volume from short line operations.

We have made several changes at FRA to adapt to these changing needs. First, we have merged the Northeast Corridor and Federal Assistance staffs into a single Associate Administration for Passenger and Freight Services. The prime objective of this office is preservation and enhancement of service to communities served by America's freight and passenger railroads.

Within this new division, we have created a small "strike force" to help shippers and communities deal with the impact of light density line abandonments. The people who will perform this responsibility will be experts in shippers economics. They analyze line abandonments, and advise shippers on how to cost out their options. Where continued rail service appears to be a viable option, they will work with shippers to help them marshal their own resources to make rehabilitation and continued service agreements a possibility. Finally, where the economics seem to favor short line operations, they will provide logistical assistance in the creation of short lines.

In many of the cases where railroads apply for Federal financial assistance, the potential for private financing is present. Shippers, faced with the short timelines inherent in the abandonment process, simply lack the expertise to assemble the package in time. By providing that expertise, we believe we can lessen the demand for scarce Federal resources. In addition, we recognize that the presence of deficits exceeding \$170 billion will compel Congress to make difficult financial decisions. Agencies such as ours have to creatively evaluate what role they can play to forward the public interest in matters of this sort in an era of shrinking financial resources. Where we cannot be bankers of dollars, we can be bankers of ideas. And the experience and expertise embodied in those ideas can play a significant role in helping rural communities survive and prosper through the kinds of transitions now taking place in our national transportation system.

These are the two major priorities I see FRA facing in the fiscal years ahead. In addition, as this Committee well knows, we are dealing with three special projects of national significance.

First in its magnitude is the responsibility to return Conrail to private sector ownership. There have been no major developments on Conrail since I last testified before this Committee. We are encouraged by the continued improvement reflected in Conrail's profitability numbers, and have every reason to believe that we will be successful in our efforts to sell Conrail as an entity.

FRA has made substantial progress over the past 12 months in assisting the Secretary's efforts to transfer the Alaska Railroad to the State of Alaska. In January 1983, the Alaska Railroad Transfer Act was signed into law. In July, the Department and the State of Alaska submitted to Congress a joint report itemizing the assets and liabilities to be transferred. In September 1983, the United States Railway Association (USRA) set the fair market value of those assets at \$22,271,000. And last month, the Governor of Alaska submitted legislation authorizing and implementing the transfer to the Alaska legislature.

FRA is working closely with the Governor and other Alaskan officials to resolve the remaining issues associated with the transfer, and I am confident that the transfer agreement will be executed during the current fiscal year. Transfer of assets will occur no later than six months after the execution of that agreement.

Developments on the Union Station Redevelopment project are equally positive -- it remains on schedule and under budget. In fact, tomorrow afternoon I will join Secretary Dole and Mayor Barry in breaking ground for completion of the station's parking garage complex. That ceremony is one of the more visible highlights in a very active year for this project. During the past year, we have created the Union Station Redevelopment Corporation to manage the redevelopment project and hired Keith Kelly, a superbly qualified, experienced developer, as its Executive Director-President. Repairs are now being made to the building to keep it from deteriorating further while the rehabilitation is being designed. The National Park Service is completing repair

of the roof. We are also well along with competitions to select an architect to design the rehabilitation for USRC and a developer. Ten teams of architect/engineer firms and three developer teams are now developing detailed proposals that, together with intensive interviews, will be the basis for selecting the winning teams. We expect to make both selections this June.

These are the major issues before the Federal Railroad Administration, and while our most significant accomplishments often come in the day to day processing of routine business, these major issues should give the Committee a good understanding of the priorities we intend to pursue in the fiscal year ahead. I will now proceed to review the budget request we have offered in support of those objectives. In the aggregate, it calls for funding of \$756,752,000 and 679 permanent positions, excluding the Alaska Railroad.

AMTRAK

The Administration's request for FY 1985 Amtrak funding totals \$680 million, \$36.4 million lower than the \$716.4 million appropriated for FY 1984. Graham Claytor and I have met several times during the past year to discuss our respective budget proposals, and in their concept our proposals track closely. At the time it was submitted, our request for \$664 million in operating grants reflected a consensus with Amtrak management on the cost of operating the complete national system, including state assisted routes, in FY 1985. Since that request was filed, Amtrak's performance has so far outstripped even its best case projections that the operating number has been reduced to \$659 million.

Amtrak has submitted a capital spending program to Congress of \$121 million for FY 1985. The Administration recommends a level of \$101 million. In addition, we note that Amtrak will be undertaking approximately \$20 million in high priority NEC improvements which were financed under the 1983 Jobs Bill. When the President agreed to support a Jobs Bill last year, he made it clear that the 1983 appropriation increase would be offset against new funding requests in subsequent periods. In Amtrak's case, the FY 1985 offset amounts to \$20 million.

Unused operating carryover and unused capital grant funding account for an additional \$24 million of offsets, producing a difference between Amtrak's and the Administration's capital requests, and bringing to \$44 million the bottom line difference between the two requests. These three offsets are summarized below:

- A. The Jobs Bill (P.L. 98-8) provided \$70 million for Northeast Corridor improvements, some of which had been included in previous Amtrak capital plans. Examples include more than \$6 million for electric traction work in the New York area, more than \$40 million of track work throughout the Corridor, and approximately \$6 million of bridge work. We offset \$20 million from the FY 1985 capital request to account for those Northeast Corridor improvements funded by the Jobs Bill.
- B. \$20 million represents the difference between our estimate of available operating carryover from prior years and Amtrak's estimate. Of the \$47 million of total operating carryover, Amtrak has set aside \$20 million for the West Side Connection project and applied \$27 million against their capital plan. We are recommending that the full amount be applied.

C. Between 1978 and 1982, Amtrak received \$116 million in capital funds toward the purchase of the Northeast Corridor. The purchase of the Corridor has been completed at a cost of \$112 million, leaving \$4 million unspent. FRA has offset that \$4 million against the FY 1985 appropriation.

The Department is also considering legislation to phase-in greater cost sharing by states under the Section 403(b) and (d) programs. However, this change has no FY 1985 budgetary implications, since it would not become effective until FY 1986 in order to give state legislatures sufficient time to adjust their spending plans to the new proposal.

OFFICE OF THE ADMINISTRATOR

At a \$11,051,000 and 168 permanent positions, the Office of the Administrator appropriation request is \$629,000 and a net three positions lower than FY 1984. The reductions come in the Policy Support area for contractual services and staffing. The dollar reductions result primarily from savings and computer time sharing costs. Seven positions will be eliminated in areas where analyses performed by individuals can be automated. Elimination will come through attrition and reassignment.

Partially offsetting these positions are four positions transferred from Federal Programs in the Rail Service Assistance

appropriation. These individuals are responsible for Conrail economic analysis. We have simply shifted them into the Office of Policy, which has the broader oversight responsibility for Conrail.

The staffing levels incorporated in this request will enable FRA to maintain current staffing levels in the Office of Chief Counsel. This is particularly important at a time when FRA is expanding the number of System Safety Assessments and onsite safety inspections performed. The Office of Chief Counsel processes and prosecutes violations, while serving FRA on a broad range of other legal issues. This appropriation request insures a staffing level within the Office of Chief Counsel adequate to discharge those responsibilities, while continuing to play an important role in analytical areas such as merger analysis.

This request will also permit FRA's Office of Policy to maintain its critical role in areas ranging from Conrail analysis to development of the analytical basis for FRA's rail restructuring activities. The Office of Policy is involved directly or indirectly in every activity undertaken at FRA. It is the cornerstone of the agency's efforts in railroad restructuring, particularly in the analysis of merger and acquisition cases, as well as FRA's ongoing review on the impact of deregulation. The appropriation we are seeking will enable the Office of Policy to continue fulfilling those responsibilities in a timely and effective manner.

RAILROAD SAFETY AND RAILROAD RESEARCH AND DEVELOPMENT

FRA's goals and progress in safety enforcement were outlined earlier in this testimony. Four of the five goals established when FRA initiated its five year system safety plan two years ago have already been met or exceeded. To continue that progress, FRA's railroad safety appropriation requests \$26,691,000 and 445 permanent positions. These levels of staffing will permit implementation of the new regulatory initiatives undertaken in the current fiscal year, and continued acceleration of the agency's field enforcement efforts. This is approximately the same level of support as the FY 1984 request with the exception of Grants-in-aid.

The Administration is not requesting funding for the Grants-in-aid for railroad safety program for the reasons outlined in our letter/report to Senator Hatfield dated February 7, 1984. Rather than taking the Committee's time to restate the points raised in that report, I am attaching a copy of the original as an appendix to this testimony.

The request for \$15,653,000 and 15 permanent positions in railroad research and development supports the railroad safety effort by providing the technical and analytical base necessary to support our rulemaking and enforcement activities. Research and development is an integral part of our safety program, and the dollars requested will go to safety research. Where that research yields a collateral economic

benefit for industry, we will require industry to bear a share of project expenses. The overheated wheel research program, recently initiated through joint venture between FRA and the Association of American Railroads, is an example of the kind of cost sharing FRA intends to pursue in order to gain maximum productivity from dollars available for safety research and development.

RAIL SERVICE ASSISTANCE

The Rail Service Assistance appropriation contains staffing for the Executive Director and a number of Federal programs including Rail Freight Assistance, State Assistance, Rail Passenger Programs and Special Projects. It provides funding support for the salaries and expenses of program managers plus contract dollars for the labor-management cooperative terminal projects, alcohol and drug abuse technical assistance, and freight assistance. It also finances the rent, security, and maintenance costs of the Washington Union Station.

The request for \$8,357,000 and 44 permanent positions includes \$4,107,000 for salaries and contract support and \$4,250,000 for Washington Union Station. The salaries cost represents a reduction of \$1.1 million from FY 1984 reflecting seven fewer positions, four of which are Conrail positions transferred to Policy Support in the Office of the Administrator appropriation, and three fewer positions in Federal Programs due to the reduction in Title V workload. The

remaining staff will monitor work in progress and serve as a "strike force" to work with states, localities, and shippers in addressing the financial and transportation policy problems that accompany light density line abandonments.

The request for Washington Union Station rent, security, and maintenance funds is \$4,250,000; this is an increase of \$410,000 over the FY 1984 appropriation. During FY 1984, an unanticipated increase in the cost of security pushed these expenditures to \$4,200,000. With the Department's concurrence, during FY 1984 we propose to reprogram available funds within this account for this purpose. These costs will continue in FY 1985 at approximately the same levels plus a slight estimated increase expected for utilities while renovations continue.

CONRAIL LABOR PROTECTION

We are asking for a FY 1984 supplemental appropriation of \$25 million, of which we propose to derive \$15 million by transferring unobligated balances of the Conrail Work Force Reduction (Section 702) funds. These funds will supplement \$20 million previously appropriated in FY 1984 and will be used to cover higher than expected payments started in FY 1983 which resulted from the recession's impact on Conrail employment. I am also requesting an additional \$15 million in FY 1985 for benefit payments to Conrail employees who may elect such treatment as a result of operating changes. This amount reflects a decrease from FY 1984 levels due to our view that Conrail's employment has stabilized with a pickup in its business and the fact that more employees are reaching their cumulative maximum payout.

NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

I am not requesting funds in FY 1985 for this program. Congress has appropriated the full \$2.19 billion in accord with the Administration's rehabilitation plan. Seven FRA positions and seven Federal Highway Administration engineering support positions will suffice to monitor the work to be accomplished in FY 1985 using carryover funds. As planned, at the beginning of FY 1986, the responsibility for completion of the project will be turned over to Amtrak.

Most of the work programmed for FY 1985 falls into two categories:

- 1) the completion of large station and parking garage projects where construction is managed by state or local authorities, such as Stamford and New Haven, Connecticut; Providence, Rhode Island; Boston's South Station; and the Wilmington (Delaware) Station Parking Garage; and
- 2) completion of work undertaken by Amtrak on catenary installation, signal system installation, and bridges.

Completing the Northeast Corridor Improvement Project will be a significant achievement. It has involved a large number of people, and numerous organizations including state and local governments, all working toward a common goal of improving rail service along the busiest rail corridor in this country. Graham Claytor and the Amtrak employees assigned to the project as well as our Associate Administrator, Lou Thompson, and his staff deserve a great deal of credit for successfully guiding this huge project and giving new life to rail transportation between Washington and Boston.