Testimony of Jolene M. Molitoris
Administrator
Federal Railroad Administration

Before the Commerce, Science and Transportation
Subcommittee on Surface Transportation
United States Senate

April 13, 1994

Mr. Chairman and distinguished Members of the Subcommittee, it is a pleasure for me to appear before you on behalf of the President and Secretary Peña to present the Administration's plan to build Amtrak into a world-class national passenger railroad. Let me express my appreciation to you for introducing the Department's proposed legislation, S. 2002, the Amtrak Investment Act of 1994, which would reauthorize the National Passenger Railroad Corporation for fiscal years 1995 and 1996. I would also like to discuss the Local Rail Freight Assistance Program (LRFA), which I will address first this morning.

Mr. Chairman, I recognize that you and the other members of this Committee strongly support LRFA. As you know, this program provided welcome relief to the freight railroads flooded by the rising rivers this past summer. To date, the FRA has awarded 27 railroads grants totalling $20.8 million to repair flood damage.

We further recognize that the interest in LRFA continues to grow. This year, the FRA received 50 requests totalling $41.7 million for the FY 1994 LRFA program. Last week, we approved the award of 36 grants worth $15.6 million to be obligated this fiscal year.

The Administration understands the benefits of LRFA, yet we also face the arduous task of reducing the national deficit -- a priority I know you share with the President, Mr. Chairman.

Working toward a national goal of reducing the deficit, the President had to make many tough budget decisions and in the process, had to cut some good programs, such as Local Rail Freight Assistance. All of the Departments were called upon to contribute toward achieving the larger goal of deficit reduction.

However, Mr. Chairman, I look forward to working with you and the Committee to explore avenues to further the goal of enhanced opportunities for rail. The Secretary and President are committed to making rail a full transportation partner. In this regard, I would like to work with you and the committee over the next year and a half as the Department develops the National Transportation System and we begin thinking about the role for rail as we approach the future reauthorization of major surface transportation infrastructure legislation.

Building A World-Class Passenger Railroad

Mr. Chairman, the Administration's commitment to passenger rail service begins with Amtrak's customers. Each day, across America, 60,000 customers board one of the 230 Amtrak trains that operate over a 25,000 mile system traveling through hundreds of cities, towns and communities of our Nation. Each year, more than 22 million customers rely on Amtrak to travel for business, take vacations, visit family and friends, or just to see America.

Another 30 million people depend on Amtrak to get them safely and reliably to work each day.

All of these customers have a right to expect and receive superior service in exchange for their transportation dollar, and the expectations are all the more important because the Federal Government supports Amtrak financially.

Unfortunately, Amtrak's customers do not always receive the quality of service they deserve. Thousands of hard-working, dedicated Amtrak employees want to provide quality service, but they do not always have the proper equipment or tools to do the job.

Over the past few years, as the level of Federal capital investment in Amtrak has failed to keep pace with its needs, upkeep and maintenance have been deferred and service has suffered. Regrettably, I must report to you that over the past decade the depreciation of Amtrak's plant and equipment has exceeded capital investment by almost $600 million. No railroad or any other enterprise can survive for long under such an insidious fiscal course. In the end, it is not the railroad that merely loses customers. It is the customers who lose.

Mr. Chairman, your good efforts and the support of your Committee and the Congress in fighting for adequate resources for Amtrak in the difficult budgetary climate of recent years has enabled our national passenger railroad to survive. With the support of your Committee, the Congress, and yourself, President Clinton and Secretary Peña intend to put Amtrak on the road to

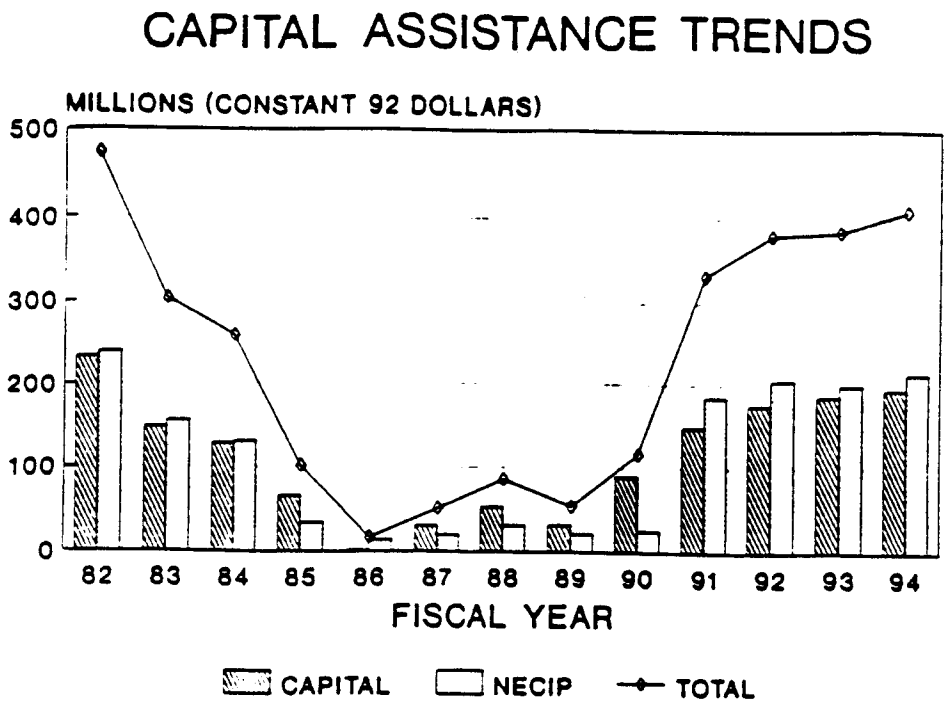
recovery and reverse the dangerous long-term trend of insufficient investment. The Amtrak Investment Act of 1994 makes Amtrak and its customers a priority. This two-year authorizing legislation supports our FY 1995 budget request for Amtrak and provides a foundation for our FY 1996 appropriations proposal. We intend to begin to turn around Amtrak's decline through a coordinated three-part program that:

- invests significantly in Amtrak's capital plant;
- ensures a close working relationship between Amtrak and this Department to guarantee that capital is prudently and wisely invested; and
- emphasizes quality customer service through new employee and management initiatives.

I would now like to outline in more detail our vision through this legislation for a new Amtrak -- a National Railroad Passenger Corporation for the 21st century of which we can all be proud.

Investment in Amtrak's Capital Plant

For too long, Amtrak has suffered from a shortage of investment capital which inexorably has eroded the Corporation's ability to provide quality service. The chart at the top of the next page shows graphically how Federal funding for capital investment declined during the mid-1980's and how this trend has only recently begun to change with increased investments, thanks to the efforts of this Committee and other supporters of Amtrak in the Congress.



Total Capital includes NECIP, Jobs Bill and Farley Building.

As this chart shows vividly, capital funding in constant 1992 dollars fell 90 percent from nearly $500 million in 1982 to an annual average of just $50 million in the years 1986-1989. Yet, Amtrak equipment and facilities are depreciating at almost $200 million per year, leaving a combined shortfall of almost $600 million over the past decade. I am saddened to report the corrosive effects of this deficit which every Amtrak customer sees -- delayed trains, broken equipment, aging facilities, and other signs of decay.

To turn this situation around, the Administration for FY 1995, has proposed $252 million or a 29 percent increase in the capital authorization for Amtrak. For FY 1996, we are proposing a 41 percent increase to $355 million, which is $160 million more

than the FY 1994 enacted level. These funds will enable Amtrak to take significant steps to improve its facilities and equipment.

To guide Amtrak's spending, we have divided the proposed authorizations into four separate categories: rolling stock, fixed facilities, other capital projects, and funds to meet statutory and regulatory requirements. These investment funds represent the basic raw material for the rebuilding of Amtrak.

Additional capital resources will allow Amtrak to follow through on an ambitious fleet renewal program, to continue to renew its fixed facilities throughout the system, and to make investments that improve productivity in such areas as maintenance facilities, where it can substantially increase its overhaul capacity with its existing work force.

Although Amtrak is requesting higher capital authorization levels for FY 1995 and FY 1996, our proposed $252 million will enable the railroad to take a substantial step toward replacing and updating old equipment and improving customer facilities. Specifically, this funding level will permit Amtrak to purchase $54 million of new equipment, including new Viewliners, diesel-electric locomotives, and a number of AEM-7 type electric locomotives. We project that Amtrak will be able to overhaul about 120 Superliner cars and 60 locomotives, comply with the Americans with Disabilities Act, and upgrade restrooms as required by law.

The Administration's Amtrak authorizing legislation also

includes funding for two specific infrastructure projects, the Pennsylvania Station Redevelopment Project and the Northeast Corridor Improvement Program (NECIP). The new Penn Station Redevelopment Project will transform the former James O. Farley Post Office in Manhattan into a model intermodal passenger train station. This public/private partnership will benefit the entire Northeast by serving as the centerpiece of our Northeast Corridor improvements for both high-speed intercity passengers and commuters in the New York metropolitan region. The Administration proposes an authorization for FY 1995 of $90 million for the Penn Station project, which will leverage additional state, local and private contributions of $215 million for this redevelopment project.

For NECIP, the Administration proposes authorizations sufficient to support our FY 1995 budget request of $199.6 million and such sums as may be necessary in FY 1996. Pending successful completion of FRA's environmental impact study, this request will allow us diligently to pursue the start-up of electrification construction on the northern end of the corridor (mitigating identified environmental impacts), contribute to the purchase of 26 high-speed train sets and improve interlockings, bridges, stations and maintenance facilities. South of New York, the budget provides for infrastructure rehabilitation in the Corridor, which has developed into a vital national resource.

Furthermore, the authorization permits activities necessary

to provide high-speed service throughout the Corridor, to enhance capacity for intercity and commuter passenger service, to recapitalize existing facilities, to mitigate environmental impacts and to improve parking at stations. The Northeast Corridor Transportation Plan for high-speed rail service between Boston and New York, which we will deliver to you next month, gives guidance on the projects and costs necessary to provide three-hour service. As the only existing high-speed rail service in the U.S., the NEC will serve as a model for joint use high-speed intercity and commuter services that could be implemented throughout the U.S. in the future.

In support of this significant capital investment, the Administration proposes operating assistance of $380 million for FY 1995, including a separate $17 million authorization for State-requested 403(b) service. For FY 1996, we propose an authorization for operating assistance of $370 million (including $17 million for State-requested service), a decrease of $10 million from the proposed FY 1995 level. These sums will cover Amtrak's basic operating needs, but they will not address the restoration of previous cuts which Amtrak is requesting as part of its FY 1995 recommendation.

Although our FY 1995 budget proposal of $788 million, including $156 million for mandatory payments, was developed last fall with the assumption of Amtrak's return to financial health along with the rest of the economy, we believe that the resources proposed for Amtrak as part of this authorization legislation

represent a vital first step in turning this railroad around.

Ensure Close Working Relationships Between Amtrak and the Department

To be sure we receive a solid return from these investments, S. 2002 requires Amtrak to broaden its annual report to Congress. Specifically, Amtrak would be required to submit, with its annual request for appropriations, projected benefits of proposed projects and a report of the benefits realized from all projects funded from the previous year. The report would address, among other issues, quality of service improvements, facility improvements that demonstrate a productivity gain, equipment improvements that lower operating costs, environmental benefits (including air quality and land use), enhancements to local transportation needs, enhancements to mobility of physically and economically disadvantaged persons, an improvement to the revenue-to-cost ratio, reduced dependence on Federal operating support, and reductions in the need for alternative transportation investments. To the extent practicable, the benefits addressed in each report are to be expressed as return on invested capital.

I have discussed the reporting requirements with Amtrak President Downs, who believes that it will provide the Administration and the Congress with a much improved basis not only for considering appropriations, but also for determining the future extensions of Amtrak authorizations. We agree and find

the requirements to be consistent with President Clinton's new executive order on infrastructure investment, which requires capital investments, including Amtrak projects, to be selected on the basis of a full analysis and disclosure of benefits and costs.

In addition to providing a more comprehensive picture of Amtrak's activities, improvements in management must go hand-in-hand with increased capital investment. A great deal of the responsibility for establishing accountability will rest on Amtrak's management and the stewardship provided by its Board of Directors. We in the Department have a role in nominating members of the Board, participating in Board meetings, administering financial assistance, and recommending legislation and budgets for the consideration of Congress, but the major responsibility for turning the Corporation around rests with Amtrak itself.

While I am confident that President Downs and the Board will create an environment of customer satisfaction and make Amtrak a more efficient organization, the Secretary and I intend to play an active role on the Board to ensure Amtrak's accountability and financial integrity.

Emphasize Quality Customer Service Through New Employee Management Initiatives

Our third goal for Amtrak is to emphasize quality customer service through employee and management efforts.

We fully understand that providing additional federal funding will not by itself improve Amtrak's customer service. But we also believe that the policies of recent administrations greatly contributed to the level of service that customers receive today.

Amtrak's dedicated employees want to provide outstanding service. However, they have suffered from a corporate culture based on survival. They have been forced to work in antiquated maintenance facilities and often have been unable to provide the level of service today's travelers demand.

Through our capital investments we will provide the employees with the tools they need to do their jobs. But to do a truly quality job, the employees need a customer service program. We are pleased that President Downs is committed to establishing such a program.

Amtrak's Continuous Quality Improvement program was a good first step. However, we encourage Amtrak to broaden its customer focus by reaching out to all of its customers -- current and future passengers, and state and local governments just to name a few. Such a program should also encourage employees to contribute their knowledge and expertise. As one of the first steps, we would expect Amtrak, in partnership with its customers,

to identify levels of acceptable service along with a report card system on which to measure future progress.

Ultimately, this program will not only measure Amtrak's performance, but it would also indicate whether or not the Nation's taxpayers are receiving a good return on their investments.

Another important part of the customer service program will be the development of future services to attract additional customers. I am encouraged by the unprecedented demand in rail passenger and commuter services during the last five years. It is an affirmation of the important role that rail plays in our economy and day-to-day life. More and more people see rail as the preferred way to travel. Admirably, some states are taking the lead in appropriating funds to create new or improved services, some of which are even candidates for high-speed rail service.

The Administration, in cooperation with Amtrak and state governments, intends to facilitate the development of new or expanded passenger rail services. We want to do all that we can to promote and develop these opportunities with Amtrak leading the way.

S. 2002 would change the basis of cost-sharing of 403(b) trains between Amtrak and states from short-term avoidable loss to long-term avoidable loss, providing a more accurate representation of the true impact of each operation on Amtrak's operating subsidy. This modification will enable Amtrak to

achieve greater consistency in its cost-sharing relationships with the individual states and would apply to all new services initiated after the date of enactment of the legislation as well as existing services once they are renewed after that date. The net result would be to permit more services to be operated for the same amount of Federal subsidy.

The legislation also would require the Secretary to undertake a comprehensive review of the 403(b) program and submit a report to Congress within two years of enactment of the law. The Secretary will focus on if and when a service originated under 403(b) should become part of Amtrak's basic system of routes. He will also identify any other avenues for initiating and implementing new rail passenger service.

In summary, Mr. Chairman, the title of this bill really says it all. The Amtrak Investment Act of 1994 is an investment in building a world-class passenger railroad. It is an investment in the future stability of Amtrak. It is an investment in future state services. But most importantly, it is an investment in the 50 million customers who Amtrak serves each year and the millions more who would be attracted by quality service.

Thank you for the opportunity to testify. I would be pleased to answer any questions that you may have.