



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**  
**Washington, DC 20515**

**John L. Mica**  
**Chairman**

**Nick J. Rahall, III**  
**Ranking Member**

James W. Coon II, Chief of Staff

James H. Zoia, Democrat Chief of Staff

June 21, 2011

**SUMMARY OF SUBJECT MATTER**

**To: Members of the Committee on Transportation and Infrastructure**

**From: Majority Staff on the Subcommittee on Railroads, Pipelines, and Hazardous Materials**

**Subject: A Legislative Hearing on the Draft Bill, "Competition for Intercity Passenger Rail in America"**

**I. Purpose of Hearing**

On Wednesday, June 22, 2011, at 11:00 a.m. in 2167 Rayburn House Office Building, the Committee on Transportation and Infrastructure will hold a Legislative Hearing on the draft bill, "Competition for Intercity Passenger Rail in America," which is co-sponsored by Committee Chairman John L. Mica and Rep. Bill Shuster, Chairman of the Subcommittee on Railroads, Pipelines, and Hazardous Materials. This legislative hearing is being held at the request of Committee Ranking Member Nick J. Rahall and Rep. Corrine Brown, Ranking Member of the Subcommittee on Railroads, Pipelines, and Hazardous Materials.

**II. Background**

Since January, the Committee and Subcommittee on Railroads, Pipelines, and Hazardous Materials have held hearings and roundtables to explore the best means of improving the nation's intercity passenger rail system. The Committee's first hearing of the session was a full Committee field hearing in New York on January 27 entitled "Developing True High-Speed Rail in the Northeast Corridor: Stop Sitting on our Federal Assets." The six hearing witnesses spoke on the importance of high-speed rail for the Northeast Corridor and the need for competition and public-private partnerships to help achieve that goal. Directly following the hearing, the Committee held a robust roundtable discussion with a diverse, large group of participants.

Building on the information developed from the January hearing and roundtable, the Subcommittee held a hearing in March 11 on "Finding Ways to Encourage and Increase Private Sector Participation in Passenger Rail Service." The Subcommittee explored ways to make intercity passenger rail more effective and affordable by allowing competition in providing these services.

The full Committee held a second Northeast Corridor focused hearing on May 26, entitled, "Opening the Northeast Corridor to Private Competition for the Development of High-Speed Rail." The Committee discussed alternatives that would bring high-speed rail to the Northeast Corridor through partnering with the private sector, including financial assistance, development opportunities, and open competition.

On June 15, 2011, Chairman John L. Mica and Subcommittee on Railroads, Pipelines, and Hazardous Materials Chairman Bill Shuster sponsored a public roll-out and discussion of their draft bill that sets a new direction for high-speed and intercity passenger rail, the "Competition for Intercity Passenger Rail in America Act of 2011." This legislative hearing will focus on that draft bill and ways to reach the goal of improving high-speed and intercity passenger rail for the nation.

## **II. Northeast Corridor Competition Initiative**

Title I of the draft bill includes the Northeast Corridor Competition Initiative, which establishes a new structure and method to achieve high-speed and intercity passenger rail on the Northeast Corridor (NEC). The NEC is one of the most valuable transportation assets in the United States, providing the only continuous physical link, along with I-95, between the major population centers of Washington, DC, Baltimore, Philadelphia, New York City, and Boston. The Northeast mega-region is the most densely populated area in the United States, with 18 percent of the nation's population living in just 2 percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of \$2.59 trillion, and a population equal to the United Kingdom.

The NEC region represents the nation's best opportunity for real high-speed rail with four of the ten most populous metro regions in the nation – New York, Philadelphia, Washington, DC, and Boston – and 18 percent of the nation's population living in just 2 percent of its land area. Congestion in other transportation modes is crippling, with 70% of all chronically delayed flights in the U.S. emanating from the New York area airspace and over 60% of NEC urban road miles considered heavily congested. The NEC region also has the necessary transit connectivity to make high-speed rail a success. All major NEC cities have fixed rail and commuter rail service, with five of the largest NEC cities accounting for 80% of the nation's total rail transit ridership.

Amtrak, the government-subsidized, intercity passenger rail provider, which controls nearly the entire NEC, has proven itself a poor steward of taxpayer dollars. Despite major capital improvement projects on the NEC costing taxpayers nearly \$6 billion, with nearly \$1 billion in cost overruns, Amtrak's Acela averages only 83 mph from Washington, DC, to New York City and 65 mph from New York City to Boston. Furthermore, Amtrak mis-designed the

Acela tilt mechanism requiring modifications and reducing train speeds, while several equipment malfunctions, such as cracked wheels and brake defects forced Amtrak to withdraw the entire Acela fleet twice.

As evidenced below, despite the billions of taxpayer dollars spent over the forty-years of ownership, Amtrak has failed to effectively grow its NEC ridership. In fact, Amtrak's 2010 NEC ridership was actually lower than it was in 1977.

Amtrak Ridership (in millions)					
From Amtrak Annual & Monthly Reports					
Year	NEC Spine	Long Distance		State Supported	Total
1972					16.6
1973					16.9
1974					18.2
1975					17.4
1976					18.2
1977	10.6	4.0		4.6	19.2
1978					18.9
1979					21.4
1980					21.2
1981					20.6
1982					19.0
1986	10.7	5.1		4.4	20.2
1987	10.7	5.1		4.4	20.4
1988	11.2	5.4		4.8	21.4
1989	11.1	5.5		4.7	21.3
1990	11.2	5.8		5.2	22.2
1991	10.9		11.1		22.0
1992	10.1		11.2		21.3
1993	10.3		11.8		22.1
1994	11.7	6.3		3.2	21.2
1995	11.6	6.1		3.0	20.7
1996	11.0	5.4		3.3	19.7
1997	11.1	5.4		3.7	20.2
1998	11.9	5.6		3.6	21.1
1999	12.3	5.5		3.7	21.5
2000	12.9	5.5		4.1	22.5
2003	11.0	3.9		9.7	24.6
2004	10.9	3.7		10.2	24.8
2005	9.5	3.8		10.8	24.1
2006	9.5	3.8		11.5	24.5
2007	10.4	3.9		12.3	26.6
2008	10.7	4.2		13.8	28.7
2009	10.0	4.2		13.1	27.3
2010	10.5	4.5		14.1	29.1

Meanwhile, as shown below, in the international arena, the private sector has operated passenger rail that it is profitable and increases ridership. For example, in 2004, Virgin Rail began providing service on Great Britain's West Coast Line from London to Manchester, and by 2010 had doubled the ridership. Furthermore, from a 2004 debt of \$406.9 million, Virgin Rail returned to the government a payment of \$244 million and \$81 to investors.

Similarly, in Japan, after privatization in 1987, annual total ridership for JR Central, which operates the Tokyo to Osaka high-speed rail line, has increased from 102 million to 151 million riders, while revenues have increased 52% from 1988 to 2008. The Tokyo to Osaka line is the world's first high-speed rail line, and runs a substantially longer distance in less time than Amtrak's DC to New York route.

International Competition Success							
Country	Structure	Ridership Information			Line Distances	Travel Time	Profitability
United Kingdom West Coast Line Virgin Rail	Competitive operations	2004 14 million	2010 28.6 million	100% increase	London -- Manchester 184 miles	2 hours	In past six years, went from \$406.9 million in debt to \$244.1 million paid to the government and \$81.4 million in Virgin profits.
Japan JR Central	Regionalized -- private operators	2004 132 million	2010 138 million	5% increase	Tokyo -- Osaka 320 miles	2 hrs, 25 min	In the twenty years since privatization in 1987, revenues have increased 52%.
United States Amtrak	Government- subsidized monopoly	2004 10.9 million	2010 10.5 million	4% decrease	DC -- New York 225 miles New York -- Boston 230 miles	DC -- New York 2 hrs, 45 min. New York -- Boston 3 hrs, 30 min	Taxpayers subsidize each Amtrak ticket at an average of \$54.48.

Given these successes, the Competition for Intercity Passenger Rail in America draft bill offers a new direction for high-speed and intercity passenger rail on the NEC by leveraging private sector investment and increasing competition. The draft bill separates the NEC from Amtrak, transferring title from Amtrak to the U.S. Department of Transportation in consideration for all but one share of the Amtrak's preferred stock and forgiveness of all Amtrak's mortgages and liens held by the Secretary. The draft bill creates a NEC Executive Committee to whom the Secretary will lease the NEC for 99 years and whose role is to manage the NEC infrastructure and operations.

To bring the private sector to the table, the Secretary would begin the process by issuing a request for expressions of interest to finance, design, build, operate, and maintain intercity

passenger rail on the main line of the NEC, including the best structure for the public-private partnership. Based on the submissions, the Secretary would select two or three entities to submit detailed proposals to the NEC Executive Committee that meet the bill's performance standards for the NEC. Upon submission of the detailed proposals, the NEC Executive Committee would select the winning bidder based on how the bid meets or exceeds the performance standards, the greatest amount of private sector financing, the least amount of federal support, and how closely the public-private partnership aligns with that identified by the Secretary in soliciting the detailed proposals.

The draft bill requires that the process to establish the public-private partnership be completed within 18 months from the date of enactment. The draft bill ensures that freight and commuter interests are protected. It also creates new jobs in rail construction, operations, and station-related development, while protecting the jobs of any displaced Amtrak employees.

By leveraging private sector investment and expertise, increasing competition, and opening the door to public-private partnerships, the nation can finally achieve real high-speed passenger rail where it is most needed.

### III. Intercity Passenger Rail Competition

Title II of the draft bill includes the Intercity Passenger Rail Competition initiative, which will give States greater control and authority over their passenger rail services. Fifteen states around the country currently pay Amtrak to operate intercity passenger rail. These State-supported corridors are less than 750 miles in length and exist because States are committed to passenger rail options and are willing to pay for the services. While ridership on these routes has grown, they still require a federal subsidy and there is room for improvement in service and financial performance.

## State-Supported Routes

Route Names and City-Pair Origins & Destinations

<i>Ethan Allen Express</i>	<i>New York to Rutland, VT</i>	<i>Illinois Zephyr</i>	<i>Quincy, IL to Chicago</i>
<i>Vermont</i>	<i>Washington, DC to St. Albans, VT</i>	<i>Hiawatha Service</i>	<i>Chicago to Milwaukee, WI</i>
<i>Maple Leaf</i>	<i>New York to Toronto</i>	<i>Wolverine</i>	<i>Chicago to Pontiac, MI</i>
<i>Empire Service</i>	<i>New York to Niagara Falls, NY</i>	<i>Blue Water</i>	<i>Chicago to Port Huron, MI</i>
<i>Adirondack</i>	<i>New York to Montreal, ON</i>	<i>Pere Marquette</i>	<i>Chicago to Grand Rapids, MI</i>
<i>Downeaster</i>	<i>Portland, ME to Boston</i>	<i>Heartland Flyer</i>	<i>Oklahoma City to Ft. Worth, TX</i>
<i>Keystone Service</i>	<i>New York to Harrisburg, PA</i>	<i>Hoosier State</i>	<i>Chicago to Indianapolis, IN</i>
<i>Pennsylvanian</i>	<i>New York to Pittsburgh</i>	<i>Missouri River Runner</i>	<i>Kansas City, MO to St. Louis, MO</i>
<i>Carolinian</i>	<i>Charlotte, NC to New York</i>	<i>Pacific Surfliner</i>	<i>San Diego to San Luis Obispo, CA</i>
<i>Piedmont</i>	<i>Charlotte, NC to Raleigh, NC</i>	<i>San Joaquin</i>	<i>Bakersfield, CA to Sacramento/San Francisco</i>
<i>Lincoln Service</i>	<i>Chicago to St. Louis, MO</i>	<i>Capitol Corridor</i>	<i>San Jose, CA to Sacramento/Auburn</i>
<i>Illini/Saluki</i>	<i>Chicago to Carbondale, IL</i>	<i>Knowledge Corridor</i>	<i>New Haven, CT to Springfield, MA</i>
<i>Mid-Atlantic Regional</i>	<i>Washington, DC to Lynchburg and Newport News, VA</i>	<i>Cascades</i>	<i>Eugene, OR to Vancouver, BC</i>

Currently, almost half of the nation's commuter railroads are operated by the private sector. As indicated below, this competitive environment has resulted in ridership growth and cost savings for States and local agencies.

Commuter Rail Competition				
Line	Privatization	Ridership Growth	09 Passenger Trips	Additional Information
MBTA Boston	Operating contract to Massachusetts Bay Railroad Company (consortium of Veolia and Bombardier)	1.73% average annual ridership increase over last 5 years	40.6 million	Amtrak refused to bid on operating contract when MBTA put out tender in 2003 making it clear the agency was open to private sector operators.
Tri-Rail South Florida	Operating contract to Veolia 2007-2014 with 3 option years	10.8% average annual ridership increase over last 5 years	4.2 million	Veolia won contract with \$97 million contract; Amtrak's bid was \$162 million (\$69 million higher).
Virginia Railway Express	Operating contract with Keolis for 5 years, beginning in June 2010.	1.43% average annual ridership increase over last 5 years	3.9 million	Keolis bid \$85 million, about \$1 million less than Amtrak. This is the company's first U.S. operating contract.
Sounder Commuter Rail Seattle WA	Operated by BNSF Railway	18.4% average annual ridership increase over last 5 years	2.5 million	Sounder commuter rail service initiated in 2000, has always been operated by BNSF (and operates over BNSF rail lines)
Trinity Railway Express, Dallas to Ft. Worth	Operated by Herzog	6.6% average annual ridership increase over last 5 years	2.7 million	Operating and maintenance contract awarded to private operator Herzog since Trinity Railway Express began operations in 1997
Altamont Commuter Express, Stockton-San Jose	Operated by Herzog	5.6% average annual ridership increase over last 5 years	800 thousand	Herzog won contract with a \$5.37 million bid that was 48% lower than Amtrak's \$10.32 million bid

The draft bill will allow open competition for a number of intercity passenger rail services on State-supported routes. In 2008, the Passenger Rail Investment and Improvement Act required Amtrak and the States to develop a standardized method for allocating costs associated with the State-supported corridor services. These new allocations will provide private sector companies a transparent baseline of Amtrak's costs from which they can compete to provide the services. The draft bill allows States, with the aid of an expert panel on competitive best practices, to develop a bid process to allow the private sector to provide certain services on the route, including maintenance of way, maintenance of equipment, operations, sales and marketing, scheduling, call centers, and onboard services. If a State enters a competitive bid process for any number of the services, the State is awarded the entire Federal subsidy for the route that would otherwise go to Amtrak. The draft bill, therefore, incentivizes States to competitively bid passenger rail services, which will save money and improve passenger rail service.

The federal taxpayer also achieves savings through a new allocation process in 10 years to reflect the cost savings from competition. The draft bill also protects current levels of service and the interest of freight railroads. The draft bill further creates new private sector jobs and protects current Amtrak employees potentially displaced. By encouraging competition on State-supported routes, the draft bill will give States greater control over passenger services, save money, and improve service.

This title builds upon and makes permanent the “Alternative Passenger Rail Service Pilot Program,” authorized in section 214 of Division B of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). Though this program was required to be implemented within one year after PRIIA’s enactment, the Federal Railroad Administration has failed to do so.

#### IV. Long-Distance Passenger Rail Competition

The third and final title of the draft bill is entitled “Long-Distance Passenger Rail Competition.” This title will open Amtrak’s failing long-distance routes to competition to reduce the burden on taxpayers and improve service for the traveling public. Allowing head-to-head competition will give the private sector the opportunity to revive these money-losing routes.

Amtrak’s most heavily subsidized routes in the national network are the long-distance routes, defined as those 750 miles or more in length. Each one of these 15 routes, listed below, is operated at a loss, totaling \$527.3 million in 2010, or an average of \$117.84 per ticket. Some routes perform much worse. The Sunset Limited, for example, which travels between New Orleans and Los Angeles, lost \$407.92 per passenger in 2010. In total, the long-distance routes account for three-quarters of Amtrak’s operating losses.

Long-Distance Subsidy				
Route	City Pairs	Net Operating Loss	Ridership	Subsidy Per Passenger
Silver Star	New York - Miami	\$46,500,000	393,586	\$118.14
Cardinal	Chicago - New York	\$15,200,000	107,053	\$141.99
Silver Meteor	New York - Miami	\$39,100,000	352,286	\$110.99
Empire Builder	Seattle - Chicago	\$56,200,000	533,493	\$105.34
Capitol Limited	Chicago - Washington D.C.	\$20,600,000	218,956	\$94.08
California Zephyr	San Francisco - Chicago	\$52,300,000	377,876	\$137.88
Southwest Chief	Los Angeles - Chicago	\$57,700,000	342,403	\$168.51
City of New Orleans	Chicago - New Orleans	\$21,800,000	229,270	\$95.08
Texas Eagle	Chicago - Los Angeles	\$27,100,000	287,164	\$94.37
Sunset Limited	Los Angeles - Orlando	\$37,400,000	91,684	\$407.92
Coast Starlight	Seattle - Los Angeles	\$47,100,000	444,205	\$106.03
Lake Shore Limited	Chicago - New York/Boston	\$35,000,000	364,460	\$96.03
Palmetto	New York - Savannah	\$13,800,000	189,468	\$72.84
Crescent	New York - New Orleans	\$40,200,000	298,688	\$134.59
AutoTrain	Lorton, VA - Sanford, FL	\$18,500,000	244,252	\$75.74
<b>TOTAL</b>		<b>527,300,000</b>	<b>4,474,844</b>	<b>\$117.84 (avg)</b>

The draft bill will reduce the need for subsidies for these routes, by opening them to competition. Upon petition by an interested party, the Secretary will bid operation of the long-distance route out for competition among the petitioner, Amtrak, and any other interested entity. The Secretary will then select the winning bidder based in-part on the lowest possible level of Federal financial support required. By allowing private-sector operators to compete and make a profit on these routes, the draft bill will improve services and reduce federal spending, while creating jobs and protecting Amtrak employees.

The Competition for Intercity Passenger Rail in America offers a bold new direction for high-speed and intercity passenger rail. Witnesses will discuss how increasing competition will create jobs, improve passenger rail efficiency and service, increase innovation, and drive down costs to the Federal government, State partners, and passengers.

#### **V. Invited Witnesses**

The Honorable Joseph Boardman  
President  
Amtrak

Richard Geddes  
Adjunct Scholar  
American Enterprise Institute

Anne Stubbs  
Executive Director  
Council of Northeast Governors

Bill Millar  
President  
American Public Transportation Association

Thomas Hart  
Vice President, Government Affairs & General Counsel  
U.S. High Speed Rail Association

Edward Wytkind  
President  
Transportation Trades Department, AFL-CIO