

**AN UPDATE ON THE HIGH-SPEED
INTERCITY PASSENGER RAIL PROGRAM:
MISTAKES MADE AND LESSONS LEARNED**

(112-114)

HEARING
BEFORE THE
**COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE**
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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† Hon. Kevin McCarthy did not submit a written statement.



**U.S. House of Representatives
Committee on Transportation and Infrastructure**

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Chairman

Washington, DC 20515

Nick J. Rahall, III
Ranking Member

December 3, 2012

James W. Coon II, Chief of Staff

James H. Zola, Democrat Chief of Staff

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: Hearing on "An Update on the High Speed and Intercity Passenger Rail Program: Mistakes Made and Lessons Learned"

PURPOSE

On Thursday, December 6, 2012, at 9:30 a.m. in 2167 Rayburn House Office Building, the Committee on Transportation and Infrastructure will receive testimony regarding the Federal Railroad Administration's (FRA) High-Speed and Intercity Passenger Rail (HSIPR) Program. Last December, the Committee held a series of two hearings on the HSIPR Program and this hearing will follow-up on those hearings. The hearing will provide an opportunity to examine FRA's management of the program, consider where projects are in the process, and discuss means of improving the program now that a majority of the funds have been obligated.

HISTORY OF THE HSIPR PROGRAM

Legislative History

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) authorized two passenger grant programs to States, one for capital improvements on traditional intercity passenger rail, and another for high-speed rail (greater than 110 mph) on designated HSR corridors. These two programs were combined in subsequent appropriations acts into the FRA's HSIPR Program. Using that framework, the American Recovery and Reinvestment Act (ARRA) allocated \$8 billion in federal funding. The President's stated vision for the HSIPR program was to provide 80 percent of Americans with access to high-speed rail within 25 years.

Only two months after the passage of the ARRA, Congress appropriated \$90 million in the fiscal year 2009 Omnibus for State Capital Grants for Intercity Passenger Rail Service. In the Consolidated Appropriations Act for fiscal year 2010, an additional \$2.5 billion in HSIPR

funding was appropriated, but no more funds have been appropriated to the program. Indeed, the FY 2011 Omnibus Appropriations Act actually rescinded \$400 million of unobligated HSIPR funds, bringing the total appropriated funding for HSIPR down to \$10.1 billion.

Status of Funding and Projects

In the HSIPR program there are a total of 151 projects, including large multi-billion dollar, long-term construction projects and small planning projects. The FRA has obligated 99% of all HSIPR funds to 148 projects totaling approximately \$9.934 billion¹ (see chart below). Because of an obligation deadline in ARRA of September 30, 2012, it is important to note that 100% of the ARRA funding in the program has been obligated. However, just because the funding is obligated does not mean the projects are under construction, as the agreements discussed in further detail below must be in place prior to expenditure. Further, the ARRA funds must be spent by September 30, 2017 or the funds' availability will be cancelled. (See 31 U.S.C. §1552(a)). As for the remaining 1% of total funding, which includes both FY2009 and FY2010 funding, only three full projects and part of another project are unobligated,² as of November 19, 2012.

Now that federal funding for the HSIPR Program has been almost fully obligated, the FRA has shifted focus from awarding and obligating funds to overseeing project management. As of November 29, 2012, there are six completed construction projects, with thirty-one construction projects underway, and thirteen expected to begin in the next six months. Many of the construction projects are upgrades to routes on which Amtrak already operates and service on those routes will not exceed 110 mph. For example, prior to Thanksgiving, the State of Illinois and Amtrak introduced 110 mph service on the Chicago to St. Louis route for an approximately 15-mile stretch of track between Dwight and Pontiac, IL. Of the other projects funded under the program, only the California High-Speed Rail project and the Northeast Corridor would be true-high speed rail. The Committee will explore the Northeast Corridor's future in a hearing next week. Listed below are the obligated projects and funding by corridor.

¹ This total does not include approximately \$50 million in ARRA funding retained by FRA for oversight and administration.

² The three unobligated projects include: Texas' Valley View Double Track Project IV (\$7.19M, FY09 funds); Florida's Orlando-Miami Corridor Plan (\$8M, FY10 funds); and New York's Syracuse Track Construction and Signal Improvements (\$18.5M, FY10 funds). Part of the Chicago-Iowa City Corridor Service project has yet to be obligated; the unobligated amount totals \$53M of the FY10 funds.

HSIPR Obligated Projects by Corridor			
Corridor	Obligated Construction Projects	Obligated Projects (All Project Types)	Obligated Funding (in millions)
Boston - Portland - Brunswick	2	3	\$60
CA - High-Speed Rail	4	4	\$3,897
Charlotte - Raleigh - Richmond - Washington DC	5	7	\$695
Chicago - Detroit - Pontiac	8	10	\$598
Chicago - Iowa City - Omaha	1	2	\$178
Chicago - St. Louis	3	4	\$1,343
Eugene - Portland - Seattle - Vancouver BC	6	11	\$813
Existing CA	11	24	\$172
New Haven - Springfield - St. Albans	5	5	\$316
New York City - Albany - Buffalo - Niagara Falls	6	10	\$168
Northeast Corridor (DC - NYC - Boston)	7	13	\$984
Other Projects*	10	37	\$172
Philadelphia - Harrisburg - Pittsburgh	2	5	\$66
Regional Equipment Pool	3	3	\$436
St. Louis - Kansas City	4	10	\$36
Total	77	148	\$9,934

Source: Federal Railroad Administration

*Other planning projects, projects on other corridors, and projects on Amtrak long distance routes.

Project Agreements

The key stakeholders in the projects include FRA, the States, and the freight railroads. While FRA manages the grant program, the vast majority of the project grantees are States and State agencies, though Amtrak has received funding for Northeast Corridor (NEC) improvements. Aside from the NEC and some other properties owned by Amtrak and the States, most HSIPR projects are taking place on infrastructure owned by host freight railroads. Given the role freight railroads play in our nation's economic growth, it is important that the host freight railroads' capacity to move their freight not be compromised by passenger rail expansion and investment. This has meant that the grantee States and host railroads have had to establish different sets of terms or agreements to protect each entity's respective interests.

Specifically, three types of terms or agreements have been identified: (1) service outcome agreements or service outcome terms, which set forth the benefits of the investment and the service levels; (2) maintenance-related terms or agreements, which address maintenance responsibilities; and (3) construction-related terms or agreements, which address responsibilities for construction management and performance. In certain circumstances, in lieu of service outcome agreements/terms, FRA has allowed for development rights and/or investment terms or agreements because the project is fairly localized and not one where the project itself could guarantee a particular outcome for the service.

The Committee will hear from witnesses, including representatives of all of the major stakeholders, on the progress of the program, their experience with implementation, and improvements that should be made.

CONCERNS WITH HSIPR PROGRAM

FRA Grant Management Concerns

A variety of concerns have been raised regarding the management of the HSIPR Program. As noted last December, in March 2011, the Government Accountability Office (GAO) released a report that highlighted concerns with transparency and other issues with FRA's selection process. Specifically, the report found FRA applied its established criteria during the eligibility and technical review, but GAO could not verify whether it applied its final selection criteria because the documented rationales for selecting projects were typically vague.

More recently, however, the DOT Office of Inspector General (DOT IG) has released two reports raising concerns with FRA's grants management framework and stakeholder agreements process. Specifically, in a September 11, 2012 report entitled "Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program" (September Report) the DOT IG found that FRA lacked sufficient guidance for staff and grantees to comply with HSIPR grants administration policies and procedures. Furthermore, the DOT IG found that "FRA's HSIPR goals ... lack the thoroughness needed to ensure grant managers and decision makers, including Congress, understand the goals the program aims to achieve." (September Report, p. 12). The DOT IG also explained that the FRA lacks mechanisms to assess program and grantee performance and does not have a comprehensive training program for HSIPR staff.

In a November 1, 2012 report entitled "FRA's Requirements for High Speed Rail Stakeholder Agreements Mitigated Risk, but Delayed Some Projects' Benefits," the DOT IG assessed FRA's development of stakeholder agreements for long-term, corridor projects, and the effects that the requirements' development had on short-term, ready-to-go projects. The DOT IG found that FRA's lack of clear guidance on structuring service outcome agreements required FRA to be more involved in negotiating the agreements resulting in a challenging and more time consuming process. Furthermore, the agency's focus on negotiating those long-term project agreements delayed realization of short-term project benefits. The Committee will hear from the DOT IG on its findings from these reports.

California High-Speed Rail Project

One of the Committee's HSIPR Program hearings last year was focused on the California High Speed Rail project, as it is by far the largest beneficiary of the HSIPR Program. In total, the project has been awarded \$3.897 billion (\$2.952 billion from the Recovery Act, and \$945 million from the FY 2010 Appropriations bill). This represents approximately 39 percent of the total HSIPR grant funding obligated by the FRA. Since the Committee's hearing last December, the California High-Speed Rail Authority (CHSRA) adopted a revised business plan in April 2012 that estimated the total cost of the project at \$68 billion with a completion date of 2028.

The plan claimed cost and time savings through use of a “blended” approach, i.e., using current right-of-way into San Francisco and Los Angeles, not a dedicated high-speed rail alignment. The plan also assumes that, in addition to the Federal funds already obligated, the project will receive future Federal support of approximately \$42 billion.

In July 2012, the California State Legislature approved State bond funds in the amount of \$2.7 billion as a match to the obligated Federal funds.³ The CHSRA is now preparing to begin construction by next summer on the initial construction segment (ICS) from south of Merced to north of Bakersfield. However, it recently announced that the completion date for the ICS would be pushed back a year until December 2017. Other than the rest of the State bond funds, CHSRA does not currently have any other funding, Federal or otherwise, to complete the initial operating segment (IOS) from Merced to the San Fernando Valley. The chart below provides the planned funding breakdown for each segment of the project.

Section	Initial Construction Segment (Merced to Bakersfield)	Initial Operating Segment (Merced to San Fernando Valley)	Buy-to-Basin (San Jose to San Fernando Valley)	Blended Service (San Jose to Los Angeles)	Total Completion
Start and Complete Dates	2013-2017	2015-2021	2021-2026	2013-2038	2013-2028
Federal Funds	\$3.3 B	\$20.3 B	\$8.4 B	\$10.0 B	\$41.9 B
Prop 1A State Bond Funds	\$2.7 B	\$4.4 B	\$0	\$1.1 B	\$8.2 B
Private Funds	\$0	\$0	\$10.1 B	\$3.0 B	\$13.1 B
Cash Flow	\$0	\$0	\$0.2 B	\$0	\$0.2 B
Other State	\$0	\$0.7 B	\$1.2 B	\$3.1 B	\$4.9 B
Total Funding	\$6.0 B	\$25.3 B	\$19.9 B	\$17.2 B	\$68.4 B

Source: CHSRA

Due to a number of concerns raised with the project at last year’s hearing, the Committee Chairman and Subcommittee on Railroads, Pipelines, and Hazardous Materials Chairman, along with the Majority Whip and a number of the California delegation signed on a letter to the Comptroller General of the United States requesting the Government Accountability Office (GAO) to review the project. The GAO’s review is focused on (1) the reliability of the project’s costs and financing sources; (2) reasonableness of the passenger traffic and revenue estimates; and (3) comprehensiveness of estimates of economic impacts, including those on adjacent landowners, associated with the project. The Committee will be updated on the status of GAO’s review, which is expected to be completed by February 2013.

³ Proposition 1A was approved by California voters on November 4, 2008, and authorized the State to sell \$9.95 billion in general obligation bonds to fund the high speed rail project; however, under State law, the bond funds are only available after appropriation by the Legislature.

INVITED WITNESSES

The Honorable Ray LaHood
Secretary
United States Department of Transportation

Mr. Mitchell Behm
Assistant Inspector General for Rail, Maritime and Economic Analysis
United States Department of Transportation

Ms. Susan Fleming
Director, Physical Infrastructure
Government Accountability Office

The Honorable Paula J. Hammond, P.E.
Secretary of Transportation, Washington State
Chair, AASHTO HSIPR Leadership Group
Chair, States for Passenger Rail Coalition

Mr. Edward R. Hamberger
President & CEO
Association of American Railroads

The Honorable Ann L. Schneider
Secretary of Transportation
State of Illinois

AN UPDATE ON THE HIGH-SPEED INTERCITY PASSENGER RAIL PROGRAM: MISTAKES MADE AND LESSONS LEARNED

THURSDAY, DECEMBER 6, 2012

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to call, at 9:35 a.m., in Room 2167, Rayburn House Office Building, Hon. John L. Mica (Chairman of the committee) presiding.

Mr. MICA. Good morning. I would like to call this hearing of the House Transportation and Infrastructure Committee to order. Today is another one of our hearings focused on passenger rail in the United States, and this is an oversight hearing which we conduct at the full committee level. I am pleased to welcome everyone to this hearing and this opportunity to review the progress of high-speed rail in particular today, and the title of the hearing is, "An Update on the High-Speed Rail Intercity Passenger Rail Program: Mistakes Made and Lessons Learned."

The order of business is we are going to hear Members' opening statements from the committee. Then our first panel will actually be two Members who we will welcome and hear their commentary. Both of them are from California, leaders in the Congress we are pleased to welcome, and then we will have the Secretary, and I believe, and one panel, and another panel to follow. So that is the order of business.

And again, welcome, and I will start with my opening statement, and we will yield and continue.

Well, again, as I said in introductory comments that we have been trying to conduct some oversight of passenger rail service. We focused in the past hearing on Amtrak and its organization and reorganization attempts I think dating back to 2005 and most recently.

The purpose of these hearings is not to micromanage. Sometimes people say I get a little bit into the weeds, but to, in fact, hopefully influence policy which we are responsible for, legislation that accounts for an important responsibility under our transportation portfolio, and that is making certain that the United States is in the business, regarding rail and conducting that activity for passengers and freight in a responsible manner.

At this committee's level, we have responsibility over Amtrak, our significant and really only passenger enfranchised operator in the United States, and so we focus quite a bit on that agency, and as you know, for 40 years or more, we have subsidized that oper-

ation for more than a billion dollars a year, and we are also faced with subsidizing high-speed rail, and that has been a \$10 billion investment that has been made by this administration and also by the Congress, I think eight, was it American recovery stimulus dollars, \$8 billion and then several billion added by Congress. That is no insignificant figure.

Again, when we are dealing with multitrillion-dollar deficits, we do have a responsibility as a Congress and a committee to see that that money is wisely spent, and even if it is stimulus money, that that money is spent. One of the questions that I will pose today to the Secretary and to others that are before us is, to date, only I believe 7 percent of the \$10 billion has actually been expended to date. Now stop and think about that. We are supposed to be adding jobs, the stimulus was supposed to be creating economic opportunity, but 7 percent of the stimulus dollars and the total \$10 billion has been spent to date.

I might also preface my remarks by saying that I consider myself one of the strongest advocates, in fact, I have been quoted as saying the biggest cheerleader for transportation and for passenger rail and for high-speed rail in the country, and I still hope to cling to that title. My effort as chair is actually to move a positive program forward. I started working with Mr. Oberstar when we did the PRIIA act, it was the first rail passenger reauthorization in 11 years, and worked with the other side of the aisle in moving that, that important legislation that deals with passenger rail, forward, it sets the framework that we are now operating under. And we will be looking at a reauthorization in the next Congress, so it is very important.

Let me just say that, whether we are building a high-speed rail, intercity passenger rail, transit services, any kind of infrastructure, highways, you wouldn't want to build a four-lane highway, where there are no passengers or vehicles to access it. You wouldn't want to build a city transit system where you don't have adequate capacity or people, passengers to use that facility. The same thing holds true with high-speed rail and intercity passenger service.

I am greatly concerned about the direction of this whole effort. I was excited when I heard President Obama and his administration at the beginning wanted to promote high-speed rail. Unfortunately, most of the money, the \$10 billion, does not go for high-speed rail. They chose instead to support almost 150 projects, and the number is growing, and a lot of that money has been left behind. In fact, most of the money that has been rededicated to high-speed rail has been sent back by States, including my State, the State of Florida, where we had a bait-and-switch proposal for high-speed rail, the actual speed was 84 miles per hour, 84 miles that took 1 hour to transit the distance of the proposed link in central Florida, and that is not high speed. High speed is at least, and by our definition, 110 miles per hour average. That doesn't mean the train gets up to 110, 150, 160 miles for some stretch, we are talking about the average speed.

There was also a bait and switch in Ohio. We were looking at 39 miles to 58 miles per hour. That money was wisely turned back. There was a similar proposal in Wisconsin. That money was turned back. And unfortunately, the beginning of the whole high-speed ef-

fort in the United States has been somewhat of a setback for high-speed rail.

The only route that has a possibility of being high speed is California; we have two California Members we are going to hear from. We will go into details about California's progress, but having visited out there, it does only service what, about a 100-mile stretch and mostly in a rural area without the transportation interconnections that we need and intermodal systems. We are serving the major population centers. We will talk about plans, and I am concerned about some of the direction of what is going on in California, about plans to connect to, I always say LAX, Los Angeles and SFO, the San Francisco Bay Area, which are also troubling reports that we have on that.

So our intention today is really to try to work in a positive fashion to make certain that true high-speed rail occurs in the United States. I make no secret, I tell people in Florida, in my district, and around the country, that our number one goal should be and as you may know, Amtrak owns and the Government people own have an interest in the 600 miles of track between Washington, DC, our Nation's Capital, Philadelphia, New York City, Boston, the most congested corridor in the United States of America, and that is the only 600 miles that we really own. We own some other small stretches, all the rest commuter, I am sorry all the rest of Amtrak service is run over more than 20,000 miles of private freight rail. And I see some of the freight rail people in the audience, and they have concerns, too, about using some of their corridors and not having dedicated high-speed corridors, and we need to address that issue as we move forward.

My final point is the Northeast Corridor is where I think we should be putting the focus, some dollars; give the administration credit for at least taking the money that has been turned back dedicating some of it to the Northeast Corridor, but we are doing that in a piecemeal, half-baked fashion. The Northeast Corridor, every State, every major area can benefit by bringing high-speed rail to the Northeast Corridor. Seventy percent of our air traffic delays emanate from the Northeast Corridor, even when we have next-generation air traffic control and move planes a little bit faster and closer together, with the doubling of the air traffic, with all of the other restrictions that we have in that corridor, you must have high-speed rail to serve that area, and it has the connections to also service one of the most congested corridors in the United States of America.

Next week, our hearing, our final hearing, will be a hearing that we will hold on the Northeast Corridor. Our very first hearing on a snowy day in January when I became chairman was at Grand Central Station in New York City, and we will conclude our final hearing of this session dealing with progress or lack of progress in the Northeast Corridor next week in our hearing that will focus specifically on the Northeast Corridor.

So, with those comments, again, as a strong supporter because of energy, environment, because of congestion, I still remain dedicated to moving positive intercity passenger rail and particularly high-speed service because the United States is falling further behind and must lead the pack instead of be behind the pack.

With those quick comments, let me yield to the patient ranking member, who was so nice to me yesterday, I have to be very nice.

Mr. DEFAZIO. Thank you, Mr. Chairman, I am disappointed that your portrait isn't hanging behind us.

Mr. MICA. It is never going to hang there.

Mr. DEFAZIO. Nothing can move Don Young from the center.

Mr. MICA. Nothing. Look at the size of that.

Mr. DEFAZIO. It takes five people to move it.

So thank you, Mr. Chairman.

Mr. Chairman, I have been involved in the issue of high- and higher speed rail since early on in my career in Congress. In the early 1990s, Al Swift on the Appropriations Committee designated the first proposed five high-speed rail routes in America, and one of them was from Eugene, Oregon, to Vancouver, British Columbia. And we will hear a little bit later from Paula Hammond, who is the secretary of transportation from Washington State, who will describe our progress or lack thereof, small amount of progress in achieving those goals.

But we are plugging away at it. This is not an easy thing. Right-of-way issues are very problematic. The conflicts between freight and passenger rail, we need to invest time and effort in helping to work those things through. But I do believe that the American people do want higher and high-speed rail. California is trying something unique in terms of new right-of-way. They are seeing the difficulties with that, but that does have the promise of true high-speed rail that can pretty much only come with new and dedicated right-of-way, which is very problematic and very expensive. But I still believe that there is a tremendous market for this, and if done right, it will be something that future generations of Americans will look back on and say, they can't believe there was a day when we were limping around with what we are limping around with now in underfunded Amtrak, undercapitalized Amtrak, and we are not putting in the investments we need to help people move efficiently from point to point by higher speed rail.

I just point to the Spanish example. It is probably most analogous to ours. Twenty years ago, they had a system that was crappier than what we have here, and they built their first segment from Madrid to the coast. And after a while, pretty much everyone in Spain had had a chance to ride on it, and they all said, hey, we want that, too. And now they have a system that moves people very long distances very quickly, has changed real estate markets and businesses. It has been a tremendous boost. They have got problems with their economy but has made major changes for them that have been beneficial. And similarly, you can find that in places like California, with extraordinarily high-priced real estate in the urban centers, but with high-speed rail, people could live even further out than they do now and get there economically and environmentally responsibly.

So I look forward to discussing the problems we have had, and the improvements we can make, and what the future is going to look like. I regret that I have to go to a meeting because I am on policy and steering, because I am looking forward to a lively exchange between the two Californians, which I know will be lively, and I always love to hear from Secretary LaHood. But I will have

to step out. But I know they are, now I am ably followed by others who will take my place.

Thank you, Mr. Chairman.

Mr. MICA. Well, thank you, Mr. DeFazio.

And he has been a great partner. I appreciate all of his work. I will probably see you next week for my last hearing as chair, but I want to thank you.

We took the United States through 9/11 and some very difficult times together.

Mr. DEFAZIO. The TSA has been a work in progress.

Mr. MICA. Don't mention TSA, please. I always refer to that as my bastard child, but you helped it in the conception.

Mr. DEFAZIO. Well, I didn't even want to go there.

Mr. MICA. I think we are going to have a lively one today, because we have got Mr. Denham from California, and I think Ms. Richardson won't miss this opportunity.

But, Mr. Denham, you are recognized.

Mr. DENHAM. Thank you, Mr. Chairman.

I will take the short opportunity to make a quick statement. I always look forward to talking about high-speed rail in California, because it always changes; there is always something new to talk about. This was something that I supported when I was in the State Senate, when it was a \$33 billion project going to the ballot initiative to borrow \$9.95 billion when we actually had a decent credit rating. Since then, our credit rating has been downgraded; our debt has gone through the roof to the point of near bankruptcy. And this plan that we once had has no plan. It went from \$33 billion to \$98.5 billion, with no private investors to pay for it, with no funding coming from the Federal Government to pay for it and unable to float the \$9.95 billion dollar bond that the voters passed. Now the voters are saying, no, thank you. Let's put it back on the ballot, so that we can end the project once and for all.

I think there are a lot of things that we would like in California, and certainly a new shiny train would be one of them. It would be fun to have, but the question you have to ask yourself is, can we afford to have something fun? Can we afford to have a luxury right now? And can we afford it do it do it with no plan?

So my questions will continue to center around where does the \$98.5 billion come from, and if that has now been reduced down to \$68 billion, where are these new ridership numbers coming from that have no justification?

And lastly, I want to see something that shows that we actually have a budget, that it is actually going to be done on time, not over several decades.

And thirdly, one of the things that was promised, not only to me as a Member of the Central Valley but to the entire State, was that this was going to be done on a preplanned corridor that was going to stay off of our ag land, not only our valley's number one industry but our State's number one industry, and if we continue to disrupt our ag industry, we will continue to lose our number one industry.

With that, I yield back.

Mr. MICA. I thank the gentleman.

Now, the gentlelady, Ms. Richardson from California, you are recognized.

Ms. RICHARDSON. Yes. Thank you, Mr. Mica.

I can't compare to the bastard child that you referred to with Mr. DeFazio, but maybe I will be a good cousin for you today.

Thank you, Chairman and Ranking Member DeFazio, who was here earlier, and I would also like to acknowledge Mr. Denham. I traveled with Mr. Denham and Mr. Mica to the Central Valley to look at this very issue, and although we may not agree on the ultimate thoughts of your perspective of this project, I think you have been very conscientious and want to do what is best for the Central Valley, and we hope to work to provide you with that plan; that is why the part of the Secretary being here and others, so that we can get this ball rolling and get it done.

Today we are here to discuss the high-speed and intercity passenger rail opportunities. And I also want to acknowledge Secretary Ray LaHood. I think probably more than any Secretary that I have seen here in Congress, you consistently come very patiently to answer our questions and want to make sure that we are well informed so that we can do our work, and we thank you for that, sir.

As a member of the Railroad Subcommittee and cochair of the California High-Speed Rail Caucus and vice chair of the Bicameral High-Speed Rail Caucus, the development and implementation of a national high-speed rail system is one of my highest priorities. Right now, China is operating 13 high-speed railways and has more than 20 under construction. By 2020, this network will cover nearly 10,000 miles.

When I looked at the title of this initial hearing about what mistakes have been made, it seems to me one of the number one mistakes has been is our lack of continued commitment to high-speed rail and providing adequate dollars to be able to have a true system here in the United States.

Not only are we not investing in alternatives to highway systems, but we are spending it on Band-Aids for infrastructure, rather than investing in a top-tiered system. Our President has certainly taken bold steps, and the Secretary has carried that flag with us, but we must provide them the support to provide the additional dollars that are certainly going to be needed, as Mr. Denham referenced, to be able to get this project going.

When you consider the amount of money that is spent on gasoline, aging infrastructure and all of the changes, certainly high-speed rail must be at the forefront. And when you consider that the Federal Reserve Bank of San Francisco referenced that infrastructure investment gets a good bang for the buck in the sense that fiscal multipliers, the dollars increased by the output of each dollar that we are spending, are significant and should be done. When you consider that California, as Mr. Denham mentioned is the ninth highest GDP in the world, the first in the United States and represents about 12 percent of the country's population, certainly when others before us, generations before, considered trains going west, we shouldn't be hesitating and insisting upon an only one way when we know the opportunities are there in California. Some portions of California offers a landscape that makes it a true high-speed rail possibility, similar to France and China, and our chairman here alluded to that.

The recent GAO's preliminary assessment of California's cost estimates show that California's High-Speed Rail Authority has to secured \$11.5 billion from Federal and State sources and still needs a shortfall of \$57 billion to move forward.

To put this investment into perspective, in the 1950s, Congress took bold action to invest in its infrastructure and to create an Interstate System. The initial system took 35 years to build, and after several editions, the highway system is a total length of 47,182 miles. The cost of construction has been estimated at over \$425 billion in today's dollars if we were making that same decision. So certainly we should move forward at this time.

An urban mobility report by Texas Transportation Institute found that the cost these slow speeds of what we currently have and long delays and endless congestion continues to cost the United States over \$100 billion annually. Now is the time to make that investment for alternatives to congested highways and to simultaneously create jobs.

The intercity passenger rail service is one of those alternatives that at any speed trumps long delays and crawling speeds that faces our Nation's major interstate today. The Northeast Corridor and the California high-speed rail system should be treated as the first step to developing the Nation's high-speed rail network, not an ending point.

I want to thank all of our witnesses before us today, and I look forward to your testimony about this important issue.

And I yield back.

Mr. MICA. Thank you so much.

Ms. Norton.

Ms. NORTON. Well, Mr. Chairman, I don't know if this is your swan song.

Mr. MICA. No, that is next week.

Ms. NORTON. All right. Because if so, I would not be surprised that it was on high-speed rail.

Mr. MICA. It will be, and it will be on the Northeast Corridor. And then I might save a little time for the FTC.

Ms. NORTON. I knew it. That is your real swan song, and that will never go away.

Mr. Chairman, it has been a pleasure to work with you on that matter. I don't know about California and other places where high-speed rail may be controversial, but I do know where we are furthest along, and all I want to do is to see us get started so that we have a pilot to show that we can do this.

Those who created the American railroad system with considerable help from the United States Government during the Civil War, private and public alike, our public officials, the magnates who took the Government money and ran with it, they would be turning over in their graves to see how far behind we are developed and developing country on high-speed rail. The fact that we cannot say that there is a single example of real high-speed rail in the United States should be, and for me is, a matter of personal embarrassment as an American citizen.

And in the District, where we have the hub of Amtrak, Amtrak has already created a master plan for redesigning the station in order to accommodate high-speed rail. It is already dealing with

the infrastructure, and, of course, in the Northeast Corridor is where we have already the fastest trains.

I will not, I want to engage in a competition with the rest of the country and I see and I understand why the stimulus package trying to catch up with countries around the world funded the high-speed rail at various parts of the country, but I notice, I note that the IG says there needs to be milestones. You are not going to hook up this entire country on high-speed rail by just saying, on your mark, here we go. I don't think we will be able to avoid prioritizing where the money goes, piloting it because we have not done it, and I Am not convinced we know how to do it, because we haven't done it, and to avoid making mistakes throughout the country of having no model to study, I hope we will at least start where we already have started on the Northeast Corridor and somebody else in the Southeast or California or anywhere in the United States think they can do it faster and their model is ready, I will concede to them. Just let's get started.

Thank you, Mr. Chairman.

Mr. MICA. I thank the gentlelady.

And I also thank her; for 15 years, we talked about having Union Station as a true intermodal center. We used to have our people come to the Greyhound station, two, three blocks, drag their luggage to Union Station; we used to have to go around town to take a bus from some satellite location. And Ms. Norton was with me. In 15 months, we got that done and dedicated, came up for that, even during a very heated election. But I thank you for your leadership.

Also, not this Secretary, but Porcari the Deputy Secretary, was instrumental in making the Nation's Capital have a true intermodal center. But I thank both of you.

Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman.

I want to thank all of our witnesses today, and I want to particularly thank Secretary LaHood. I understand it is your birthday. I don't think I would have chosen to spend my birthday with you, but I am glad you have chosen to spend your birthday with us.

And particularly to the chairman, for holding this hearing and discussion today about high-speed rail, we had a chance to just about a week and a half ago, of course, to go up to New York, and bless Amtrak, but it just took forever, even on the Acela. And so I do share your view and that of Ms. Norton that we have a really densely populated corridor in the Northeast that requires robust development of high-speed rail, but I don't think that has to be, nor should it be, at the exclusion of development of high-speed rail in other corridors of the country.

When I think about a trip that I took many years ago with my son, from Paris to the Dordogne region in France, and it was going from a densely populated urban area to a rural and mountainous region, and high-speed rail wasn't excluded from there. And so I think the same can be true of areas along the, around the central coast; I think that that is true in other areas of the country. And for us to be competitive, I think it is absolutely necessary.

And we know, of course, and we don't have to sing the phrase here, but we know that the investment in high-speed rail and that

kind of infrastructure will pay off in terms of thousands and thousands of jobs, and it will pay off in terms of making us more competitive. I mean, if a worker going from Boston to Washington, DC, can have so many more options for work for employment, our employers can have so many more options if their employees could make it a day commute. And so we need to get started, and there has been so much discussion on this committee with the stimulus package.

And I really have to question why it is that Members of Congress are so headstrong against high-speed rail in some corridors when it was their Governors and their State legislatures that wanted the high-speed rail dollars. And yet they have rejected that.

I have to say, in Maryland, we were particularly beneficiaries when Florida went through its own rejection phase. I am grateful for that. I don't think it was particularly smart. And so I look forward to a discussion today about how we can get off the dime. Sometimes there is great resistance to change, and that requires somebody to punch through with vision. And I am sure, and I know that this is true, that over a period of time when the Interstate Highway System was being developed, there were areas that said, no, we don't want the highway. Well, who doesn't want a highway now?

There have been other occasions, even with our own Metrorail here in this region, I can think of communities that I represent now who said, I don't want metro coming to our district. It will keep people out. And guess what? They are begging for Metro now. I was begging for Metro this morning when I spent an hour and a half commuting 8.6 miles.

And so all across this country we have a need to get from one place to another to do our business to conduct our work. And I share the view of many in our freight rail industry. We could be so much more efficient if we weren't sharing tracks and sharing infrastructure with our passenger rail system.

So let's get this right, Mr. Chairman. Let's spend the money that we need to spend and let's consider that an investment and a pay-off maybe not for us but for a couple of generations in the future. And with that, I yield.

Mr. MICA. I thank the gentlelady.

The gentleman from Indiana, Mr. Bucshon.

Dr. BUCSHON. Thank you, Mr. Chairman.

I am going to make a few comments. I am from Indiana, and we are probably not ever going to get high-speed rail.

But in my observations recently with the ongoing interstate project through my district, trying to get a highway built from Evansville to Indianapolis, I see some of the same stepping stones that high-speed rail has. And I think some of the discussion needs to revolve around, what are the impediments, other than money, that are stopping these type of projects? And the reality is that there are environmental issues, ongoing lawsuits for years, sometimes decades. There are right-of-way issues, again, ongoing lawsuits, sometimes for decades, that cost people so much money that the question I have is, should the Federal Government continue to funnel money to projects that are going to take two decades, three

decades, if we are not going to really address some of the drivers of the ongoing cost?

Interstate 69, which is a little different from building a high-speed rail, but it is through new terrain; it is not an existing right-of-way, started—we started thinking about this project in the late 1960s, and I would argue, had the Interstate Highway System, if we tried to build that today, we couldn't build it. And so I think, with my 2 years on this committee and being into a number of hearings about high-speed rail, I am in favor of it. I think in a lot of areas it makes sense. But I think we do need to address some of these issues.

Thank you. I yield back.

Mr. MICA. Any other Members seek recognition?

If not, I thank our two first witnesses, Member panel, for their perseverance. And they get first choice of speaking. I would also ask unanimous consent that members not on the committee, including Mr. McCarthy and Ms. Hahn and others if they choose to be permitted, to sit with the committee at today's hearing, offer testimony and ask questions.

Without objection, so ordered.

So you are welcome to join us afterwards if—you will be at the end of the pecking order on questions, but you have endured very well so far.

With that, we want to welcome our two colleagues from California, Mr. McCarthy, Ms. Hahn, and thank you for joining us.

We will recognize Mr. McCarthy, first.

Welcome, and you are recognized.

TESTIMONY OF THE HONORABLE KEVIN MCCARTHY AND THE HONORABLE JANICE HAHN, REPRESENTATIVES IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MCCARTHY. Well, thank you, Mr. Chairman.

And before I begin, I do want to thank you for your commitment to America's infrastructure and your tenure as chairman. You have done a very good job and we appreciate that commitment.

To Mr. Secretary, happy birthday. You happen to share that with someone very special to me, my wife, so I will see her later today.

And to Ms. Hahn, thank you for joining with us.

I listened to all the comments today, and I can't disagree with your comments, but the one thing that we all have to look to, especially in a time of why we are here; none of you have planned to be here during this time of year. We are here debating a fiscal cliff. We are here debating the direction of America, where are we going to go financially? We have a very responsible ability as Members of Congress: We are the stewards of public funding. And it is rightful that we have this hearing again, and I appreciate it.

In December, when I came, I raised a couple issues. We want to invest in infrastructure. We want America to move quickly our freight and our people in the best ways possible.

What you want, you also need to plan for, a plan that works, a plan that is tested, a plan that is audited and a plan that has a review. I happen to come from California. I happen to sit in the area that many of you talk about it is going to be part of where

it begins. And I have real doubt of viability, the cost, and if and when this will ever be built.

That is why I joined with the chairman, Mr. Denham, Mr. Hunter, Mr. Miller, when we sent the letter to the GAO, asking for an audit and review of the business plan in California. And I will look forward to hearing their testimony later and looking and reading the report when it is completed.

To date, the project in California has been the biggest recipient of Federal money, billions of dollars. There are concerns about the business plan itself and equally concerning to me; just because we have invested money doesn't mean we have to invest more. The current plan, to be finished at the smallest level of number, asks for another \$38 billion from the Federal Government.

Please put that in perspective. The debate we are rassing over for the rest of the month on our fiscal cliff, if you raised all the dollars and raised all the taxes as proposed, you only get \$31 billion in a year. And they are requesting more than what we would even get from that.

So we need to be good stewards. Yes, we want movement. Yes, we want to work it right. But before we make an investment again, shouldn't we review the business plan?

Secondly, it is an issue that Mr. Denham raised. This was put before the California voters; yes, it looks different today. As a California voter, I personally think you would have to go back to the Californians because this is not what was proposed. It said there would be private funding. There is no proposed private funding as of today.

There is no money in, and I question whether there will be in the future.

So, is the Federal Government now on the hook for the rest of the plan, which the voters were asked for and said would come? If we are the biggest funders of this, why would we not wait to what they said they would do? That is a question we all have to ask.

Thirdly, when you read the business plan, and you live in my area, the numbers just don't add up. The millions of people that they project will ride the train from my area are nowhere near the population that will do it. There is roughly 750,000 within the Central Valley that currently take a train or an airplane to the region in which they are going to serve.

So is your investment going to take pay off? Or are you making an investment where you are going to have to continue to invest and subsidize the riders to be on the train themselves?

California first brought this issue up when we had a surplus. Many people realize in a Government when you have a lot of surplus, you start big picking up big dreams; you want to do a lot of different things. That is not the same perspective of where California is today, and it is definitely not where the Federal Government is today.

So our stewardship has to analyze the business plan, analyze the numbers, and also put on the table, maybe it is the time we cut our losses. Maybe we say, no, we are not going to fund anymore, and the savings should go to pay down our deficit.

Look, I know Hollywood happens to be in California, but this is not a Kevin Costner movie. If we build it, I don't know if they will come. And that is not how we play with taxpayers' money.

It is right to have this hearing, but it is right to scrutinize, and before we move forward on anything, the legislative analyst's office and the peer review have the same questions to the business plan. We should even ask more because it wasn't their money; it is the taxpayers' money that we are responsible for investing. And that is the review we need. I yield back.

Mr. MICA. I thank the gentleman.

I am pleased to recognize Ms. Hahn, the gentlelady from California.

Ms. HAHN. Thank you and good morning.

Thank you, Mr. Chairman, members of the committee, thank you for allowing me to participate in this hearing today.

I have only been in Congress about a year and a half, but my whole life I have been deeply involved in transportation issues, particularly in my capacity on the Los Angeles City Council for 10 years, and so my dad who was a L.A. County supervisor for 40 years in L.A. County took my brother and me to the World's Fair in 1960, which was held in Seattle. Many of you probably weren't born then. And so there was this modern monorail project that ferried people around the World's Fair. And the investors of that project at the time offered to build that monorail system as a pilot program in Los Angeles, traversing the Harbor Freeway. Dad thought it was a good idea but couldn't again get any of the other city fathers or county fathers to agree that this was a good investment. Nobody at that time thought we could ever get people out of their beloved cars.

So that monorail now circles Disneyland's Magic Kingdom in Anaheim constantly. But that is a reminder to me that the biggest mistake I think we have made so far is not building major transportation projects that the public can use, will use and will get them out of their cars.

You know, in California, I believe and I think the voters have proved that time and again, that high-speed rail will reduce congestion; it will create jobs; and it will modernize the entire State's rail system. It will reduce congestion, which is a key issue for Californians. Transportation congestion is strangling the business potential of our State and weighing down the economic activity that isn't just critical to the success of California but to the Nation as a whole. If any of you have ever driven on the freeway between Los Angeles and San Diego, it could take anywhere from 2 to 4 hours in traffic.

Turning to aviation, there are delays there as well. Flying between Los Angeles and San Francisco in theory takes only an hour, but one out of every four flights between Los Angeles and San Francisco, the busiest short-haul market in the United States, are late by close to an hour or more. And that doesn't even include the time now it takes with air travel and going through security.

Our transportation network is already overburdened, and that is long before you start factoring in the projected increase in travelers in California. But in many cases, there is no physical space to ex-

pand a freeway or build a new runway to take into account all of the projected growth in travelers.

In many cases, the communities do not want to expand their airports. The community surrounding LAX is already mobilizing against any expansion. As the population grows, we need to construct new transportation options to reduce congestion, options that won't just continue to patch our existing system but break open a new transportation future. I think high-speed rail is that option.

Second, there is no doubt that high-speed rail is a job creator. At a minimum, the construction project will create 20,000 jobs each year for 5 years. This is great for the State of California, which was certainly hit hard by the recession, and that 20,000 is before you factor in the jobs that this new system will ultimately generate.

Third, the plan will modernize the State's rail system. They have created a blended system that will begin construction on high-speed rail while improving other rail systems throughout the State. This will allow for the high-speed rail system to connect the intercity and regional rail systems, called the bookends, and there are connectivity funds for rail projects throughout California, including Caltran's Positive Train Control and Los Angeles Metrolink upgrade in my part of the State. This railroad will get needed upgrades and swap out diesel engines for an electrified system that is cleaner and faster.

High-speed rail would not happen without Federal Government support, including legislation passed by Congress to authorize this program.

If the United States is going to maintain our position of economic leadership, we have to invest in the best infrastructure in the world. That will not be true if we do not invest in high-speed rail. We cannot wait until our highways are completely congested, our airports cannot expand any more, to start thinking of other long-standing transportation options. We need to catch up to Germany, France, and Japan. I just heard this morning that Japan is celebrating their 50th anniversary of their bullet train. We cannot allow China to surpass us in our next generation of infrastructure. Tourists from across the world will visit our high-speed rail to marvel at our civic engineering and technological prowess. This is not just about transportation but about changing the revitalization along the cities along the route.

In conclusion, it is clear that I support the high-speed rail in California; the Federal program will help make it possible. What we need now is vision. What we need now is leadership. And what we need now is a belief that the people of California and this country want us to invest in this type of transportation option.

Thank you, Mr. Chairman. I yield back my time.

Mr. MICA. Thank you. I thank both of the Members for joining us, and you are welcome now to join us if you would like and stay for questions. We will excuse you at this time.

As we bring Secretary LaHood up, who is our next witness, Ms. Hahn when you see the mayor of Los Angeles, tell him what we need now is light rail to the airport and that is my continuing message to the city of Los Angeles. Just an aside. We will get that done.

Well, our second panel consists of the Secretary of Transportation, former member of this panel, distinguished Secretary of Transportation, who we have had a chance to work with. I appreciate his cooperation and efforts, and I am also delighted to have him here on the anniversary of his birth.

Welcome, Secretary LaHood, and you are recognized.

TESTIMONY OF THE HONORABLE RAY LAHOOD, UNITED STATES SECRETARY OF TRANSPORTATION

Secretary LAHOOD. Mr. Chairman, let me again begin by congratulating you on a job well done as chair of this committee.

I served when I came here with Bud Shuster, who was the chair, and I heard every, all of Jim Oberstar's lectures, as you have, over a long period of time, and what you have been able to accomplish in a very short period of time as chair of the committee I think is extraordinary, a transportation bill, probably not as long as either one of us wanted, but it is a good bill; an FAA bill, it is a good bill. And we couldn't do the work that we do at the Department of Transportation without the leadership of this committee and your chairmanship over the last time that we have been together. So you have done a lot, and you have a lot to be proud of.

And we haven't agreed on everything, but we have agreed on most things because we agree how important transportation is for America. And I just I want to offer my words of congratulations to you.

And I also want to say a word as a former staffer of 17 years around here, Jim Coon and his team really did a good job on both bills and on a lot of other things. And I know Jim is moving on to bigger and better things, but to all of the staff that work on this committee, you are the ones that do the work, and we appreciate all of you also.

So to the chairman and the ranking member, I am delighted to be here. President Obama's High-Speed Intercity Passenger Rail Program is bringing more transportation options to millions of Americans. As we invest in our rails, we are creating jobs and supporting economic growth across the country. High-speed rail and higher performing passenger rail are critical for America's future.

By 2050, our country will be home to 100 million more people. Right now, our highways and runways are already congested. I don't have to tell any of you that from any of the communities that you come from.

This congestion will only grow with time. We can act today, or we can face a transportation crisis later.

Investing in rail is a priority for President Obama and this administration. And most importantly, it is a priority for the American people. Since 2009, we have received 500 applications.

In your statement, Mr. Chairman, you acknowledged two or three Governors who turned down the money. Since, during this period of time, we have received 500 applications. For the money that was turned back from Florida, \$2.3 billion, we had \$10 billion worth of requests for that money. The idea that people don't want passenger rail, they do. We have the statistics. But we have the people that tell us this.

So let's look at the progress we have made.

As a result of this administration's investment, the Nation's first true high-speed rail system is set to break ground this year. The 220-mile-per-hour train system will carry travelers from Los Angeles and San Francisco in less than 3 hours, more than twice as fast by interstate. California will have high-speed, true high-speed trains.

We have introduced and are now expanding 110 miles-per-hour service. And as you indicated, Mr. Chairman, that is—the law says that is high-speed trains. In October, I rode on a train for a very short stretch as a result of investments we made in Illinois, Chicago, St. Louis corridor, and I saw the progress myself. I also recently visited a plant in Rochelle, Illinois, that is building 130 rail cars, and creating about 250 jobs in the process. These are cars that are being ordered from California and other places, these are American jobs, American workers building America's train sets, that is what this is about.

This Rochelle plant did not exist before President Obama initiated a high-speed rail program. And when I was there that day, I not only spoke to 250 employees, they are talking about building another facility there as a result of the vision that this administration has for passenger rail. This is about jobs. Not just the—these are jobs that exist today as a result of our investments, more than 40 stations are being upgraded across the country, strengthening the connections between regions and revitalizing local economies.

And we are leading a comprehensive planning effort to determine the Northeast Corridor's next generation of service. In a short amount of time, we have developed a sophisticated grant management process for one of the largest, discretionary infrastructure programs in the country. Rather than a one-size-fits-all approach, we are targeting service improvements to the specific needs of every market.

For those of you who think we haven't moved fast enough, 4 years ago there was no high-speed rail vision. Four years ago we had not invested \$10 billion, and if we would have moved too fast and the money hadn't been spent or allocated properly, I would be sitting here answering your questions about that. We had to reach agreements with freight rail companies in America. I hope you are going to hear from Ed Hamberger, the head of the freight rail system that we worked cooperatively with every freight rail. We worked with them and we hammered out agreements, we didn't get everything we wanted.

So the idea that this is taking too long, we are talking 4 years, 4 years. And agreements with every freight rail company in America, to use their freight system—to use their infrastructure, because we don't have enough money to build all the tracks. We need our friends in freight rail. So the idea that it is taking too long, it took 50 years to build the Interstate System, and in the beginning, not every Governor wanted a road running through their State. What do we have today? Because of the vision of Eisenhower, because of the vision of a Congress that said every year we are going to invest in highways, we have a state-of-the-art Interstate System.

So we have obligated 100 percent of our Recovery Act money, 99 percent of our total program funding. And as a result, 152 projects

are now moving forward in 32 States in 4 years, not fast enough for some, but done the right way, by the book. We have \$1.7 billion in construction projects are now underway or completed in 17 States, in 4 years. Not fast enough for some, but pretty darn good, and done the right way by the book. And we have another \$1.5 billion in job creating projects that will break ground in the next 6 months.

We have already seeing projects come in on time and on budget. We recently completed a project in Vermont that upgraded 190 miles of track, speeding up both passenger and freight rail; in Maine, we have restored passenger rail service to two towns for the first time since 1959, and in the process, sparked millions of dollars in private sector investment.

In the Northeast, we invested more than \$3 billion in projects. For those of you who think we haven't invested enough in the Northeast, we have invested \$3 billion, that is almost as much we invested in California. And more than we have invested in anyplace else in the country except California. And what we have done, we have upgraded infrastructure, eliminated bottlenecks and are laying the foundation to expand high-speed rail. For instance, our investments will ensure that by 2016, the segment between New Haven and Hartford will be completely double-tracked providing commuters more frequent and reliable train service and shorter trips. And in Pennsylvania, we made improvements on the Philadelphia, Harrisburg Keystone Corridor that will allow for trains to travel at higher speeds, but as much as we have accomplished, the reality is we have only started to meet States' enormous pent-up demand for passenger rail. Over the last 8 years, Americans, particularly younger Americans, have been driving less all while choosing passenger rail and public transit. We are doing for the next generation what previous generations did for us, we have an obligation to do what other generations did.

The other generations built the Interstate System. What are we going to do? I have nine grandchildren, what are we going to do for the next generation? The next generation of transportation is high-speed rail, and we are on track to accomplish it. We are not going to stop, we are not going to be dissuaded by our detractors. We are going to have high-speed rail in America, we are on our way.

The President has a vision. Many of you have a vision, it is going to happen. Thank you, Mr. Chairman. I am happy to answer questions.

Mr. MICA. Thank you.

I will get right into questions.

Secretary LAHOOD. Mr. Chairman, could I just also insert as a part—

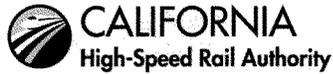
Mr. MICA. Without objection your entire statement will be.

Secretary LAHOOD. And there is a letter from Mr. Richard.

Mr. MICA. And the letter that you have indicated.

Secretary LAHOOD. Thank you.

[The letter follows:]



December 4, 2012

The Honorable John L. Mica
Chairman
Committee on Transportation and
Infrastructure
U.S. House of Representatives
Washington, DC 20515

The Honorable Nick J. Rahall
Ranking Member
Committee on Transportation and
Infrastructure
U.S. House of Representatives
Washington, DC 20515

Board Members:

Dan Richard
Chairperson

Lynn Schenk
Vice-Chairperson

Thomas Richards
Vice-Chairperson

Jim Hartnett

Michael Rossi

Thomas J. Umberg

Jeff Morales
Chief Executive Officer

Dear Chairman Mica and Ranking Member Rahall:

In anticipation of your upcoming hearing, "An Update of the High Speed and Intercity Passenger Rail Program: Mistakes Made and Lessons Learned," I want to provide the Committee with an overview of the outstanding progress of the high-speed rail project in California.

To summarize, over the past year, the California High-Speed Rail Authority (the Authority) has (1) significantly revised and improved its business planning for the project, predicated on the idea that high-speed rail is an integral part of a broader statewide rail transportation system; (2) acquired the necessary funding appropriations from our State Legislature; (3) enhanced organizational capabilities with an experienced executive team and (4) forged critical relationships with regional operators/partners to develop plans for early investments that benefit existing passengers, while laying the groundwork for implementation of true high-speed rail service; (5) targeted attention and outreach to those communities most affected by the project's construction and operation to address impacts on farms, business and residences; and (6) strengthened governance and oversight of the project.

The Blended System: A Statewide Rail Modernization Plan

The Authority, State of California, and the U.S Department of Transportation are committed to the blended system envisioned in the Revised 2012 Business Plan (Business Plan). This blended system will benefit the overall passenger rail system by simultaneously beginning construction on the high-speed project and investing in regional rail systems throughout the state. These early investments, made in collaboration with regional transportation partners, lay the foundation for the high-speed rail system as it expands to connect the state while providing immediate benefits to the millions of Californians who use these intercity and interregional systems every day. Underscoring the broader impacts of this approach, the \$4.7 billion appropriated by the California Legislature in July leverages other regional, state and federal funds, resulting in almost \$13 billion of improvements to our state's rail systems, the majority of the investments occurring in the urban "bookends."

Hence, in these times of tight budgets and limited near-term capital opportunities, we believe that this integrated approach can serve as a model for coordinated passenger rail systems in other states. By maximizing the value of the investment at each step, such as a highly improved Amtrak service in the Central Valley and an electrified Caltrain service in the Bay Area, the taxpayers are not left with a stranded investment. Rather, they can see the



tangible results of public investment creating immediate improvements while also seeing the long-range vision for the project outcome.

Separately, but in concert with the initial high-speed rail projects, a portion of the connectivity funds appropriated in SB 1029 have already been allocated by the California Transportation Commission (CTC) for work on several important rail projects throughout California. These projects include Caltrain's advanced signaling system (Positive Train Control) in the Bay Area, San Francisco MUNI's Central Subway project, Los Angeles Metrolink's locomotive upgrade, Altamont Corridor Express' Stockton passenger track extension, and San Diego Trolley's Blue Line light rail improvements. As part of a statewide rail improvement program designed to supplement the high-speed rail system, these early investments will help modernize local and regional rail, vastly improve the state's mobility and economic competitiveness, and reduce greenhouse gas emissions. A complete list of system-wide improvements funded by SB 1029 is attached.

Economic Benefits: Beyond Short-Term, Immediate Jobs

The construction and operation of the high-speed rail system is expected to generate tens of thousands of jobs. This will be especially impactful in the Central Valley, which currently is experiencing some of the nation's highest unemployment rates. High-speed rail will put people in the Valley back to work and have the potential to spur development of a high-speed rail technology and academic sector in the region.

Beyond these immediate economic benefits, the Authority and local governments alike see high-speed rail as part of an integrated strategy to help cities throughout the state revitalize their downtown cores. High-speed rail will link the mega-regions of California in ways never before imaginable. By bringing more people to the downtown centers of our cities, high-speed rail will directly contribute to economic development, increased livability, and preservation of agriculture lands threatened by urban sprawl. Due to these immense possibilities, the Authority's program and business plan have been endorsed by the bipartisan group of mayors of Los Angeles, Palmdale, Fresno, San Jose, San Francisco and Sacramento, all of whom see it as an essential element of their growth plans.

Project Status and Next Steps

As you are aware, on July 18, 2012, Governor Jerry Brown signed into law SB 1029, which appropriates \$4.7 billion in state funds and approves the use of \$3.3 billion in federal funds for statewide improvements to transportation in California and to begin the high-speed rail project initial construction in the Central Valley. Since the passage of SB 1029, the Authority has continued its work to plan, design, build, and operate the high-speed rail project as authorized by California voters in the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A). Initial construction is scheduled to begin in the Central Valley in Summer 2013.

As the project progresses on all fronts, the Authority continues working with stakeholders on planning activities, strengthening relationships with regional partners, completing important milestones in the environmental process, and progressing with plans to begin construction in 2013. Several major project milestones have been recently reached. Specifically, on September 18, 2012, the Federal Railroad Administration (FRA) issued a Record of Decision (ROD) that approved the Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the alignment from Merced to Fresno. Also, as part of his

"We Can't Wait" initiative, President Obama announced on September 21, 2012 that the federal permitting and review processes for the Fresno-Bakersfield section would be streamlined in order to expedite delivery of the project.

The public review period for the Fresno-Bakersfield section's Draft EIR/EIS concluded on October 19, after it was extended from 45 to 90 days in direct response to stakeholder and public feedback that more time was needed due to the size and complexity of the document. The extended review period allowed greater public involvement in the project by providing ample time to respond. Authority staff is now in the process of reviewing those comments and developing detailed and direct responses to them, including scheduling meetings with stakeholders to review their comments in person. As with any effort of this magnitude, the Authority anticipates that its plans will be greatly improved by public input.

The Request for Proposal (RFP) for Right of Way Services was released in September and the Request for Qualifications (RFQ) for Project and Construction Management Services for Construction Package 1 was released in October. In connection with the release of these solicitations, the Authority hosted pre-bid conferences, provided opportunities for small businesses to meet the shortlisted teams for the Design-Build contract, and adopted goals for the participation of Small Businesses and Disadvantaged Businesses in the project. These efforts have been well received and recognized as positive first steps toward ensuring that small businesses, inclusive of Disadvantaged Business Enterprises, Disabled Veteran Business Enterprises, and Micro-Businesses are afforded every opportunity to participate in the high-speed rail project.

Most recently, on November 16, 2012, a Sacramento County Superior Court judge rejected an injunction requested as part of the County of Madera, City of Chowchilla, and Timeless lawsuit cases. These cases are California Environmental Quality Act (CEQA) challenges to the Merced-Fresno EIR. This ruling allows the project to keep moving forward on schedule. The full case will be heard in April 2013.

Organizational and Administrative Improvements

The Authority has addressed many of the organizational issues identified in the past. The majority of the Authority's executive management team has now been filled, including Chief Executive Officer, Chief Deputy Director, Chief Program Manager, Chief Counsel, Risk Manager, Chief Administrative Officer, and Chief of External Affairs. In addition, numerous support positions have been filled covering all aspects of the project.

Simultaneously, at the oversight level, the Board of Directors has put in place strong governance measures, including the formation of a Finance and Audit committee.

Government Accountability Office (GAO) Review

The Authority is of the understanding that the GAO will be providing testimony to the Committee at the hearing specifically regarding a preliminary assessment of their ongoing review of aspects of the California high-speed rail program. While we welcome all external review of our plans and operations, we wish to emphasize that we are still engaged in reviewing the project issues with the GAO and that their findings are not yet final.

The Authority has been working closely with the GAO for many months to assist their team in analyzing numerous aspects of the project including cost estimating and ridership as

requested by this Committee and other Members of the U.S. House of Representatives. However, months of work remain before the review can be considered complete. The Authority greatly appreciates the professionalism and dedication demonstrated by GAO staff throughout the ongoing review and will continue working with their team to provide the information necessary to finalize the process.

In conclusion, the Authority is committed to working closely with our federal, state, and local partners to ensure the success of California's high-speed rail project. As the project continues to advance, we look forward to an open and frequent dialogue with the Committee, Congress, and the public. In doing so, we hope to construct a high-speed rail system that benefits all Americans and can serve as a model for future projects. If you have any questions or concerns, please contact me or Jeff Morales, Chief Executive Officer at (916) 324-1541.

Sincerely,



Dan Richard
Chair, California High-Speed Rail Authority Board

Attachment

cc: The Honorable Bill Shuster, Chairman, Subcommittee on Railroads, Pipelines, and Hazardous Materials
The Honorable Corrine Brown, Ranking Member, Subcommittee on Railroads, Pipelines, and Hazardous Materials
The Honorable Ray LaHood, Secretary, U.S. Department of Transportation

SB 1029 CONNECTIVITY AND BOOKEND INVESTMENTS

California's High-Speed Rail system includes billions of dollars in infrastructure investment throughout the state. These funds will strengthen and improve existing rail networks, while also connecting them with California's future high-speed rail system. Senate Bill 1029, passed by the California Legislature and signed by Governor Brown in July 2012, invests almost \$2 billion from the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A) into transit, commuter, and intercity rail projects across the state. This funding leverages approximately \$4.5 billion in additional funding for these projects.

The following is a summary of rail infrastructure investments made throughout the state as a result of high-speed rail program:

CALTRAIN - ELECTRIFICATION

SB 1029 provides \$600 million to install an electric rail system that will enable the replacement of diesel trains and connect the system with high-speed rail, resulting in cleaner and faster travel. The state investment of these dollars will leverage funding to bring the total investment to \$1.5 billion. (Bookend)

CALTRAIN - ADVANCED SIGNAL SYSTEM

SB 1029 provides \$42 million (\$106 million total including BART and SVTA contributions) for the design, installation, testing, training and warranty for an intelligent network of signals, sensors, train tracking technology, and computer systems on the Caltrain Corridor as part of Caltrain's advanced signaling system. This system is required by federal regulation and allows trains to travel at higher speeds when safe to do so. The state investment helps bring the total dollars for this project to \$231 million, with other matching funds. (Connectivity)

SF MUNI – CENTRAL SUBWAY

SB 1029 provides \$61 million to construct a 1.7-mile extension of light rail line from 4th & King Streets to Chinatown (downtown San Francisco). The state investment in SB 1029 helps leverage a total investment of \$1.6 billion into this project, with other matching funds. (Connectivity)

BART – MILLBRAE STATION TRACK IMPROVEMENT & CAR PURCHASE

SB 1029 provides \$145 million to lengthen track at the Millbrae Station (cross platform connection to high-speed rail), and for the purchase of new BART cars. The state investment will be matched by other funding for a total investment of \$290 million. BART is also contributing \$38 million of its share for the design, installation, testing, training and warranty for an intelligent network of signals, sensors, train tracking technology, and computer systems on the Caltrain Corridor as part of Caltrain's advanced signaling system. (Connectivity)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (SCVTA) – CALTRAIN ADVANCED SIGNAL SYSTEM (POSITIVE TRAIN CONTROL)

SCVTA is contributing \$26 million for the design, installation, testing, training and warranty for an intelligent network of signals, sensors, train tracking technology, and computer systems on the Caltrain Corridor as part of Caltrain's advanced signaling system required. (Connectivity)

ALTAMONT COMMUTER EXPRESS (ACE) – STOCKTON PASSENGER TRAIN EXTENSION

SB 1029 provides the Altamont Commuter Express (ACE) train with nearly \$11 million in high-speed rail connectivity funds to extend an existing platform and do additional track work to connect new platform for Amtrak and access to a new ACE maintenance facility. This investment brings the total to \$25 million, with other matching funds. (Connectivity)

SACRAMENTO REGIONAL TRANSIT (RT) – SACRAMENTO INTERMODAL FACILITY IMPROVEMENTS

SB 1029 provides \$30 million for the relocation of existing light rail track, passenger platform and associated systems to connect to a new Sacramento Intermodal Facility and future high-speed rail terminal. The state investment in SB 1029 brings the total investment to \$60 million, with other matching funds. (Connectivity)

CALTRANS – CAPITOL CORRIDOR (AMTRAK). OAKLAND TO SAN JOSE TRACK IMPROVEMENTS

SB 1029 provides \$47 million to help construct a series of track improvements to permit an increase in service frequency between Oakland and San Jose from the current 7 weekday round trips to 11 weekday round trips. The state investment in SB 1029 brings the total investment to \$248 million, with other matching funds. (Connectivity)

CALTRANS – CAPITOL CORRIDOR (AMTRAK). SACRAMENTO TO ROSEVILLE

SB 1029 provides \$16 million to Amtrak's Capitol Corridor station in Roseville for a series of improvements designed to increase service frequency, reduce freight train conflicts and accommodate freight train growth projects, consists of relocation of the Roseville station and addition of a third track. This investment brings the total to \$28 million, with other matching funds. (Connectivity)

CALTRANS – SAN JOAQUINS (AMTRAK). MERCED TO LE GRAND

SB 1029 provides \$41 million to Amtrak's San Joaquin for construction of 8.4 miles of double track between Le Grande and west Planada to increase service and reduce freight conflicts. (Connectivity)

SOUTHERN CALIFORNIA MEMORANDUM OF UNDERSTANDING

SB 1029 provides \$500 million for regional rail projects that improve local networks and facilitate high-speed rail travel to Southern California. Projects will be selected by local transit agencies, in conjunction with the High-Speed Rail Authority, and state funding will be matched by additional investments to make the total investment in these projects \$1 billion. (Bookend)

LOS ANGELES METROPOLITAN TRANSPORTATION AUTHORITY (METRO) – REGIONAL RAIL CONNECTOR TRANSIT CORRIDOR

SB 1029 provides \$115 million to help construct a 2-mile light rail connection among Metro Gold, Metro Blue and Metro Exposition light rail transit systems through downtown Los Angeles to provide a one-seat ride from throughout the County to Union Station and the high-speed rail system. SB 1029 helps leverage \$1.4 billion in funding for this project. (Connectivity)

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY (METROLINK) – NEW OR IMPROVED LOCOMOTIVES/CARS

SB 1029 provides \$89 million to repower and/or purchase 20 to 30 higher horsepower locomotives, and recondition and improve passenger cars. The state investment of \$89 million will help leverage a total investment of \$203 million for this purpose. Metrolink also received approximately \$35 million for advanced signaling system work from Proposition 1A in previous appropriations. (Connectivity)

SAN DIEGO METROPOLITAN TRANSIT SYSTEM (TROLLEY) – BLUE LINE LIGHT RAIL

SB 1029 provides \$58 million to rehabilitate grade crossings, track, and switches and ties, add track work and signaling, and raise platforms to accommodate low floor vehicles to allow for reduced headway and improved reliability. This investment helps bring a total investment of \$152 million to update and modernize San Diego's Blue Line light rail system. (Connectivity)

NORTH COUNTY TRANSIT DISTRICT (COASTER) – POSITIVE TRAIN CONTROLS

SB 1029 adds \$7.3 million to a previously appropriated \$10.5 million of Proposition 1A funds to a Positive Train Control project for the North County Transit District in the San Diego Area. The funds are to build an advanced signaling system to track the location of trains in order to avoid collisions. The state investment will help bring the total investment in this project to \$60 million. (Connectivity)

Mr. MICA. That will be made a part of the record, without objection, so ordered.

A couple of the concerns that we have, first of all, I mentioned before that out of \$10 billion, I think \$8 billion was stimulus and there was another several billion dollars appropriated by Congress for rail, only 7 percent had actually been spent. You have indicated a great deal almost all of it is obligated. Can you provide the committee with a timeframe of the payout? You have asked for additional investment, I heard Ms. Richardson talking about putting more money in, we have difficulty getting money out. It can be obligated, but 7 percent is about \$700 million of \$10 billion.

I think Congress even took back some of the money that had been appropriated. So shovel-ready as the President found out has been somewhat of a national joke because everything takes so long. And we are trying to get expediting of the process we did some of that in the MAP-21 bill and certainly we need to have FRA and other agencies that are responsible for getting that money out. Could you provide us with expenditure sort of graphic description?

Secretary LAHOOD. I will do that for the record if that is OK.

Mr. MICA. That would be great. I don't mind investing the money if we know how it is being spent, but to come and ask for more and we haven't been able to spend it, any recommendations, too, for speeding up the process? I think some of the things that we do with FRA are totally mindless. You can run freight trains and all kinds of traffic, and Amtrak can run all the service they want, and then we spend years doing these studies to see if we can run additional passenger service, to me, it just—

Secretary LAHOOD. Look, Mr. Chairman, I think you all did some good work on MAP-21 on speeding things up.

Mr. MICA. And we are looking to—some of that was compromised to get it through, but particularly in rail to get people out of that cars, for energy and for the environment. We have to be able to spend the money, 7 percent, as you know, 2½ years after stimulus, we only had \$60-some billion in infrastructure money that 35 percent of that money was still sitting in Washington. And I know you were working to get that out, but we have to change the law and some of the policy that we are in charge of in order to make things truly shovel-ready.

There were some concerns expressed in the Government Accountability Office report on the selection of some of these projects, the process—the GAO released this report March of 2011. Specifically, the report said that there were concerns about transparency and other issues with an FRA selection process. They couldn't verify, again, some of the criteria by which some of these projects were selected. Can you cite any improvements in that process? Again, you were citing a number of projects, but also criticized by GAO for the process.

Secretary LAHOOD. Look, we pay attention to what the GAO said, and we have tried to improve our decisionmaking process. We have tried to use the Governors as our partners on these projects, and in receiving proposals from them and from the States, from their DOTs and working with them, we have paid attention to what the GAO said and tried to improve our process for selecting projects.

Mr. MICA. Well, the other most recent report by the inspector general and that was released just weeks ago September 11th, 2012. It said, they raised concern about FRA grants management framework and stakeholder agreement process. Would you like to comment regarding their criticisms?

Secretary LAHOOD. The comment I would make is that when this program started, it was part of the stimulus program as you indicated, \$8 billion, and we have never had a high-speed rail program before at FRA or at DOT and we had to staff up. Were we short of staff? Yes. Have we staffed up? Yes. Have we found the people with the expertise? Yes, we made improvements. We take seriously what the IG and the GAO tell us and we have tried to make those improvements. But frankly on the day that this program started, there was no high-speed rail program or staff and we had to staff up for that.

Mr. MICA. We do only have really one high-speed rail project underway in the United States, the Northeast Corridor, we have a long-term plan, 30 years and \$130 billion was the last plan I saw, and next week we are going to focus on the Northeast Corridor. I think it can be done in a third of the time and probably a third of the money if we included private sector partnerships and people who have actually built these systems in congested corridors, but that is the subject of next week.

Right now and most of the commentary was on the one project that we have that can achieve high speed chosen between, again, two fairly rural destinations planned to connect into the major metropolitan areas, San Francisco to the north, Los Angeles to the south.

Now it may be true that in 3 years or so we can finish that leg. The total cost of that leg is about \$6 billion I, maybe \$8 billion when we get through, part of it Federal, part of it State, et cetera. But the report we have from California is that the total project is going to be \$68 billion with a completion date of 2028. And the latest plan also—that raises questions if it is \$6 billion or \$8 billion and that leaves \$60 billion. It would take a pretty substantial Federal commitment in the future. Of course, we have the next 4 years and we have money, 39 percent of the stimulus money is obligated to the California project. But a longer term commitment to connected into those two major areas consumes a huge amount of money, you heard opposition from some of the Members from California.

The other criticism I heard the plan they are looking at actually could save some money, even though that is an expensive figure, but they are going to use current right-of-way to San Francisco and Los Angeles, which is not a dedicated high-speed alignment. The future Federal support for this is estimated at \$42 billion. How do you see that playing out?

Secretary LAHOOD. Well, first of all, we have a very strong commitment from the Governor, who has appointed new people to his Rail Authority; Governor Brown is as committed a Governor as we have in the country to this project, which obviously is very important, but we also have a very committed assembly in California that had to take a vote to sell the bonds, and both the House and Senate in California voted for this project.

You all know they represent the people in California in the assembly in Sacramento. So at the very top leadership in California, we have the people supporting this that we need to support it. And we also have several companies talking with the Governor and his staff, and the High-Speed Rail Authority about investing in California. We know that this project can not or will not be built with total Federal dollars. We don't have enough money here to do that. We need private investment.

Mr. MICA. Let's—what I am trying to lean towards is it appears that there is a commitment, well there is a commitment, you have already committed 39 percent of the \$10 billion which should be sufficient from a Federal standpoint for this first leg. The first leg is sort of the easy part of it, because again, it doesn't serve the metropolitan areas. The expensive part and the more difficult part is down the road, and that will take a commitment from future Congresses and future State legislatures and Governors, but it is not going to be a fully completed high-speed rail system in California until, again, their estimate is 2028 and we are missing \$42 billion in Federal money and \$60-some billion for the total project.

So if there is some plan that the administration has for partnering in the future, we would also like to see that. And also, what about the issues raised now about the nondedicated alignment, nondedicated high-speed alignment using current right of ways, north and south?

Secretary LAHOOD. Well, to your question of financing, I will just repeat what I said. There are lots of private investors working with the State of California, the Governor's Office and others about their ability to privately invest in this project. And we know full well that this project will not be fully funded by the Federal Government, California knows that.

With respect to the others, I will have to submit something for the record on those alignments.

Mr. MICA. So it sounds like you are open to having the private sector in that corridor and other corridors fully participate, both from financing, construction and operational standpoint?

Secretary LAHOOD. Absolutely.

Mr. MICA. Very good, I am pleased to hear that. I met recently with some of the high-speed various countries to have their operations, and we are falling further behind, as I may have told you. Even the Russians had someone at the table, they now have got high-speed rail between St. Petersburg and Moscow. But I was interested to find the European Union is now opening, in a couple of years, all of the public transportation operations for high-speed and other rail service to the private sector, which is, I think, something we should look at.

And actually, Italy has moved forward in an expedited fashion opening to private contractor Ferrari, which is now providing—it is not planned, they are now providing—competing service to the public sector in Italy. So we can look at some things that may or may not be successful in other countries and try to pick the very best options, but have you on the record today as supporting both the financing, the construction and the operation—

Secretary LAHOOD. Totally.

Mr. MICA. I am pleased to hear that. Let me yield now if I may to Ms. Richardson.

Ms. RICHARDSON. Thank you, Mr. Chairman. I can only take my colleague, Mr. Denham, at his word, when we went to the Central Valley and he echoed the same today that one of the roadblocks that has been for him has been the lack of kind of knowing the details as a colleague. And so the conversation you just went through with Mr. LaHood, how soon could we expect to get an update on who these private companies are that are able to invest? How much are they willing to invest and how soon is this going to come together? Because he—I have heard him, Mr. Denham, say the same concern for over a year now.

So when do you anticipate that the Governor would be prepared to work with you to present a package of how we might be able to get the private investment piece in with us?

Secretary LAHOOD. Look, I am not going to speak for the Governor, but what I am going to say we will be happy to provide you the names of the companies that are in California and in other States wanting to make investments. How much they are going to invest, obviously that hasn't been determined. That has to be determined through negotiations, but we can certainly give you a report on companies that want to invest in California.

Ms. RICHARDSON. Would you also express to the Governor on behalf of this committee, and I don't think the chairman would object to that, that he would put together some sort of report to give this committee an update whether he wants to do it through closed session because it might be pending negotiations, but give this committee some sort of better sense of what we can anticipate of the real commitment of private investment.

Secretary LAHOOD. Sure.

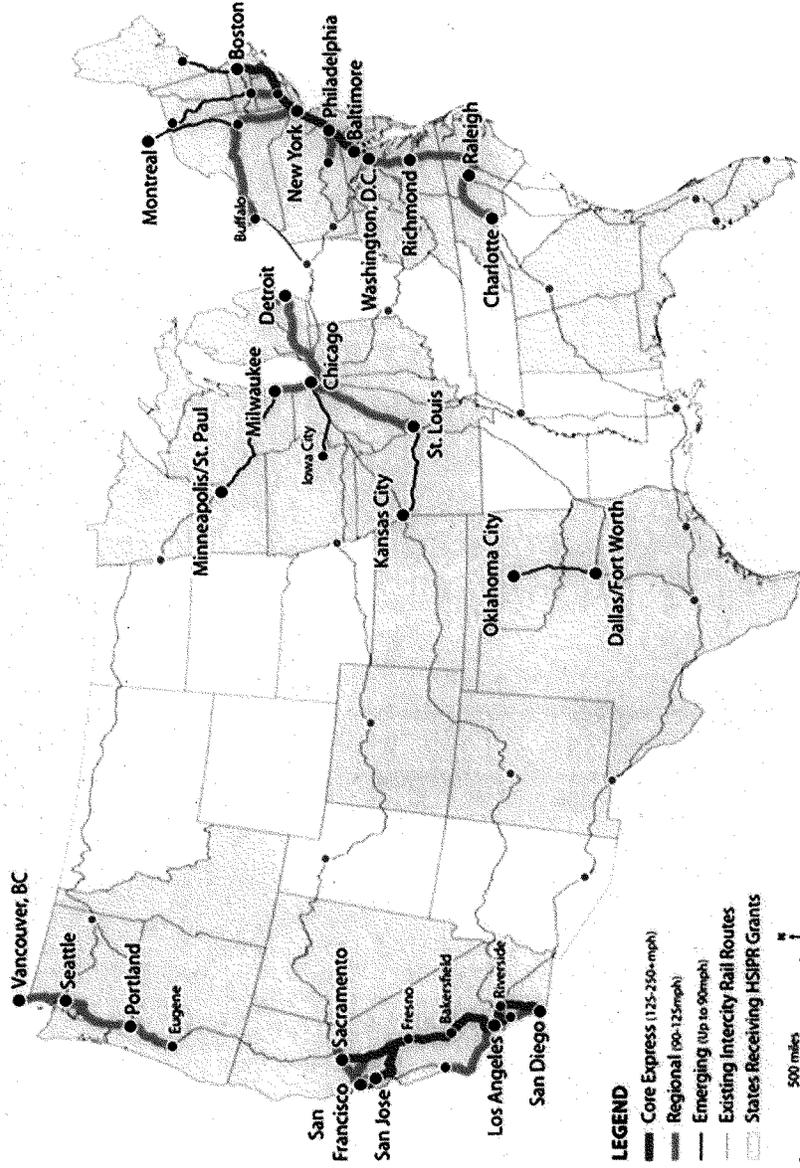
Ms. RICHARDSON. Thank you, sir.

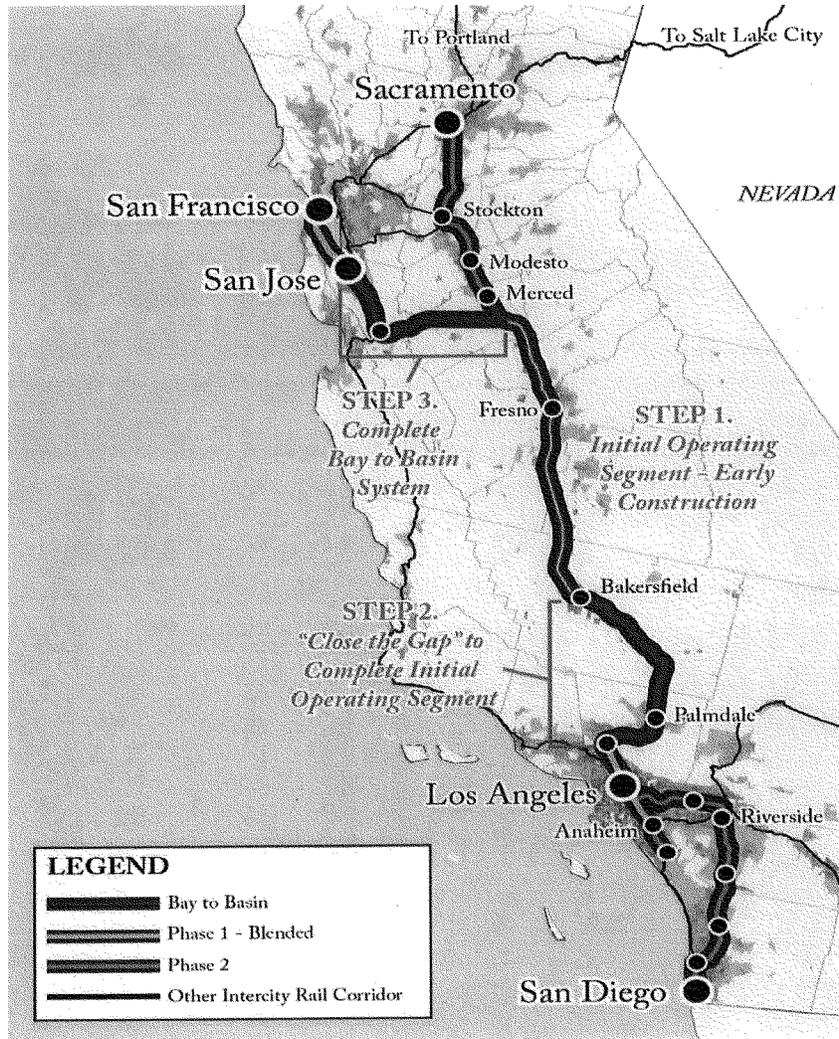
My next question building you said the President has a vision, I think the best example of the vision is that he has actually put money upfront on the table to begin this process of high-speed rail. But Mr. Denham, again, says that there is it no plan. Could you help us to better understand what the specific plan is of the President's vision for high-speed rail, in particular, for California?

Secretary LAHOOD. The President's vision for the country is to connect 80 percent of the country over the next 25 years. We believe that the cost of that is about \$500 billion. And I have submitted maps for the record, I can do it again. I have some maps here that I would be happy to submit for the record, which show what that is.

[The maps follow:]

CURRENT HIGH-SPEED AND INTERCITY PASSENGER RAIL PROGRAM INVESTMENTS





Ms. RICHARDSON. OK.

Secretary LAHOOD. Look, we can't do this without Governors, we need partners, and we have plenty of partners, both Republican and Democratic partners, and that is the way this is going to work.

Ms. RICHARDSON. And one of the other objections has been that—and I realize it was not of your doing, it was actually in California of determining that Central Valley would be the first kind of leg here. And you mentioned in your testimony the adjustments that have been made through San Francisco. How quickly could you see us potentially, given completing the Central Valley leg, being able to connect to San Francisco? I believe that that is much further than the considerations being done going south.

Secretary LAHOOD. I believe now there is a commitment on the part of the Governor and Dan Richard, who is the head of the Railroad Authority. Jeff Morales who is the executive director of the Railroad Authority to complete the California high-speed rail corridor within the next 10 years.

Ms. RICHARDSON. Wow. OK, sir, with that, I would like to join my colleagues in wishing you a happy birthday.

Secretary LAHOOD. Thank you.

Ms. RICHARDSON. And also I think even more than your birthday, we hope that you will continue to stay and serve in this capacity.

Secretary LAHOOD. Thank you.

Ms. RICHARDSON. Thank you, sir.

Mr. MICA. Thank you. The gentleman from Wisconsin, Mr. Ribble.

Mr. RIBBLE. Good morning, Mr. Secretary.

Secretary LAHOOD. Good morning.

Mr. RIBBLE. Thank you for coming in today on your birthday, we are glad to have you here. One quick comment, and maybe you can help me understand, I am from northern Wisconsin where we don't have high-speed rail and probably never will, it is a lot of woods and farmland and not a lot of people. But I do recognize that there are corridors in our country that high-speed rail would work and probably would work pretty effectively. And so I don't come at this from a position of being negative on high-speed rail. I want to make it clear. Although I do think there is a level of naivety, kind of a wonderful naivety for Americans who often compare what is going on in China to what is going on in the United States.

Having spent some time in the construction industry and having spent some time in China involving construction, there is a certain nimbleness to communism. There is a freedom of just taking over land because the country owns it all and they can say to citizens, you know, we would like this land and you leave, and without compensation. And so there is a speed and cost savings there that doesn't allow us to compare what is going on in China today to what is going on in the U.S. The economies are much different, and certainly our systems of Government are different. It would probably be helpful for the overall conversation to set aside those comparisons.

But I would like to kind of focus in on what is going on in California since the earlier panel was here. Can you give us an idea of what the real timeline is that you expect it to be? When is this going to be up and running and how much more money is it going

to cost the taxpayers in northeast Wisconsin to subsidize California's high-speed rail?

Secretary LAHOOD. Well, the investments that are being made in high-speed rail across America amount to a little over \$10 billion so far, that is Federal share right now. And obviously, States are putting in their own money, California certainly is doing that. There is, as I said, their assembly voted to sell the bonds, and it was not without a lot of debate out there. These things are controversial, but what I said to Ms. Richardson I think is true, the goal is to complete a high-speed rail corridor in California over the next 10 years.

Mr. RIBBLE. And do you—

Secretary LAHOOD. And the cost is currently \$69 billion.

Mr. RIBBLE. Yeah. And do you think that cost will be able to hold given your experience in transportation projects? You have been around, even though you are a young man on your birthday here, you have been around here a while. You have seen how this inflationary trend can go. Do you have any guess what the real number is?

Secretary LAHOOD. I don't, I don't

Mr. RIBBLE. It is likely to go up, though, wouldn't you agree with that?

Secretary LAHOOD. Well, I will let that be your—

Mr. RIBBLE. Having watched how much time often transpires from the beginning to the end of these, I think it is a reasonable expectation.

I want to go to a broader question now because I do believe that there is friction that is put in our economy as a result of lack of investment in transportation here in the U.S. I think that is clear. And if we want to be a global competitor, it is really important that our airports, our ports, our highways, our rails are functioning. Like I said, I come from Green Bay, Wisconsin, which is a large manufacturing State. We have big obstacle in the way with Lake Michigan to get product moved to the east coast, so I recognize that there is need for investment.

I often hear from my constituents a concern of the Government, of the Federal Government picking regions of the country to win and lose in the economic battles that take place between States. In other words, if we invest a lot of money in the Northeast Corridor as Federal taxpayer or we invest a lot of money in California, the taxpayer in Wisconsin is wondering are we just making those States more competitive to compete against Wisconsin manufacturing. Can you talk a little bit about how the whole thing plays together and what the answers should be?

Secretary LAHOOD. First of all, I know you know this, but you all were in the ball game.

Mr. RIBBLE. Oh, yeah, I am not making a statement on—

Secretary LAHOOD. I know you are not. I am saying if you feel that your State is disadvantaged, it is not because of us. We wanted to make investments we were ready to make investments.

Mr. RIBBLE. Let's take it from Montana, let's just take a different region, so the broader question is really, the point I am trying to make is that there are mega regions in the United States, large population areas. Is it fair to taxpayers that are living in rural

areas to subsidize the large, already somewhat quite wealthy suburban areas?

Secretary LAHOOD. I will put it to you this way: You name me any form of transportation in some way, shape, or form that is subsidized by the taxpayers. Transit is, I don't know if Green Bay is advantaged by transit, I don't know, but I know you are advantaged by roads. My son went to school at St. Norbert's. You have got some pretty good roads up there.

Mr. RIBBLE. It is a pretty good school too.

Secretary LAHOOD. It is a very good school. That was paid for by all the taxpayers to advantage taxpayers in Wisconsin and transit money.

Mr. RIBBLE. And used by Wisconsin taxpayers.

Secretary LAHOOD. That is correct, that is correct.

Mr. RIBBLE. It is not likely high-speed rail will be used a lot.

Secretary LAHOOD. But you do have a corridor between Milwaukee and Chicago that is subsidized by the Federal Government, it is an Amtrak line. And people on that line that use it a lot are advantaged by all other taxpayers.

Mr. RIBBLE. Very good. Well, thank you for being here today and I yield back.

Secretary LAHOOD. Thank you.

Mr. MICA. Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. Mr. Secretary, you have earned many happy birthdays, not only for your service in this administration but for your long service to the United States in many capacities.

Secretary LAHOOD. Thank you.

Ms. NORTON. First, I want to commend you and this administration, when I say let's get started, you got us started, you moved us off the dime. You got 151 projects, they are all obligated. Yes, you have some States divided. And when they are divided I think you are doing the right thing, take back the money. And look what you get, you get a bonanza of other jurisdictions, if Florida and California are still debating whether or not they want to become second-class States, be my guest. There will be many other States that move forward. And this is a country of jurisdictions. Some will come later, all will come, and those who come early will be ahead.

Now I indicated when we began that my concern is the best way to produce something so that it shows that we can, in fact, move forward quickly with high-speed rail. Now this name that has been penned on this project about a train to nowhere is unfortunate. Let me indicate one way that I think we could get over that. I think that has a lot to do with the fact that here again we are a federation of States, and we need high-speed rail throughout the United States so the administration starts in strategic places. You know, it is in parts of California, parts of northeast, the Northeast Corridor, the central part of the country, the Chicago fulcrum.

And yet, if one were to defend against the notion of a train to nowhere, I am not sure there is a good defense. For example, the GAO says in its report that they had warned in June that States would be—that States would be the primary recipients of the Recovery Act funds for high-speed rail, but says the GAO, many States did not have rail plans that would, among other things, es-

establish strategies and priorities of rail investments in a particular State. Well my concern is whether the United States of America really has priorities of where to begin and where we would end.

What we have seen in the past couple of years ever since the initial important investment is no funding from the Federal Government. So we really, in some kind of dream of our own, to keep the notion going that somehow these States from west to east will continue to move forward because even under the best of circumstances, as we approach a cliff which I still believe we will not go over, but in not going over it, there will be very significant reductions in every kind of program made.

If that is the case, I need to hear the case for why we wouldn't prioritize one—at least one of the places you have funded that looks like it is ready to go and go with it. If you do not do that, you must have some view that some miracle is going to happen in the economy so that at least the public sector will continue funding. I can't see that, if it is not the case that we can expect public funding for all parts of the country in the next, let's say, next 5 years. So let's take the near term, how do you think—what do you think is the best way to proceed with what scarce funds you may receive, having received none now as far as I can tell, since the initial funding?

We know this, that if you start, and I know this from the Department of Homeland Security. We are trying to look for public/private ways to finish that, because every year that we fail to complete a project that has already begun, we are adding literally, and I use my words advisedly, hundreds of millions of dollars to the original cost of the project.

If that is the case, please help me to understand how one proceeds with a national network such as you have already embedded, knowing full well that there is no near-term prospect of funding it nationally, how will you have something to show to the American people within the next 5 years?

Secretary LAHOOD. Well, first of all, every budget that the President has submitted for the last 4 years for transportation has included money for high-speed rail.

Ms. NORTON. And Congress has, in turn, not funded. Did you really think we are going to fund high-speed rail for the 2014 budget, for example? The President will submit after he is saving us from going off the cliff, but is the administration thinking through the present funding crisis? We decided the fiscal cliff, the funding crisis we are building ourselves into precisely by solving the fiscal cliff problem.

Secretary LAHOOD. Well, as you know, Ms. Norton, I sat in those chairs where you all are for 14 years, and I know this: If you keep after things, keep working on things legislatively, particularly if they are good things, particularly if they are good for the America, particularly if the American people want them, eventually they will happen. Look, we are not giving up on high-speed rail. The President will include money in his budget, in the transportation budget, for high-speed rail. Eventually I hope there is enough visionary people around here that see high-speed rail as the next generation of transportation for the next generation that—but in the absence of that, we are trying to get some private dollars, we are encour-

aging—I traveled to 15 countries over the last 4 years. Everywhere I went I told these companies that built the rails in Europe and Asia, come to America, invest in America. And many of them are here now.

So in the absence of Congress not providing the money, but with the leadership of the President providing the money, I think we will get there with public money, but until we do, we are going to use private dollars.

Ms. NORTON. Mr. Secretary, with all respect, there is not 15 minutes worth of vision in this Congress. The chairman likes to exclude himself, but after all, he is from Florida.

Mr. Chairman, I very much respect, and I believe it is the way to proceed not to give up on high-speed rail, I beg you not to give up. My question really goes to priorities. If you continue to flake this money out because it will be so little, it will be a bunch of snowflakes, at the end, there will be huge criticism of the administration for having nothing to show for its funds. So my question very directly is, is it possible for you and the administration to think through a system of priorities based on a real-time, realistic vision of what lies ahead for us in the next 5 years so that we might prioritize among these projects? The projects which, for example, that have State go-aheads, the projects where you see an opportunity for private sector funding, on some rational basis to say, we are going to get to everybody. But to avoid the notion of having to simply disburse virtually no money everywhere, we are forced to use this set of criteria for prioritizing where the money goes first. We will reassess as the economy changes, but this is our priority now, it is Florida, it is California, it is the Northeast Corridor, it is Chicago, but we are not afraid to see what it is.

Secretary LAHOOD. Yeah, no, of course we will, we will.

Ms. NORTON. I will take that answer right there. And ask that the Northeast Corridor be considered. Thank you very much, Mr. Chairman.

Mr. MICA. Thank you. Let me yield down to Mr. Bucshon, gentleman from Indiana.

Dr. BUCSHON. Thank you, Mr. Secretary, for being here today. I will quickly draw your attention to a matter unrelated to high-speed rail, and I will submit the questions for the record.

Secretary LAHOOD. OK, fine.

Dr. BUCSHON. The State of Indiana recently received notice from the National Highway Traffic Safety Administration that Indiana was no longer in compliance with open container law and repeat offender law, and we disagree with that. NHTSA previously sent a letter to Indiana telling us that we were in compliance, and I will submit that letter for the record.

It is my understanding we didn't make any changes in MAP-21 regarding these laws. Because we are now considered noncompliant, Indiana is being withheld \$40 million in funding. Indiana Department of Transportation sent several letters to Administrator Strickland seeking clarification. As of now, we haven't received a response, and Indiana State Representative Soliday, and Indiana State Senator Wyss, who are the respective heads of the Transportation Committees in the Indiana Legislature have submitted a let-

ter to your office. So I want to bring that to your attention and thank you ahead of time for addressing.

Secretary LAHOOD. Well, look, I will personally look into it and I will personally call you and tell you where we are at with that.

Dr. BUCSHON. I appreciate that and with that I will submit my questions for the record. And I ask unanimous consent to submit those questions as well as the previous mentioned letters to the record.

Mr. MICA. Without objection. And with the concurrence of the minority we will leave the record open for 15 days. So ordered.

Ms. Edwards.

Dr. BUCSHON. I will yield some of my time to Mr. Denham.

Mr. MICA. Oh, I am sorry. I thought you were concluding.

Dr. BUCSHON. With that, Mr. Chairman, I yield the rest of my time to Mr. Denham.

Mr. MICA. Mr. Denham, you are recognized, and then we will go to Ms. Edwards.

Mr. DENHAM. Has the administration taken a position to waive NEPA on this project?

Secretary LAHOOD. To waive NEPA? Not that I know of.

Mr. DENHAM. Have you had a discussion about it?

Secretary LAHOOD. I have had no discussion about that, the first I have heard it.

Mr. DENHAM. Have you had any discussions with the Governor to waive CEQA?

Secretary LAHOOD. No, sir.

Mr. DENHAM. So when the Federal Government really wants to get something done on time, on budget, avoid some of the lawsuits, normally I have seen a number of times when we have waived NEPA, but certainly from a State perspective a Governor who has decided to waive NEPA or waive CEQA to get AT&T part done for the Bay area, or most recently, to build new football stadium, I would think that the two parties wanting to get high-speed rail is their number 1 priority, would look at, rather than having duplicative regulation and going through NEPA and going through CEQA, that we would try to streamline it at some point so this \$98 billion fluctuating to \$68 billion of numbers can actually get narrowed down to a specific. Do you have any thoughts or comments on waiving one of those two or at least working with the Governor to have that conversation?

Secretary LAHOOD. I have never had any discussions with anybody about this, including my own staff. First I have heard of it.

Mr. DENHAM. This is something that has come up in this committee many times, in fact, I think we have, in our bipartisan discussions, at least an interest to go with the highest level of environmental regulation rather than duplicating that, it would seem that this would be a very simple topic that should be at the top of both the State and Federal Government's interest point if we are going to get this project done. Surprising that—the Governor talks about it all the time when he wants to do it for a ball park in one of the different areas of the State. I would think that for the number 1 project of the State that that would be a conversation as well if we are going to do this on time and on budget.

I wanted to ask you about the timeline, you said this will take about a decade?

Secretary LAHOOD. Yes, sir.

Mr. DENHAM. The High-Speed Rail Authority plan has us doing Madera-to-Bakersfield corridor by 2017; Merced to San Fernando Valley by 2021; San Jose to San Fernando, 2026; and then the final San Francisco to L.A. by 2028. Does the administration have a different timeline than the Authority?

Secretary LAHOOD. Well, I believe that the timeline I was given was about a decade, so I will go back and see if I am incorrect on that.

Mr. DENHAM. I would just be curious to see if there is a way to expedite this project, and certainly having it done on time would be of great interest to me as we are looking to try to come to some type of agreement so that we can fight together rather than fighting to come up with a plan that we can all agree on.

Finally, on shovel-ready projects stimulus dollars, we are 4 years into this now. Any idea when we will actually have shovels on the ground?

Secretary LAHOOD. You are talking about high-speed rail or stimulus generally?

Mr. DENHAM. I do believe we have found some shovels for some of the stimulus money, but on high-speed rail we are still are using stimulus dollars and have no shovels in the ground.

Secretary LAHOOD. Well, you know better than anyone the difficulties it is to start a new program. Even though California was well positioned with a good plan, obviously that plan changed, the dollars changed, the administration has changed. We went from one Governor to another Governor. And we have to, as I said, we have had spent a lot of time with our friends in the freight rail to get these agreements, which we are very happy we are able to get. I think Governor Brown wanted to put in own people in place and there has been a change with the Rail Authority.

I would assume that you would want us to do this correctly rather than speedily. And doing it speedily—look, we can't have it both ways, we would like to do it as fast as we could. We want to get it right. Our partners in this are the State government. We had a change in State government, a change in personnel, a change in the plan, a change in the money. We are positioned today now. We know what the plan is, we know what it is going to cost. People are in positions now to implement the plan, and we are going to move forward.

Mr. DENHAM. What is the change?

Secretary LAHOOD. The change is going from Schwarzenegger to Brown, going from new members on the Railroad Authority, changing from \$99 billion to \$69 billion, which it changed the plan. A lot of things have changed. And all of those changes have taken time.

Mr. DENHAM. I would actually look forward to seeing a plan to see exactly what those changes are, other than fluctuating ridership numbers which get made up all the time, there doesn't seem to be a whole lot of changes. You have two administrations that made it a top priority. I mean, I expect that Governor Brown wants this just as bad as Governor Schwarzenegger did, and both wanted to have a streamline fast process, but we have had anything but

that so far, and we have nothing that you could sell to Congress and certainly couldn't sell them to a private company that would want to do this.

I am just still looking 4 years into this and seeing a plan that actually makes sense that I can take back home and sell to the people of my district.

One final question, we continue to hear Members talk about the train to nowhere, I think Mr. McCarthy would take offense to that, Bakersfield is not nowhere. But the question is if you get on Amtrak from my district, and want to go to southern California, when you get to Kevin McCarthy's district, you have to hop off a train and hop on to a bus to get to the Tehachapi Mountains. What is the plan to get high-speed rail over to the Tehachapis?

Secretary LAHOOD. I will be happy to submit that for the record, and I will also be happy to have Dan Richard come to explain the high-speed rail plan to you.

Mr. DENHAM. Thank you, I yield back.

Mr. MICA. Mr. Denham, I caution some of the terminology, after I saw some of the proposal early on, I remember I phrased it slow speed trains to nowhere, and I got a number of delegation letters, people from Illinois telling me how they were somewhere, so I had to modify my verbiage. Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman. Secretary LaHood, thank you so much because every time you have appeared before this committee, not only are you forthright about everything, but your passion for high-speed rail is so evident, I want you to know that there are plenty of members on this committee who share that and not just for where we live, but for a network that would eventually run across this country and I know that that is part of the vision. And I think that you are right, you have to start with a vision and then begin to build on that. And punch through, as I said before, punch through the resistance.

Some this committee and particularly on the other side of the aisle talk an awful lot about a bottom-up approach and renewed focus on what States want and what States define for their own needs versus the Federal Government. And yet, in the discussion about high-speed rail it seems to be quite the reverse quite frankly. And so when the applications came in from the States to the Department, did you all have to twist arms to get applications?

Secretary LAHOOD. Absolutely not. As I indicated earlier, when Florida decided not to accept \$2.3 billion, we put out a notice for that money, we had \$10 billion worth of requests.

Ms. EDWARDS. So you didn't force a State assembly or a Governor to submit an application, you didn't force them to take the money?

Secretary LAHOOD. We didn't call anybody and ask them to take the money. We put a notice out and we were flooded with applications.

Ms. EDWARDS. And so in California their assembly, their Governor, they are on board? They submitted the application, you reviewed the applications, just like you did for the Northeast Corridor, just like you did for my State of Maryland, and then made some decisions about—and those applications could have come from Montana to Chicago, or from anyplace else around the country.

Secretary LAHOOD. That is right, that is right, it was a free and open, fair competition.

Ms. EDWARDS. And I know we started out, you described that we started out with essentially—it is a startup, you didn't have staff expertise, you hadn't made the grants develop the application process or review the application process, it is like having a startup company.

Secretary LAHOOD. That is right.

Ms. EDWARDS. And now here we are 4 years later really ready to do something; is that right?

Secretary LAHOOD. That is correct.

Ms. EDWARDS. Let me just ask you about the freight rail. I discussed that earlier, I understand there are agreements with the freight rail industry. Are you looking at technology that will enable this kind of dual use of the freight and the passenger rail system so that we can achieve the highest speeds possible?

Secretary LAHOOD. Absolutely. Our goal is to make sure that according to the legislation, high-speed rail is defined at 110 miles per hour, now California will be higher.

Ms. EDWARDS. Do you think 110 miles is a bad definition?

Secretary LAHOOD. I think it is a pretty fast train. Look—

Ms. EDWARDS. In some places when you get on high-speed rail—

Secretary LAHOOD. I have been on trains in Spain and other countries, in China, that go 250, 300 miles; I would love to do that. You are never going to get a train going 250 miles an hour along the Northeast Corridor, nor would you want to. But in California, where we are building new infrastructure, do it at 200 miles an hour, which is what we are going to do. In Illinois, the best we can do is 110 miles per hour. Would we like to go 200? Of course we would, but it is not possible.

Ms. EDWARDS. So it is a standard that we can live with—

Secretary LAHOOD. That is right.

Ms. EDWARDS [continuing]. As high-speed rail. And then there has been some criticism as well that it is money that hasn't been spent yet. Do you think it is actually even reasonable to have actually spent the amount of money without developing the plans and rigorously reviewing those and making obligations for the studies that are required for those, and isn't it actually OK simply to have obligated the money and still ask for more because we can obligate more?

Secretary LAHOOD. What I am proudest of, over the last 4 years, you haven't seen any bad stories about boondoggles, earmarks or sweetheart deals when it came to the \$48 billion, of which \$8 billion was high-speed rail, none. We did it the right way, by the book, because, that is the way we were supposed to do it. We did it the way Congress asked us to do it, and we put 65,000 people to work over the last 4 years with the \$48 billion with 15,000 projects. Now, if people think we have been too slow, fine, I will take the criticism. But nobody is going to criticize us for any sweetheart deals, boondoggles or earmarks, none.

Ms. EDWARDS. Mr. Secretary, thank you so much. We are, as others have said, 50 years behind Japan, another couple of years is not going to hurt us, thank you very much.

Mr. MICA. Other Members seek recognition?

OK, I think we finished all of our regular—I am sorry, Mr.—I thought you had already spoken.

Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman. I just wanted to go back to this NEPA issue, because it seems like one of the biggest areas that, hopefully you can get bipartisan support on, it has come up whether it was the transportation bill that we had debated here, or a number of other amendments where you have got CEQA, the highest environmental quality regulation in the land, why would you go through it twice?

My staff pulled up a number, I guess the Federal Government has 179,000 NEPA waivers, a lot of those most recently on a lot of the wind projects. So it would only make sense to me that you would at least investigate this, and that staff had done 179,000 of them would at least maybe question this project on whether or not we needed—

Secretary LAHOOD. Look, Mr. Denham, I take your point, I think it is a good point. I am going to go back and talk to California about this. We don't do wind projects in our department. OK?

Mr. DENHAM. I understand that.

Secretary LAHOOD. So if you have an example of a NEPA or something like that at Transportation, I would be glad to hear it. Your question was have I ever talked to the Governor about this? No, I haven't, have I ever talked to anybody in California about it? No, I haven't. Have I ever talked to anybody in my staff about it? No, I haven't. I take your point. I am going to start talking to them about it.

Mr. DENHAM. Thank you. I look forward to seeing a resolution on that specific issue.

I still want to come back to the budget numbers. I realize, and I would agree with you that I would rather go slow than to try to speed through this and not have a full plan. And I have yet to see a plan, I am still looking forward to seeing that. But last time we were talking last year it was a \$98 billion project, I know there are some new ridership numbers, now we are talking a \$68 billion project with a different timeline. I know that there have been some changes with the Rail Authority. But on the \$68 billion, the numbers I have here as Proposition 1A would be 12 percent of the project, the Federal funding which has already been obligated would be 4.8 percent of the project, the unfunded piece, \$38.6 billion that was unsecured Federal funds, 56.4 percent of the project.

Do you anticipate that that would be a request from Congress on stimulus dollars? Do you think it will be part of a budget? Any idea where that 56 percent or \$38.6 billion will come from?

Secretary LAHOOD. Well, I will just be honest with you, Mr. Denham, I would hope that we could find Members of Congress that wouldn't prohibit the Federal Government from funding high-speed rail projects, that is a good first start. We—look, as long as there is language in bills that prohibits us from funding, we are with going nowhere. So if you would be good enough to withdraw your language in that appropriations bill, or tell Mr. McCarthy to do that, that would be a good first start for us. We are not going to get \$1 as long as there is language in the appropriation bills

that says no Federal money can be spent on California high-speed rail. That doesn't help us, that doesn't help us get any more money to the project. So that is why I say we are looking for private investment.

Mr. DENHAM. The amendments are not meant to help you, we agree on that. The amendments are meant to stop this project until we see a plan. You and I have been talking about this for 2 years now.

Secretary LAHOOD. And the last time we talked about it—

Mr. DENHAM. I want to go back to my district and say here's the plan.

Secretary LAHOOD. The last time we talked about it, I suggested you sit down with Mr. Richards, Dan Richards and go over the plan and review it. Now I will be happy to have Mr. Richard call on you and sit down with you and review in detail what the plan is. So if he does that, will you withdraw your language?

Mr. DENHAM. When you can show me that this project is fully funded and we have a private investor—

Secretary LAHOOD. We are not going to get it fully funded as long as there is language and bills that says we can't have any money. How do we fully fund it?

Mr. DENHAM. Mr. LaHood, I have been hearing this story for many years now. When it first came up in front of the State Senate, it was if you will just support this, we will have a private investor before it goes to the ballot. We just need to be able to show that the legislature supports it.

There was no private investor. They said wait a minute, if we just pass it, if the voters pass it, then we will have a private investor for sure because we will show that the State is obligating these funds and we will be ready to go, there is still no private investors. They said wait a minute, if we just get the stimulus dollars, we will definitely have a private investor come in because now we have got the State, we have got the Federal and we have got the voters on the hook for the \$33 billion. Then it became a \$98 billion project that would take an extra decade. We said, OK, well, if we just have the true numbers, a private investor will come.

So I keep hearing about these private investors, all these steps that if we just jump through one more step, we are going to have this private investor. So until we have a fully funded project, till we have a private investor that says look, OK, I understand you guys have some amendments, and I understand you guys have some disagreements, but here is what it is going to take, is it \$36 billion? And the private investor is going to come up with 10, 12, or 15? Then let's see how that makes sense.

Look, I am a businessman too, I run a company. I know I can't go out there and borrow money or expand my business or go sell a new product until I have got a business plan to sell to investors. You are trying to sell me on a plan so that I don't put any more amendments out there, I just want to see the numbers, my district wants to see the numbers. And I think the State that is obligated State dollars needs to see a plan as well.

I am out of time, I yield back.

Mr. MICA. The gentleman now yields to Ms. Hahn, thank you, and welcome to our panel. You are recognized.

Ms. HAHN. Thank you, Mr. Chairman, and let me go on record to say I totally, 100 percent agree with the idea of extending the Green Line into L.A. International Airport; there is no other international airport in the world that doesn't have a good transportation system that goes directly into a terminal. The thought that people stop a mile short and try to get on a shuttle and get to the airport is the reason people aren't taking public transportation, so I agree with you.

Mr. MICA. I no longer will be able to stop all the projects until he gets that done. I will just torpedo a few.

Ms. HAHN. I am with you on that. And Mr. Denham, I hear your comments about the possibility of waiving NEPA and CEQA, and I do remember our legislature falling all over themselves to waive that when it came to building a football stadium in Los Angeles. So I think the conversation is certainly one we ought to have, if there was any way that would soften your stance or get your support of our California high-speed rail, I would be the first one to start that conversation. I think that is something we definitely ought to have.

And Mr. Secretary, it is great for me to sit here and listen to your passion and really believe a vision in what a high-speed rail would mean, not just to California, really to this country. And I know, Mr. Denham, I know you have a lot of concerns about this, although I do know that I believe you were in the legislature in 2009 when you were on a letter that actually—you wrote to Secretary LaHood, you know, believing in the project then, agreeing with the project and asking for stimulus dollars to be given to California. So I know—

Mr. DENHAM. I voted on it, I was fooled at one time, and now we are trying to fix that situation.

Ms. HAHN. That is OK, but you had the hope and you had the vision at that time. I think we can get back to that. I think we should get back to that. I hope there comes a day when our whole California delegation will be in support of really being the model for this country and making sure that Federal Government invests in it. And, you know, it has been called the train to nowhere, but Mr. Secretary, you talked about this new project where we are going to be building the rail cars in Illinois.

There are already jobs that are going to be created. There is already money that is going to be into our economy as a result of this, even if it is a somewhat unconstructed vision that we have of the high-speed rail in California. So I hope to be one of the champions here in Congress a long time to continue to urge us to finally build the high-speed rail in California. It would be a proud moment for this generation. As you said, what are we going to build that is great and significant and has incredible impacts for jobs, for the economy, and for the future of transportation, for tourism. In Los Angeles, tourism outpaced goods movement as the number one industry. So we want to tourist dollars in California. Those are the dollars that matter to us. But the only thing I'm going to ask is, there is always a bureaucracy that has to implement the plans, the progress, the process, and can you tell me, Secretary LaHood, how has the California High-Speed Rail Authority been in working with your department? Have they been open? Have they been respon-

sive? Is this a good agency as we move forward to build this significant project?

Secretary LAHOOD. First of all, Dan Richard is an extraordinarily gifted chairman, very knowledgeable about high-speed rail and knowledgeable about how to get things done in California. I think Governor Brown's other appointees are very good, are very dedicated people. I have been very impressed with the board. Jeff Morales is also a very gifted individual and very committed to doing this the right way, doing it correctly, and working with all the stakeholders in California. I think the right people are really in place right now. And I wouldn't have said that a couple of years ago.

I will tell both you and Mr. Denham this, on a trip that I made to California, I spent 3 days along the Corridor, primarily in Fresno but in the Central Valley, and I met with some farmers and as a former Member of Congress, I was stunned by the way they had been treated by the previous people that were in place, treated very shabbily, treated very arrogantly. And Dan was in that meeting, and Dan and I made a commitment to these farmers—and we met with some small business people in Fresno who had also been treated shabbily. And I don't blame them for being against this project. But we told them we would make it right for them. We listened to them, Dan has gone back and listened to them, and we are trying to work with these people who have spent their whole lives in agriculture, whose farms have been in their families for 100 years, and who have been treated very shabbily by people in Government.

We made a commitment, and I think Dan has followed through on that. And so I experienced the hard feelings. I don't know if some of those are your constituents or not, Mr. Denham, but I know this, these people in California were not treated right and I don't blame them one bit for feeling the way they do about this project. We have got to get them back. And we are working on doing that. I don't know if we will or not, but we are going to work on it. We need to do a lot better when it comes to the people along this corridor.

Mr. DENHAM. Will the gentlelady yield?

Ms. HAHN. Yes, I yield to my friend from California.

Mr. DENHAM. You are 100 percent correct. When this was sold to the voters of California back when it was a proposition, I would say they did a very, very good job of going out and doing a lot of outreach to farmers throughout the Central Valley and getting a lot of actual support for the project at the time. And then there were changes that happened within the Authority and they went out and lost, burnt a lot of those bridges, lost a lot of those relationships, and it is going to be a difficult road to get them back on and supportive. But it is something that I would look forward to engaging with your office on because I, quite frankly, you will have a hard time getting my support if we can't rectify things for those farmers that feel like they are going to lose their farms in this process.

I yield back. Thank you.

Ms. HAHN. Well thank you very much, Mr. Chairman, for letting me be part of this committee. I am an unabashed supporter of

high-speed rail, and I look forward to working with my colleague in California, Mr. Denham. I think not only can we get over all the obstacles to build this high-speed rail, I think there is a possibility we are going to get Mr. Denham's support for this project.

Mr. MICA. I thank the gentlelady for yielding back. And let me say in conclusion, well, let me clear up one thing for the record, because there is a lot of confusion about where I stood and others stood on the link in Florida which was 84 miles, and the administration came forward I think initially with a \$1 billion offer, and it was initially rejected. The Secretary was gracious, and came back with a \$2 billion offer and that was rejected.

Finally, to try to make an incredibly substantial commitment, the Secretary, I remember the discussion we had, came back with I think it was close to \$2.4 billion out of a \$2.7 billion. And I tried to work with all the parties. At first it would not work at \$1.7 billion even at \$1.2 billion, questionable, but the Secretary did go to every extent.

The problem was, and I tried—again, it was not a high-speed rail project, but it was an important intercity passenger lane and I tried to negotiate with the Governor and others and there were others other interests in the State that wanted to go all the way to Tampa. The Governor did review it. There were serious concerns about the link from the tourist area, Disney to Tampa, the Orlando to the tourist area it is a no-brainer. It should be built, it can be built, it can be self-sustaining, it can be a great project. But we couldn't get a compromise to build it in phases. Tampa had had problems and still has problems, one of the few cities without a fixed transit system in that size category. I think there are only two left in the United States now.

But the Secretary and I did all we could in our power to make that happen, it just didn't happen and the money did come back, and I was pleased that a good portion of it did go into the Northeast Corridor but we can't do that piecemeal, we can't do it Band-Aid. We need to do it and get it done not in 30 years, but in a fraction of that time, and we can make that it happen. One reason I came back and will be here a very active member of this committee, even though not maintaining the chair is to get that done. We will figure out a way.

If we have got a multibillion-dollar project in California, it is not going to be a dog, we are going to, we want success, we need a plan, we will work with folks, we need to expedite it if we are going to do it, and then we need to see that it is connected into a place it would serve. So we will work together.

I thank the Secretary for his cooperation and his commitment.

Secretary LAHOOD. Thank you.

Mr. MICA. Publicly, I just want to say how much I have enjoyed our working relationship from probably the very hour you got the call that you were going to be Transportation Secretary to today. So on your birthday, congratulations.

Secretary LAHOOD. Thank you.

Mr. MICA. And this livened it up. It will probably add to your longevity. They say that stimulation is good for the heart, so we wish you many more prosperous and healthy birthdays.

Secretary LAHOOD. Thank you all very much.

Mr. MICA. Thank you. We will excuse the Secretary and we will turn to our next panel.

Our next panel consists of Mr. Mitchell Behm, assistant inspector general for rail, maritime and economic analysis, the U.S. Department of Transportation. Second witness is Ms. Susan Fleming, director of physical infrastructure, Government Accountability Office, GAO. Then we are also privileged to have as a witness the Honorable Paula J. Hammond, secretary of transportation for Washington State, chair of AASHTO High-Speed and Intercity Passenger Rail Leadership Group, and chair of the States for Passenger Rail Coalition. The Honorable Ann Schneider, secretary of transportation for the State of Illinois. And finally, the distinguished Mr. Ed Hamberger, president and CEO of Association of American Railroads.

TESTIMONY OF MITCHELL BEHM, ASSISTANT INSPECTOR GENERAL FOR RAIL, MARITIME AND ECONOMIC ANALYSIS, UNITED STATES DEPARTMENT OF TRANSPORTATION; SUSAN A. FLEMING, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE; HON. PAULA J. HAMMOND, P.E., SECRETARY OF TRANSPORTATION, WASHINGTON STATE; CHAIR, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS HIGH-SPEED AND INTERCITY PASSENGER RAIL LEADERSHIP GROUP; AND CHAIR, STATES FOR PASSENGER RAIL COALITION; HON. ANN L. SCHNEIDER, SECRETARY, ILLINOIS DEPARTMENT OF TRANSPORTATION; AND EDWARD R. HAMBERGER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF AMERICAN RAILROADS

Mr. MICA. I would like to welcome all of you. I tell you that we appreciate your patience. As you can tell, we have had some lively discussion to date. There is a lot of interest in the passenger rail service, intercity and high-speed, we look forward to your contribution. If you have a lengthy statement that extends beyond 5 minutes, without objection, it will all be considered as part of the record and included in the record.

We welcome you, and we will now begin and we will start with Mr. Mitchell Behm who is the assistant inspector general for rail, maritime and economic analysis of the Department of Transportation. Welcome, Mr. Behm, and you are recognized.

Mr. BEHM. Mr. Chairman, members of the committee, thank you for inviting me to testify on the FRA's implementation of the Nation's High-Speed Intercity Passenger Rail Program. Since we raised concerns in April 2010 about FRA's ability to meet this challenge, we have seen FRA make noteworthy progress in implementing its grants program.

To date, FRA has awarded and obligated nearly all of the \$10.1 billion in grant funds. However, it has only disbursed about 8 percent of these funds due in part to challenges in completing key components of its grants management framework and stakeholder agreements. My testimony today will focus on these two challenges.

To establish a sound foundation for a grants management framework, FRA developed policies and procedures for grant solicitation, administration, oversight and closeout. However FRA has not de-

veloped sufficient guidance for FRA's staff and grantees on how to comply with these policies and procedures. Through our survey of FRA staff, we learned that grantees did not always meet the agency's grant obligation requirements for documenting project scope, schedule and budget. Nine of 12 grantees we interviewed indicated that FRA could have provided more guidance to help them develop the required application documentation.

Providing guidance on how to navigate the complex grant lifecycle process could help FRA prevent any inefficiencies, mismanagement and project delays. FRA has established work groups to develop this guidance, but has not established timelines for completion for all of these work groups.

FRA's grant management framework also lacks clear strategic and performance goals for assessing the grant program's progress and grantees' performance. For example, the goal to improve reliability, speed and frequency of rail passenger service does not include measures that indicate progress such as anticipated trip time improvements, additional trains or ridership gains. A lack of specific performance measures as well as inconsistencies across documents containing strategic and performance goals make it difficult for grant managers, decisionmakers and other stakeholders to measure progress and identify risks.

FRA also needs to develop a comprehensive training program, one that incorporates its program policies and procedures to ensure staff appropriately and consistently administer funds across all active grant programs.

To help fill its training gap, FRA has required its program staff to attend agency-provided training on grant monitoring, applicant outreach and other relevant topics. However, FRA has not required staff to complete training for recognizing common fraud schemes such as conflicts of interest or false statements claims and certifications.

Historically, large scale grant projects, such as those under the High-Speed Intercity Passenger Rail Program, have been particularly vulnerable to these types of fraud. FRA agreed with our recent recommendation to develop a comprehensive grant management training curriculum that includes a required fraud training component. FRA expects to complete the curriculum by the end of this calendar year.

Finally, all stakeholder agreements need to be completed in order for FRA to disburse obligated funds to project grantees. Prior to obligation, FRA ensured that grantees for all long-term projects completed service outcome agreements. These important agreements outline the benefits that will result from the infrastructure investments.

While FRA obligated all of the funds within the ARRA-mandated deadline, other required agreements related to maintenance and construction were not complete. The deadline for extending ARRA funds and completing construction is September 2017, a compressed timeline for complex projects, such as creating a new rail corridor or expanding or reconfiguring an existing one.

For projects with maintenance and construction agreements that remain outstanding, the timeline for completion becomes even more compressed. Short-term projects, which were intended to stimulate

economic recovery, have also been delayed. FRA originally planned on obligating funds for these projects by September 2010, but did not complete this effort until September 2011 as a result of the focus on completing the long-term project service outcome agreements.

According to FRA officials, stakeholder agreement requirements for short-term projects were completed on a case-by-case basis instead of providing guidance for completing these agreements. Grantees of these projects reported that without this written guidance, they had difficulty understanding FRA's expectations regarding the terms of the stakeholder agreements. Stakeholders also noted that delays in obligating funds impacted their ability to plan and complete their short-term projects.

We will continue to monitor FRA's progress in finalizing grant administration guidance, establishing clear program goals and measures, and completing a comprehensive training curriculum, all actions we have recommended, as well as other areas we identify as critical to ensuring FRA's successful implementation of the High-Speed Intercity Passenger Rail Program.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you may have at this time.

Mr. DENHAM. [presiding.] Ms. Fleming, you are recognized for 5 minutes.

Ms. FLEMING. Mr. Chairman, members of the committee, thank you for the opportunity to discuss the Department of Transportation's High-Speed Intercity Passenger Rail Program. As you know, this program was established to provide grants to States and others to develop high-speed, intercity passenger rail corridors and projects. As of November, almost \$10 billion has been obligated for about 150 projects. Projects range from multibillion-dollar high-speed rail systems, like that in California, to smaller projects designed to improve speed, frequency, reliability of conventional rail service.

My testimony today will discuss our ongoing review of the California project. I am providing our preliminary observations on our work to date, mostly related to project costs. But I will also highlight some of the key challenges facing this project.

First, based on our ongoing review, we have found that the California High-Speed Rail Authority's cost estimate exhibits strength and weaknesses. We have evaluated the cost estimate according to GAO's Cost Guide, which provides best practices for developing reliable cost estimates. We group these best practices into four broad characteristics, whether an estimate is comprehensive, accurate, well documented and credible.

Based on our experience, adhering to these practices helps to reduce the risk of cost overruns, missed deadlines and unmet performance targets. Overall, we found that the Rail Authority produced generally comprehensive cost estimates including most project life-cycle costs. However, they are not based on a complete set of assumptions, such as how the Rail Authority expects to adapt existing high-speed rail technology to the project in California. The cost estimates are also accurate in that they are based on the most recent project scope including inflation adjustment and they contain few mathematical errors.

In regards to documentation, while most assumptions and methodologies are well-documented, in some cases, we were not able to trace the final cost estimate back to the source documentation. We also could not verify how certain cost components, such as trains and stations, were calculated.

Having complete documentation is important so that changes to the estimates can be tracked and updated and key decisions are documented and defensible.

Finally, in regards to the cost estimates' credibility, the Rail Authority did conduct a sensitivity analysis and an independent cost estimate, but these were limited to the initial construction segments.

In addition, it did not conduct risk and uncertainty analysis to determine the likelihood that the estimates would be met. Without these steps, decisionmakers cannot identify the risks that may affect the project's costs.

Moving on to my second point. In addition to developing reliable cost estimates, the California high-speed rail project faces many challenges. Chief among these is obtaining project funding beyond the initial 130-mile construction segment. While the Rail Authority has secured \$11.5 billion from Federal and State sources, it needs at least \$57 billion in additional funding to complete the project. As with any large public infrastructure project, it is relying on public funding, in this case, about 81 percent for the total construction costs. The remaining financing is expected to come from unidentified private investment once the system is operational.

As a result of this financing challenge, the Rail Authority is taking a phased approach, building segments as financing is available. However, given that the High-Speed Intercity Passenger Rail Grant Program has not received funding for the last 2 years and future funding proposals about Federal funding will likely be met with some concern, the largest block of expected funds for completing this project is tentative.

The Rail Authority will also face the challenge of developing reliable ridership and revenue forecasts. These forecasts are important to assessing the financial viability of the project. Factors such as limited data and information, especially early in a project, make developing such forecasts difficult.

In addition, risk of inaccurate and biased forecasts are a recurring challenge for sponsors of the project. Research on ridership and revenue forecast for rail projects worldwide have shown that ridership forecasts are often overestimated and actual ridership is likely to be significantly lower than forecast.

Among the other challenges facing the project which may increase the risk of project delays are potential legal challenges associated with State and Federal environmental laws and acquiring necessary right-of-way acquisition.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you and other members of the committee might have.

Mr. DENHAM. Thank you.

Ms. Hammond, secretary of transportation for Washington, 5 minutes.

Ms. HAMMOND. Thank you. Mr. Chair, members of the committee, this is an important hearing to think about not only lessons learned through the development and implementation of the High-Speed Rail Program, but looking forward to pre-ARRA authorization. We States who are responsible for delivering and operating the rail systems in our States are committed and encouraging you to continue a rail program of this kind. Passenger rail in our States of Oregon and Washington has been in place since 1994 where we have partnered from the State level with Amtrak and in our State, Burlington Northern Santa Fe, in a collaborative approach to an incremental delivery of high- and higher speed rail programs and service.

So as we have been investing over the years, we see the implementation and the creation of a national vision as a very important part of what we are trying to deliver.

We have a 460-mile corridor between Eugene, Oregon and Vancouver, British Columbia. We have achieved in the last year up to 850,000 passengers, and our growth is increasing year over year in the 10-percent rate.

We have, in our State, invested over \$480 million in capital and operations in Amtrak Cascades, which is what we call our program. But it wasn't until the Recovery Act came that we were able to make significant capital infrastructure improvements on the rail itself. Sidings, double-tracking, positive train control, all of those amenities that will benefit high- and higher speed rail and more frequent service for passenger rail also has ancillary benefits to our freight rail and freight movement in our State.

We in Oregon are very trade-dependent nations, and one of the things we are very careful about in not only updating our passenger rail program and plan for the future is to look at both freight and passenger rail movement and how we can coexist in the same corridor together because that is our plan.

We have received \$800 million of the high-speed rail program money. We have five projects currently under construction with another five coming into construction in the next year.

The improvements, while they bring important investments in our ability to increase our service, also have created jobs. More than 2,300 jobs will be created in just the capital infrastructure and the indirect benefits from those jobs. But what we are looking for is the long-term stable travel choice for passenger rail in our corridor along the I-5 corridor on the west coast because our States are growing. We can't build enough lanes on the highway side nor do we want to provide passenger service.

We want trains, we want commuter rail, we want light rail, and we want an integrated transportation system for the 21st century that our citizens deserve and we need to ensure that their taxpayer dollars are well spent.

We have had an overall positive experience with the high-speed rail implementation. We recognize that the Federal Railroad Administration was starting from being a regulatory agency trying to move into the grant delivery agency and we have had some challenges as have they; but, they are dedicated people. If they are staffed and resourced at the level that is required to have oversight

of a performance-managed system, I believe they will continue to do well and excel in this program.

We do need the written guidance from the Federal Railroad Administration, it helps us State and us mainline rails know what is coming and know what is expected of us. That can streamline the delivery of the program as it moves forward.

We also believe that with the benefits that have been made in the MAP-21 reauthorization as we look to PRIIA, the more we can streamline and coordinate things like NEPA, environmental permitting, so that all of the Federal U.S. DOT agencies can serve as a one DOT agency, and streamline and find that the processes and the environmental documents can be concurrently delivered and accepted from one agency to another, Federal Highway Administration has been in this grant business or delivery business for a very long time. They are good at it. We have found some efficiencies and streamlining there. I think we can expand that to Federal Railroad Administration and continue to have great success.

The other issue we have had is needing consistent guidance from the Federal Railroad Administration on the Buy America program. We wholeheartedly agree with and encourage Buy America, manufacturing created in the United States, and to continue to grow our Nation's economy in that way. But we are in a transitional period, and we have had some challenges in trying to get waivers for as much as 5 months on a clip for a rail tie that probably shouldn't have taken that long as we are in this transitional period.

So figuring out how to accommodate the goal of Buy America but finding a way to get there in a transition period I think would be good.

I know I am out of time or getting close I would just suggest that as we move to PRIIA, we would love to see this program continued. We do know that there are prioritization-based investments that should and could be made. Performance-based investments are the way of the future. We are committed to it in Washington State. We support that and we think that the taxpayers should continue to see the benefits for the dollars invested. But we also believe that passenger rail is where it is at, it is where our future needs to go, and we appreciate the vision of the President and the administration. Thank you.

Dr. BUCSHON. [presiding.] Thank you for your testimony.

Ms. Schneider, secretary of transportation for the State of Illinois, 5 minutes.

Ms. SCHNEIDER. Thank you, Mr. Chairman and members of the committee. I appreciate the opportunity today to submit testimony to you on behalf of Illinois Governor Pat Quinn to give you an update on the High-Speed and Intercity Passenger Rail Program in Illinois. First, I want to thank the members of the committee, the entire Congress and the Obama administration for supporting a healthy intercity passenger rail system, for your leadership on freight rail infrastructure needs, and for supporting improved service with words and money.

We are grateful for the investments from the American Recovery and Reinvestment Act, which have provided more than \$1.4 billion for Illinois high-speed rail. And I can tell you that these current investments in the Illinois high-speed passenger rail system are al-

ready supporting thousands of jobs and providing economic benefits with much more on the way. And we could not do it without Federal help.

We need continued Federal funding for high-speed rail so that we can finish the job that we have started and keep our promises to travelers and taxpayers.

These investments will continue to pay dividend, and the American people deserve no less.

We ask that Congress appropriate additional funds for States making these investments including Illinois and the Midwest. What would have been the destiny of Illinois and the entire Midwest had the Nation's rail system not been centered in Illinois in the mid-19th century. Very simply, neither Illinois nor the Midwest would be the transportation hub of the Nation that it is today and the State's diverse economic base would not exist as we know it.

Fortunately, Illinois was made the center of national rail development, and today, Illinois hosts a 7,300-mile rail network that serves as a keystone in moving passengers and freight across the State, the region and the Nation.

Passenger rail service is crucial to Illinois' multimodal transportation network and has never been more important than today. Illinois helps fund 28 Amtrak trains serving four high use corridors from Chicago to Milwaukee, Chicago to St. Louis and instate, from Chicago and Quincy to Carbondale and to the west and to the south. Those trains carried a record 2.2 million passengers last year. Ridership growth in Illinois has been exceptional, up more than 74 percent since 2006, and on the Chicago to St. Louis high-speed rail corridor, our passengers have increased by 224 percent since 2006.

And this increasing public demand is why we were proud to debut higher speed service in October on the Dwight to Pontiac segment of the St. Louis to Chicago high-speed rail corridor with Secretary LaHood and Governor Quinn on the train. And by Thanksgiving, we began delivering that same 110-mile-per-hour experience to regular Amtrak passengers every day.

Intercity passenger rail is already stimulating development on the corridor in cities like Normal, Illinois, where new multimodal station has attracted \$200 million in related private investment and in Joliet, where construction of a new multimodal station is underway.

Plans also include new or improved stations for six other cities on that corridor. And we have, as the Secretary LaHood mentioned earlier, created 250 new jobs in Rochelle, Illinois, where railcars for California and the Midwest are being built. And last week, I was able to witness Caltrans giving that manufacturer the notice to proceed.

Illinois and the Midwest collaboration on high-speed rail began in 1980, but gained traction in the 1990s when a 10-State, Midwest rail initiative did joint studies and prepared a plan of staged development for high-speed rail to upgrade existing track, add passenger rail frequencies, and use new technologies to enable faster, safer passenger trains on all of our existing rail corridors.

With years of solid planning in place, Illinois and its Midwest partners were ready to move quickly on April 16 in 2009 when

President Obama called for a national network of connected high-speed rail corridors.

Secretary LaHood earlier properly compared the President's vision to the 1950s blueprint for building the U.S. Interstate Highway System. The Federal Railroad Administration awarded Illinois \$1.2 billion in January of 2010 to upgrade to 110-mile-per-hour passenger rail service between Dwight and the East St. Louis area.

And Governor Quinn made Illinois a full partner in this vision with his commitment of \$400 million in State funds for high-speed rail from his \$31 billion capital program known as, "Illinois Jobs Now!".

Federal awards that year also provided funding to construct a key rail fly over in the Englewood neighborhood on Chicago's South Side to help improve mobility and help augment high-speed service for Chicago St. Louis and for the Chicago Detroit corridor which is the next expected high-speed route in the Midwest. In that route, Illinois has invested \$200,000 in State funds on the tier one study for that corridor in cooperation with Michigan and Indiana. And work is progressing to provide needed positive train control by fall of 2015, which will enable high-speed service to commence on almost 75 percent of that 285 Chicago to St. Louis corridor reducing overall travel time by an hour.

Clearly, Illinois is still moving quickly on its high-speed vision, a vision that Governor Quinn is passionate about and shares with President Obama as a key component of a world-class national rail system.

Please let me reiterate at this point knowing that I'm out of time that continued Federal funding and support for this vision of a national high-speed rail service has never been more critical than it is right now. And thank you for the opportunity to testify today.

Dr. BUCSHON. And thank you for your testimony.

Mr. Hamberger, it is good to see you and you have 5 minutes.

Mr. HAMBERGER. Thank you, Mr. Chairman, Congresswoman Edwards, Congressman Cummings, on behalf of the freight rail members of the Association of American Railroads, thank you for the opportunity to be here today. For the record, I would like to associate myself with the remarks of Secretary LaHood on the leadership that Chairman Mica has exhibited the past 2 years in this committee.

As Secretary Schneider and Secretary Hammond can attest, our Nation's freight railroads are successful partners with passenger railroads all across the country. Approximately 97 percent of Amtrak's 22,000-mile system consists of tracks owned and maintained by freight railroads, and the high-speed and intercity passenger rail projects under development nationwide will largely, but not exclusively, utilize freight-owned facilities.

In addition, hundreds of millions of commuter trips each year occur on commuter rail systems that are at least partially owned by freight railroads. Privately owned and operated, America's freight railroads in recent years have been investing more than \$20 billion of their own capital to expand and maintain a freight rail network second to none.

In simple terms, we are carrying the load so that American taxpayers don't have to.

At a time when there is growing concern about the state of this country's transportation infrastructure and who should be paying what to do the job and maintain it, freight railroads are making these record investments in the country's rail system to be ready to meet America's business needs and to help the economy grow in the years ahead. Our commitment to continued private investments supports millions of jobs across the country and spurs economic development in cities both large and small.

Secretary LaHood and his team certainly understand that America's economic health and global competitiveness would suffer greatly if the integration of future passenger rail with freight rail operations is not handled smartly.

I have often heard the Secretary say and confirmed with him this morning that it is still his view that yes, America needs a world-class passenger rail system, but not if it comes at the expense of what is already the world's best freight rail system.

The AAR has long advocated that true high-speed rail must operate on dedicated track and in a sealed corridor.

In the meantime, moving to higher speed rail on a mixed-use basis does present significant challenges. These challenges can be more easily met if five key principles are followed:

One, safety has to come first when it comes to passenger trains sharing track or rights of way with freight trains. Differing speeds and operating characteristics must be accommodated with safety as the number one goal.

Second, capacity issues, including the ability to grow both freight and passenger service in the future, must be properly addressed. On some corridors, current or expected freight traffic levels may mean there is no spare capacity for passenger service. In these cases, new capacity will be needed before passenger trains can operate.

Third, if passenger trains use freight railroad assets and property, it is reasonable for the host freight railroad to expect full and fair compensation.

Moreover, freight railroads should not be subject to any new local, State or Federal tax liability as a result of being a partner in a passenger rail project.

Fourth, freight railroads must be adequately protected from liability associated with hosting passenger service.

Finally, each project involving passenger rail service on freight-owned tracks in general and high-speed rail projects in particular has its own unique challenges and circumstances. To mix the two, agreements must be tailored to the specific needs and conditions of each project.

Freight railroads support passenger rail and support Government efforts to grow passenger rail in ways that make economic sense and that complement freight rail growth. Freight railroads are, therefore, committed to working with Government officials, passenger rail stakeholders and others to ensure a winning result for all parties involved.

Thank you for your attention.

Dr. BUCSHON. Thank you.

And we will get into some questions here then.

Mr. Behm, your testimony explains that the FRA staff said additional guidance is needed to help ensure compliance with policies and procedures.

What efforts are underway to ensure this is occurring and what also are the risks if we don't have further guidance to the States?

Mr. BEHM. We have made recommendations to the FRA to enhance the guidance that they provide to the States to both their FRA staff as well as the State grantees. I think that it wasn't a matter that FRA was not willing to provide this guidance, but obviously considering the challenges that they were faced with in establishing this program from the ground up, ultimately one of the largest discretionary grant programs, really addressing things on kind of a critical-path basis, and first identifying and developing the policies and procedures and then going ahead and proceeding with developing this guidance was the way that they approached it.

Basically they have agreed to develop work groups at our recommendation and additionally to get feedback from the State grantees as well as FRA staff in order to ultimately establish better guidance.

Dr. BUCSHON. Thank you. Ms. Fleming, you explained that the estimates will change as the project moves into construction. Does that mean that it is fair to say that costs will increase? Do you have a way to predict future cost growth in projects like this?

Ms. FLEMING. No. I don't have a crystal ball in that regard. But I think our bottom line is that the project is still in the early stages, and we would like to see some of the weaknesses that we have identified addressed, such as the need for the Authority to undergo a risk analysis that would help determine whether or not the estimate is too high, too low, and by how much. That would also identify what the key risks are so that policymakers and decision-makers can try to mitigate those risks. So at this point, we don't know if—you know, the number will change obviously. The project scope will change, there will be refinements constantly to both the costs as well as the ridership forecasts. That is normal with this project. The Authority is trying to make those changes for each of the upcoming business plans. But the numbers will change. The tests will help try to determine the magnitude in terms of the risk and how to address that.

Dr. BUCSHON. Mr. Hamberger, in your view, what are some of the—and you explained some of this in your testimony, technological, legal and logistical hurdles that we are going to need to overcome if we are going to share existing freight rail right-of-way with passenger rail trains.

Mr. HAMBERGER. One of the biggest concerns, frankly, is safety. If you have a disparate set of speeds you know from your highway experience that that increases exponentially the risk of accidents. It is true on railroads as well that a faster train will close the gap with a slower train faster than expected. Many grade crossings are set to react to a certain train speed. If you have a faster train and a slower train moving on the same corridor, how do you operate a system so that the gates go down in time?

In addition, there are different classes of track. As passenger trains operate at higher speeds, the track has to be maintained to

a much greater standard and frequency. Moreover, a heavier train, for example a grain train, would exhibit forces on the track that might make it unsuitable for the higher speed passenger train. So all of these things need to be taken into account.

Dr. BUCSHON. I think sometimes there is this impression we are using existing track and using existing right-of-way is easier and cheaper than just building new track. The same thing is true with highways, I think. And obviously, it sounds like with a lot of the logistical hurdles with train speeds just assessing that, and straightening all that out, as you pointed out, is going to be something that is very difficult and costly.

Mr. HAMBERGER. Indeed and you also asked about the legal and contractual issues. Obviously, the freight railroads are in operation to serve America's communities, to serve America's farmers and manufacturers, and get their goods to market. And so, as I mentioned under the capacity principle, we have to make sure that there is adequate capacity to keep America's economy moving as well.

Dr. BUCSHON. Thank you. I yield to Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman, and thank you to our witnesses and also for your patience today. As you can tell, there is a lot of interest on this committee, even on an off day around high-speed rail. So thank you very much.

Secretary Hammond, some on this committee have criticized the administration for providing Federal funding for higher speed rail. I wonder if you can tell us about some of the improvement riders would see as a result of investments that are investing in higher speed rail and not just high-speed rail, and why that would be important.

Ms. HAMMOND. As I mentioned, in Washington State since 1994, we have been working on an incremental approach to growing passenger rail service in our State. As we have additional round trips, additional speeds and additional reliability of service, we are finding our ridership growing year over year. And when you think about the unique characteristics of different States, for us in Oregon, the Pacific Northwest and the I-5 Corridor the West Coast Corridor for us is linking between some pretty rural areas but between Seattle; Vancouver, BC; Seattle and Portland, Oregon; and Eugene, Oregon; we have some major business markets and the opportunity for travelers who are tourists to enjoy our rail.

For us, it wasn't going to work to start from scratch and immediately institute a high-speed rail line. We have too many communities linking throughout that West Coast Corridor that wanted to enjoy the benefits of rail and wanted us as a State who is contributing and putting our own State dollars into it, they wanted to see the benefits in that incremental fashion.

So for us, I think that Washington State will always be a higher speed or at least in the next 20 to 30 years, be a higher speed passenger rail program, but it works for us and it works for our businesses and our major communities that it links.

Also, I would like to say that as we work closely with Burlington Northern Santa Fe on this notion of sharing the corridor, it is a decision that we made, Burlington Northern Santa Fe has bought into it and the notion for us in the amount of increments and pas-

senger trips that we intend to make, the investments we are making on that freight rail line will not only benefit passenger travel, but our freight movement in our State, as we are a most dependent trade State. And as the economy recovers and their business continues to grow, we think the investments are going to help us be very compatible and help continue service in both areas.

Ms. EDWARDS. Let me turn first to Ms. Fleming on this question of sort of estimating ridership as a way to determine whether it makes sense to develop a line because I think as Secretary Hammond has pointed out, they started out with the vision, but then over time, because of the investments they have made, the ridership has increased which then begs for more investments at different speeds.

How is that factored into your analysis about whether there is an efficiency investing and whether it is the California Corridor or another?

Ms. FLEMING. We are still assessing California's process, the California process for developing its ridership and revenue forecasts. But our sense is that they have largely followed best practices. And in fact, the inspector general has put a really nice guide out there. But ridership and revenue forecasting is inherently risky. You are forecasting the future, it is an extremely complex undertaking. But that being said, it is critical to determining the viability of a project. And I think the key to this is that you have to be continually refining the estimates as the project scope changes, as things change, you just update the model, as the economy changes, so you are just constantly updating and refining. So that is the process that I think California is undertaking as well.

Ms. EDWARDS. Thank you. Let me just turn, before my time expires, to Mr. Hamberger because I have expressed a lot of concern about the sharing of freight rail. I understand why we need to do this sharing in various places, but I wonder if you—if the freight industry has done some assessment about what that means in terms of its own productivity, competitiveness and those things because I share the concerns that the Secretary expressed when he was hear that we have a great freight system, it is private, it has great investment, and we don't want to do anything to damage that; at the same time, we do want to develop a high-speed rail. And then can you talk to me about the technology developments that actually are going to allow us to better share those systems?

Mr. HAMBERGER. Yes. I see we have 4 seconds left, so let me get into that.

Ms. EDWARDS. But I am sure that the chairman will let you finish your answer.

Mr. HAMBERGER. Thank you, Mr. Chairman.

Those issues—what are the impacts of passenger rail traffic on freight needs—are actually examined through a very site-specific analysis. The report by the inspector general indicated that some of these negotiations dragged on. Well, indeed they did. And they did because there were four parties sitting around the desk—the State, Amtrak, the Federal Government and the freight rail right-of-way owner—each of whom was looking at this through its own prism. The freight railroads wanted to make sure that not only could they continue to serve their customers today, but that they

would be able to continue to serve their customers for the foreseeable future. That meant having models to assess what would be the growth of traffic for freight and what would the impact be of having passenger rail service added knowing that maybe that passenger service, if it was commuter service, would be heavy at certain times of the day. So how do you model that and find agreement?

So yes, those discussions did drag on for some time. But they did come to successful conclusions. And so I think that says a lot about the freight railroads' desire, not only to serve their customers, but also to be willing participants and to work toward getting to "yes"; on doing the right thing to help enable passenger rail, but again, not at the expense of freight rail.

With respect to the technologies, I know you know about positive train control, but there are so many other issues that I tried to reference in response to Chairman Bucshon's question about sharing track at higher speeds. There is a general view that there is no issue really up to 79 miles per hour. And there are some corridors, again, based on specifics—and were you on that train? I understand you were—where I understand the train went to 111 mph actually.

Ms. SCHNEIDER. I was.

Mr. HAMBERGER. So it can be done. But again, a lot of resources need to be focused on it and a lot of cooperation and planning. It depends on the topography and on the freight rail traffic and geometrics. At some point, and we believe certainly 110 mph is it, that it becomes almost impossible to share passenger and freight traffic on the same track. And that is why for true high speed—and I inferred from your question to the Secretary that you don't consider 110 mph to be true high speed—there needs to be dedicated track, dedicated right-of-way and a sealed corridor.

Dr. BUCSHON. I recognize Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and I want to thank all of you for your testimony.

Mr. Hamberger, I want to talk a little bit about Amtrak we had a very lengthy hearing a few days ago concerning Amtrak.

Mr. HAMBERGER. Yes, sir.

Mr. CUMMINGS. And some in Congress have proposed mandating that States auction off Amtrak's long-distance and State-supported routes to the lowest private bidder. Although Amtrak could compete for the service, it is unlikely Amtrak would be the lowest bidder since it provides good wages and benefits to its workers.

What is your position on that type of proposal?

Mr. HAMBERGER. The Association has long held the position that there should be one operator of intercity passenger rail, and that that operator should be Amtrak. There are a number of reasons for that, and you won't be surprised that we start with safety. Amtrak has the same safety culture that the freight railroads have. The freight railroads operate, in many cases, to the same safety standards. They have had 40-plus years of operating experience with Amtrak, and they are convinced that Amtrak has the same dedication to safety.

Second, really, is security. Amtrak and the freight railroads, again, have a very good working relationship not only between

themselves, but also with local law enforcement, and just as importantly, with the FBI's National Joint Terrorism Task Force Centers around the country.

Freight railroads also know that Amtrak understands the operating characteristics that are necessary to have freight and passenger service work together.

Freight railroads have had, again, a 40-year partnership with Amtrak, and there is concern about how the current contracts, the current labor agreements, and the various crew change agreements that are out there, would all be handled if the Amtrak intercity network were parceled out to other operators.

And finally, I'm inferring from your question that you believe that perhaps the other bidders would not be covered by railroad retirement.

Mr. CUMMINGS. Yes, I'm very concerned, you read my mind. That is very good.

Mr. HAMBERGER. That would be, in our opinion, a major problem not only for our current employees, but for retirees. As you well know from when we passed railroad retirement reform 10 years ago, the railroad retirement system is already upside down six to one—that is, six retirees for every one employee. And Amtrak is 10 percent of the current railroad workforce. If that workforce were not part of the railroad retirement system, the payments into the system would perhaps not be enough to maintain the necessary payments to retirees. Also, under the law passed 10 years ago, there is an automatic increase in taxes both on current employees, up to 4.9 percent of their paycheck, and on the railroads to make sure that there is enough money in there to pay retirees.

So again, that would be, from our standpoint, a major problem. We believe that steel wheel on steel rail means you are a railroad and therefore you should be paying into railroad retirement.

Mr. CUMMINGS. Director Fleming, you mentioned in your testimony that California high rail speed project is, by far, the largest high-speed rail undertaken in the country. Tell us what steps can be taken to apply to the lessons learned in California to other projects of this nature?

Ms. FLEMING. The project is still in fairly early stages, but obviously has improved in terms of its management structure. I think we heard earlier that with the current management structure folks feel pretty comfortable and confident, but it doesn't mean there still aren't improvements needed. I think that the modeling that they have undertaken, they have been working very closely with different academics as well as peer review groups to constantly refine and fine-tune the models and processes they are using, and so people are feeling that they are very open to addressing those types of comments and criticisms.

I think that they have been working pretty closely with FRA as well. FRA just hired and put a senior executive in Sacramento to work hand in hand and to help oversee the project. So I think these types of things are probably lessons that could be applied to other projects in the country.

Mr. CUMMINGS. Thank you very much. I see my time has expired.

Dr. BUCSHON. We are going to have another round of questioning here. I'm going to start with Ms. Schneider since I grew up in Illinois about 20 miles south of Springfield in a town called Kincaid, Illinois, and I lived in Chicago from 1984 to 1988, that kind of dates me a little bit. I used to take the train from Chicago to Springfield; my parents would pick me up because I didn't have a car when I lived there, I was going to med school so I am going the address this question to you.

When we are talking about high-speed rail, we are talking about maximum speed, at some point along the track we will get to 110 miles per hour. But the question I have is average speed and time savings going different distances, for example, going from Chicago to Springfield, I can't recall exactly, but we had a couple other stops in suburban Chicago, and I think Joliet and Normal and other places.

So investments in, and Ms. Hammond, I will ask you about this too, investments in increasing our top speed to 110 miles per hour could cost us quite a bit of money, but when you start looking at average speed, and then you start excluding communities that will have access to train, because you are going to go from Chicago to St. Louis, and you are going to have a high-speed train, I get that. But to do that and do that, in my view, to be true high speed, you are going to have to exclude a bunch of these people in the middle and have a separate service for that. So is it worth, you think in certain areas, would it be worth the cost to get the average speed up, I mean, to get the top speed up to a certain level but really the average speed and the time it takes you to get from here to there doesn't really change much?

Ms. SCHNEIDER. Actually by 2015, when we are complete with the high-speed rail corridor between Chicago and St. Louis that travel time is going to drop from 5½ hours to 4½ hours that is a significant change in travel times. And we are doing that without removing any of the station stops that are currently along that corridor. And in fact, many of the communities that have station stops currently are making significant investments in the areas around where those stations are, and where those stations will be located. For instance, in Alton, they are working on developing a transit-oriented development around the station that will be built to accommodate the high-speed rail corridor there, they are going to move from their current location to this new station.

So we are experiencing, through our investments, that type of improvement in travel time. And if we complete the buildout of that corridor as we currently have an EIS with FRA to double-track that entire corridor, if we are able to identify the financing to do that double-tracking, we are going to be looking at travel times from Chicago to St. Louis that are less than 4 hours, and currently they are at 5½. So I think that points to a very significant improvement.

And I think that is also why we are seeing this increase in ridership of 224 percent over 6 years on that corridor because of those changes that people are anticipating.

And I know personally for a fact that when I have tried to get on Amtrak coming back to Springfield from Chicago, when I am in

Chicago, many times the train is full and you can't get on it, so there is excess demand that currently exists that can't be met.

Dr. BUCSHON. Ms. Hammond.

Ms. HAMMOND. I think you have hit upon something that is an interesting tension as you develop passenger rail program. We also have a commuter rail program in Central Puget Sound that we have a regional transit agency that delivers that service. But as you increase and grow, service, reliability and speeds, every community along the way wants to have a stop. So, as we are being very careful and deliberative about how our higher speed rail will work as we move along and as we, in Oregon, have now just created a plan that will integrate our operations, so that departure times and arrival times all the way from Eugene up through to Vancouver, BC, are better and more concentrically delivered. It is more of a streamline service now. We used to have gaps in Seattle and gaps in Portland of time. So as we are trying to streamline the operations of that, we are looking carefully, for example, in the four and will soon have six roundtrips between Seattle and Portland, how many of those do stop at some of those intermittent communities? And how many are direct and high-speed, truly higher speed, rail that is a streamlined or express service between Seattle and Portland, that works for business people, in the morning and evening kinds of routes and commutes.

And we are trying to operate this much like the airlines do, as they think about service and times and where they have their directions of service. So it is turning into a much better integrated system, all the way from Eugene up to Vancouver, BC.

Dr. BUCSHON. Thank you.

I yield to Ms. Edwards.

Ms. EDWARDS. Thank you, Mr. Chairman, and thank you for this second round of questions.

Secretary Schneider, I hated that the program that you oversee has been dubbed, "Train to Nowhere," I think it is so incredibly disparaging. And so I actually want to ask you about the benefits when the recovery money was invested, because I understand that Governor Quinn announced the purchase of, a multistate purchase, of new passenger rail cars that are going to be manufactured in a new plant in Illinois. So those are new jobs, new train—new rail cars. And in fact, California is also purchasing some of those cars, and so we have created a piece of the industry that is really important to our manufacturing core. Can you talk about this and some of the other success stories in more detail so that we can name your program something else?

Ms. SCHNEIDER. Thank you very much.

I appreciate that, because I think the communities in Illinois feel very strongly that are being served by higher speed trains that they are someplace.

In terms of the rail equipment, we have partnered with the California Department of Transportation; the State of Illinois represented the Midwest Consortium, so we represented the States of Michigan and Missouri in that procurement. And as a result of that procurement, a new manufacturer that has chosen to locate in the State of Illinois, because Governor Quinn actually aggressively went after that manufacturer before it was even known that they

would be building any rail cars for this initiative Nippon Sharyo located in their facility in Rochelle, Illinois, and they have hired 250 people, and this is from nothing. We weren't competing with other States for those jobs; those jobs are new jobs to the United States, new jobs to Illinois. So that is clearly a success story there.

That facility also is making some transit cars for Metro, which is the suburban Chicago fixed rail system for commuters, so that is a big success story.

And I think I talked briefly about Normal, Illinois, in my comments. Normal, Illinois, is the home to Illinois State University, and that, in Illinois, is the station with the second highest ridership, second only to Chicago, and that is because they have built this wonderful station; they used TIGER funds to build this station. That is a station that connects the riders getting off of the train with transit so that they can get to their locations inside Bloomington-Normal. Off of the high-speed rail corridor, in some of the intercity passenger rail corridors, much of them serve our university towns, and Macomb, Illinois, which is a small town in western Illinois, is home to Western Illinois University. And they have seen a decrease in students that register vehicles on campus from 80 percent of their student body to 60 percent of student body, and that is because of the train service coming out of Chicago, it is 100 percent on-time performance, typically we track that from week to week, and that is one of the best performing routes in Illinois. And there is that transit-oriented facility at the end of that run, where they can take transit to get where they need to be.

So we think that this has been a successful program in Illinois. We are excited about the future of it. In fact, the State actually invested \$1.25 million in a 220-miles-per-hour study that looked at 220 train service from Chicago to Champaign, Illinois, where the University of Illinois flagship campus is, and then with legs going to Indianapolis and to St. Louis from there.

We are also excited because our partner States are also participating, Governor Snyder, not Schneider, in the State of Michigan, we are working on high-speed rail corridor between Chicago and Detroit. Right now, there is 80 miles of that corridor that is currently at 110 miles per hour between Porter, Indiana, and Kalamazoo, Michigan.

There is a lot of work to be done in the Chicago area on the CREATE program to help facilitate faster speeds to all of our corridors. So I think we do have a record of success, and we are building on that record of success. We are doing this incrementally, and we are doing it in a way that we have planned and makes sense to make sure that when we do deliver this service, that it is something that people are going to appreciate and demand.

Ms. EDWARDS. Thank you. And we will make sure to describe it not only as a train to somewhere, but that train happens to be the 21st century. So thank you very much.

As I close here, I would urge, Ms. Fleming, I don't know whether this is true or not, but as I read through your testimony, it occurred to me, that just in terms of figuring out some of the modeling, I don't know how much you used models that that have been sort of well developed with some of our international allies and their development of rail, because I think that they have learned

a lot and just in terms of assessing ridership and costing, and those are things that we could learn as we develop our programs.

Thank you very much, Mr. Chairman.

Dr. BUCSHON. Mr. Cummings.

Mr. CUMMINGS. Mr. Behm, one of the chief concerns in managing high-speed rail grant program is that some of the money that was intended to stimulate the economy through these projects has not actually been delivered, due to failure to complete service outcome agreements. It is one thing to apply for and receive grants, but quite another to get the job done. And so I am simply concerned about the confusion over implementation of the these projects. The FRA says that they made great strides in this regards since the IG's audit was completed. So can you tell us if they have taken all appropriate action to assure that these projects finally get underway? What else would need to be done?

Mr. BEHM. Well, I think one thing we point out in our report that is very important, and we thought it was a great thing they did to require these service outcome agreements to be reached before the funds were obligated. Because it is those agreements that ultimately ensure that the Federal investment that is being made is actually going to achieve the results that were intended to be achieved.

That being said, again, this being a brand new program and these funds that need to be ultimately disbursed by September 2017, which may seem a long time from now, but these are very complex projects, and the fact that a lot of time was spent with the negotiating of agreements, we are almost 4 years beyond the time that ARRA was originally passed; it is just a concern surrounding the fact of getting these projects going and completed, and getting beyond the meeting—completing the agreements. It is important the agreements be met, as Mr. Hamberger stated. There are many stakeholders involved here. Obviously, you have the Federal Government—FRA, you have FRA. You have the freight railroads in a shared infrastructure circumstance, and you have the States that are grantees themselves as well as the operator of the train.

So I think all we were trying to get across is that, while we still are close to 5 years from the time when the money needs to be disbursed, that time for these types of projects isn't all that much.

Mr. CUMMINGS. Well, I know this has been quoted before, but you wrote in your testimony that the FRA mechanism for assessing grantee performance lacking civic authority lacks an effective tool to help staff track and manage monitor grantee compliance with documentation requirements including FF, Federal financial reports and various Recovery Act requirements and so on and so on.

Let me ask you this, is this a situation in which grantees are not in compliance, or just that FRA doesn't have a tool to track compliance?

Mr. BEHM. I think it was, in general, really a learning process. I think, again, this was a situation where FRA had to generate and develop these policies and procedures from scratch. This is an entity with limited resources that was primarily focused on safety that had to develop this major discretionary grant program. So I—we didn't identify any fraud, waste or abuse. I think that there potentially were some inefficiencies, but I think, again, that can be ex-

pected by virtue of the fact that this program was created from scratch. I think that, in general, I would laud the efforts that FRA has done under these tight timeframes that they have been presented with in developing this program.

Mr. CUMMINGS. And so, where are we right now? Do you feel comfortable with where we are? Or do you feel that we still have a ways to go, FRA that is?

Mr. BEHM. I feel comfortable where we are right now. I think the fact that there has been a lag in additional appropriations being made has benefitted the FRA. In other words, I think that, again, based on limited resources, they first had to focus those resources on evaluating and awarding the applicants and developing policies and procedures. Now they are shifting their focus into providing oversight over those funds. So I think that the time allowing them to see these \$8 billion or in excess of \$10 billion through has given them the ability to develop a program from beginning to end that ultimately should be successful.

Mr. CUMMINGS. Is there any additional advice that you would have for them?

Mr. BEHM. No, I think it is important, one of the things we identified was for them to develop some strategic and programmatic goals that are a little bit more consistent, along with some performance measures that would allow stakeholders, such as yourself, to identify whether or not the program is meeting its intended purposes.

Mr. CUMMINGS. Thank all of you for your testimony.

Dr. BUCSHON. Thank you very much.

Are there any further questions from members of the committee?

Seeing none, I would like to thank each of the witnesses for their testimony today. Your contribution to the discussion has been very informative and will be helpful to Congress.

I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may have been submitted to them in writing and unanimous consent that the record remain open for 15 days for additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

Again, I would like to thank the witness for their testimony, and with no other Members having anything to add at this point, the committee stands adjourned.

[Whereupon, at 12:44 p.m., the committee was adjourned.]

Congresswoman Janice Hahn
Opening Statement

**Transportation and Infrastructure: High-Speed and
Intercity Passenger Rail**

Thank you Mr. Chairman and Ranking Member for allowing me to participate in this hearing today. Although I have only been in Congress for a short time, I have been deeply involved in transportation policy during my ten years on the Los Angeles City Council.

During that time, I realized the importance of adding high-speed rail to my state's transportation options.

In California, high-speed rail will (1) reduce congestion; (2) create jobs, and (3) modernize the entire state's rail system.

Reduce Congestion

First, high-speed rail will reduce congestion. Transportation congestion is strangling the business potential of my state, and weighing down the economic activity that isn't just critical to the success of California, but to the nation as a whole.

I am not sure how many of you have ever driven on the freeway between my hometown of Los Angeles and San Diego. It takes anywhere from two hours to four hours in traffic.

Turning to aviation, there are delays there as well. Flying between Los Angeles and San Francisco, in theory, takes an hour. But, one out of every four flights between Los Angeles and San Francisco – the busiest short-haul market in the U.S. – are late by close to an hour or more. And that doesn't include the time of going through security!

Our transportation network is already overburdened, and that's long before you start factoring in the projected increase in travelers. But in many cases, there is no physical space to expand a freeway or build a new runway to take into account all of the projected growth in travelers. In many cases, the communities do not want to expand airports. The community surrounding LAX is already mobilizing against expansion.

As the population grows, we need to construct new transportation options to reduce congestion – options that won't just continue to patch our existing system, but break open a new transportation future. High speed rail is that option.

Create Jobs

Second, there's no doubt that high-speed rail is a job creator. At a minimum, the construction will create 20,000 jobs each year for five years. This is great for the state of California that was hit hard by the recession, and that's before you factor in the jobs that the new system will generate.

Modernize California's Rail System

Third, the plan will modernize the state's rail system. They have created a "blended" system that will begin construction on high-speed rail while improving other rail systems throughout the state. This will allow for the high-speed rail system to connect to the intercity and regional rail systems – called the "bookends."

Also there are connectivity funds for rail projects throughout California including Caltran's Positive Train Control and Los Angeles's Metrolink upgrade in my part of the state.

The railroad will get needed upgrades and swap out diesel engines for an electrified system that's cleaner and faster.

High-speed rail would not happen without the federal government's support – including legislation passed by Congress to authorize this program.

If the United States is going to maintain our position of economic leadership, we need to have the best infrastructure in the world. That will not be true if we do not invest in high-speed rail. We cannot wait until our highways are completely congested and our airports cannot expand any more to start thinking of other long-distance transportation options.

We need to catch up to Germany, France, and Japan. We cannot allow China to surpass us in our next generation of infrastructure. Tourists from across the world will visit our high-speed rail to marvel at our civic engineering and technological prowess.

This is not just about transportation, but about changing and revitalizing cities along the route.

In conclusion, I strongly support high-speed rail in California and the federal program that helps make it possible.

Thank you, Mr. Chairman.

STATEMENT OF
THE HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION
BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

*An Update on the High Speed and Intercity Passenger Rail Program:
Mistakes made and Lessons Learned*

December 6, 2012

Chairman Mica, Ranking Member Rahall and Members of the Committee: It is my honor to appear before you today to discuss the High-Speed and Intercity Passenger Rail (HSIPR) program. I last testified before this Committee on this topic exactly a year ago today, and we've made great strides in the program since then. I am proud to update the record on our accomplishments from the past year, and answer your questions on how the program will serve the American people in the future.

I thank the Committee for your interest in the HSIPR program, which is extremely timely should Congress undertake legislation to reauthorize the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) next year. In this testimony, I will explain why we believe HSIPR is critical to our transportation future, and then give a current accounting of the progress we have made in the program in the past year. I will conclude by describing the path forward for the HSIPR program and the United States' passenger rail network.

Reasons for Investment

The significance of transportation infrastructure to global economic competitiveness is indisputable. The World Economic Forum (WEF) notes, "Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy... Well-developed 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."¹ However, the WEF currently ranks the U.S. as 24th in quality of overall infrastructure, down from 7th in 1999 and below nearly all western European nations as well as several Asian and Middle Eastern nations.²

Even in challenging fiscal scenarios, it is imperative that the United States continue to invest in the infrastructure that will enable the country to maintain and strengthen its position as a global economic leader in the 21st century and beyond. I would also like to thank the Committee for

¹ World Economic Forum, *Global Competitiveness Report, 2010-2011*, 2010.

² World Economic Forum, *Global Competitiveness Report, 2011-2012*, 2011.

their work on our reauthorization bill, Moving Ahead for Progress in the 21st Century, or MAP-21, and the FAA Reauthorization – two key pieces of legislation that show how Congress can succeed by working together and investing in our economy.

Studies have shown that construction dollars multiply in the economy. An American Public Transportation Association (APTA) report from July 2012 showed that continuing HSIPR investments will generate \$26.4 billion in net economic benefits over the next forty years.³

Maintaining economic competitiveness over the long-term will require the U.S. to address a number of interconnected transportation challenges:

- **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 “megaregions.” The U.S. DOT and Department of Commerce have found that 40 tons of freight is moved through the U.S. for each resident. Thus, this population increase will mean an extra 4 billion tons of freight moved each year, an increase of 35 percent over 2010 levels.⁴
- **Congestion and Mobility**—Highway and aviation congestion continues to rise, with an estimated economic impact growing from \$24 billion in 1982 to \$125 billion in 2010 in lost time, productivity, and fuel.⁵ In many places with the worst congestion, expanding airports and highways is difficult, as land is limited and environmental/community impacts are significant.
- **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 Organization for Economic Cooperation and Development (OECD) member nations, and approximately 53 percent of this oil is imported.⁶
- **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 2035.⁷
- **Environmental protection**—The 2012 *Inventory of U.S. Greenhouse Gas Emissions and Sinks* report found that the U.S. emitted 10.5 percent more greenhouse gases in 2010 than it did in 1990.⁸ Thirty-two percent of all greenhouse gas emissions are now from the transportation sector.

³ “Opportunity Cost of Inaction – High Speed Rail and High Performance Passenger Rail in the United States” - <http://www.apta.com/resources/reportsandpublications/Documents/HPPR-Cost-of-Inaction.pdf>

⁴ U.S. Department of Transportation, U.S. Department of Commerce, *Commodity Flow Survey*.

⁵ Texas Transportation Institute, *2011 Urban Mobility Report*, Sept 27, 2011.

⁶ U.S. Central Intelligence Agency, *World Factbook: United States*, August 1, 2012.

⁷ U.S. Energy Information Administration, *AEO2012 Early Release Overview*, January 23, 2012.

⁸ U.S. Environmental Protection Agency, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2010*, April 2012.

In recognition of these challenges and the critical role that rail must play in meeting them, Congress crafted the landmark PRIIA legislation in 2008, which created a framework for advancing the role of rail in the nation's intermodal transportation network. Since this legislation was passed with broad bipartisan support, the need for more and improved rail to bolster our transportation network has only grown:

- The U.S. added an estimated 9.4 million people from 2008-2012 – more than the entire population of New Jersey or Virginia.
- 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.⁹

For these and other reasons, the Administration has continued to include funding for the HSIPR program in the President's annual budget request. We believe it is imperative to our economy, our quality-of-life, our environment, and our mobility that we address these challenges, and that we do so now. I look forward to working with this Committee and others in Congress to develop creative approaches for making America's rail network the best in the world.

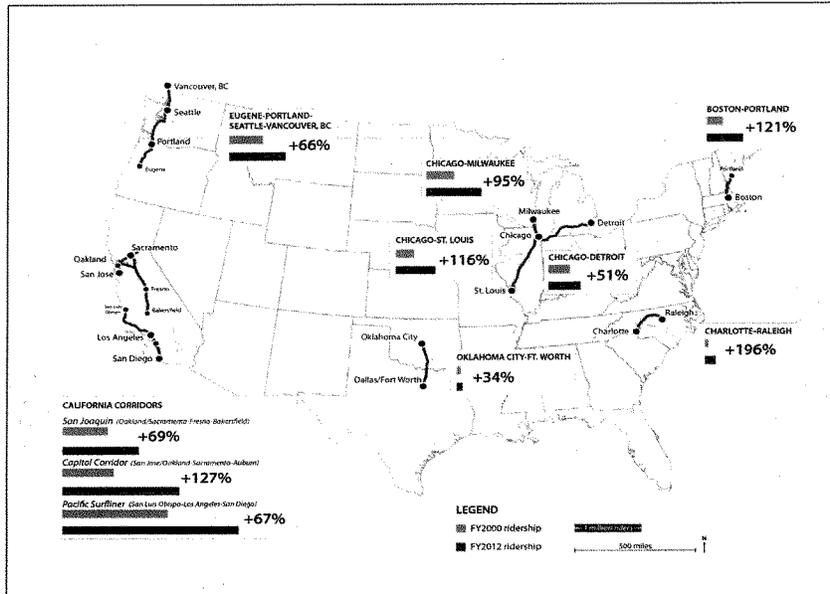
The American People Want Rail Investment

Americans are choosing rail in record numbers—Demand for passenger rail is surging across the United States. Ridership levels have set new records in nine of the past ten years. In FY 2012, Amtrak carried a record 31.2 million passengers—a 3.5 percent increase from the year before—and also achieved the highest on-time performance in 12 years (83 percent).¹⁰ These ridership levels are being achieved even before the substantial service improvements funded in recent years begin to come online. Once new trains are added and trip times and delays are reduced, the system will attract even higher levels of ridership.

⁹ Texas Transportation Institute, [2011 Urban Mobility Report](#), Sept 27, 2011.

¹⁰ Amtrak, [Amtrak Sets New Ridership Record](#), October 10, 2012.

**RIDERSHIP GROWTH ON SELECTED PASSENGER RAIL CORRIDORS,
FISCAL YEAR 2000 TO 2012**



Source: Amtrak.

Americans' travel habits are changing—Reports show that since 2005, Americans have been driving fewer miles each year. In 2011, the average American drove six percent fewer miles than they did in 2004. What's even more significant is that studies show the trend away from driving is being led by youth. Between 2001 and 2009, Americans ages 16 to 34 decreased their average number of vehicle-miles traveled by 23 percent and increased their passenger miles traveled on trains and buses by 40 percent. Factors causing these changes may include new communication technology, shifts in driving laws, and higher fuel prices. And while the Great Recession had some role in influencing habits, research indicates that travelers will continue to look for transportation alternatives even as the economy recovers.¹¹

¹¹ U.S. Public Interest Research Group and Frontier Group, *Transportation and the New Generation: Why Young People Are Driving Less and What It Means for Transportation Policy*. April 5, 2012

Rail is a vital part of a multimodal transportation network—The American Road & Transportation Builders Association (ARTBA) has written: “The U.S. public transportation, rail transit, intercity passenger rail, and freight rail systems are integral and vital components of the nation’s intermodal transportation network ... These systems must be expanded to meet public demand, and continue to be integrated into the overall surface transportation planning process.”¹²

Communities across the nation are competing for rail investment dollars—Almost every region in the U.S. has demonstrated demand for investments in passenger rail services. Between August 2009 and April 2011, the Federal Railroad Administration (FRA) evaluated nearly 500 applications submitted by 39 states, the District of Columbia, and Amtrak, requesting more than \$75 billion for rail projects. Over four rounds, the Transportation Investment Generating Economic Recovery (TIGER) program has received more than 85 applications requesting over \$3.5 billion for intercity passenger rail projects, and more than \$4 billion in funding has been requested for freight rail-related projects.

Public support for rail is increasing—Public opinion polls consistently reveal strong support for intercity passenger rail. A 2011 Harris Poll survey revealed that nearly two-thirds of Americans (62 percent) support using Federal funds to develop high-speed rail.¹³ The National Association of Realtors’ *2009 Growth and Transportation* study showed only 20 percent of Americans favored building new roads to deal with congestion, while 47 percent believe that improvements in public transportation would better mitigate congestion and accommodate future U.S. population growth.¹⁴ Additionally, polls show that almost 19 of 20 people are concerned with the state of America’s infrastructure, and approximately 84 percent support infrastructure investments.¹⁵

Rail has demonstrated public benefits, domestically and internationally—Strengthening passenger rail services can help balance the Nation’s transportation network, as demonstrated on the Northeast Corridor (NEC). Since the introduction of the *Acela* service 10 years ago, Amtrak has almost tripled its air/rail market share on the NEC, carrying 75 percent of travelers between New York and Washington.¹⁶ These changing travel patterns can free airport capacity for more cost-efficient long-distance flights.

¹² American Road & Transportation Builders Association (ARTBA), *Railroad/Transit Policy*, June 2010

¹³ *Harris Poll survey* conducted between January 17, 2011, and January 24, 2011.

¹⁴ National Association of Realtors and Transportation for America, *2009 Growth and Transportation Survey*. Hart Research Associates, Jan. 5 to 7, 2009.

¹⁵ U.S. Department of the Treasury and Council of Economic Advisers, *An Economic Analysis of Infrastructure Investments*, October 11, 2010, quoting survey from *The Building America’s Future National Survey*, Luntz et al., 2009.

¹⁶ Amtrak, “*State-Supported Corridor Trains, FY2011-12*.” April 2012.

HSIPR Program Successes

Successful launch of a new, highly complex program: In the short time since Congress enacted PRIIA, the American Recovery and Reinvestment Act of 2009 (ARRA or the Recovery Act), and the FY10 Department of Transportation Appropriations Act, the Federal Railroad Administration has established one of the largest discretionary infrastructure investment programs in U.S. history. In so doing, FRA identified worthy projects, obligated almost \$10 billion in project funding using objective data-driven processes, applied innovative and appropriate risk management practices, and began effective grant oversight. FRA accomplished these actions within unprecedented resource constraints and within tight time limitations. In recognition of these efforts, the American Association of State Highway and Transportation Officials (AASHTO) passed a resolution lauding FRA's efforts in building this historic program from scratch.¹⁷

Investment decisions and financial obligations made in prudent, timely manner: Between August 2009 and April 2011, FRA evaluated nearly 500 applications submitted by 39 states, the District of Columbia, and Amtrak, requesting more than \$75 billion. The portfolio of projects selected from this vast pool comprehensively addresses 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. GAO reviewed FRA's selection process 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."¹⁸

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. These investments will increase the number of corridor route miles with top speeds of 110 miles per hour or higher by more than 80 percent.

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, FRA has obligated 99 percent of total HSIPR funding, including 100 percent of Recovery Act funding, ahead of statutory deadlines. With the passing of this important

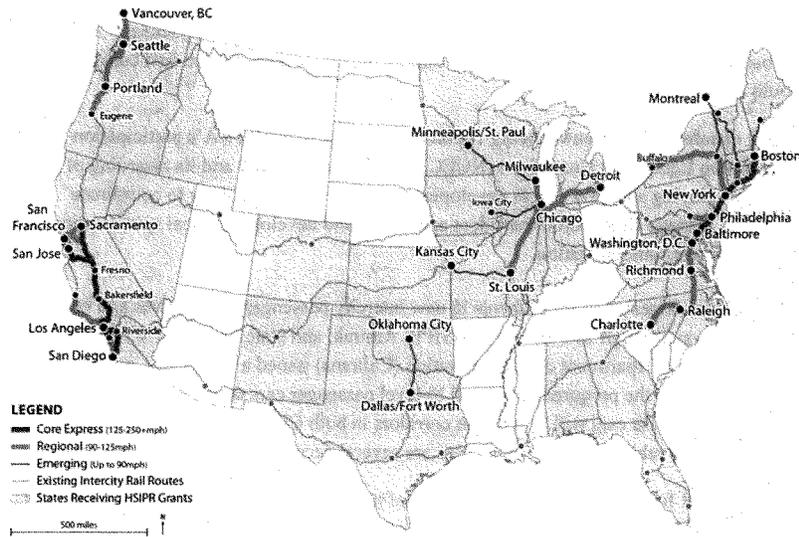
¹⁷ AASHTO Board of Directors. *Administrative Resolution AR-3-09: Commendation of Federal Railroad Administration's Partnership and Hard Work with State Departments of Transportation for the American Recovery and Reinvestment Act of 2009 (ARRA)*. October 26, 2009

¹⁸ 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.

milestone, we are now starting to see real, tangible, on-the-ground accomplishments throughout the nation.

The map below highlights the key corridors in which Federal and states investments have been made to date.

CURRENT HIGH-SPEED AND INTERCITY PASSENGER RAIL PROGRAM INVESTMENTS



Construction is underway throughout the U.S.: In 17 states, approximately \$1.7 billion in HSIPR construction projects are either underway or complete, and an additional \$1.5 billion in construction projects in two states and the District of Columbia will get underway in the next six months, creating jobs and supporting local economies and construction businesses, as well as domestic rail manufacturers.

For example, a project was recently completed in Vermont that rehabilitated bridges, improved grade crossings, and upgraded 190 miles of track to provide for shorter travel times, greater reliability and higher safety standards on the historic *Vermont* corridor. The Illinois DOT recently completed substantial track, signal, and roadbed construction work, allowing for a test run of passenger trains operating at speeds up to 110 mph on the Chicago to St. Louis corridor; revenue service is slated to begin later this month.

In Maine, extension of the Boston-Portland service to Brunswick, ME was just completed with revenue service in place now. Brunswick has seen \$100 million of real estate investments in the

area around the station, in anticipation of the new rail service. Relocation of the historic *Vermont* corridor in western Massachusetts was completed very recently. Other construction is underway in North Carolina, Oregon, and Minnesota.

Construction is also occurring in California, where citizens are seeing the birth of America's first world-class high-speed rail system. The California legislature approved funding for that California High-Speed Rail Authority's first construction segment in the Central Valley, and hundreds of people are at work building a new landmark in downtown San Francisco, the Transbay Terminal Center. Major environmental benchmarks have been reached, and a Record of Decision was issued for the alignment that includes the first construction package. A Request for Proposals (RFP) has been issued and proposals are due in January for the first construction that would begin in Fresno, CA.

Aging and obsolete equipment is being replaced: Partially through FRA's participation on the Next Generation Equipment Committee (NGEC) established in PRIIA and its awarding of grant funds, 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 equipment standardization.

In fact, 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. On November 6, 2012, the California Department of Transportation (Caltrans) issued a Notice of Contract Award to Nippon Sharyo for the procurement of 130 bi-level passenger cars that comport with the NGEC standards. These cars will be used on corridors in both California and throughout the Midwest, replacing vehicles that in some cases are several decades old.

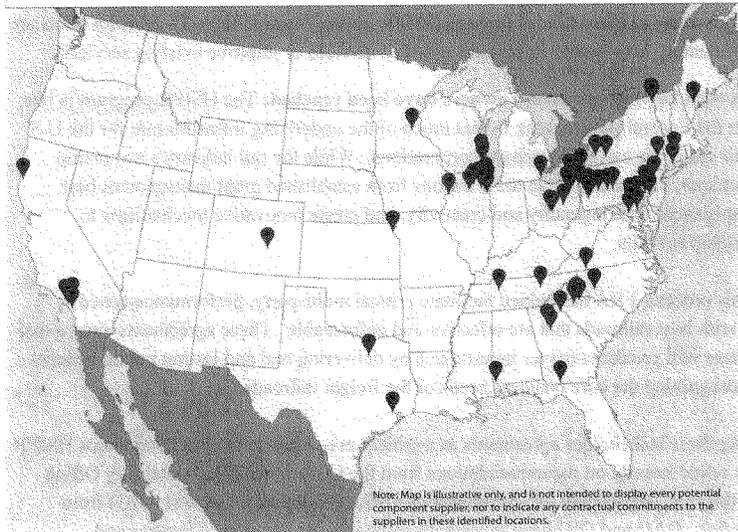
Additional HSIPR funding will fund the purchase of next-generation locomotives that comport with the NGEC standard, with the procurement expected for release in late 2012. Finally, Amtrak is procuring 130 single-level passenger cars for use on long-distance routes, and U.S. DOT recently approved a loan to Amtrak for the purchase of 70 locomotives for use on the Northeast Corridor. Cumulatively, these investments will result in upgraded equipment on nearly every U.S. rail corridor, improving reliability and passenger comfort for millions of travelers.

Domestic rail manufacturers are receiving a boost: The railway supply industry is big business in the United States. With nearly 2,700 facilities across the United States, there are more railway supply locations than Macy's and Target Stores combined. The industry employs an estimated 94,000 people in 49 out of the 50 states and the District of Columbia.

Dozens of manufacturers and suppliers are receiving 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.

Nippon Sharyo opened its first American railcar manufacturing plant in Rochelle, IL earlier this year and competed to produce the next generation of American-built trains. According to the company, the new factory will employ 250 workers by the end of next year and create additional jobs throughout the company's American supply-chain. Nippon Sharyo has already identified more than 200 potential suppliers and vendors in the Midwest region alone. As discussed above, Caltrans has issued a notice of contract award to build 130 new railcars that will serve California and Midwest corridors.

Potential Component Supplier Pool for the HSIIPR-Funded Bilevel Passenger Car Procurement



At Cleveland Track Material, Inc., in Cleveland, Ohio, workers designed and manufactured new turnouts for Maine's Downeaster project. Cleveland Track was one of 53 companies across 20 states that received a supply order from Maine. The orders for turnouts, as well as other orders from Amtrak and several transit agencies, kept Cleveland Track's production schedule busy. Over the last year, the company has invested over \$5 million in new production equipment at the plant. Cleveland Track has nearly 300 employees that work in the company's four facilities in Ohio, Tennessee, and Pennsylvania. The company was started with five employees by disabled Vietnam Veteran Bill Willoughby in 1984 in an impoverished section of Cleveland.

The economic benefits of the Chicago-St. Louis corridor construction are being felt nearly 2,000 miles west in Spokane, WA, at L.B. Foster's CXT Concrete Tie plant. To date, over 600,000 ties have been installed on the Illinois project. L.B. Foster, which has factories in Arizona, Indiana,

Pennsylvania and Ohio, makes several other rail products, and will have many new opportunities to compete for business.

Planning and engineering projects are creating a pipeline of future service improvements:

Although planning projects represent only a small fraction of HSIPR funding (about 1 percent), 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, 45 State rail plans have either been completed or are underway, with many of these funded through HSIPR grants. Additionally, 25 corridor plans are underway, evaluating how best to implement new rail services or improve existing services.

Agreements with key infrastructure owners have been reached: The HSIPR program is like few others in the Federal government, in that much of the underlying infrastructure for the U.S. passenger rail system is owned by private corporations. While the rail industry's ownership structure is unique, FRA was able to draw lessons from established grant management best practices, apply them with ingenuity and creativity, and create innovative mechanisms to safeguard project benefits.

As part of this process, FRA has helped facilitate critical multi-party, performance-based agreements with host railroads that are effective and enforceable. These agreements ensure that HSIPR projects will protect taxpayer investments by delivering real and lasting public benefits while also recognizing the core business needs of the freight railroads.

In prioritizing these stakeholder agreements as a critical pre-requisite to obligating major HSIPR grants, FRA relied heavily on recommendations from the Government Accountability Office (GAO) and the U.S. Department of Transportation Office of Inspector General (OIG) from previous studies. GAO and OIG have repeatedly emphasized performance metrics and accountability as an essential element of grant program success. FRA embraced this perspective as it implemented HSIPR and used it to shape and focus its activities.

While some have expressed concerns over the length of time it took to negotiate and finalize these agreements, it is difficult to overstate just how critical these agreements were to meeting Congress' objectives in PRIIA and ARRA. These agreements established an entirely new set of relationships and commitments among States, freight railroads, Amtrak, and the federal government, and as such needed to be done carefully and in a way that allowed for adequate discussion among all stakeholders on a variety of complex topics. FRA believes it was imperative to get these agreements right from the beginning, as they will set long-term precedents for passenger rail throughout the country.

Looking to the Future

The HSIPR program is currently focused on three key priorities:

1. Managing and executing high-quality projects;
2. Advancing market-based service improvements; and
3. Laying the foundation for sustainable long-term passenger rail improvements

Priority #1. Managing and executing high-quality Projects

First and foremost, FRA is 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 99 percent of HSIPR funding currently obligated, construction, planning, and engineering activities are now underway across the country.

In April 2012, FRA implemented a new risk-based approach to monitoring, which, along with prior monitoring visits, led to the monitoring of over half of HSIPR funding to-date. Improving and expanding upon the FY 2012 pilot, in October 2012, FRA assessed all active loans and grants in a risk priority model and selected over 80 percent of all active funding for monitoring in FY 2013. 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 are working together to resolve concerns in the most efficient and effective manner possible. To enable efficient project oversight, FRA launched the Project Management Tool (PMT) as a low-cost platform for team collaboration and a centralized repository for project data and documents in July 2012. The PMT currently houses over 2,000 project deliverables, facilitating the timely review of deliverables and the fulfillment of project, delivery responsibilities.

The California high-speed rail project is among the most ambitious and complex infrastructure projects in the nation's history. FRA believes that the scrutiny such a project receives from both within and outside the government is healthy and appropriate, and we fully support the GAO's ongoing review of the effort. FRA is taking a number of steps to mitigate the potential risks in delivering this project, including:

- hiring a full-time, senior staff person based in California with the sole responsibility of providing Federal oversight;
- engaging a consultant to conduct an independent review of the budget and schedule for the Initial Construction Segment;

- staying in continual contact with the California High-Speed Rail Authority and other stakeholders in order to fully understand all potential risks and challenges as soon as they arise during the project delivery process.

While no infrastructure grant is without risk, FRA's approach to monitoring and oversight, in conjunction with frequent and substantive communications between FRA and its grantees, ensures that those risks can be identified and mitigated early in the project delivery process so that projects are completed on time and on budget.

Priority #2. Advancing market-based service improvements

Matching service improvements to the needs of specific travel markets is a central principal of the HSIPR program. A "one size fits all" approach to rail investment is neither desirable nor feasible – the highest-speed services, for example, may not be appropriate from financial or transportation perspectives in every market.

The HSIPR program will continue to focus on identifying the market needs of specific regions—based on current and projected travel patterns, demographic changes, geography and distances, and other factors—and investing in a level of rail service appropriate for meeting that need. In some places, numerous trains per hour operating at speeds above 125 mph will best address the market need; in others, incremental upgrades to existing services will be the appropriate solution.

Many of the markets that are best suited for passenger rail service can be found in multi-state "mega regions" – dense networks of metropolitan areas that encompass only 26 percent of total U.S. land area but contain nearly 75 percent of the Nation's population. Addressing the market needs of these complex, multi-jurisdictional mega regions will continue to require significant Federal, State, and local collaboration and coordination.

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

Finally, FRA is developing the organizational and institutional tools and strategies that will ensure a solid long-term foundation for continued improvement of the nation's passenger 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.

- **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 over 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 (RRIF) program), it is clear that a consensus long-term vision—and a strategy for achieving that vision—is needed.

The NEC FUTURE program will identify and evaluate a full range of alternatives to develop an investment program for the future of passenger rail development in the Northeast Corridor. FRA initiated the NEC FUTURE to help determine the improvements needed for the NEC to meet the capacity and growth needs of the region through 2040. The scope of study has two major components:

- A Service Development Plan (SDP) that proposed rail service through 2040.
- A Tier I Environmental Impact Statement (EIS) that addresses the broad corridor wide impacts of the proposed improvements.

Together, these components form a Passenger Rail Corridor Investment Plan (PRCIP), in accordance with the guidelines established by PRIIA. The PRCIP is a foundation for future project development, including engineering design, project level environmental analysis, environmental permitting and construction.

Other planning analyses: FRA is undertaking a variety of analytical studies and evaluations that will help states and industry stakeholders better integrate passenger and freight rail projects into regional transportation networks. For example, FRA has been leading an intensive multi-state rail study in the Southwest that is yielding important tools and best practices for regional rail development plans. This study is developing ways to analyze market potential for various classifications of rail investments, as well as assessing different institutional models for planning and developing multi-state rail networks.

Conclusion

The Administration remains fully committed to providing the American people with the improved rail transportation they want and need. 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 are already beginning to see significant travel time, frequency, and reliability improvements, in addition to upgraded stations and equipment. The simple fact is that the transportation challenges that are driving increased demand for rail are not going away. DOT looks forward to working with Congress and all stakeholders to ensure we find the most innovative, cost-effective, and practical policies for building a world-class rail network.

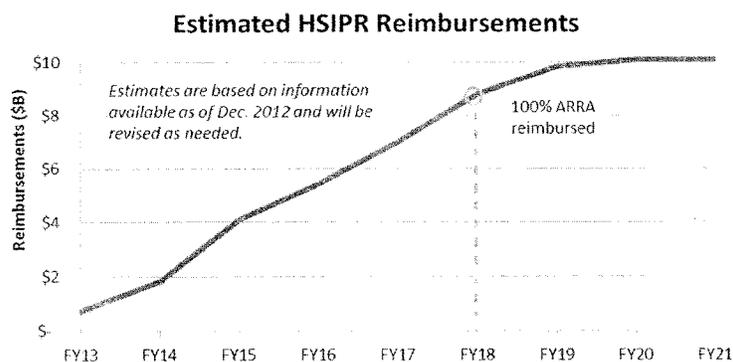
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REPUBLICAN MEMBER QUESTIONS FOR THE RECORD
 To Secretary LaHood, Dept. of Transportation
 Full T&I Committee Hearing – The Federal Railroad Administration’s High Speed and Intercity
 Passenger Program: Mistakes Made and Lessons Learned
 Thursday, December 6, 2012

From Chairman Mica:

1. During the hearing on December 6, we discussed that only 7.5% of the total funding for the High Speed Intercity Passenger Program has actually been reimbursed or paid out to states, even though nearly 99% of the funds have been obligated. As requested at the hearing, could you provide for the record a graphic description that breaks out the timeframe for expenditure/reimbursement of the grants themselves?

RESPONSE: Congress recognized that the newly-established HSIPR grant program would be funding numerous complex, long-term projects, and thus provided for a later ARRA expenditure deadline than many other programs. Now that the vast majority of obligations and agreements are complete and project budget and schedules are established, many projects have begun construction work or are preparing to break ground in the near future. As a result, FRA expects grantee expenditures and Federal reimbursements to increase significantly in FY13 and the following years, slowing in FY17 and beyond as the largest ARRA projects and a few long-term FY 2010 projects are finished. Estimated reimbursements are shown in the graph below, but care should be taken in interpreting this information, as described below.



The reimbursement estimates shown above are based on project schedules and budgets developed by HSIPR grantees. These project management materials represent the best information available to FRA and HSIPR grantees at this time. While FRA does not expect major changes in project schedules, schedule revisions are a standard practice and may occur for any number of reasons, many of which do not threaten successful project delivery. In addition, these reimbursement estimates are adjusted for the natural but variable lag between when a grantee incurs an expense and when the grantee initiates the reimbursement process. As a result, these estimates should be considered a snapshot of current expectations, but FRA will review and update these estimates regularly as projects progress.

- 2. You stated during the hearing that you were “absolutely” open to having the private sector participate in the California project and on corridors from a financing, construction and operational stand point. What are the Administration’s plans to partner with the private sector and/or involve the private sector on the Northeast Corridor?**

RESPONSE: The California High-Speed Rail Authority’s Business Plan calls for substantial private participation in the final design and construction, operation and investment in the project. We will fully support the private investment goals of the Authority in whatever way we can. For example, our RRIF loan program can be a vehicle to facilitate private investment. A similar approach is contemplated by Amtrak’s recently released Vision for the Northeast Corridor. While these plans for the NEC are not as far along as those for California, we already have been working closely with private sector entities in the development of rail stations along the Corridor, including Washington Union Station, Moynihan Station in New York City and Boston’s South Station.

- 3. Similarly, you stated that “We know that this [California High-speed Rail] project cannot or will not be built with total federal dollars. We don’t have enough money here to do that. We need private investment....There are lots of private investors working with the state of California, the Governor’s office, and others about the ability to privately invest in this project.” With respect to that project, please detail the Authority and/or the Administration’s plans for partnering with the private sector in the future and identify the private sector entities interested in the project.**

RESPONSE: According to the California High Speed Rail Authority’s (the Authority) 2012 Revised Business Plan, the attraction of private investment is anticipated at the start of service in 2022 and the Authority has begun engaging the private sector through workshops and business opportunities. FRA encourages this dialogue and early sharing of risk and cost with the private

sector through public private partnership. The following companies have been in discussion with the Authority about involvement in the project in some way:

Acciona Concessions Canada Inc
ACS Infrastructure Development, Inc.
ADIF
ALSTOM Transportation Inc.
Atkinson Construction
Bechtel Infrastructure Corporation
Bombardier Systems Division
Bouygues Travaux Publics
CC Myers, Inc.
China Construction America, Inc.
China Railway Construction Corp.
Cintra
Dragados-USA
East Japan Railway Company
FCC Construcción SA
Ferrovia Agroman
Flatiron Constructors Inc.
Fluor
GE Infrastructure Transportation/ CSR
Global Via Infrastructure USA
GS Engineering & Construction Group
Herzog Contracting corp.
Hitachi
HSBC Infrastructure (now InfraRed)
John Laing
Kawaski Heavy Industries
Kiewit
Korea Consortium for CAHSR
Macquarie Capital Advisers
Max Bogl International SE
Meridiam Infrastructure
Mitsubishi
Nokia Siemens Networks
Nippon Sharyo
Obayashi Corporation
Odebrecht
OHL USA
Rail.One GmbH
Renfe
SACYR Vallehermoso

Samsung
 Serco
 Shimmick Construction Co., Inc
 Siemens Industry, Inc.
 Siewert Heavy Industries
 Skanska
 SNC-Lavalin Capital
 Sumitomo Corporation
 Tutor Perini
 U.S. Railway Project Working Group Ministry of Railways,
 PRC (Shanghai Railway Bureau, China Railway
 Construction Corporation, CSR Corporation, and Third
 Railway Survey and Design Institute)
 Veolia Transportation/ Tren Italia
 Vinci Concessions
 Virgin Rail Group

- 4. Could you please clarify what you meant when you stated at the hearing that “The goal is to complete a high-speed rail corridor in California over the next the 10 years”?**

RESPONSE: Initial operations of the California High-Speed Train (HST) System, anticipated from Merced to the San Fernando Valley, would start service in 2022 according to the Authority. This would be the first high-speed rail operations in California.

- 5. Regarding the Grant Agreement No. FR-HSR-0009-10-01-00, applicable to the California High-Speed Rail project, could you please explain the difference in meaning for the General Provisions, Attachment 2 Section 7(g) “De-obligation of Funds” and Section 23 “Right of FRA to Terminate”? Could the FRA de-obligate funds, but not terminate the grant agreement under these provisions? Please explain when such an occurrence could happen. Also, please define the meaning of the terms “unspent FRA funds” and “Project closeout” as used in those sections.**

RESPONSE: De-obligation of funds is the return of once-obligated funds to the agency fund account or the Treasury (as dictated by statute) when the actual cost of completing the Project is less than anticipated. De-obligation occurs at the conclusion of a project as part of project closeout, which is the process by which the FRA and a grantee perform final actions that document completion of work, administrative requirements, and financial requirements of the grant agreement.

Because de-obligation occurs at the conclusion of a project, the grant agreement is rarely terminated when funding is de-obligated. FRA does have the right to terminate financial

assistance as a remedy for non-compliance prior to project completion, 1) if the grantee violates the terms of the grant agreement, and/or 2) if FRA determines the grantee is unable to make reasonable progress on the Project, or the purposes of the statute under which the Project is authorized would not be adequately served by the continued provision of Federal financial assistance.

- 6. At the December 6 hearing, we discussed the fact that the California High-Speed Rail Project is now planning to use non-high-speed-rail-dedicated alignments into the major population centers of San Francisco and Los Angeles, in what the Authority refers to as the “blended approach. What are the impacts on train speeds and trip times of using current right of ways on those North and South ends, and given the blended approach will the project meet its time and speed goals set forth in Proposition 1A?**

RESPONSE: The blended approach anticipates shared corridors in the San Francisco to San Jose and LA to Anaheim sections of the HST System, as defined in the Authority’s 2012 Revised Business Plan. FRA is not aware of any concerns with meeting the time requirements of Proposition 1A.

- 7. In a sworn declaration dated Oct. 31, 2012, filed in the Superior Court of the State of California, County of Sacramento, in County of Madera, et al., v. California High-Speed Rail Authority (Lead Case No. 34-2012-80001165-CU-WM-GDS), John Popoff, Deputy Program Director for the northern California portion of the California High Speed Rail Authority’s California High –Speed Train Program, states the following with regard to the terms of the Federal government’s American Recovery and Reinvestment Act (ARRA) grants must be spent:**

RESPONSE: Under the terms of [the] current grant agreement, the ARRA funding expires if FRA does not pay it out by September 30, 2017. Per the terms of the current extant ARRA Grant, the funding is on a reimbursement basis - the Authority has to incur an expense and actually pay it before it gets reimbursed (approximately, 50 cents reimbursed for every dollar the Authority spends) by FRA. Accordingly, in order for FRA to pay out all the ARRA funding by September 30, 2017, the Authority actually has to incur expenses and pay them well before September 30, 2017, to provide time for FRA to receive and process associated invoices, and issue reimbursement payment by September 30, 2017. To accomplish this, the Authority will need to complete all construction funded by ARRA by March 31, 2017, in order to get invoices to FRA by July 31, 2017, as required in Attachment 1B, Section 8, of the current ARRA Grant Agreement.

8. Regarding this statement, must all invoices of the Authority be submitted to FRA by the July 31, 2017 deadline mentioned above? Please explain what will happen if an invoice is submitted after the July 17, 2012 deadline.

RESPONSE: According to the terms of the ARRA cooperative agreement, the fixed appropriation account for funds made available under ARRA closes on September 30, 2017, and any remaining balance (whether obligated or unobligated) in that account will be cancelled and thereafter shall not be available for obligation or expenditure for any purpose. Therefore, the grantee is responsible for submitting to FRA all materials necessary for Project ARRA closeout and meeting all other requirements for payment under 49 C.F.R. Part 18 with sufficient time for the completion of closeout and payment no later September 30, 2017. The ARRA cooperative agreement states that FRA will process all such materials, and complete final closeout and reimbursement by September 30, 2017, provided that FRA receives such materials from CHSRA and determines those materials are consistent with the requirements above by July 31, 2017. The Authority's estimate likely reflects their assumptions of appropriate time for invoice accrual, approvals, and development of all necessary materials to be submitted to FRA.

9. Does FRA have the discretion to accept invoices after the July 31, 2017 deadline passes? If so, when must FRA make the decision to allow invoices to be submitted after July 31, 2017? How will the Authority be notified of such decision?

RESPONSE: See September 30, 2017, deadline detailed above. FRA is working closely with each grantee to ensure appropriate timelines for necessary approvals and payments such that exceptions to the deadlines are not necessary.

10. Is Mr. Popoff correct that the ARRA Grants referenced above are paid on a reimbursable basis? If so, is he also correct in the ratio of how much of the Authority's expenses may be reimbursed at one time, namely that the Authority may have "approximately 50 cents reimbursed for every dollar the Authority spends"? If he is correct, please explain why and identify the section of the grant agreement that supports your response. If he is incorrect, please explain why and identify the section of the grant agreement that supports your response.

RESPONSE: The terms of the ARRA cooperative agreement are reimbursable, and provide flexibility to the Authority for fund sources to be spent at a non-proportional rate for each individual payment request, while maintaining the proportional Federal funding with state match over the life of the project. The Authority incurs the expense, provides proof of the expense, and FRA issues the payment for approved expenses. This payment method is supported in 49 CFR 18.21. These terms are included in the cooperative agreement sections: ARRA Grant Attachment 1, § 5(j) (Cooperative Agreement Pay clause) and ARRA grant, Attachment 1, §7 (Payment method).

- 11. Under the current applicable grant agreements, may the Authority submit an invoice and receive a full reimbursement on that invoice from the federal ARRA funds covered by the grant(s) referenced above? If not, what is the maximum reimbursement the Authority may receive under the applicable grant agreements? For both question, please support your response with citation to the applicable section(s) of the applicable grant agreement(s).**

RESPONSE: See previous response for terms of payment.

- 12. Based on the Administration's experience with the grant program, is Mr. Popoff's calculation correct that the Authority must complete all construction funded by ARRA by March 31, 2017 to receive reimbursement? If not, based on the Administration's experience, when must construction funded by the ARRA grants be complete to ensure the Authority will be reimbursed by the Federal government under those grants?**

RESPONSE: The Authority must plan for the necessary time to produce all documentation/materials for project closeout and reimbursement by September 30, 2017, taking into account their own state processes as well as FRA's process for review and approval of payment requests and closeout information. FRA has indicated in its ARRA grant agreements that all materials must be provided by July 31, 2017, to complete closeout and issue payment before September 30, 2017.

From Rep. Larry Bucshon:

- 1. What due process do States have to object to the National Highway Traffic Safety Administration's review? What is the timeline for appeals and how soon should a State expect to receive feedback from the National Highway Traffic Safety Administration?**

RESPONSE: All States receive an official notification of non-compliance with a 30-day response period that allows a State to provide additional information to the agency for consideration before a final determination is made. By the end of January, all States that received a reservation of funds under the programs due to identified compliance issues will have received an official notification from the agency. Indiana, for example, received its official notification on December 26, 2012.

- 2. If the National Highway Traffic Safety Administration assumes a measurement for repeat DUI offenders, but it is nowhere in Federal or State laws, are States held to**

their same assumed internal measurement? For example: If NHTSA assumes an 8 hour community service work day and a State assumes a different amount of hours but a "day" is not defined anywhere in laws or regulations.

RESPONSE: The agency has consistently applied under the repeat intoxicated driver laws program (23 U.S.C. § 164) a 24-hour standard and an 8-hour standard to determine the minimum sentence requirements that apply to sentences of imprisonment and community service, respectively. Imprisonment consists of confining an individual to a particular location for a continuous period of time. Conversely, community service is considered to be labor provided to a State in lieu of imprisonment and is generally undertaken during normal working hours and supervised. From these basic approaches, the agency developed different hourly measurements in order to give effect to the statutory requirements. From the program's inception in 1998, States have not been permitted to meet the requirements using hourly measurements different than these.

3. Why was a previous 2005 determination of compliance by the National Highway Traffic Safety Administration overturned when no new Federal laws or Indiana laws were enacted to change or modify open container regulations?

RESPONSE: The agency conducted a review of the repeat intoxicated driver laws program to identify whether any States had changed their compliance status as a result of MAP-21 statutory changes. During this review, it was discovered that several States had revised their laws in non-compliant ways without submitting new certifications as they are required to do under the agencies' implementing regulation. This discovery raised enough concern to warrant reviews of all other alcohol-based grant programs (23 U.S.C. § 154, open container requirements; 23 U.S.C. § 158, national minimum age drinking law; 23 U.S.C. § 161, operation of motor vehicles by intoxicated minors (zero tolerance); and 23 U.S.C. § 163, .08 BAC laws). The agency identified additional issues as a result of reviewing all grant programs.

4. If the National Highway Traffic Safety Administration overturns a previous determination of compliance, will there be a reasonable period of time to comply to their standards without penalty to Indiana?

RESPONSE: The Federal statute requires that a State have a compliant law on October 1 of each year in order to avoid a transfer of funds. Under the statute, the agency does not have authority to grant additional time to a State to come into compliance with the requirements.

5. If deemed to be in compliance after modifications to State laws, what securities does a State have to prevent a previous review from being arbitrarily overturned?

RESPONSE: The agency seeks, wherever possible, to apply the Federal statute and implementing regulation to minimize disruption of State operations. While seeking to minimize the adverse impact on States, the agency is required to apply the law and regulation in a manner consistent with the statutory requirements. As a result of the recent review, the agency has sought clarification in a few cases regarding the meaning and application of a State law that was previously reviewed. The agency will consider all documentation provided by the State before issuing a final determination.

6. How are capricious administrative reviews consistent with the legislative action in MAP-21 that promoted expedited project delivery, streamlining, transferability of funds and program consolidation?

RESPONSE: The review process was required as a result of substantive changes to the statutory basis for compliance under the repeat intoxicated driver laws program of MAP-21, and is consistent with our stewardship responsibilities for federal grant funds.

From Rep. Jeff Denham:

1. Regarding the California High-speed Rail Project and as discussed at our hearing, currently, if you get on the Amtrak from my district and want to go to Southern California, when you get Bakersfield, you have to hop off of the train and hop on to a bus to get over to the Tehachapi Mountains. What is the plan to get high-speed rail over the Tehachapis?

RESPONSE: The Authority indicated in their 2012 revised Business Plan that closing the intercity rail gap across the Tehachapi Mountains between Bakersfield and Palmdale is a priority to connect the state via rail and that this connection would occur prior to the start-up of initial high-speed rail operations in 2022.

QUESTIONS FOR THE RECORD
TO
THE HONORABLE RAY LAHOOD
SECRETARY, U.S. DEPARTMENT OF TRANSPORTATION
FROM
THE HONORABLE CORRINE BROWN
RANKING DEMOCRAT, SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS
MATERIALS, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HEARING ON
“AN UPDATE ON THE HIGH SPEED AND INTERCITY PASSENGER RAIL PROGRAM:
MISTAKES MADE AND LESSONS LEARNED”
DECEMBER 6, 2012

1. **Some Members have criticized the administration for providing federal funding for projects that upgrade existing rail infrastructure to 110 miles per hour, pointing to President Obama’s Vision for High-Speed Rail, where he set a goal of providing 80 percent of Americans access to high-speed rail within the next 25 years. Isn’t it true that it was Congress – not the Administration – that set the definition for high-speed rail in the Passenger Rail Investment and Improvement Act of 2008 as “being able to reach speeds of at least 110 miles per hour”? Second, what benefits will we see from these investments?**

RESPONSE: Yes, Congress established a definition of “high-speed rail”, codified at 49 USC 26106 (4), which applies to certain passenger rail improvement grants made under that section. That definition reads: “The term ‘high-speed rail’ means intercity passenger rail service that is reasonably expected to reach speeds of at least 110-miles per hour.”

FRA continues to focus on supporting market-based service improvements that best address current and future rail transportation needs. This cost-effective approach recognizes that each corridor requires different levels of investment in order to make rail a more competitive travel option. While the vast majority of HSIPR funding has been dedicated to advancing high-speed rail projects that will significantly reduce travel times, these investments are also yielding other critical service improvements, such as improving reliability, adding more frequent trains, and upgrading stations and equipment. Domestic and international experience has proven that these types of improvements often lead to dramatic ridership growth, thus resulting in substantial transportation, economic, and environmental benefits.

2. **Some Members have stated that this program is a “Train to Nowhere”. But in November you announced federal funding for a multi-state purchase of new passenger rail cars, which will be manufactured at a new plant in Illinois. Without the Recovery Act investments from the high-speed rail program, this plant would**

never have opened and those hundreds of jobs would not have been created. Can you talk about some of these success stories in more detail?

RESPONSE: US DOT's "Buy America" policy means American-based companies and American workers will receive maximum benefit from our investments in rail. 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.

Nippon Sharyo opened its first American railcar manufacturing plant in Rochelle, IL earlier this year to be eligible under "Buy America" to build the next generation of American built trains. According to the company, the new factory will employ 250 workers by the end of next year and create additional jobs throughout the company's American supply-chain. Nippon Sharyo has already identified more than 200 potential suppliers and vendors in the Midwest region alone. This fall, the company received an award from the State of California to purchase 130 new railcars that will serve corridors California and Midwest.

At Cleveland Track Material, Inc. in Cleveland, OH, workers designed and manufactured new turnouts for Maine's Downeaster project. Cleveland Track was one of 53 companies across 20 states that received a supply order from Maine's project. The orders for turnouts as well as other orders from Amtrak and several transit agencies kept the production schedule busy during the economic downturn. Over the last year, the company has invested over \$5 million in new production equipment at the plant. Cleveland Track has nearly 300 employees that work in the company's 4 facilities in Ohio (2); Tennessee; and Pennsylvania. The company was started with 5 employees by disabled Vietnam Veteran, Bill Willoughby in 1984 in an impoverished section of Cleveland.

The economic benefits of Chicago-St. Louis corridor construction are being felt nearly 2000 miles west in Spokane, WA at L.B. Foster's CXT Concrete Tie plant. To date over 600,000 ties have been installed on the Illinois project. L.B. Foster, which has factories in Arizona, Indiana, Pennsylvania and Ohio, makes several other rail products, and will have many new opportunities to compete for business as other projects begin construction.

The railway supply industry is big business in the United States. With nearly 2700 facilities across the United States, there are more railway supply locations than Macy's and Target Stores combined. The industry employs an estimated 94,000 people in 49 out of the 50 states and the District of Columbia.

3. **The DOT's Office of Inspector General criticized FRA for completing service outcome agreements with the States and passenger and freight railroads prior to obligating funds on long-term and short-term projects, citing concerns with delays. However, Congress directed FRA in the Passenger Rail Investment and Improvement Act of 2008 to provide federal funding to only those projects where there is "a high degree of confidence that the proposed projects will result in certain benefits, including reduced trip time and on-time performance." I am guessing that had you chosen NOT to take the time to complete these service outcome agreements**

prior to disbursement of federal funds you would also be in hot water. Why are these service outcome agreements so important and what exactly do they provide for?

RESPONSE: In general, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) requires that certain conditions be in place for the support of projects funded under Section 301, which roughly correspond to the following agreement terms:

1. Project benefit terms, which define the intended benefits of new or improvement rail service.
2. Maintenance-related terms, which address the responsibilities for maintaining the asset for twenty years in a state of good repair.
3. Construction-related terms, which address the responsibilities related to construction of the improvements.

Ensuring that all interested stakeholders agreed to these terms before starting construction on a project is critical to protecting the taxpayer investment and resulting public benefits, such as safer, faster, more reliable train services, environmentally-sustainable transportation options, and enabling increased mobility of people and goods around America.

When building out the requirements for the High-Speed Intercity Passenger Rail (HSIPR) Program, FRA developed internal guidelines for executing stakeholder agreements that met the requirement of PRIIA, but also included a risk-based approach for agreement execution based on further review of the projects selected for funding. This approach balanced the need to protect project implementation and public benefits with the desire to obligate funding expeditiously.

FRA identified early on that agreements focused on project benefits were key to long-term project effectiveness and were likely to be the most challenging agreements to reach because they required grantees, infrastructure owners, and passenger rail operators to make unprecedented commitments in order to fully achieve public benefits. Therefore, FRA has consistently required that these agreements be in place *prior* to the obligation of program funds.

While construction and maintenance agreements are also critical to project success, they are more commonplace, with states routinely implementing projects with master construction/maintenance agreements in place with host-owning railroads. To that end, FRA has permitted these agreements to be executed after obligation, but has consistently required these agreements *before* reimbursing grantees for construction expenses.

FRA believes that this approach to executing agreements has allowed FRA to maintain a firm negotiating position as project benefit agreements were finalized, while allowing low-risk preparatory activities to continue (e.g., environmental and engineering work) to reduce project schedule delays. FRA also believes this approach is in-keeping with recommendations from the Government Accountability Office and the DOT Office of the Inspector General from previous studies, which repeatedly emphasize the need for the government to take steps to integrate enforceable performance and accountability standards in federally funded programs and projects.

- 4. GAO points out the fact that Congress has failed to provide the high-speed intercity passenger rail program with any federal funding for the last 2 fiscal years. With future funding still uncertain, can you please explain why funding is so important and without it, what is at risk in the passenger rail program and the nation?**

RESPONSE: Several economic and demographic trends – including a growing and aging population, rising energy costs, and increased highway and airport congestion – are substantially increasing the demand for improved and expanded rail transportation options. Ridership has been surging across the U.S., setting new records in 9 of the past 10 years, including a record 31.2 million passengers in FY 2012.

Sustaining this growth and meeting ever-increasing rail travel demands will require significant investments in the Nation’s rail system. For half a century, the U.S. has funded rail infrastructure at a small fraction of the levels invested in other modes, thus allowing our network to fall into a degraded state of disrepair. If we continue this underfunding, it will lead to service degradation (fewer trains, reduced reliability, reduced speeds), while also contributing to road and airport congestion challenges.

While current Federally-supported rail projects have independent utility and will result in public benefits, building upon these initial investments will result in exponentially greater improvements and benefits over time, due to the strong foundation that has been established on many corridors. In the past four years, significant momentum has also been generated in the rail industry. State and local governments are dedicating more time, resources, and funding to rail issues, now that they have a committed Federal partner. American factories are expanding or retooling to meet rail procurement needs. Engineers and other technical experts are again attracted to advancing rail innovation and technology. Allowing this important momentum to stall will set the Nation’s rail industry back many years.

- 5. A witness on the second panel will testify that her State’s number one concern with the high-speed and intercity passenger rail program has been the lack of guidance from FRA. In fact, she says: “When asked to provide FRA with information on project agreements and other documents they can’t give us specifics of what they want or need; instead they tell us no to what we give them until we hit upon the right information that seems to meet their needs.” The DOT’s Office of Inspector General seems to have similar concerns.**

RESPONSE: Since the beginning of the HSIPR Program and consistently thereafter, FRA has balanced effective oversight practices with a strong commitment to proactive, customer-service oriented support of grantees as they work toward rail project delivery.

As part of this customer-service-oriented approach, FRA has established regional teams, composed of a lead regional manager and including a grant manager, engineering specialist, environmental specialist, attorney, and other technical experts tailored to regional and project-based needs. The lead regional managers are in frequent and sometimes daily contact with grantees to provide on-going support and expertise in conjunction with other regional team

members. FRA has also engaged technical consulting teams to provide state agencies qualified technical assistance when necessary. This regional team approach has allowed FRA to give grantees hands-on, integrated, timely, and high-impact assistance and guidance.

In addition to routine assistance, FRA has established a risk-based monitoring program that includes intensive on-site and desk-based reviews of programs to consistently identify and resolve barriers to effective project implementation. Grantees receive well-timed feedback from these reviews and technical support as necessary.

Further, FRA has developed a grantee technical assistance web page that includes content such as written guidance on effective grant management practices. FRA plans to continue publishing written guidance, much like State Rail Plan guidance (already issued for public comment and scheduled for final release in early 2013), to provide detailed requirements and guidelines for effective project development and delivery. Internally, FRA has developed staff tools such as a “deliverables guidebook” to ensure that grantee deliverables are effectively tracked, consistently reviewed, and returned to grantees for revision (if necessary) in a timely manner.

Finally, FRA relies on other proactive communication tools, such as a monthly webinar for stakeholders. These webinars provide technical assistance and also offer grantees the opportunity to receive updates on FRA programs, share best practices with one another, and to pose questions of FRA leadership.

6. GAO and the DOT Inspector General have recommended that FRA develop specific and detailed guidance for the preparation of high-speed and intercity passenger rail ridership and revenue forecasts. What is DOT’s response to these recommendations?

RESPONSE: FRA has taken several steps to develop detailed guidance for the preparation of passenger rail ridership and revenue forecasts. Specifically, FRA is providing funding to the Transportation Research Board’s National Rail Cooperative Research Program to conduct research and develop a handbook of analytical tools and application procedures that will assist state, regional, and local transportation agencies in, among other things, forecasting ridership and revenue. The handbook is part of project *NRCRP3-01: Handbook of Tools and Procedures for Planning and Developing Intercity Passenger Rail Service*. FRA has a direct liaison for this project, who will oversee the development of the project’s Statement of Work and eventually its execution. The Handbook’s analytical tools will include passenger demand and rolling stock forecasting models; risk and uncertainty analysis; and revenue and cost modeling, including capital, operating, and maintenance. More information about this project, including the full research objective, can be found on the [TRB website](#).

7. Some of the states and the DOT Office of Inspector General have reported to this Committee that FRA appears to lack resources for implementing the HSIPR program, which slows progress. I know that the DOT requested a level of staffing

that did were not appropriated. Do you have the resources you need for an effective program? If not, what do you need?

RESPONSE: FRA continues to effectively implement the HSIPR Program despite resourcing levels that are far below those staffing levels set at other federal agencies that are charged with effectively managing and overseeing programs of similar size and/or complexity. FRA's resources are further and consistently stretched with the execution of programs and activities that are required by PRIIA.

The President's FY 2012 budget funded 91 Full-Time Equivalents (FTE) for the Office of Railroad Policy and Development (RPD), which oversees FRA's capital project funding programs, as well as the majority of PRIIA implementation. Under the current Continuing Funding Resolution, FRA may not be able to fully fund new positions from FY 2012.

The President's FY 2013 budget request includes 98FTE for FRA's RPD to ensure full implementation of PRIIA and to manage the HSIPR Program during the peak construction years of FY 2013-2016.

- 8. The Committee has received credible reports that the rail safety program at the FRA has essentially taken a backseat to implementation of the HSIPR program. In fact, we've received reports that FRA field inspectors have had very limited ability to travel, which limits their ability to conduct appropriate safety inspections. The reports maintain that while their ability to travel is limited, FRA headquarters staff continues to utilize scarce resources for participating in conferences that have limited value. What is your response to this and is this something you would commit to looking into further?**

RESPONSE: In 2012, the railroad industry achieved its highest level of safety in its history. At FRA, safety is our number one priority. Rail safety statistics continue to improve because FRA is steadfastly committed to both a collaborative partnership with the industry to identify and pioneer innovative ways to achieve safety improvements and to rigorously enforce compliance with existing safety laws and regulations through field inspections, audits and investigations. Since the High Speed and Intercity Passenger Rail Program was first created in 2008, casualties have declined 19 per cent and the overall rail-related accidents/incidents rate has declined by 14 per cent.

FRA will continue to work to improve and enhance safety. Our goal continues to be to strive for zero incidents and accidents.

FRA has also taken important steps to meet the goals of the President's 2011 Executive Order (EO) 13589 "Promoting Efficiency Spending." This EO requires that all Federal agencies minimize costs and to carry out mission critical functions in efficient and cost effective ways. From FY 2010 to FY 2012, FRA reduced overall spending on travel and transportation by 25 percent, however, mission critical travel such as for field safety inspectors and investigators

was increased by 12 per cent to meet those essential needs, predominantly through curtailing attendance at non-mission critical conferences and by using video, phone, and web technology to reduce travel requirements.

9. The IG states that FRA lacks effective mechanisms for assessing program and grantee performance. Do you have a response to that?

RESPONSE: FRA believes it has a robust performance management program for the tracking, analyzing, and reporting on grantee and program performance.

FRA has mapped each of its program milestones in detail and has begun tracking these milestones and associated deliverables through its Project Management Tool (PMT). The PMT allows managers to have a dashboard of grantee accomplishments, upcoming deadlines, and overall with reporting requirements. The PMT along with accompanying policies and procedures, allow FRA to have an overall picture of a grantee's adherence to project scope, schedule, and budget and facilitates the effective management of over 2,300 deliverables expected as part of the HSIPR program implementation.

As mentioned in an earlier response, FRA also conducts hands-on assessments of grantee performance and compliance through its risk-based monitoring and technical assistance program.

At an aggregate program level, FRA has established and consistently reports on several key program measures ranging from program-fund obligation rates, construction progress, and project outlay rates. FRA publically reports on these measures through its website, as well as quarterly briefings to the Office of Management and Budget, and monthly calls with Congressional staff. FRA also reports on program status on the Performance.gov website.

Beyond program-level measures, FRA also tracks broader performance of the national rail system, with performance measures ranging from on-time performance on various corridors, to the number of Americans serviced by high-performance rail.

10. What is the timeline for the Initial Operating Segment of the California High-Speed Rail project to be complete with trains operating on the infrastructure? What is the timeline for the completion of the "full build-out" of the entire project?

RESPONSE: In the California High-Speed Rail Authority revised Business Plan 2012, the Authority indicated their plan is to connect the First Construction Section in the Central Valley to the San Fernando Valley and start service by 2022. The 2012 Business Plan states that Phase 1 (blended) of the California High-Speed Train System (connecting San Francisco, the Central Valley, and Los Angeles/Anaheim through a combination of dedicated high-speed rail infrastructure blended with existing urban system) is anticipated to be in operation by 2029.

11. When will construction begin on the California High-Speed Rail project?

RESPONSE: Notice to proceed to final design and construction for the first construction package in the Central Valley is anticipated for July 2013.

**Before the Committee on Transportation and Infrastructure
United States House of Representatives**

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A Grants Management Framework and Stakeholder Agreements Are Key to Fully Implementing FRA's High Speed Intercity Passenger Rail Program

**Statement of
Mitchell Behm
Assistant Inspector General for Rail, Maritime
and Economic Analysis
U.S. Department of Transportation**



Chairman and Members of the Committee:

Thank you for inviting me here to discuss the Federal Railroad Administration's (FRA) progress in implementing the Nation's \$10.1 billion High Speed Intercity Passenger Rail (HSIPR) program. Legislation enacted in 2008 dramatically expanded FRA's role and responsibilities from primarily providing railroad safety regulations to overseeing a large grant program. In April 2010, we testified that for FRA to successfully implement HSIPR, it would need to address several challenges, including developing written policies and practices to guide the program's grant lifecycle process and oversight activities, and obtaining adequate staff to oversee implementation.

We continue to monitor FRA's efforts to carry out its traditional and new roles. While we have seen FRA make noteworthy progress in implementing the HSIPR program—including establishing certain stakeholder agreements for long-term projects prior to obligating funds—challenges remain. To date, FRA has awarded and obligated 99 percent of HSIPR grant funds but has only disbursed about 7 percent due in part to these challenges. My testimony today will focus on FRA's (1) progress in establishing a grants management framework and (2) ongoing challenges in disbursing grant funds.

IN SUMMARY

FRA has made significant progress in establishing a grants management framework but key components to ensure effective program implementation remain incomplete. These include finalizing grant administration guidance to help ensure FRA staff and grantees comply with policies and procedures, establishing clear program goals and measures to assess HSIPR program progress, and completing a comprehensive training curriculum to ensure staff appropriately administer funds across all active grant programs. Completing stakeholder agreements is also needed for the Agency to disburse obligated funds to project grantees and ensure intended benefits are achieved by required deadlines.

BACKGROUND

The Passenger Rail Investment and Improvement Act of 2008¹ (PRIIA) directed FRA to establish a grant program to fund various types of intercity passenger rail improvements, while it continues to carry out its prior responsibilities, including its oversight of Amtrak. Four months after PRIIA's enactment, the American Recovery and Reinvestment Act of 2009² (ARRA) appropriated \$8 billion to FRA to develop and implement the HSIPR grant program. FRA awarded the majority of

¹ P.L. No. 110-432, Div. B.

² P.L. No. 111-5.

the \$8 billion in ARRA funds to two types of HSIPR projects: short-term, “ready-to-go” projects—almost ready for construction—and long-term projects to develop high speed rail corridors. ARRA established aggressive timelines for FRA’s obligations and grantees’ expenditures for both types of projects.

To disburse the funds for HSIPR projects, FRA requires three types of agreements between the freight railroads, which own the majority of the infrastructure on which HSIPR grants will be spent, and other stakeholders: (1) service outcome agreements (SOA), (2) construction agreements, and (3) maintenance agreements. SOAs outline rail owners’ agreements on services and benefits that will be provided once projects are completed. For example, SOAs address passenger rail service frequency, schedule and trip time, and maximum delay minutes.³ Construction agreements outline stakeholders’ roles and responsibilities for managing and completing project construction. Maintenance agreements address stakeholders’ financial and operational responsibilities for maintaining project property in a state of good repair for at least 20 years.

Our previous audits and testimonies have highlighted FRA’s efforts to develop written policies and procedures and obtain adequate staff to administer the HSIPR grant program. In April 2010, we testified that FRA’s expanded role and responsibilities significantly challenged the Agency to effectively implement the high speed rail program, improve intercity passenger rail services, and enhance safety initiatives—challenges that were exacerbated by ARRA’s accelerated timelines.⁴ In September and November 2012, we issued reports on the status of FRA’s progress in implementing the HSIPR program. Our September report focused on FRA’s efforts to develop a grants management framework, which is needed to establish policies, procedures, a workforce structure, performance measurements, and grant oversight.⁵ Our November report focused on FRA’s efforts to assist in developing stakeholder agreements.⁶

FRA HAS MADE PROGRESS IN ESTABLISHING A GRANTS MANAGEMENT FRAMEWORK, BUT KEY COMPONENTS FOR EFFECTIVE IMPLEMENTATION ARE INCOMPLETE

FRA completed its Grants Management Manual for HSIPR grant administration, but it has not developed sufficient guidance for grantees and FRA staff to comply

³ Delay minutes refer to the average amount of time that a passenger train is delayed on a specified route and the identified cause of that delay for purposes of determining responsibility.

⁴ *Federal Railroad Administration Faces Challenges in Carrying Out Expanded Role*, April 29, 2010. OIG testimonies and reports are available on our Web site at <http://www.oig.dot.gov/>.

⁵ *Completing a Grants Management Framework Can Enhance FRA’s Administration of the HSIPR Program*, Sept. 11, 2012.

⁶ *FRA’s Requirements for High Speed Rail Stakeholder Agreements Mitigated Risk, but Delayed Some Projects’ Benefits*, Nov. 1, 2012.

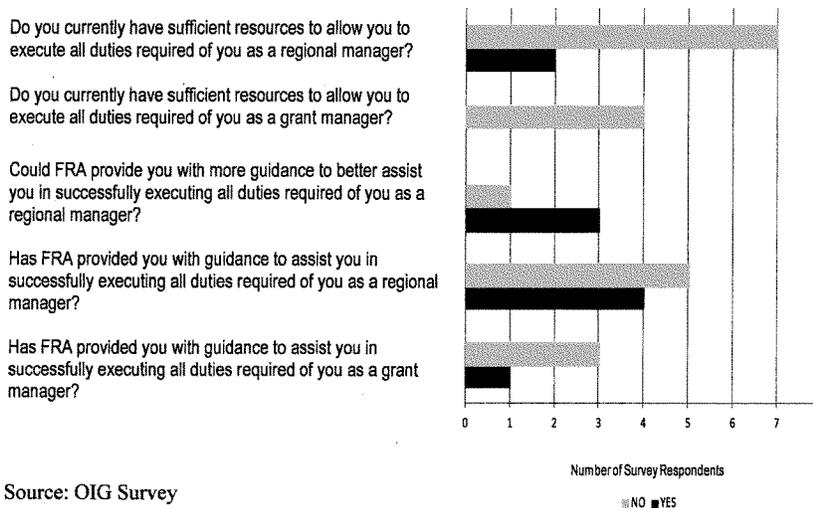
with the policies and procedures set forth in the manual. At the same time, FRA has yet to develop clear goals, measures, and other mechanisms for assessing program and grantee performance. While FRA has almost met its staffing requirements, it continues to work on developing a comprehensive training program that incorporates HSIPR policies and procedures.

FRA Lacks Sufficient Guidance To Ensure Staff and Grantees Comply With HSIPR Grant Administration Policies and Procedures

FRA began drafting its Grants Management Manual, which sets forth the policies and procedures for HSIPR grant management, in April 2010 and released the completed manual in April 2012—almost 3 years after it assumed responsibility for administering HSIPR funds. During this period, the Agency obligated nearly \$9.6 billion of HSIPR funds to comply with ARRA timeframes. FRA officials told us that due to staff constraints they needed to prioritize HSIPR grant awards and obligations over the manual’s completion.

The manual includes chapters on grant solicitation, administration, oversight, and closeout. The manual also provides some guidance on how to manage HSIPR grants. However, according to FRA staff we surveyed, additional guidance is needed to help ensure compliance with policies and procedures (see Figure 1).

Figure 1. FRA Regional and Grant Managers Responses to Selected Survey Questions



Source: OIG Survey

Several FRA grant managers told us that grantees have had trouble completing required grant documentation correctly and in a timely manner due to the lack of

detailed guidance. For example, seven regional managers informed us that grantees could use more guidance on the Agency's requirements for grant obligation, such as project scope, schedule, and budget, as well as general grant management practices. Nine of 12 grantees we interviewed also indicated that FRA could have provided more guidance to help them develop the required application documentation. For example, one grantee stated that due to a lack of detailed guidance, his State had to draft 10 iterations of a statement of work⁷ in order to meet FRA's application requirements. A template could have minimized this type of rework. While FRA provides general grant application guidance to HSIPR grantees through its Notice of Funding Availability⁸ announcements and Webinars on the application process, the guidance does not explain how to navigate the complex grant lifecycle process, which could result in inefficiencies, mismanagement, and project delays.

FRA acknowledged that additional clarification is needed and established workgroups to develop this guidance, but it did not establish timelines for completion for all workgroups.

FRA Continues To Lack Effective Mechanisms for Assessing Program and Grantee Performance

Between April 2009 and February 2012, FRA issued 10 documents containing strategic and performance goals for assessing HSIPR program progress. However, some are inconsistent across these documents, and these inconsistencies cannot be reconciled. For example, several goals in DOT's assessment of FRA's performance and performance plans appear to support a goal in FRA's fiscal year 2013 budget request to improve rail transportation experience. However, the relationship among the goals is not clear (see Table 1). Such inconsistencies make it difficult for grant managers and decision makers, including Congress, to know what goals the program is to achieve.

⁷ A statement of work describes the programmatic aspects of a grant project, including the project itself, a work schedule, deliverables, and any stipulations that require a grantee to complete and submit environmental documentation.

⁸ A Notice of Funding Availability formally announces the availability of Federal funding and solicits grantee applications.

Table 1. Example of Goals Across FRA Planning Documents

	FRA's fiscal year 2013 budget request	DOT's assessment of FRA's performance	DOT performance plans
Goal(s)	Improve rail transportation experience	<ul style="list-style-type: none"> • Improve employment, safety, livability, and travel time • Improve ridership, reliability, and market share for rail passenger service 	<ul style="list-style-type: none"> • Decrease fuel consumption • Increase HSIPR ridership

Moreover, the goals' performance measures are not specific enough to determine overall program progress. For example, the goal to improve reliability, speed, and frequency of rail passenger service, which appears on FRA's Web site, does not include measures that indicate progress, such as anticipated trip time improvements, additional trains, and ridership gains. Some goals that are critical to measuring progress are simply missing. Notably, FRA does not have a goal to determine the extent to which HSIPR is achieving its intended results.

FRA mechanisms for assessing grantee performance are similarly lacking. Specifically, FRA lacks an effective tool to help staff track, manage, and monitor grantee compliance with documentation requirements, including Federal Financial Reports and various ARRA requirements for reporting and certification. In January 2012 we reviewed FRA's tracking tool, which at the time only captured the date a deliverable was received, not the number of days it is overdue—key information for determining the severity of noncompliance. According to FRA officials, a more comprehensive project management tool to track and monitor grantees is under development.

FRA also completed its monitoring plan in March 2012. According to FRA officials, the plan includes information on monitoring timeframes, responsibilities for monitoring personnel, and other components to ensure monitoring activities will be completed—which its interim plan did not include. We have yet to assess the completed plan but will do so in the future.

FRA Lacks a Comprehensive Training Program for Its HSIPR Staff

FRA has not ensured its staff can effectively administer HSIPR grant funds across all its active programs. The Agency updated its workforce plan based on the 51 positions Congress authorized for the division responsible for HSIPR oversight. According to FRA officials, 91 percent of these positions have been filled, including those that the agency previously had difficulty filling.⁹

⁹ In March 2012, FRA officials cited difficulty in hiring candidates with appropriate expertise to fill specialized positions, such as grant managers.

However, the Agency continues to lack a comprehensive training curriculum—due in part to delays in developing its Grants Management Manual. According to FRA officials, in lieu of a curriculum centered around the policies and procedures set forth in the manual, HSIPR personnel have been required to attend Agency-provided training sessions on certain topics, such as grant monitoring and applicant outreach. Officials also stated that grant managers and other personnel have access to external training opportunities. However, FRA does not require personnel to complete fraud awareness training to help staff recognize common fraud schemes, such as conflicts of interest or false statements, claims, and certifications. Historically, large-scale grant projects such as those under the HSIPR program have been particularly vulnerable to these types of fraud.

With the recently completed Grants Management Manual, we recommended in our September 2012 report that FRA develop a comprehensive grants management training curriculum for HSIPR staff that includes a required fraud training component. FRA concurred with our recommendation and stated that the curriculum would be completed by December 2012.

SOME AGREEMENTS FOR LONG- AND SHORT-TERM PROJECTS ARE NOT COMPLETE, DELAYING DISBURSEMENT OF FUNDS

Prior to obligating funds on long-term projects, FRA ensured project grantees completed SOAs with their freight partners. While this action helped mitigate certain risks, completing the SOAs required significant FRA involvement and time and impacted FRA's ability to review and approve stakeholder agreements for other long- and short-term projects—which, in turn, delayed finalizing these agreements and the disbursement of funds.

FRA worked with stakeholders on the 13 long-term corridor projects to develop SOAs and, as of September 2011, had obligated \$3.2 billion in ARRA funds to these projects. However, project stakeholders found the SOA process challenging, in part because FRA's guidance provides little detail on how to structure stakeholder agreements. Ultimately, the process led to repeated rejections of multiple versions of agreements, which resulted in FRA intensifying its assistance to grantees.

This focus on the SOAs delayed FRA's review and approval of stakeholder maintenance and construction agreements, which PRIIA requires prior to fund disbursement. While FRA obligated all of the funds within the ARRA-mandated deadline, the agency is still working with State grantees and other project stakeholders to complete maintenance and construction agreements. The deadline for expending ARRA funds and completing construction is September 30, 2017—

a compressed timeline for complex projects such as creating a new rail corridor or expanding or reconfiguring an existing one. For example, an external peer review questioned California's ability to meet ARRA's 2017 deadline, even though California has all required project stakeholder agreements in place.¹⁰ For projects with maintenance and construction agreements that remain outstanding, the timeline for completion becomes even more compressed.

Short-term projects—and the economic recovery benefits these projects were intended to stimulate—have also been delayed. FRA originally established a deadline of September 30, 2010, to complete short-term project obligations but did not complete obligating funds to these projects until September 2011. According to FRA officials, stakeholder agreement requirements for short-term projects were completed on a case-by-case basis instead of publishing guidance that would provide common instruction on how to complete these agreements. Grantees of short-term projects reported that without written guidance, they had difficulties understanding FRA's expectations regarding the terms for their project stakeholder agreements. Short-term project stakeholders also noted that delays in obligating funds impacted their ability to plan and begin construction on their projects.

In closing, finalizing grant administration guidance, establishing clear program goals and measures, and completing a comprehensive training curriculum—all actions we have recommended—would better position FRA to effectively carry out the responsibilities of its expanded role, ensure the timely implementation of HSIPR, and spur continued interest in high speed rail. We will continue monitoring FRA's progress in these areas, as well other areas we identify as critical to ensuring FRA's successful implementation of HSIPR.

Mr. Chairman, this concludes my prepared statement. I am happy to answer any questions you may have at this time.

¹⁰ California High-Speed Rail Peer Review Group Report to California State Legislature, Jan. 3, 2012.

REPUBLICAN MEMBER QUESTIONS FOR THE RECORD

To Mitchell Behm, Assistant Director, Office of Inspector General, Dept. of Transportation
Full T&I Committee Hearing – The Federal Railroad Administration’s High Speed and Intercity
Passenger Program: Mistakes Made and Lessons Learned
Thursday, December 6, 2012

- 1. Secretary Hammond noted at the hearing that there is a need for more guidance from FRA to States on what is expected of them. Has this concern been common among States you’ve spoken with? Could you please explain? How has the agency addressed those concerns?**

We interviewed 12 of the 38 High Speed Intercity Passenger Rail (HSIPR) grant recipients regarding their experiences with program administration. This accounted for 90 percent of the total HSIPR funds awarded. Nine of the 12 grantees we interviewed indicated that FRA could have provided more guidance to help them develop the required application documentation. While FRA provides general grant application guidance to HSIPR grantees through its Notice of Funding Availability announcements and Webinars on the application process, the guidance does not explain how to navigate the complex grant lifecycle process. Without guidance from FRA on how to prepare key grant documentation such as statements of work, environmental documents and project management plans, inefficiencies, mismanagement of funds, and ultimately project delays could result.

To address the issue of limited guidance, FRA created workgroups to help identify and develop standard operating procedures, templates for required documents, and technical guidance for use by both its grants staff and grantees. In addition, the Agency plans to use the HSIPR grants management guidance that the workgroups develop to help administer its other grant programs.

- 2. Your testimony explains that FRA staff said “additional guidance is needed to help ensure compliance with policies and procedures.” What efforts are underway to ensure this is occurring? Also, what are the risks if there is no such guidance?**

To address the issue of limited guidance, FRA created workgroups to help identify and develop standard operating procedures, templates for required documents, and technical guidance for use by both its grants staff and grantees.

With regard to the risks associated with a lack of guidance, many grantees noted a very inefficient review process which they characterized as highly iterative without substantive change, resulting in a lack of timeliness and missed project deadlines.

- 3. The written testimony explains that a vast majority of grantees, 9 of the 12 interviewed, claimed that FRA could have given more guidance on the application documentation. What are some of the problems this lack of guidance caused for the grantees?**

The challenges the lack of guidance caused for grantees amounted to loss of time or project delays, and in many cases, additional costs to grantees. For example, officials we interviewed from one state department of transportation told us that due to the lack of guidance from FRA on how to navigate the HSIPR application process, it had to hire a number of outside consultants to assist its small rail staff in preparing the required documentation. In assessing their HSIPR application phase consultant fees, these state officials told us that they could have paid a full-time-equivalent employee's salary for two years for what it cost them to apply for HSIPR grants. Another state rail planning office told us that FRA's lack of formal processes, procedures, and guidelines was its greatest challenge and placed these challenges into dollar context. For example, state officials told us that delays in FRA approval of documentation and lack of timely guidance on key parts of the grants process resulted in \$500,000 in extra costs to that DOT.

- 4. Your report and testimony notes that the program's goals were "inconsistent" and that "some goals that are critical to measuring progress are simply missing." What problem(s) has this created for the program and stakeholders? How is the FRA addressing those problems?**

While we have no specific examples of problems that inconsistent goals have created for the program and/or stakeholders, missing outcome-based goals make it difficult for decision-makers, including Congress, to determine if the program is achieving its intended benefits. FRA has typically set obligation of funds as a goal and has monitored HSIPR program performance over time in terms of the percentage of available funds which have been obligated to date. This goal is effective in helping FRA staff manage its funding and obligation deadlines, but it is not the type of long-term program performance based goal that can help the Agency and the Congress determine the extent to which HSIPR is achieving its intended results.

One example of what we would consider a more meaningful long-term performance goal could include using the strategic goal President Obama announced for the HSIPR program in his 2011 State of the Union Speech. The President stated that "within 25 years, our goal is to give 80 percent of Americans access to high speed rail." FRA could develop a long-term performance goal for the HSIPR program to measure the percentage of Americans that access high speed passenger rail service each year.

In our report, we recommended that FRA establish clear program goals that contain measures to assist managers and decision makers in assessments of HSIPR goals achievement and overall program progress. We are currently reviewing documentation recently received from FRA that address this recommendation and will soon determine if they have taken the appropriate actions to address our concerns.

United States Government Accountability Office

GAO

Testimony
Before the Committee on
Transportation and Infrastructure,
House of Representatives

For Release on Delivery
Expected at 9:30 a.m. EST
Thursday, December 6, 2012

HIGH-SPEED PASSENGER RAIL

Preliminary Assessment of California's Cost Estimates and Other Challenges

Statement of Susan A. Fleming, Director
Physical Infrastructure Issues



December 6, 2012

HIGH-SPEED PASSENGER RAIL

Preliminary Assessment of California's Cost Estimates and Other Challenges



Highlights of GAO-13-163T, a testimony before the Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The California high-speed rail project is the single largest recipient of federal funding from the Federal Railroad Administration's (FRA) High Speed Intercity Passenger Rail (HSIPR) grant program. The 520-mile project (see map) would link San Francisco to Los Angeles at an estimated cost of \$68.4 billion. Thus far, FRA has awarded \$3.5 billion to the California project. The Authority has to continue to rely on significant public-sector funding, in addition to private funding, through the project's anticipated completion date in 2028. This testimony is based primarily on GAO's ongoing review of the California high-speed rail project and discusses GAO's preliminary assessment of (1) the reliability of the project's cost estimates developed by the Authority and (2) key challenges facing the project.

As part of this review, we obtained documents from and conducted interviews with Authority officials, its contractors, and other state officials. GAO analyzed the extent to which project cost estimates adhered to best practices contained in GAO's *Cost Estimating and Assessment Guide (Cost Guide)*, which identifies industry best practices to ensure cost estimates are comprehensive, accurate, well documented, and credible—the four principal characteristics of a reliable cost estimate. GAO also reviewed project finance plans as outlined in the Authority's April 2012 revised business plan. To identify key challenges, GAO reviewed pertinent legislation, federal guidelines and best practices related to ridership and revenue forecasting, and interviewed, among others, federal, state, and local officials associated with the project.

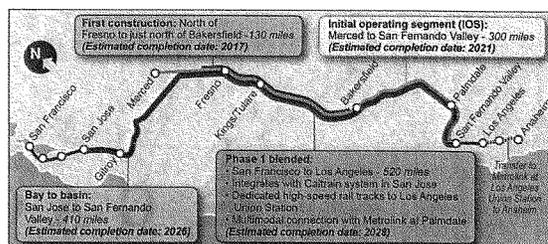
View GAO-13-163T. For more information, contact Susan A. Fleming at (202) 512-2834 or sflemings@gao.gov.

What GAO Found

Based on an initial evaluation of the California High Speed Rail Authority's (Authority) cost estimates, GAO found that they exhibit certain strengths and weaknesses when compared to best practices in GAO's *Cost Guide*. Adherence with the *Cost Guide* reduces the risk of cost overruns and missed deadlines. GAO's preliminary evaluation indicates that the cost estimates are comprehensive in that they include major components of construction and operating costs. However, they are not based on a complete set of assumptions, such as how the Authority expects to adapt existing high-speed rail technology to the project in California. The cost estimates are accurate in that they are based on the most recent project scope, include an inflation adjustment, and contain few mathematical errors. And while the cost estimates' methodologies are generally documented, in some cases GAO was unable to trace the final cost estimate back to its source documentation and could not verify how certain cost components, such as stations and trains, were calculated. Finally, the Authority evaluated the credibility of its estimates by performing both a sensitivity analysis (assessing changes in key cost inputs) and an independent cost estimate, but these tests did not encompass the entire cost estimate for the project. For example, the sensitivity analysis of the construction cost estimate was limited to 30 miles of the first construction segment. The Authority also did not conduct a risk and uncertainty analysis to determine the likelihood that the estimates would be met. The Authority is currently taking some steps to improve its cost estimates.

The California high-speed rail project faces many challenges. Chief among these is obtaining project funding beyond the first 130-mile construction segment. While the Authority has secured \$11.5 billion from federal and state sources, it needs almost \$57 billion more. Moreover, the HSIPR grant program has not received federal funding for the last 2 fiscal years, and future federal funding is uncertain. The Authority is also challenged to improve its ridership and revenue forecasts. Factors, such as limited data and information, make developing such forecasts difficult. Finally, the environmental review process and acquisition of necessary rights-of-way for construction could increase the risk of the project's falling behind schedule and increasing costs.

Map of Planned California High-Speed Rail System and Construction Timeline



Sources: California High Speed Rail Authority and GAO.



United States Government Accountability Office
Washington, DC 20548

Chairman Mica, Ranking Member Rahall, and Members of the Committee:

Thank you for the opportunity to be here today as the committee examines the Department of Transportation's (DOT) High Speed Intercity Passenger Rail (HSIPR) program.¹ As you know, this program was established to provide grant funds to states and others to develop high-speed intercity passenger-rail corridors and projects. HSIPR is administered by the Federal Railroad Administration (FRA), and, as of October 2012, almost \$10 billion has been obligated for 150 projects under this program, though it has received no appropriations since fiscal year 2010. The projects range from multibillion dollar high-speed rail systems, like that in California, to smaller projects designed to improve speeds, frequency, and reliability of conventional intercity passenger-rail service.

My statement today will discuss our ongoing examination of the California high-speed rail project—the largest recipient of HSIPR grant funds to date. We are providing preliminary observations based on our work to date, particularly related to the California High Speed Rail Authority's (Authority) project cost estimates. We also identify some of the key challenges facing the project. Our ongoing review, which this committee and other Members of the House requested, focuses on assessing the reliability of the project's cost estimates and financing plans, evaluating the reasonableness of ridership and revenue forecasts, and examining the comprehensiveness of potential project economic impacts. As such, we are assessing the quality of the information used by policymakers and not evaluating the merits of the project itself, which should be considered in light of whether this project best meets the transportation needs of the estimated 51 million Californians in 2050.

This testimony is based on our preliminary assessment of the first phase of the project's cost estimates using GAO's *Cost Estimating and Assessment Guide*² (*Cost Guide*). While FRA did not require HSIPR grant

¹The program was authorized under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), Pub. L. No. 110-432, Div. B (Oct. 16, 2008).

²GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

applicants to follow the *Cost Guide*, the *Cost Guide* identifies best practices that help ensure cost estimates are well documented, comprehensive, accurate, and credible. The *Cost Guide* has been used to evaluate cost estimates across the government, including infrastructure projects. We also assessed the Authority's analysis of the project's finance plans as outlined in the Authority's April 2012 revised business plan. We analyzed the extent to which the project's cost estimates adhered to the best practices contained in the *Cost Guide* and interviewed Authority officials, its contractors, and other federal officials. To identify key challenges, we reviewed pertinent legislation, federal guidelines and best practices related to ridership and revenue forecasting, prior GAO reports on the topic of high-speed passenger rail and reports published by the DOT's Office of Inspector General (OIG). In addition, we interviewed federal, state, and local officials associated with the project as well as members of the ridership and revenue peer review panel established by the Authority. We also reviewed the status of the project's environmental reviews and sought to identify legal challenges to the project as well as interviewed officials from the Authority, the California Department of Transportation, and other state officials about right-of-way acquisition.³ We conducted our work in accordance with generally accepted government auditing standards. We plan to report the final results of our work in early 2013.

Background

While high-speed passenger rail has been in operation in Europe and Asia for several decades, it is in its relative infancy in the United States. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) called for development of high-speed rail corridors in the United States and led to establishment of the HSIPR program. FRA administers the HSIPR program as a discretionary grant program to states and others. This program was appropriated \$8 billion in funding from the American Recovery and Reinvestment Act (Recovery Act) in 2009 and an additional \$2.5 billion in funding from the fiscal year 2010 DOT Appropriations Act.⁴ According to FRA, as of October 2012, about \$9.9 billion has been

³This project will construct new rail right of way to provide service, some of which may require acquisition of privately owned land.

⁴Pub. L. No. 111-5, 123 Stat. 208 (Feb. 17, 2009); Pub. L. No. 111-117, 123 Stat. 3056 (Dec. 16, 2009). For fiscal years 2011 and 2012, no appropriations were made to the program. For fiscal year 2011, \$400 million in unobligated funds were rescinded. Pub. L. No. 112-10, § 2222 (Apr. 15, 2011).

obligated for 150 projects.⁵ The California high-speed rail project is the largest recipient of HSIPR funds, with approximately \$3.5 billion (about 35 percent of program funds obligated). We have previously reported on high-speed rail and the HSIPR program. For example, in March 2009 we reported on the challenges associated with developing and financing high-speed rail projects. These included securing the up-front investments for such projects and sustaining public and political support and stakeholder consensus.⁶ We concluded that whether any high-speed rail proposals are eventually built hinges on addressing the funding, public support, and other challenges facing these projects. In June 2010, we reported that states would be the primary recipients of Recovery Act funds for high-speed rail, but many states did not have rail plans that would, among other things, establish strategies and priorities of rail investments in a particular state.⁷

California's high-speed rail project is poised to be the first rail line in the United States designed to operate at speeds greater than 150 miles per hour.⁸ The planned 520-mile line will operate between San Francisco and Los Angeles at speeds up to 220 miles per hour (see fig.1). At an estimated cost of \$68.4 billion,⁹ it is also one of the largest transportation infrastructure projects in the nation's history. The project's planning began in 1996 when the Authority was created but began in earnest after initial funding was approved in 2008 with the passage of Proposition 1A, which authorized \$9.95 billion in state bond funding for construction of the high-speed rail system and improvements to connections (see fig. 2). Construction is expected to occur in phases beginning with the 130-mile first construction segment from just north of Fresno, California, to just north of Bakersfield, California. In July 2012, the California legislature appropriated \$4.7 billion in state bond funds. The process of acquiring

⁵Five of these projects were pending obligations.

⁶GAO, *High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role*, GAO-09-317 (Washington, D.C.: Mar. 19, 2009).

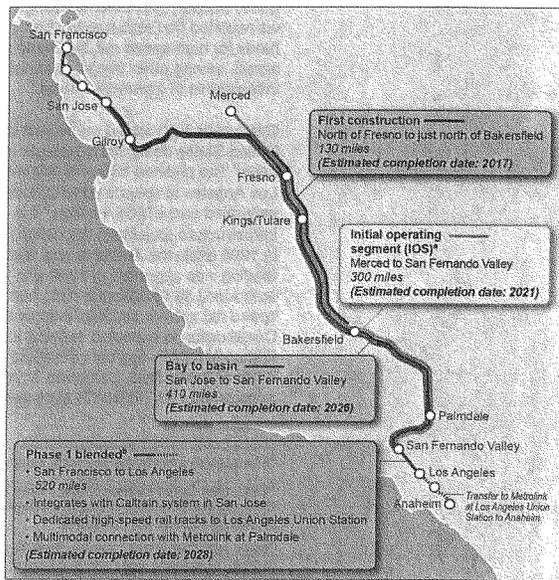
⁷GAO, *High Speed Rail: Learning From Service Start-Ups, Prospects for Increased Industry Investment, and Federal Oversight*, GAO-10-625 (Washington, D.C.: June 17, 2010). California has a state rail plan that is in the process of being updated.

⁸Amtrak's *Acela* service is capable of operating at speeds greater than 150 miles per hour but is not currently authorized by FRA to do so.

⁹All costs are in year-of-expenditure dollars unless otherwise noted.

property for the right-of-way and construction is expected to begin soon. Request for proposals to select construction contractors and right-of-way acquisitions were issued in March and September 2012, respectively. According to the Authority, a design-build contract for the first construction segment is expected to be awarded in June 2013 with construction potentially commencing no earlier than summer 2013.

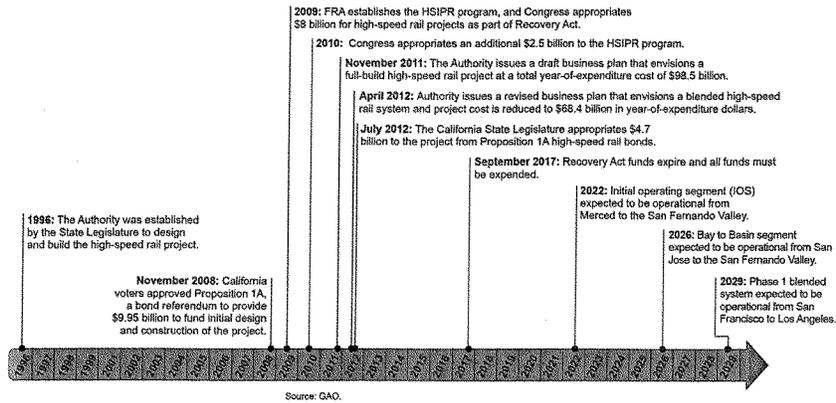
Figure 1: Map of Planned California High-Speed Rail System and Construction Timeline



Sources: California High Speed Rail Authority and GAO.

^aThe IOS includes the first construction segment. The construction southward of the IOS will continue as funding becomes available (anticipated after 2015).
^bEarly investments will be made in the bookends of the system (San Francisco peninsula and in the Los Angeles basin) beginning in 2013.

Figure 2: Timeline of California High Speed Rail Project



The project underwent substantial revision earlier this year after the Authority issued its November 2011 draft business plan in response to the initial high cost and other criticisms. Most significantly, the Authority scaled back its plans to build dedicated high-speed rail lines over its entire length. Instead, the April 2012 revised business plan adopted a "blended" system in which high-speed rail service would be provided over a mix of dedicated high-speed lines and existing and upgraded local rail infrastructure (primarily at the bookends of the system on the San Francisco peninsula and in the Los Angeles basin). This change was made, in part, to respond to criticism that the cost of the full-build system contained in the November 2011 draft business plan—\$98.5 billion—was too high. The revised cost in the April 2012 plan was \$68.4 billion. In addition, the ridership and revenue forecasts in the April 2012 revised business plan reflected a wider uncertainty range than the forecast

presented in the November 2011 plan.¹⁰ For example, in the November 2011 draft business plan, the Authority estimated 2030 ridership to be between 14.4 million and 21.3 million passengers and annual revenues of the high speed rail system to be between \$1.05 billion and \$1.56 billion.¹¹ This range increased in the April 2012 revised business plan, to between 16.1 million and 26.8 million passengers and annual revenues to be between \$1.06 billion and \$1.81 billion.¹² The Authority attributed the increase in the uncertainty range to additional conservatism in the low ridership estimate and the ridership changes to several factors such as the adoption of the blended approach which, among other things, allows one-seat service from San Francisco to Los Angeles to begin sooner than the original full-build approach. However, over time ridership forecasts under the blended approach are less than the original full-build approach.

To date, the state of California and the federal government have committed funding to the project. In July 2012, the California state legislature appropriated approximately \$4.7 billion dollars in Proposition 1A bond funds, including \$2.6 billion for construction of the high-speed rail project and \$1.1 billion for upgrades in the bookends.¹³ The federal government has also obligated \$3.3 billion in HSIPR grant funds.¹⁴ Most of the HSIPR money awarded to the project was appropriated under the Recovery Act and in accordance with governing grant agreements must be expended by September 30, 2017. In addition, approximately \$945 million in fiscal year 2010 funding was awarded to the project by FRA and is to remain available until expended.

¹⁰The Authority retained Cambridge Systematics—a transportation consulting firm that provides ridership forecasting and modeling services—to develop a travel-demand model that was used to generate the November 2011 ridership and revenue forecasts. Cambridge Systematics also prepared the updated ridership and revenue forecasts that were included in the April 2012 revised business plan.

¹¹These revenue forecasts are in 2010 dollars.

¹²These revenue forecasts are in 2011 dollars.

¹³An additional \$819.3 million was appropriated by the state legislature for connectivity projects and about \$252.6 million for environmental, system design, and preliminary engineering work.

¹⁴Approximately \$231 million in additional HSIPR grants have also been awarded primarily for environmental review and preliminary engineering work. In addition, \$400 million was awarded to the Transbay Joint Powers Board for construction of a train box at the Transbay Transit Center in San Francisco. The Transbay Transit Center is the expected northern terminus of the California high speed rail line.

Preliminary Assessment of California's Cost Estimates

The Authority estimates that the high-speed rail project in California will cost \$88.4 billion to construct and hundreds of millions of dollars to operate and maintain annually. Since the project is relying on significant investments of state and federal funds—and, ultimately private funds—it is vital that the Authority, FRA, and Congress be able to rely on these estimates for the project's funding and oversight (see table 1 below for a summary of the sources of funding). GAO's *Cost Guide* identifies best practices that help ensure that a cost estimate is comprehensive, accurate, well documented, and credible.

- A comprehensive cost estimate ensures that costs are neither omitted nor double counted.
- An accurate cost estimate is unbiased, not overly conservative or overly optimistic, and based on an assessment of most likely costs.
- A well-documented estimate is thoroughly documented, including source data and significance, clearly detailed calculations and results, and explanations for choosing a particular method or reference.
- A credible estimate discusses any limitations of the analysis from uncertainty or biases surrounding data or assumptions.

These four characteristics help minimize the risk of cost overruns, missed deadlines, and unmet performance targets. Our past work on high-speed rail projects around the world has shown that projects' cost estimates tend to be underestimated.¹⁵ As such, it is important to acknowledge the potential for this bias and ensure that cost estimates are as reliable as possible.

Based on our ongoing review, we have found that the Authority's cost estimates exhibit strengths and weaknesses. The quality of any cost estimate can always be improved as more information becomes available. And based in part on evaluations from the Peer Review Group, the Authority is taking some steps to improve the cost estimates that will be provided in the 2014 business plan.

¹⁵GAO-09-317.

The Authority followed best practices in the *Cost Guide* to ensure comprehensiveness, but also exhibited some shortcomings. The cost estimates include the major components of the project's construction and operating costs.¹⁸ The construction cost estimate is based on detailed construction unit costs that are, in certain cases, more detailed than the cost categories required by FRA in its grant applications. However, the operating costs were not as detailed as the capital costs, as over half of the operating costs are captured in a single category called Train Operations and Maintenance. In addition, the Authority did not clearly describe certain assumptions underlying both cost estimates. For example, Authority officials told us that the California project will rely on proven high-speed rail technology from systems in other countries, but it is not clear if the cost estimates were adjusted to account for any challenges in applying the technology in California.

The Authority took a number of steps to develop accurate cost estimates consistent with best practices in the *Cost Guide*. The estimates have been updated to reflect the new "blended" system which will rely, in part, on existing rail infrastructure; they are based on a dataset of costs to construct comparable infrastructure projects; they contain few, if any, mathematical errors; and they have been adjusted for inflation. For example, the Authority's contractor used a construction industry database of project costs supplemented with actual bid-price data from similar infrastructure projects. However, the cost estimates used in the April 2012 revised business plan do not represent final design and route alignments, and the estimates will change as the project moves into construction and operation. The Authority did not produce a risk and uncertainty analysis of its cost estimates that would help anticipate the impact of these changes. The *Cost Guide* recommends conducting a risk and uncertainty analysis to determine the primary risk factors and assess the likelihood that they may occur, helping to ensure that the estimate is neither overly conservative nor optimistic.

The Authority followed some, but not all, best practices in the *Cost Guide* to ensure that the cost estimate is well documented. In many cases, the methodologies used to derive the construction cost estimates were well documented, but in other cases the documentation was more limited. For example, while track infrastructure costs were thoroughly

¹⁸Operating costs include maintenance costs.

documented, costs for other elements, such as stations and trains, were supported with little detail or no documentation. Additionally, in some cases where the methodologies were documented, we were unable to trace the estimates back to their source data and recreate the estimates using the stated methodology. For example, we were unable to identify how the operating costs from analogous high-speed rail projects were adjusted for the California project.

The Authority took some steps consistent with our *Cost Guide* to ensure the cost estimates' credibility, but not with respect to some best practices. In order to make cost estimates credible, GAO's *Cost Guide* recommends:

- testing such estimates with sensitivity analysis (making changes in key cost inputs),
- a risk and uncertainty analysis (discussed above), and
- an independent cost estimate conducted by an unaffiliated party to see how outside estimates compare to the original estimates.

While the Authority performed a sensitivity analysis for the first 30 miles of construction and an independent cost estimate for the first 185 miles of construction in the Central Valley, neither covered the entire Los Angeles to San Francisco project. For the operating-cost estimate, the Authority conducted a sensitivity test under various ridership scenarios; however, this test was designed to measure the ability of the system to cover operating costs with ticket revenues and not to determine the potential risk factors that may affect the operating-cost estimate itself. The Authority also did not compare their operating-cost estimate to an independent cost estimate. Finally, as noted above, the Authority did not perform a risk and uncertainty analysis, which would improve the estimates' credibility by identifying a range of potential costs and indicating the degree of confidence decision-makers, can place on the cost estimates.

The Authority is taking steps to improve its cost estimates. To make its operating-cost estimate more comprehensive and better documented, the Authority has contracted with the International Union of Railways to evaluate the existing methodology and data and help refine its estimates. In addition, to improve the construction cost estimates, the Authority will have the opportunity to validate and enhance, if necessary, the accuracy of its cost estimates once actual construction package contracts are

awarded for the initial construction in the Central Valley in 2013. The bids for the first 30-mile construction package are due in January 2013 and will provide a check on how well the Authority has estimated the costs for this work as well as provide more information on potential risks that cost estimates of future segments may encounter.

California High-Speed Rail Project Faces Financial and Other Challenges

In addition to challenges in developing reliable cost estimates, the California high-speed rail project also faces other challenges. These include obtaining project funding beyond the first construction segment, continuing to refine ridership and revenue estimates beyond the current forecasts, and addressing the potential increased risks to project schedules from legal challenges associated with environmental reviews and right-of-way acquisitions.

Challenges To Securing Project Funding

One of the biggest challenges facing California's high-speed rail project is securing funding beyond the first construction segment. While the Authority has secured \$11.5 billion from federal and state sources for project construction, almost \$57 billion in funding remains unsecured. A summary of funding secured to-date can be found in Table 1.

Table 1: Funding Secured for Constructing the High-Speed Rail Project

(Dollars in billions)	
State high speed rail bonds	\$8.2 ^a
Federal HSIPR grants	3.3 ^b
Total secured funding	\$11.5

Sources: GAO analysis of FRA grant information and the California High Speed Rail Authority April 2012 Revised Business Plan.

^aThe Authority expects approximately \$8.2 billion in proceeds from the \$9.95 in authorized Proposition 1A high-speed rail bonds to be available for construction of high-speed rail. The remainder is for connectivity projects and engineering and environmental work.

^bApproximately \$3.3 billion of \$3.5 in obligated HSIPR grants is available for construction of high-speed rail project. The remainder is for engineering and environmental work.

As with other large transportation infrastructure projects, including high-speed rail projects in other countries, the Authority is relying primarily on public financial support, with \$55 billion or 81 percent of the total construction cost, expected to come from state and federal sources. A summary of the Authority's funding plan can be found in table 2.

Table 2: California's Funding Plan for Construction of the High-Speed Rail Project according to the April 2012 Revised Business Plan

(Dollars in billions)

Funding source	First construction	Initial operating segment	Bay-to-Basin	Phase 1 blended	Total	
Federal	\$3.3	\$20.3	\$8.4	\$10.0	\$42.0	(81%)
State high-speed rail bond	2.7	4.4	0.0	1.1	8.2	(12)
Locally generated	0.0	0.7	1.2	3.1	5.0	(7)
Subtotal public	6.0	25.4	9.6	14.2	\$5.2	(81%)
Private investment	0.0	0.0	10.1	3.0	13.1	(19)
Operating cash flow	0.0	0.0	0.2	0.0	0.2	(0)
Subtotal private investment and operating cash flow	0.0	0.0	10.3	3.0	13.3	(19%)
Total	\$6.0	\$25.4	\$19.9	\$17.2	\$68.5	(100%)

Source: GAO analysis of California High Speed Authority's April 2012 revised business plan.

Of the total \$55 billion in state and federal funding, about \$38.7 billion are uncommitted federal funds, an average of over \$2.5 billion per year over the next 15 years. Most of the remaining funding is from unidentified private investment once the system is operational—a model that has been used in other countries, such as for the High Speed One line in the United Kingdom. As a result of the funding challenge, the Authority is taking a phased approach—building segments as funding is available. However, given that the HSIPR grant program has not received funding for the last 2 fiscal years and that future funding proposals will likely be met with continued concern about federal spending, the largest block of expected funds is uncertain. The Authority has identified revenues from California's newly implemented emissions cap and trade program in the event other funding is not made available, but according to state officials, the amounts and authority to use these funds are not yet established.¹⁷

¹⁷ California's Legislative Analyst's Office has evaluated the risks of applying cap and trade revenues to the high-speed rail project. See Legislative Analyst's Office, *The 2012-2013 Budget: Funding Requests for High Speed Rail* (Sacramento, CA: Apr. 17, 2012).

**Challenges to Developing
Ridership and Revenue
Forecasts**

Developing reliable ridership and revenue forecasts is difficult in almost every circumstance and for a variety of reasons. Chief among these are (1) limited data and information, (2) risks of inaccurate assumptions, and (3) accepted forecast methods vary. Although forecasting the future is inherently risky, reliable ridership and revenue forecasts are still critical components in estimating the economic viability of a high-speed rail project and in determining what project modifications, if any, may be needed. For example, the financial viability of California's high-speed rail project depends on generating sufficient ridership to cover its operating expenses. Ridership and revenue forecasts enable policymakers and private entities to make informed decisions on policies related to the proposed high-speed rail system and to determine the risks associated with a high-speed rail project when making investment decisions. Addressing these challenges will be important for the Authority as it works toward updating its ridership and revenue forecasts for the 2014 business plan.

Limited data and information, especially early in a project before specific service characteristics are known, make developing reliable ridership and revenue forecasts difficult. And to the extent early stage data and information are available, they need to be updated to reflect changes in the economy, project scope, and consumer preferences. For example, in developing the ridership and revenue forecasts for the April 2012 revised business plan, the Authority updated several assumptions and inputs used to develop the initial ridership and revenue forecasts that were presented in the November 2011 draft business plan. Authority officials said this update was done, in part, to build in additional conservatism in the ridership forecasts, in particular in the low scenario, and to avoid optimism bias. Among other updates, the Authority revised model assumptions to reflect changes in current and anticipated future conditions for airfares and airline service frequencies, decreases in gasoline price forecasts, and anticipated declines in the growth rates for population, number of households, and employment. Peer review groups, such as the Ridership and Revenue Peer Review Panel (Panel) established by the Authority, and academic reviewers have examined the Authority's ridership and revenue forecast methodology. These reviewers

recommended additional improvements to the model going forward.¹⁸ For example, in developing the forecasts used for the April 2012 revised business plan, the Authority relied on data from a 2005 survey that was conducted at airports, rail stations, and by telephone from August to November 2005.¹⁹ In a May 2012 report to the Authority, the Panel pointed out limitations with this data source and recommended that new data be collected to supplement the existing data for model enhancement purposes. Authority officials stated that they are currently developing a new revealed-preference and stated-preference survey to update the 2005 survey data and that they plan to begin collecting this new survey data in December 2012.²⁰ Portions of the new 2012 data will be used to re-estimate and re-calibrate the ridership model to develop updated ridership and revenue forecasts for the 2014 business plan. The Authority also plans to develop a new version of the model that will make full use of the new 2012 survey data; however, the new model is not expected to be developed in time for the 2014 business plan. It will be important to complete these future model improvements as the project is developed.

Risks of inaccurate forecasts are a recurring challenge for sponsors of the project. Research on ridership and revenue forecasts for rail infrastructure projects have shown that ridership forecasts are often overestimated and actual ridership is likely to be lower. For example, a recent study examined a sample of 62 rail projects and found that for 53 of them, the demand forecasts were overestimated and that actual demand was lower than forecasted demand.²¹ According to the Authority, the ridership and

¹⁸Several groups have examined the Authority's ridership and revenue forecast methodology including the Ridership and Revenue Peer Review Panel—a panel convened by the Authority to conduct an independent review of the Authority's ridership- and revenue-forecasting process and outcomes. In addition, academic experts from the University of California Berkeley's Institute of Transportation Studies conducted a review of ridership and revenue forecast models used to develop forecasts in June 2010.

¹⁹This survey data included revealed-preference and stated-preference mode choice data from air, rail, and auto trip passengers. These data were used to construct a model of travelers' choices among different modes of travel, including high-speed rail, for different segments of the market.

²⁰In addition, the Authority conducted a supplemental trip-frequency survey in May 2011. These survey data were not used to replace the 2005 survey data but were used to enable recalibration and validation to more recent conditions.

²¹Bent Flyvbjerg, "Quality Control and Due Diligence in Project Management: Getting Decisions Right by Taking the Outside View," *International Journal of Project Management* (November 2012), <http://dx.doi.org/10.1016/j.ijproman.2012.10.007>.

revenue forecasts, in its April 2012 revised business plan, include a wider range of ridership and revenue forecasts and lower ridership and revenue forecasts compared to earlier forecasts, to help mitigate the risks of optimism bias. In addition, the Authority performed a sensitivity analysis of an extreme downside scenario to test the ridership and revenue implications of a series of downside events coinciding, such as increased average rail-travel time from Merced to the San Fernando Valley and lower auto-operating costs. Based on this analysis, the Authority determined that an extreme downside scenario would be expected to reduce ridership and revenue forecasts by 27 percent and 28 percent, respectively, below that shown for the low forecasts in the April 2012 revised business plan. According to the Authority, these forecasts would still be sufficient to cover the Authority's estimated operating costs and would not require a public operating subsidy. Authority officials stated that they intend to conduct additional sensitivity analyses going forward.

Finally, accepted forecasting methods vary, and FRA has not established guidance on acceptable approaches to the development of reliable ridership and revenue forecasts. Industry standards vary, and FRA has established minimal requirements and guidance related to information HSIPR grant applicants must provide regarding forecasts. As we have previously reported, different ridership-forecasting methods may yield diverse and therefore uncertain results.²² As such, we have recommended that the Secretary of Transportation develop guidance and methods for ensuring reliability of ridership forecasts. Similarly, the DOT OIG has also recommended that FRA develop specific and detailed guidance for the preparation of HSIPR ridership and revenue forecasts.²³ Best practices identified by various agencies and transportation experts have identified certain components of the ridership- and revenue-forecasting process that affect results more than others and that are necessary for developing reasonable forecasts. Among others, key components include processes for developing *trip tables*,²⁴ developing a

²²GAO-09-317.

²³DOT OIG, *FRA Needs to Expand Its Guidance on High Speed Rail Project Viability Assessments*, CR-2012-083, (Washington, D.C.: Mar. 28, 2012).

²⁴*Trip tables* are estimates of numbers of trips taken between specific locations. Trip tables, in conjunction with mode-choice models, provide the foundation for ridership forecasts.

mode-choice model,²⁵ conducting sensitivity analyses, and conducting validation testing. The Authority's forecasts included each of these key components in developing the ridership and revenue forecasts for the April 2012 revised business plan.²⁶ While addressing these components does not assure ridership and revenue forecasts are accurate, it does provide greater assurance that the Authority's processes for developing these forecasts are reasonable. In our ongoing review of the California high speed rail project, we are evaluating the extent to which the Authority's ridership and revenue forecasts followed best practices when completing each of these tasks. We will present the results of our assessment of the Authority's process in our 2013 report on this subject.

**Environmental Review and
Right-of-Way Acquisitions
May Increase Risk of
Project Delays**

Among the other challenges facing the project, which may increase the risk of project delays, are potential legal challenges associated with the environmental laws. Under the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA),²⁷ government agencies funding a project with significant environmental effects are required to prepare environmental impact statements or reports (EIS/EIR) that describe these impacts.²⁸ Under CEQA, an EIR must also include mitigation measures to minimize significant effects on the environment. The Authority is taking a phased approach to comply with NEPA and CEQA by developing EIS/EIRs for both the project as a whole as well as for particular portions of the project. To date, program level EIS/EIRs have been prepared for the project as a whole (August 2005) and for the Bay Area to Central Valley (initial certification by the Authority in July 2008 and a revised final EIS/EIR issued in April 2012). Project level EIS/EIRs have been prepared for the Merced-to-Fresno portion of the project (issued April 2012), and a draft EIS/EIR has been prepared for the Fresno-to-Bakersfield portion of the project (initial draft issued in August 2011 and revised final issued July 2012). Environmental concerns have been the subject of legal

²⁵ *Mode-choice models* estimate how many travelers would choose the high-speed rail option versus other available modes of travel.

²⁶ This includes validation testing of the ridership model, testing that, according to the Authority, was performed in January 2012 through a comparison of actual ridership (2008) and 2030 forecasts on Amtrak's *Acela* service on the Northeast Corridor.

²⁷ 42 U.S.C. § 4321 et seq. (NEPA); Cal. Pub. Res. Code § 21000 et seq. (CEQA).

²⁸ Under NEPA, the document is referred to as an EIS, while under CEQA it is called an EIR.

challenges. For example, a lawsuit was filed in October 2010 against the Authority challenging the decision to approve the Bay Area to Central Valley segment based on an EIR alleged to be inadequate. Several lawsuits have been filed and these cases are still pending.

The project also faces the potential challenge of acquiring rights-of-way. Timely right-of-way acquisition will be critical since some properties will be in priority construction zones. Property to be acquired will include homes, businesses, and farmland. Not having the needed right-of-way could cause delays as well as add to project costs. Acquisition of right-of-way will begin with the first construction segment, which has been subdivided into 4 design-build construction packages. There are a total of approximately 1,100 parcels to be acquired for this segment; all of which are in California's Central Valley. In September 2012, the Authority issued a *Request for Proposals* to obtain the services of one or more contractors to provide right-of-way and real property services. The Authority estimated in its April 2012 revised business plan that the purchase or lease of real estate for the phase I blended system will cost between \$3.6 billion and \$3.9 billion (in 2011 dollars). According to the Authority, the schedule for right-of-way acquisition will be phased, based on construction priorities with delivery of all required parcels in the Central Valley no later than spring 2016. Acquisition is anticipated to begin in February 2013. The timely acquisition of rights-of-way may be affected by *at-risk* properties—that is, those properties that the Authority considers at-risk for timely delivery to design-build contractors for construction.²⁹ There could be a significant number of at-risk properties. For example, Authority officials told us there are about 400 parcels in the first construction package, about 200 of which are in priority construction zones. Of these, about 100 parcels (50 percent) are considered to be potentially at-risk for timely delivery. Since right-of-way acquisition has not yet begun, the extent that at-risk properties will ultimately affect project schedules or cost is not known. However, there may be an increased risk given the initial high percentage of at-risk parcels.

²⁹There could be a number of reasons why a property is deemed *at-risk*, including instances where a property owner is contesting a property valuation or a property owner has not yet vacated a property.

Chairman Mica, Ranking Member Rahall, this concludes my prepared remarks. I am happy to respond to any questions that you or other Members of the Committee may have at this time.

**GAO Contacts and
Staff
Acknowledgments**

For future questions about this statement, please contact Susan Fleming, Director, Physical Infrastructure, at (202) 512-2834 or flemings@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Paul Aussendorf, (Assistant Director), Russell Burnett, Delwen Jones, Richard Jorgenson, Jason Lee, James Manzo, Maria Mercado, Josh Ormond, Paul Revesz, Max Sawicky, Maria Wallace, and Crystal Wesco.

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United States Government Accountability Office
Washington, DC 20548

December 28, 2012

The Honorable John L. Mica
Chairman
The Honorable Nick J. Rahall
Ranking Member
Committee on Transportation and Infrastructure
United States House of Representatives

Subject: *California High Speed Rail: Responses to Questions for the Record*

On December 6, 2012, we testified before your committee with our preliminary assessment of the California High-Speed Rail project's cost estimates as well as our assessment of other challenges for the project at this time.¹ Members of the committee requested that we provide additional comments to a number of post-hearing questions. The questions and our answers are provided in enclosure 1. The responses are based on an ongoing assessment of the California High-Speed Rail project. We conducted this work in accordance with generally accepted government auditing standards.

If you have any questions about this letter or need additional information, please contact me at (202) 512-2834 or flemings@gao.gov.

Susan Fleming
Director
Physical Infrastructure

Enclosure

¹GAO, *High-Speed Passenger Rail: Preliminary Assessment of California's Cost Estimates and Other Challenges*, GAO-13-163T (Washington, D.C.: Dec. 6, 2012).

Enclosure

REPUBLICAN MEMBER QUESTIONS FOR THE RECORD
 To Susan Fleming, Director, Physical Infrastructure, GAO
 House Committee on Transportation and Infrastructure Hearing
 “The Federal Railroad Administration’s High Speed and Intercity Passenger Program:
 Mistakes Made and Lessons Learned”
 Thursday, December 6, 2012

1. Your testimony discussed the strengths and weaknesses of the Rail Authority’s cost estimates, but what is your bottom line?

Our evaluation is still ongoing, but based on our evaluation to date, we found that the Rail Authority has produced a detailed construction cost estimate, but the operating cost estimate could be more detailed and better documented. In addition, the Authority did not conduct a risk and uncertainty analysis—and other tests—that would identify the factors that could affect the reliability of the estimates and better ensure that the cost estimates (both construction and operating) are neither overly conservative nor optimistic.

2. From your review, what do you believe is California’s greatest challenge in undertaking this project?

One of the biggest challenges facing California’s high-speed rail project is securing funding beyond the first construction segment. While the Authority has secured \$11.5 billion from federal and state sources for project construction, almost \$57 billion in funding remains unsecured, based on current estimates. Of these unsecured funds, \$38.7 billion is currently expected to come from the federal government; however, Congress has not appropriated any funds for the High Speed Intercity Passenger Rail Program since fiscal year 2010. As a result of this challenge, the Authority is taking a phased approach—building segments as funds are available. The Authority has also identified funds from the state’s newly implemented emissions cap-and-trade program, but the amounts and authority to use these funds have not yet been established.

3. Your written statement notes that the Authority did not produce a risk and uncertainty analysis of the cost estimate, so what could that mean to the estimate?

Because cost estimates predict future program costs, uncertainty is always associated with them. Recognizing the potential for error and deciding how best to quantify it is the purpose of risk and uncertainty analysis. A risk and uncertainty analysis helps to determine the primary risk factors that affects costs and assesses the likelihood that they may occur. Doing so, helps assure policymakers, sponsors, and the public that cost estimates (both construction and operating) are neither overly conservative nor optimistic.

Enclosure

4. In your testimony, you state that “the Authority did not clearly describe certain assumptions underlying both cost estimates. For example, Authority officials told us that the California project will rely on proven high-speed rail technology from systems in other countries, but it is not clear if the cost estimates were adjusted to account for any challenges in applying the technology in California.” If the estimates were not properly adjusted, what would that mean for the estimates of the costs?

Our evaluation is still preliminary, but we could not determine how the cost estimates were adjusted to reflect certain key assumptions, including assumptions about how the construction and operation of high-speed rail technology in California might be different than has occurred in Europe and Asia and how these differences might affect California’s cost estimates.

5. To varying degrees, it seems that the GAO’s three best practices for reliable cost estimates were not employed regarding the CHSR project, so what impact could that have on the cost estimates?

As noted above, cost estimates predict future program costs and, therefore, uncertainty is always associated with them. Adherence with GAO’s *Cost Guide* reduces the risk of cost overruns and missed deadlines. Further, the quality of any cost estimate could be improved as more information becomes available.

Based on our initial evaluation of the Authority’s cost estimates, GAO found that they exhibit certain strengths and weaknesses when compared to best practices in GAO’s *Cost Guide*. The Authority is currently taking some steps to improve its cost estimates, such as by contracting with the International Union of Railways to assess and potentially revise their operating cost estimates.

6. Your testimony noted that the Authority has identified revenues from California’s State cap-and-trade program as a back-up source of funding. From your review, what are some concerns about that source of funding for this project?

There are three potential obstacles to securing funding from California’s cap-and-trade program:

- Amounts that might be raised by the program have yet to be determined.
- Revenues are not currently earmarked to high-speed rail; funds would have to be appropriated to the project.
- California’s Legislative Analyst’s Office has raised concerns that high-speed rail may not be eligible for cap-and-trade revenues because it does not meet the goals of the state’s greenhouse gas reduction program.²

² See Legislative Analyst’s Office, *The 2012-2013 Budget: Funding Requests for High Speed Rail* (Sacramento, CA: Apr. 17, 2012).

Enclosure

7. How has the Authority planned for mitigating the risk of NEPA review or right-of-way acquisition holding up the project's construction schedule?

As we testified, the lawsuits that have been filed are still pending. In addition, right-of-way acquisition has not yet started. As a result, the potential risk of schedule delays from either issue is unknown. However, both represent potential risks for the project. The Authority's April 2012 *Revised Business Plan* recognizes both environmental issues and right-of-way acquisition as potential project risks. The plan identifies a number of possible mitigation strategies, including ensuring the right-of-way and environmental approval processes are legally compliant and aligned to project delivery schedules, pursuing methods to transfer risk related to obtaining permits and other governmental approvals to design-build contractors, and engaging right-of-way firms with significant experience.

Enclosure

QUESTIONS FOR THE RECORD TO MS. SUSAN FLEMING
 DIRECTOR, PHYSICAL INFRASTRUCTURE, GOVERNMENT ACCOUNTABILITY OFFICE
 FROM THE HONORABLE CORRINE BROWN
 RANKING DEMOCRAT, SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS
 COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
 HEARING ON
 "AN UPDATE ON THE HIGH SPEED AND INTERCITY PASSENGER RAIL PROGRAM:
 MISTAKES MADE AND LESSONS LEARNED"
 DECEMBER 6, 2012

1. GAO reviewed FRA's selection process 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." Can you elaborate on your findings?

In March 2011, we reported on the Federal Railroad Administration's (FRA) grant-making practices related to administration of appropriations for high-speed and conventional-speed passenger rail projects. We found that FRA substantially followed recommended practices when awarding grants. These practices included communicating key information to applicants prior to the competition, planning for the competition, using a merit review panel with certain characteristics, assessing whether applicants were likely to be able to account for grant funds, notifying applicants of award decisions, and documenting the rationale for awards decisions (albeit generally). We also found that FRA had applied its established criteria during the eligibility and technical reviews. However, we could not verify whether it applied its final selection criteria because the documented rationales for selecting projects were typically vague. We concluded that without a detailed record of selection decisions, FRA leaves itself vulnerable to criticism over the integrity of those decisions. Our report recommended that FRA create additional records to document substantive reasons behind award decisions to better ensure accountability for federal funds. For more information, a copy of the report can be found at <http://www.gao.gov/products/GAO-11-283>.

2. To clarify the use of the GAO's *Cost Estimating and Assessment Guide*, are the guidelines standard requirements for federally funded transportation projects? If not, was the California High Speed Rail Authority under any obligation to use those guidelines?

GAO's *Cost Estimating and Assessment Guide* presents the best practices for cost estimating, but do not constitute requirements. GAO developed the *Cost Guide* as a best practice for cost estimators, and it has been used to evaluate the reliability of cost estimates of large acquisitions across government. Therefore, FRA does not require the California High-Speed Rail Authority or any other HSIPR recipient to adhere to the *Cost Guide*.

Enclosure

3. Follow-up: In spite of not being required to follow the GAO *Cost Guide*, it appears from your written statement that the Authority's process was very consistent with your guidelines, is that correct? In other words, is it fair to say that the California High Speed Rail Authority has used what would be considered best practices in its work?

Our evaluation is still preliminary; however, the California High Speed Rail Authority's cost estimates exhibit strengths and weakness with respect to the best practices in GAO's *Cost Guide*. For example, the Rail Authority has produced a detailed construction cost estimate. However, the operating cost estimate could be more detailed and better documented. More importantly, the Rail Authority did not conduct a risk and uncertainty analysis that would help ensure that their cost estimates (both construction and operating) are neither overly conservative nor optimistic.

4. As you have been working on your assessment of the California high-speed rail project, has the California High-Speed Rail Authority been open and responsive?

The California High Speed Rail Authority has been open and cooperative throughout our review. Authority officials and their contractors have been made available to GAO and, thus far, have answered all of our questions. In addition, all requested documents have been given to us on a timely basis.

5. You mentioned that the California High-Speed Rail Authority is taking steps to improve its cost estimates in those areas that you found weak. Can you please elaborate on what the Authority is doing to improve these estimates?

Our review is ongoing, but the Rail Authority is improving its operating cost estimates by contracting with the International Union of Railways to evaluate the cost model and provide recommendations. For example, this evaluation will include a new set of operating unit costs derived from their evaluation of foreign high-speed rail systems. In addition, the Rail Authority will have the opportunity to update the construction cost estimates with the results of contractor bids for the initial construction projects in the Central Valley. And Authority officials told us that they are in the process of developing a sensitivity analysis of their second construction package (beyond the first 30-mile construction package).

AMERICAN ASSOCIATION OF
STATE HIGHWAY AND
TRANSPORTATION OFFICIALS



TESTIMONY OF

Paula J. Hammond, P.E.

Secretary of Transportation, Washington State

ON BEHALF OF THE

American Association of State Highway and Transportation
Officials (AASHTO)

REGARDING

**An Update on the High Speed and Intercity
Passenger Rail Program: Mistakes Made and
Lessons Learned**

BEFORE THE

**Committee on Transportation and Infrastructure
of the United States House of Representatives**

ON

December 6, 2012

American Association of State Highway and Transportation Officials

444 North Capitol Street, N.W., Suite 249

Washington, D.C., 20001

202-624-5800

www.transportation.org

info@aaashto.org

Thank you, Chairman Mica and Ranking Member Rahall, for inviting me to participate in this important and timely hearing. The states are the ones responsible for delivering projects funded through the High-Speed and Intercity Passenger Rail (HSIPR) Program and we have an interesting and unique story to tell. Washington State is fortunate to have two members of our congressional delegation who serve on this distinguished panel – Representatives Rick Larsen and Jaime Herrera Beutler. They are tenacious advocates for our state’s transportation system and our interests are certainly well represented here in the “other” Washington.

I am here today wearing three hats – as the Transportation Secretary for Washington State, the Chair of AASHTO’s High-Speed and Intercity Passenger Rail Leadership Group, and as Chair of the States for Passenger Rail Coalition, a coalition of 34 states that work together to support the development and growth of intercity passenger rail service for America. The HSIPR Program has been a positive development for Washington State and for states across the country. In Washington it is helping us make significant improvements to our existing intercity passenger rail service to get to what I like to call “higher-speed” rail, while in other states it is building true high-speed rail.

The program provides many benefits for the nation and states, but like all new programs, there have been significant challenges and there is room for improvement. Today I’ll address four issues: 1) Washington’s experience with the HSIPR Program and the experience of my colleagues in other states; 2) thoughts on where the program has succeeded and where it can be improved; 3) the great relationship between Washington and our Class I freight railroad host; and 4) policy suggestions for reauthorization of the Passenger Rail Investment and Improvement Act (PRIIA) next year.

AMTRAK CASCADES SERVICE

First, I’d like to share some background on our passenger rail service in Washington. The Washington State Department of Transportation (WSDOT) oversees the management of the Amtrak Cascades intercity passenger rail service along the Pacific Northwest Rail Corridor, one of 11 federally-designated high-speed rail corridors in the U.S. The corridor is 467 miles long, stretching from Vancouver, British Columbia in Canada south through Seattle and Portland to Eugene, Oregon.

WSDOT and the Oregon Department of Transportation (ODOT) currently pay for the majority of the costs of the Amtrak Cascades and we will soon take over the full cost of this state-sponsored service. Amtrak is our partner and operator. We first partnered with Amtrak to offer the Cascades service between Seattle and Portland in 1994, nearly 20 years ago. That service has since expanded south to Eugene and north to Vancouver. We currently offer 11 daily trips – four daily round trips between Portland and Seattle; one daily round trip between Seattle and Vancouver, B.C., and one between Portland and Vancouver, B.C.; and daily service between Eugene and Seattle, via Portland. As of December 2011, Washington State has invested nearly \$478 million of its own funds in the service, for both capital projects (\$221 million) and operating costs (\$257 million). During that same time, Oregon has invested \$115.3 million of its funds in the service (\$42.6 million for planning and capital, and \$72.7 million for operations). In 1994 we served 180,209 passengers and our ridership has grown steadily since then – in 2011 we served nearly 850,000 passengers. Our farebox recovery has increased to nearly 66 percent.

Testimony of **Paula J. Hammond, P.E.**
Secretary of Transportation, Washington State

PARTNERSHIPS AND A CORRIDOR APPROACH

Operating intercity passenger rail service requires many partnerships – we work with Oregon, British Columbia, Amtrak, three railroads, including BNSF, a train manufacturer, and international customs and border control agencies. These partnerships are managed through constant collaboration, service contracts and operating agreements. We are working with our partners to develop agreements to manage the service using a corridor approach, rather than each state or province managing its own segment.

Recognizing that passenger rail corridor development is a cooperative effort, this past spring WSDOT and ODOT entered into a Memorandum of Understanding (MOU) establishing the development of a Pacific Northwest Rail Corridor plan between the states. The plan will result in a documented process by which WSDOT and ODOT will work together. The Corridor Management Plan will be consistent with both state rail plans, and will serve as an element of the FRA-required Service Development Plan. We will continue to work with British Columbia to add them to the partnership. Managing the service using a corridor partnership approach has many advantages for planning and funding support that would not occur otherwise.

WASHINGTON'S EXPERIENCE WITH THE HSIPR PROGRAM AND JOBS SUPPORTED

While WSDOT has invested a substantial amount of state funds into our passenger rail service over the years, it wasn't until creation of the HSIPR Program and its funding through the American Recovery and Reinvestment Act (Recovery Act) that we were able to begin to make the necessary capital improvements to significantly improve our service. WSDOT is investing nearly \$800 million in HSIPR funds with the goal of providing faster, more frequent Amtrak Cascades service with better schedule reliability. While some states are able to pursue true high-speed rail today, and that is the right choice for them, Washington will use our federal funds to take a more incremental approach to increase our service, speed and reliability, what is called "higher-speed rail."

The HSIPR grant program has allowed us to begin to make critical improvements to the Washington segment of the Pacific Northwest Rail Corridor that wouldn't have been possible without the federal funds. The projects include additional rail-line capacity and upgraded tracks, utilities, signals, passenger stations and advanced warning systems. WSDOT will also purchase eight locomotives and one new trainset. These projects, all scheduled to be complete by 2017, will result in two additional round trips, improved on-time performance for business and leisure travelers (88% on-time performance), and reduced travel time between Seattle and Portland (10 minutes).

FRA has approved 11 projects to begin design and/or construction (see the attached project list), and five federally-funded projects are under construction:

- Tacoma D to M Street – New Sounder commuter rail service to Lakewood, WA began October 8th (Complete).
- King Street Station Seismic Improvements – Scheduled for completion in May 2013 (Underway).
- Port of Vancouver Freight Access Improvements – Scheduled for completion in winter 2015 (Underway).

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- Everett Storage Track – Track laying will be completed in December, with the tracks operational by the end of the year (Underway).
- Corridor Reliability South – Track replacement began in October 2012 (Underway).

Five more projects will begin construction in 2013 and more than \$55 million in construction spending is anticipated by the end of 2013. To date, WSDOT has received \$13.2 million in FRA reimbursements and expects reimbursements to increase significantly as more projects move into construction next year.

Additionally, WSDOT and FRA published the Environmental Assessment for the Point Defiance Bypass Project and completed the public review period in November. The Point Defiance Bypass is a capital rail project proposing to reroute trains from the BNSF Railway main line that runs along southern Puget Sound to an existing rail line along the west side of Interstate 5, and was included in the Obama Administration's "We Can't Wait" Initiative. Per that Initiative, FRA is expected to issue its environmental decision document by the end of 2012. A favorable decision would allow WSDOT to move forward with final design of the project by the end of 2014 and construction would begin in 2015. New service on the bypass would start in 2017.

WSDOT has worked with the Governor's Office of Financial Management Forecast Division to estimate the job impact associated with our high-speed rail program. *Calculations conclude these investments supports more than 2,300 direct, indirect or induced jobs over the life of the program.*

HSIPR PROGRAM EXPERIENCES OF OTHER STATES

States across the country are investing HSIPR dollars to both improve existing passenger rail service and move to high-speed service. I'd like to share a few examples of how states are investing these valuable dollars:

- In Michigan, they're investing over \$400 million from the HSIPR Program to refurbish or build new stations, provide a new connection track for passenger operations in West Detroit, and to purchase and improve a 135-mile segment of the Chicago Hub High-Speed Rail Corridor between Kalamazoo and Dearborn. The improvements between Kalamazoo and Dearborn in order to reach 110 mph passenger operations will complete nearly 80 percent of the route between Detroit and Chicago; this work will result in a 30-minute reduction in travel time, improved reliability and on-time performance. Currently, Amtrak's Wolverine and Blue Water services run on this line, and as you know, Michigan reached 110 mph speeds on Amtrak-owned track between Porter, IN and Kalamazoo, MI in February of this year. Investment in intercity passenger rail will provide economic benefits to Michigan citizens including increased job growth, increased property values, expanded labor markets, increased safety and reduced emissions. Improvements at rail stations are also crucial. Modernizing stations and rail travel in general will help business development and increase job growth.
- Vermont recently completed upgrades and repairs along 190 miles of track between St. Albans, Vermont and the Massachusetts border for Amtrak's Vermonter Service. It was one of the first major rail corridor projects completed with HSIPR funds, and invested \$52.7 million in federal funding that was matched with \$20 million from a private rail

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partner. The improvements will result in increased speeds, reduced travel time, greater reliability, and an increased number of trains traveling each day. The Vermonter project also represents one segment of a well-coordinated, multi-state effort to improve and expand the use of rail, both passenger and freight, in the Northeast and is a precursor to restoring an international passenger rail connection that will facilitate trade and travel between the region and Montreal, Canada with direct access into the Northeast Corridor.

- Just last month, the Northern New England Passenger Rail Authority (NNEPRA) expanded its Downeaster Service northward by launching its new Brunswick to Freeport, Maine service. The project was made possible by \$38.3 million in HSIPR funding and required improvements to more than 30 miles of rail, owned primarily by Pan Am Railways between Portland and Brunswick, rehabilitation of 36 crossings and construction of two station platforms. The HSIPR Program has been a “game changer” in Maine and the new service is expected to add 36,500 more passengers each year.
- North Carolina is investing \$546.5 million in federal Recovery Act HSIPR funding, \$21 million in HSIPR funding from the appropriations process, and has obligated \$600 million for its Piedmont Improvement Program including these sources. In addition, efforts are under way to enter into a joint developer contract for the Charlotte Gateway Station project and \$60 million in Recovery Act, TIGER, state and local funds have been allocated for its Raleigh Union Station project. The Piedmont Improvement Project will improve the safety and efficiency of the rail system and includes approximately 12 highway overpasses and underpasses of the railroad, approximately 30 miles of railroad roadbed grading, structures projects, and railroad track and signal projects. There are also rail equipment improvements, passenger station improvements, and equipment maintenance facility improvements included in the program. Three current frequencies of the Piedmont and Carolinian passenger rail services now serve more than 450,000 passengers annually between Raleigh and Charlotte. When completed, the Piedmont Improvement Program will expand service along the Piedmont Corridor to five daily round trips.

HSIPR PROGRAM SUCCESSES AND ROOM FOR IMPROVEMENT

Washington’s experience with the HSIPR Program has consistently progressed and overall has been a positive experience. The program’s benefits are numerous, including job creation, economic benefits around station re-development, improvements to clean air by emissions reductions, and rail manufacturers increasing their production capacity and creating family-wage jobs here in the U.S. It’s helping states make rail an even safer, faster, and more efficient travel option. More states are working with Amtrak to improve the services they support and passengers are responding in record numbers. Amtrak reports record-breaking ridership nationally in 2012 and since fiscal year (FY) 2000, Amtrak ridership is up 49 percent. We’re seeing increases in revenue and growing farebox recovery.

While we are seeing many successes, with any new program there is room for improvement. It’s been a challenge for a safety agency to quickly become a grant-making agency, with very limited staff. *Let me be clear, FRA staff are dedicated and doing an admirable job standing up a new program.* I have the following suggestions for how the program can be improved.

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Improve FRA Guidance

Washington's number one concern with the HSIPR Program has been the lack of guidance from FRA. Because this is such a new program, all of the necessary guidance has yet to be established and FRA staff is hamstrung by the lack of established procedures and seem unable to confidently tell us what information we need to provide them with. Instead we get caught up trading information that is off the mark. At WSDOT, we have named it the "bring me a rock; no, not that rock" syndrome. When asked to provide FRA with information for project agreements and other documents they can't give us specifics of what they want or need; instead they tell us no to what we give them until we hit upon the right information that seems to meet their needs. We have written process guidance for Washington's program for FRA's review and approval in an effort to keep projects moving forward.

Suggestion: Develop program delivery guidance.

Increase FRA Resources

Similar to the lack of guidance, FRA appears to lack the resources to be able to commit to and keep to a schedule. FRA has been unable to commit to schedules due to a lack of resources, which slows progress. Following the Presidential Directive, the "We Can't Wait" Initiative, FRA re-allocated resources to the Point Defiance Bypass Project Environmental Assessment, which reduced the project schedule by six months.

Suggestion: A stronger use of consultants may augment FRA staff workloads to provide effective scheduling and speed review times and approval processes.

Improve Coordination between Modal Agencies

There could be better coordination between FRA, FHWA and FTA, particularly on NEPA documents. For instance, there are times when FRA could significantly speed up the NEPA process by adopting another USDOT modal agency decision document. As an example, WSDOT has had that experience with our Point Defiance Bypass Project, where FHWA approved a Documented Categorical Exclusion (CE) in 2008 and when we were later awarded HSIPR funds in 2010, FRA notified us that it could not accept the Documented CE and that we must prepare an Environmental Assessment instead. If FRA had the ability to rely on another USDOT agency's decision for the same federal action, we believe the project would have been completed in tandem with the other corridor improvements coming on-line this year.

FRA recently proposed seven new CEs in a Federal Register notice, and we agree all seven are needed, but we encourage FRA to go further. We suggest FRA consider adding a provision that allows the agency to make use of other USDOT modal agency CE lists, and we would like to see FRA obtain similar authority to that of FHWA for the issuance of Documented CEs for activities that are not explicitly listed as categorically excluded. Finally, we would like to see FRA obtain the authority to adopt another USDOT modal agency decision document, including adopting Documented CEs.

Suggestion: Provide FRA the ability to rely on another USDOT agency's decision for the same federal action. Additionally, USDOT should continue to press for alignment between its modal agencies, so that each agency can take advantage of the expertise from its sister agencies. USDOT,

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like many state DOTs across the country, is working to improve its “one DOT” approach within its modal divisions, and these changes would aid those efforts.

Buy America Waivers

The need for Buy America waivers in certain circumstances has also proved challenging. While rebuilding America’s rail manufacturing industry is a commendable goal, the reality is FRA’s lack of Buy America waivers has hindered our ability to deliver projects. As an example, earlier this year we worked with BNSF to submit a Buy America waiver for two small parts used to attach rail to concrete ties at a cost of \$6 each. These parts are only made in Germany and were necessary for our \$3.5 million Everett Rail Yard Project. Unfortunately the process to obtain the needed waiver took five months and required a justification of each individual part. While we ultimately obtained the waiver, FRA’s inconsistent guidance on the approval process almost delayed construction for a year as we nearly missed the construction season window for BNSF to schedule the track laying equipment.

Suggestion: Allow time to transition to 100 percent Buy America. In the meantime, provide states with consistent guidance from FRA on how to obtain necessary waivers.

Performance-Based Program

Finally, the HSIPR Program should be a performance-based program. FRA should be concerned that we meet our performance outcomes, per the service outcome agreements we have signed, not what type of rail tie clips we’re using. FRA’s interest in the minute detail of our projects means our schedules and deadlines often slip. All too often deadlines are missed because FRA staff want one last look at a document or submit additional edits to a document we thought was final. States build multi-million and billion dollar transportation projects every year and we know what we’re doing.

Suggestion: Allow states to manage the risk and deliver the projects we have committed to deliver.

RELATIONSHIP BETWEEN WSDOT AND BNSF

In addition to our partnership with FRA to deliver projects through the HSIPR Program, delivery of those projects wouldn’t be possible without our strong partnership with host railroad BNSF, as our service runs along their mainline. While I can’t speak for the experience of other states and their host freight railroads, we have found BNSF to be a valuable partner in helping us reach our goals for improved service, speed and reliability. BNSF has assembled a skilled team to deliver WSDOT’s projects, and has been flexible to meet the federal funding requirements. Through our construction and maintenance agreement with BNSF, we have committed to pay our share of the maintenance costs on their mainline for twenty years. This means BNSF is in no way required to subsidize passenger rail.

PRIIA REAUTHORIZATION SUGGESTIONS

Finally, as I mentioned in my introduction, this hearing is very timely. It is a great opportunity to discuss where the HSIPR Program has been and where it should go, particularly given the need to reauthorize PRIIA next year. Both the States for Passenger Rail Coalition and AASHTO

will be submitting formal suggestions for PRIIA reauthorization early next year, but I would like to mention a few policy proposals we plan to submit for your consideration.

- PRIIA reauthorization should continue the same level of funding as the level authorized for FY 2013 for the Capital Assistance for Intercity Passenger Rail Service (Section 301), Congestion Grants (Section 302) and High-Speed Rail Corridor (Section 501) programs.
- As the Congress considers providing additional dedicated capital investment for transportation, please include a dedicated source of capital funding for the HSIPR program. This would bring modal parity by providing dedicated revenue similar to what the federal government already provides for highways, transit and aviation.
- Make intercity passenger rail eligible for Transportation Development Credits (i.e. toll credits). We encourage you to expand the use of Transportation Development Credits to allow states to use the credits toward the non-federal share for the completion of intercity passenger rail projects. Current law allows states to utilize this funding tool for a variety of highway and transit projects. By allowing the use of Transportation Development Credits for intercity passenger rail projects, states will be provided the freedom and flexibility to stretch their transportation dollars further.
- Allow the use of Section 301 funds for operating costs during the transition required in PRIIA Section 209. This will allow states the time to obtain the state funding necessary to take over the full cost of state-supported Amtrak service, as called for in PRIIA.
- Provide intercity passenger rail with the same environmental and historic preservation regulations as other modes were provided in SAFETEA-LU and MAP-21.
- Direct FRA to accelerate the distribution of guidance for the HSIPR Program.

CONCLUSION

Thank you for the opportunity to share Washington's experience with this valuable program. Despite a fragile national economy, intercity passenger rail ridership continues to grow across America. As the retail price of motor fuel continues to rise without predictability, people are turning to rail to help meet their mobility needs. The challenges for states include delivering the projects, keeping the planning and environmental documentation efforts on track, agreeing to a new cost accounting regime with Amtrak (PRIIA Section 209), and bringing on line a new generation of equipment. These are things states are experienced at: we build strong infrastructure, plan, develop, and purchase capital goods. We will continue to work hard to maintain a strong working relationship with our freight hosts and partners.

The HSIPR Program is helping to create and save good-paying jobs as we work to modernize the nation's rail infrastructure and it is revitalizing rail manufacturing in America. These investments will help make intercity train services more frequent and reliable, providing more people better travel options. Lack of funding for the HSIPR Program in FY 2011 and FY 2012 put a pause button on the program and allowed FRA and states to get funding obligated and projects underway. The program should be funded again moving forward. As states construct

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their projects, create jobs, and prove how successfully we can invest federal funds, we need Congress to continue to partner with us and provide additional funding so we have a long-term, predictable source of federal matching funds. HSIPR is an investment worth making. As a state official, I respect the budgetary challenges facing Congress. I believe that investments in intercity passenger rail will provide a positive rate of return for the nation both now and well into the future, and urge your support for continuing the HSIPR Program.

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Cascades High Speed Rail Program



Project Name	Funding Amount	Current work phase	Begin construction	Open for service
Tacoma - D to M St. Connection	\$21.3 million	Construction	October 2010	October 2012
Tacoma – Point Defiance Bypass	\$89.1 million	Environmental	March 2015	June 2017
Vancouver – Rail Yard Bypass	\$28.5 million	Design	March 2013	July 2015
Kelso Martin’s Bluff – Toteff Siding	\$36.5 million	Design	April 2014	August 2015
Kelso Martin’s Bluff – New Siding	\$34.7 million	Design	April 2014	August 2017
Kelso Martin’s Bluff – Longview Jct.	\$123 million	Design	April 2014	August 2017
Everett - Storage Track	\$3.5 million	Construction	April 2012	December 2012
Corridor Reliability South	\$91.8 million	Construction	October 2011	September 2016
Advanced Wayside Signal System	\$60.1 million	Construction	November 2012	November 2015
King Street Station Tracks	\$50.4 million	Design	July 2014	May 2016
New Train Set	\$23.5 million	Procurement planning	November 2015	June 2017
Program Management	\$30 million	N/A	N/A	N/A
Corridor Reliability Upgrades North	\$57.3 million	Design	November 2013	May 2016
Vancouver – New Middle Lead	\$10 million	Design	March 2013	December 2014
Blaine Swift Customs Facility	\$5 million	Design	August 2013	October 2014
New Locomotives	\$46.7 million	Procurement planning	November 2015	June 2017
Corridor Reliability Supplemental Work	\$16.1 million	Design	June 2014	August 2016
Vancouver Port Access Rail Improvements	\$15 million	Construction	June 2012	November 2014
Mount Vernon Siding Extension	\$3.3 million	Design	July 2013	August 2014
Tukwila Station	\$7.9 million	Design	March 2013	March 2014
King Street Station Seismic Retrofit	\$16.7 million	Construction	March 2012	May 2013

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House Committee on Transportation and Infrastructure

Chairman John L. Mica

Hearing on:

**An Update on the High-Speed
and Intercity-Passenger-Rail-Program**



Statement for the Record by:

Ann L. Schneider
Secretary
Illinois Department of Transportation

December 6, 2012



Chairman and Members of the Committee, I appreciate the opportunity to submit testimony on behalf of Illinois Governor Pat Quinn concerning An Update on the High-Speed and Intercity-Passenger-Rail Program to the House Committee on Transportation and Infrastructure.

I would like to thank the Members of this Committee, the House of Representatives, the Senate, and the Obama Administration for supporting a healthy intercity-passenger-rail system, for their leadership on attending to freight rail infrastructure needs and for supporting passenger rail service with words and money. We are very grateful for the investments from the American Recovery and Reinvestment Act which yielded over \$1.4 billion for Illinois high-speed rail.

If there is one thing I want to leave you with it is the following: investments in Illinois' high speed passenger rail system have grown our economy and we could not have done it without the federal government's help. We need more funding for high speed rail – including the TIGER grants and Projects of Regional and National Significance – so that we can finish the job that we have started. These are investments that will pay dividends and the American people deserve no less. I am asking Congress to appropriate additional dollars for states that are making these investments, including Illinois.

My predecessor began his remarks at a 2010 hearing in Chicago on high-speed rail with the following question: What would have been the destiny of the State of Illinois, and the entire Midwest, had the nation's rail system not been centered in Illinois in the mid-nineteenth century? Without reservation, I can tell you that neither Illinois nor the region would be the transportation hub of the nation that it is today; it would not be known for its diverse economic base and mix of urban and rural settings that make it a microcosm of the nation. In 1850, just over 100 miles of strap rail were in service in Illinois. By 1860, a 2,790-mile rail system bound the state together. Today, Illinois hosts an extensive rail network of more than 7,000 miles of track transporting both passengers and freight.

Amtrak service in key travel corridors is an important component of Illinois' current multimodal transportation network. Amtrak operates 58 trains within, and throughout, our state, of which 38 trains provide service along four corridors: Chicago to Milwaukee; Chicago to Springfield to St. Louis; Chicago to Galesburg to Quincy; and Chicago to Champaign to Carbondale. Illinois is proud to provide operating support for 28 of those 38 trains, which carried 2.2 million passengers in the federal fiscal year that ended September 30, 2012. Ridership growth in Illinois has been exceptional over the last several years—a 5.6 percent increase in the last year, and more than 74 percent in the last 6 years. While ridership on every Illinois corridor has grown, the surge on the Chicago to St. Louis Corridor has led the way, with 10.8 percent growth last year and 224 percent growth since 2006. That is why we are so excited about 110 mile per hour service coming to the corridor in 2015, and why we were so proud to debut this higher-speed service on October 19, 2012, along the Dwight to Pontiac segment of the corridor with Secretary LaHood and

Governor Quinn on the train. We are particularly excited that this past Thanksgiving, we were able to begin and deliver to our customers - the general public- that 110 mile per hour experience along that segment.

Intercity passenger rail is an integral part of our state, regional and national transportation systems. Passenger rail stimulates economic development as we have seen along the Chicago to St. Louis corridor most visibly in the town of Normal where a new multi-modal station has been constructed, and soon in Joliet where we have just begun construction on a new multi-modal station.

Just as important, passenger rail promotes energy conservation and provides environmental, safety, mobility and security benefits that complement our highway, mass transit and aviation systems. Even more to the point, passenger rail represents a critical asset at a time when increasing congestion within the highway and air transportation modes is inducing states to search for cost-effective ways to provide increased transportation capacity.

Illinois is a leader among the states providing passenger-rail service to our citizens. We are proud of the support provided by the Illinois General Assembly that has enabled us to sponsor this important service for nearly 40 years. As you are aware, passenger rail in the past has been chronically underfunded. In the late 1990s when federal support for Amtrak was severely constrained, the Illinois Department of Transportation (IDOT) implemented cost-reduction strategies and negotiated new state-supported contracts with Amtrak.

Illinois can also lay claim to the largest one-time service expansion in the nation. In October 2006, through a combination of local initiatives, grassroots efforts and the responsiveness of the Illinois General Assembly, the state doubled its investment in rail operations from \$12 million to \$24 million. We were able to add one daily round trip each to the Chicago to Carbondale and the Chicago to Quincy corridors and two round trips on the Chicago to St. Louis corridor. The ridership growth that I mentioned earlier is a testament to the success of that additional investment in more options for the people of Illinois—so much so that between State Fiscal Years 2010 and 2011, higher ridership actually led to a \$2 million decrease in state operating support. The Illinois passenger-rail program is now the second largest on Amtrak's system, following California, in terms of both operations and funding.

And for those who use the service, it is an affordable means of getting from one part of the state to another especially given high gas prices that are squeezing middle class families already struggling on tight budgets.

I believe that the increase in ridership was a direct response to the largest service expansion in the Midwest in more than a decade and that there is significant unmet demand for passenger-rail service that will only continue to increase as reduced travel times, improved reliability and new passenger-rail equipment entice travelers to discover the advantages of taking the train.

High-speed passenger-rail service in Illinois and across the nation represents the natural and logical evolution of the nation's transportation network. National interest in faster trains began in the late 1970s, and an early study estimated that the cost to construct a new dedicated passenger-rail corridor of some 300 miles would be in the range of \$2 billion in those days. Illinois' involvement in the movement began in 1980 when it joined the seven-state High-Speed Rail Compact, and participated in the first studies of high-speed rail service in the Midwest. Facing the unlikely prospect of assembling resources to invest such a staggering amount – into the billions of dollars – instead, Illinois and the other Midwest states chose to pursue a strategy of “incrementalism,” planning for manageable investments over time to enhance the existing system at higher speeds that would beat the automobile. Since then, Illinois has focused on a staged development of high-speed rail which would upgrade track shared with freight operations, add frequencies and use new technologies to allow passenger trains to go faster, safely, on existing railroad corridors.

On **April 16, 2009**, President Obama announced a new vision for developing high-speed passenger-rail in America. The vision called for a collaborative effort among the federal government, states, railroads, and other key stakeholders to help transform America's transportation system through the creation of a national network of high-speed rail corridors. I believe it is a vision similar to what U.S. Transportation Secretary LaHood shared with this Committee last year when he compared the blueprint for building high-speed rail with America's previous blueprint for building the highway system in the United States. Secretary LaHood was correct in outlining that we did not know in the 1950s where every interstate would eventually be built but we knew we had to begin somewhere. What was important then and now is that we have the vision to move this nation away from our dependence on foreign oil, and towards congestion relief, by giving people more options, and towards a 21st Century transportation network of roadways, runways, railways, and rivers.

The Federal Railroad Administration (FRA) launched the High-Speed Intercity-Passenger-Rail (HSIPR) Program in June 2009 as part of the American Recovery and Reinvestment Act (ARRA). On **January 28, 2010**, Illinois was selected to receive \$1.2 billion for high-speed passenger-rail service between Dwight and the East St. Louis area. **Governor Quinn ensured that an additional \$400 million for high-speed rail was included in his \$31 billion capital bill called Illinois Jobs Now! – the largest in Illinois' history and the first such capital program in 10 years.** In December 2010, an additional \$42.3 million was made available for additional construction upgrades. The extra funding went for capacity increases on the St Louis-Chicago Corridor. In January 2012, as the result of federal funds being rejected from the states of Florida, Ohio and Wisconsin, Illinois received an additional \$186.3 million for corridor improvements between Joliet and Dwight. Illinois responded by committing an additional \$62 million from Illinois Jobs Now! to provide the state match for these additional funds because we believe these are investments in our communities all along the corridor.

ILLINOIS INVESTS IN ITS FUTURE – MULTI-MODAL APPROACH

The Chicago to St. Louis High-Speed Rail Corridor project has focused on providing multi-modal connections, sustainability and human capital investment for the future of transportation. 6,000 jobs will be or have been created and are currently funded for this project.

Governor Quinn's vision is that all the transportation modes in Illinois shall be integrated, coordinated, planned and built with the idea that present and future travel options are focused on the people that use the system coupled with the need to ensure that these are serving as economic drivers while protecting and improving our environment. This multi-modal approach will integrate our modes and address the needs of commuters, long-distance travelers and freight logistics.

As a result of the investments in high speed rail, there are plans for new stations along the Chicago-St. Louis corridor in Alton, Carlinville, Joliet, Pontiac and Dwight, with the Springfield and Lincoln stations set for renovations. All stations will be integrated with bicycle and pedestrian options to encourage more energy-efficient travel and to improve community life. Stations also are being designed to include adequate parking facilities based on anticipated ridership, and all stations will be fully ADA accessible. In addition to the city of Normal's new multimodal station that opened in July 2012, the city of Joliet also received funds from Illinois Jobs Now! for a new multi-modal station, the construction of which began on September 21, 2012. IDOT also is working with the city of Alton to integrate its planned high-speed rail station with the community's plans for a multi-modal facility designed to be the centerpiece of a transit-oriented development.

CHICAGO-TO-ST. LOUIS: THE FIRST CORRIDOR

The inaugural 110 mile per hour corridor demonstration that Amtrak ran last on October 19th attracted national attention and rightly so. New class VI rail and concrete ties have been installed by Union Pacific Railroad on the corridor since 2010, and we have installed four-quadrant gates at virtually all public grade crossings between Dwight and Alton to prevent vehicles from driving around closed gates, and increase safety.

Our next big challenge is the installation of Positive Train Control (PTC), which, as you know, is a federal mandate required by the end of 2015. Union Pacific Railroad is working closely with more than 20 other freight railroads nationwide, as well as Amtrak, on successfully implementing PTC for our 110 mile per hour service by Fall 2015. When PTC installation is complete, we will be able to offer 110 mile per hour service on almost 75 percent of the Chicago to St. Louis corridor, 285 miles, bringing travel times down from the current five and one half hours to under four and one half hours – giving people more travel flexibility and time to be where they need to be – at home, work, school, or another destination. And perhaps even more important, thanks to agreements negotiated with the FRA, Amtrak and the Union Pacific; reliable on-time performance will be guaranteed at minimum levels of 80 to 85 percent.

Additionally, Illinois will purchase 88 new railcars thanks to three separate federal grants from the U.S. Department of Transportation. A joint, multi-state procurement managed by the California Department of Transportation and the Illinois Department of Transportation, representing the Midwest Consortium and the FRA, will mean the availability of new railcars for people who ride our trains. Sumitomo and Nippon-Sharyo which is located in Rochelle, Illinois—about 80 miles west of Chicago – won with the lowest bid on this procurement, resulting in new jobs at the manufacturing plant and across the Illinois supply-chain network. Because the United States and Illinois made a commitment to invest in high speed rail, Nippon-Sharyo made an investment in the United States and Illinois by building a plant in our state, which created 250 new jobs.

Our new infrastructure improvements will be able to support the use of locomotives capable of speeds up to 125 miles per hour, and there will be no need to remove any existing infrastructure to move from 110 miles per hour to 125 miles per hour in the future. Moving to higher speeds will require more frequent inspections of track to ensure safe operations, as well as new maintenance agreements and service outcome agreements with the host railroad, Union Pacific, but we will meet those challenges so we can continue to deliver a better product to the people who ride our trains.

DEMONSTRATION OF 111 MPH IN ILLINOIS

On Oct. 19, 2012, Governor Quinn and I were joined by U.S. Transportation Secretary Ray LaHood, Federal Railroad Administrator Joe Szabo, Amtrak Chairman Tom Carper, and local elected leaders to celebrate the start of 110 mile per hour rail service in Illinois through a 15-mile demonstration run that recorded a top speed of 111 miles per hour between the approved test segment from Dwight to Pontiac. We believe this reflects a critical step toward establishment of the Chicago-St. Louis Corridor that will add to Illinois' position as the Midwest's transportation hub. The upgrades included state-of-the-art signaling, rail and track upgrades, and significant technological and safety advancements. And thanks to that test segment, Illinois was able to offer 110 mile per hour train service to regular Amtrak passengers beginning over the Thanksgiving holiday.

The October demonstration run began next to the construction site of the Joliet Union Station and ended at Normal's new multi-modal station, **which has attracted more than \$200 million in private investments to the downtown area.** This will be replicated in other cities along the corridor. Thanks to the \$22 million TIGER (Transportation Investment Generating Economic Recovery) grant from the U.S. Department of Transportation, this project was completed and is now operational, serving as the new City Hall and a major multi-modal hub for Normal.

Other TIGER grants received include:

CREATE Program Projects	\$100,000,000
Normal Multimodal Transportation Center	\$22,000,000
Southwestern Illinois Intermodal Freight Transportation Hub	\$6,000,000
Warehouse District Complete Streets Project (Peoria) - Capital Grant	\$10,000,000
Moline Multimodal Station – Capital Grant	\$10,000,000
US-14 Underpass (Barrington) – Planning Assistance Grant	\$22,800,000
Chicago Transit Authority Blue Line/Chicago Bike Share Program	\$20,000,000
Multimodal Transportation Center – Alton	\$13,850,000
Illinois Route 83 (I 57 and I 294 Interchange work)	\$10,438,000
TIGER TOTAL	\$195,088,000

CHICAGO-MOLINE AND CHICAGO-ROCKFORD-DUBUQUE

A \$177 million U.S. Department of Transportation rail grant, combined with a \$45 million state match from Governor Quinn's capital program, is being used now to build additional Amtrak service between Chicago and the Quad Cities. Our partners at the Burlington Northern Santa Fe and Iowa Interstate railroads are busily collaborating with us on engineering and design, and with construction expected to begin next spring.

The same goes for a new Chicago-Rockford-Dubuque Amtrak route, which is planned for construction without a dime of federal funding. Rather, this route, which traverses the far northern edge of Illinois through Galena and on into Dubuque, Iowa, is being constructed by funds from Illinois Jobs Now! We are now in negotiations with the host Canadian National Railroad on the build-out of that corridor, and our goal is to start construction in 2013.

BENEFITS OF HIGH-SPEED RAIL IN ILLINOIS

Multi-Modal Transportation Option, Sustainability, Global Competitiveness and Human

Capital Investment

- Achieves reductions in travel times and improves service reliability.
- Promotes livable communities.
- Stimulates job growth and creation.
- Provides major capital investments in rail infrastructure to improve passenger and freight train efficiency, safety, and reliability on shared rights-of-way.

Safety Features

- Enhanced grade crossing warning devices: four-quadrant gates, pedestrian gates and private crossing gates.
- Implementation of enhanced rail-traffic signal and crossing warning systems.
- Installation of new premium rail and concrete ties to safely support higher speed operations.
- Right-of-way fencing.

New Passenger Cars and Locomotives

- Purchase of new high-speed equipment for improved ride quality and passenger comfort.

Secretary Ann L. Schneider

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December 6, 2012

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- New state-of-the-art coach and business class seating.
- Premium onboard amenities: Wi-Fi, variable message signs, improved food/beverage service and automated announcements.
- Interim upgrades of existing passenger cars for use until new equipment arrives.

Environmental

- Improves air quality and energy efficiency.
- Reduces greenhouse gases.
- Reduces Illinois' demand for oil, which has the concomitant benefit of improving our nation's security.
- Alleviates demands on the highway system, which can help extend the life of the asset.

Service Reliability and Time Savings

- Faster and more convenient travel.
- Reduced congestion.
- The existing five daily round trips will include three high-speed round trips.
- On-time performance of 85 percent or better.

LESSONS LEARNED

No major capital project is perfect. As we rebuild highway bridges in Illinois, we take care to follow the state's Complete Streets guidelines, and we have even put that requirement into state law for roads owned by the state. This means that under new or rebuilt bridges, we install wider sidewalks, better access for persons with disabilities and wider traffic lanes as well.

Public engagement has been a key element in the success of the Chicago to St. Louis High-Speed Rail Program. The project engages the public through informational meetings and print materials as well as electronic and social media. To date, we have conducted more than 13 public meetings, five public hearings, and 22 media briefings. In addition, we have completed 32 outreach events and presentations to area schools and stakeholder groups.

We also want to ensure that all of Illinois' rail projects share safety as a top priority. Positive Train Control will be featured, as will "four-quadrant" gates that will be installed at all public grade crossings. "Four-quadrant" gates block all lanes of traffic to ensure that vehicles awaiting trains cannot drive around closed gates and try to cross the tracks. In the early 2000's, Illinois installed these four-quadrant gates along an approximately 60-mile stretch of the Chicago-St. Louis Corridor; since their installation, there have been no vehicle-related incidents of any kind at any of those crossings.

OTHER LESSONS LEARNED AND CHALLENGES

- Maintaining regular communications with the FRA and other federal oversight agencies is critical in the development of timely resolutions to issues keeping the project on track.

- Relationship building among project partners, public and elected officials and the host railroad (Union Pacific) is key. Having skilled and experienced negotiators is also necessary.
- Emphasis on improved customer service for passengers is essential. Service enhancements to customer relations and on-board service offerings were developed through a collaborative approach with Amtrak.
- Early initiation of preliminary design and National Environmental Policy Act (NEPA) is critical.
- Important to define and coordinate non-rail regulation requirements and policy impacts early in the process, such as ADA, Complete Streets, and historic preservation.
- Project phasing allows construction to advance in straightforward areas while resolving environmental and design issues in complex areas.
- Use of multi-state procurement for equipment allows for cost efficiencies and future maintenance consistency.
- Vigorous project management controls are needed to manage the project risks, schedule and costs.
- Vigorous quality assurance and quality compliance are needed to protect taxpayer investments and ensuring the highest quality materials and methods are used.

MIDWEST REGIONAL RAIL INITIATIVE

Illinois has been in the vanguard of efforts to plan and develop an improved Midwest passenger-rail system since 1996, when nine Midwest states - Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, Ohio and Wisconsin - together with Amtrak and the FRA, formed a partnership to evaluate the potential for a Midwest regional rail system. Since then, the Midwest Regional Rail Initiative (MWRRI) has advanced from a series of service concepts covering operating speeds, train frequencies, connectivity and reliability, into a well-defined vision to create a 21st Century regional passenger-rail system. The network envisioned for the Midwest region encompasses approximately 3,000 route miles. Based on a hub-and-spoke concept to build on regional synergies and maximize operating efficiency, the Midwest Regional Rail System will provide convenient access for 80 percent of the region's 65 million residents.

Through the MWRRI, the Midwest states have led the nation in planning and developing passenger-rail service from a regional perspective. With the Midwest population expected to grow by 30 percent by 2050, we know that more transportation options will be needed. Already, ridership has increased on key corridors by more than 70 percent since 2000.

All railcars traveling through the Midwest corridor will be made in America, providing additional support for U.S. businesses and workers. Many of those will be built by Nippon-Sharyo in Rochelle.

Long-term plans call for connecting more than 40 Midwest cities with fast, frequent and reliable service. By working with federal, state and local partners, this vision is becoming a reality – creating construction and manufacturing jobs today, while positioning the Midwest for even greater economic expansion over the next generation.

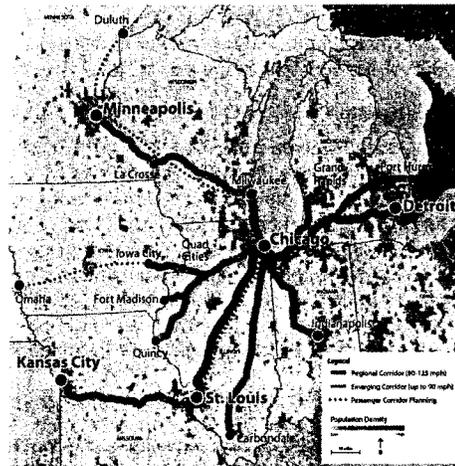
AMERICA'S RAIL NETWORK: *Midwest Region*

Route	Current Service Levels	Long-Term Regional Vision*
Chicago to Detroit	6 hours 20 minutes 3 trips daily	3 hours 46 minutes 9 trips daily
Chicago to St. Louis	5 hours 30 minutes 5 trips daily	3 hours 50 minutes 9 trips daily
Chicago to Iowa City	N/A	Trip time TBD 5 trips daily
Chicago to Milwaukee	1 hour 29 minutes 8 trips daily	Trip time TBD** 11 trips daily

* Projected Service in Midwest Regional Rail Initiative
 ** Considered in Chicago-Milwaukee EIS

WHAT'S NEXT?

Illinois' second ARRA award for \$1.25 million funded a study to help resolve environmental issues related to the re-installation of a second main track between Chicago and St. Louis. This would allow the operation of additional high-speed train frequencies. The completion of this work will position IDOT to compete for additional funds needed to complete the final project objectives. IDOT expects to complete the remaining work to reach the full corridor build-out with



eight high-speed round-trips and realize travel times from Chicago to St. Louis of 4 hours or less by the year 2020. We believe this is a realistic timetable which, with staged implementation, will provide ongoing benefits to the traveling public and to the economies of station communities, the state and the Midwest region.

Furthermore, in recognition of the continuing need to improve Chicago to St. Louis after the current project is complete, the state has decided to seize the momentum of the recently completed Tier 1 EIS for double-tracking the entire corridor by releasing three Tier 2 EIS's for bid: The Rock Island corridor running between Chicago-Joliet (the preferred route chosen in the EIS), Alton-St. Louis (including a new Mississippi River Rail Bridge), and a major rail-over-rail flyover just south of Springfield, Illinois. The state will be funding these studies in their entirety to put Illinois in a stronger position if and when there is another competitive HSR award program.

Illinois' third ARRA award provided \$126 million to construct a rail flyover in Englewood on Chicago's south side as part of the CREATE freight rail infrastructure improvement program. Illinois Jobs Now! is providing \$6.6 million to match the \$126 million federal grant for the Englewood Flyover. CREATE's primary objectives were to expedite passenger and commuter rail traffic while reducing freight congestion and improving mobility in the region. In areas where the first 14 of 70 CREATE projects have been completed, passenger trains already are experiencing 33 percent fewer delays and freight trains 28 percent fewer delays. The Englewood Flyover, now under construction, also will be the first investment in Illinois to help reduce travel times and improve reliability on the Chicago-Detroit Corridor, expected to be the next 110 mph route developed in the Midwest.

Our colleagues at the Michigan Department of Transportation (MDOT), under the leadership of Governor Rick Snyder, are busily working with Amtrak and the Norfolk-Southern Railroad to make this a reality, and already have completed more than 80 miles of 110 mph track in southwestern Michigan. We are proud to be investing \$200,000 of Illinois state funds in the Tier 1 EIS being led by Michigan DOT.

CONCLUSION

Governor Quinn shares President Obama's vision for high-speed rail to create a world class rail system for the United States. A partnership of states and the federal government can get this done and, because we have not made this level of investment before, we have a lot of work to do now. Just as the Interstate highway system developed over time so will our passenger rail network. Our ridership in Illinois is exploding, giving us the indication that people are demanding the services and will use additional, more reliable services. With gas prices climbing we must find alternative, energy-efficient alternatives to get people where they need to go, because we cannot build enough roads to ease all the congestion in Illinois.

Our focus on building out our 110 mile per hour service is helping us establish a solid foundation for America's rail renaissance. We believe these improvements will continue to build ridership, support the economy, and contribute to economic growth by putting people to work and spurring economic development with new stations and additional reliable high-speed train service. We are grateful for our partnership with Congress and the Obama administration and we hope to do more.

I thank you for the opportunity to testify and would be happy to answer any questions.

House Committee on Transportation and Infrastructure

Chairman John L. Mica

Hearing on:

An Update on the High-Speed and Intercity Passenger Rail Program

Illinois Department of Transportation

Post-Hearing Questions For The Record

Answers to Members Questions

Ann L. Schneider
Secretary
Illinois Department of Transportation

December 20, 2012



REPUBLICAN MEMBER QUESTIONS FOR THE RECORD

To Secretary Ann L. Schneider, Illinois Department of Transportation

1. Question:

At the hearing on December 6, 2012, Secretary Paula Hammond (State of Washington Department of Transportation) described some issues her state and other states have experienced with the environmental review process. Your office also commented on and concurred with AASHTO's comments on a recent FRA categorical exclusion rulemaking styled Docket No. FRA-2012-0016. So, could you explain some of the room for improvement in FRA's environmental review process?

Answer:

AASHTO's comments on the recent FRA Categorical Exclusion (CE) rulemaking outlined the procedures that are included in the joint FHWA/FTA regulations but are not included in the proposed FRA procedures. As Illinois works to implement the many rail corridors in our state, the provision to acquire land for hardship or protective purposes may be a very useful tool to ensure that we are acquiring land cost-effectively. That said, we applaud FRA's recent FRA CE rulemaking and are excited to put these to use on our corridors. Especially the provision to allow for station improvements (under 10 acres) to move forward as a CE. This will greatly improve the timelines for implementation of many of our station projects.

2. Question:

Could you please explain, as noted in your testimony, why early initiation of preliminary design and NEPA review is critical and, similarly, why project phasing is an important to such construction projects?

Answer:

A key element in the implementation of a rail program has been the interrelationship of the preliminary design and the NEPA process. Early initiation of these activities allows the preliminary design team to develop an "environmental footprint" that can be used as part of the NEPA process. The early development of preliminary design allows the designers to identify impacts and then work to avoid, minimize or establish mitigation for those impacts. This early interaction is a key to preserving and protecting key environmental resources.

3. Question:

Could you elaborate on Illinois DOT's concerns raised in that FRA rulemaking on categorical exclusions where you noted that "consistency in rulemaking across all three agencies (FRA, FHWA, and FTA) would greatly facilitate NEPA compliance for small-scale projects that require approvals from multiple USDOT agencies"?

Answer:

On many of the Illinois rail corridors, there are related projects in the vicinity of the FRA funded projects. As a result, sometimes it is necessary to adopt by reference NEPA documents (for example, as approved by FTA) into the FRA-led NEPA documents. Consistency in the types of project activities that are categorically excluded across the agencies allows for a more seamless approval of these NEPA documents.

Secretary Ann L. Schneider - Secretary

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4. Question:
Will your State system be able to meet the PTC deadline in 2015? Why or why not? If not, please explain the challenges your State faces.

Answer:

Illinois is working closely with the FRA, the Union Pacific Railroad, Amtrak, program managers at Parsons Brinckerhoff, and subconsultant managers at General Electric, on meeting the 2015 PTC deadline. IDOT appreciates the FRA for facilitating discussions between PTC consultant Wabtech and Illinois signaling consultant GE on designing an interface between PTC and the grade crossing protection system in Illinois that will satisfy both FRA and Illinois Commerce Commission requirements.

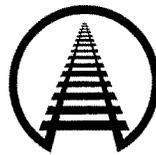
5. Question:
Your testimony mentioned station development opportunities in Normal, Illinois, has Illinois explored leveraging station and station-area development to provide a funding source for rail improvements?

Answer:

Illinois is using FRA HSR grant funds, as well as state matching funds, to work with communities in all three corridor projects (St. Louis HSR, Moline, and Rockford-Dubuque) in redesigning and reinvigorating their train station to help them revitalize their downtown areas similar to how Normal achieved its remarkable downtown transformation. It is Illinois' view that the higher tax revenues created as an indirect by-product of economic development in these communities will be of great assistance in helping the state meet all its financial obligations.

STATEMENT OF

**EDWARD R. HAMBERGER
PRESIDENT & CHIEF EXECUTIVE OFFICER
ASSOCIATION OF AMERICAN RAILROADS**



BEFORE THE

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

HEARING ON HIGH-SPEED AND INTERCITY PASSENGER RAIL

DECEMBER 6, 2012

**Association of American Railroads
425 Third Street SW
Washington, DC 20024
202-639-2100**

Introduction

On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to testify today. AAR members account for approximately 82 percent of U.S. freight rail mileage, 95 percent of freight rail employees, and 97 percent of freight rail revenue. Amtrak and several commuter passenger railroads are also members of the AAR. The AAR is presenting this testimony on behalf of its freight railroad members only.

Our nation's privately-owned freight railroads are already partners with passenger railroads all across the country. Nearly 97 percent of Amtrak's approximately 22,000-mile system consists of tracks owned and maintained by freight railroads. Freight railroads also furnish other essential services to Amtrak, including train dispatching, emergency repairs, station maintenance, and, in some cases, police protection and communications capabilities.

In addition, hundreds of millions of commuter trips each year occur on commuter rail systems

that operate at least partially over tracks

or right-of-way owned by freight

railroads; and most of the high speed

and intercity passenger rail projects

under development nationwide will

utilize freight-owned facilities.



Freight Railroads Are Critical to America's Economic Future

As everyone here knows, reshaping the nation's passenger transportation system with expanded rail choices entails significant challenges. There has been a great deal of discussion in recent years — and a great deal of disagreement — on how to deal with these challenges. I respectively suggest, however, that there should be no disagreement that America's economic health and global competitiveness would suffer greatly if the expansion of passenger rail service were to impede our nation's freight railroads.

Today, whenever Americans grow something, eat something, mine something, make something, turn on a light, or get dressed, freight railroads were probably involved somewhere along the line. We're proud that America's freight railroads are the envy of the world, providing a huge competitive advantage for our nation's firms in the global economy and providing an important source of higher standards of living for America's consumers.

Over the coming decades, population and economic growth will mean sharply higher demand for freight transportation. For example, the Federal Highway Administration (FHWA) recently estimated that demand for freight transportation in the United States will rise 50 percent from 2010 to 2040. Railroads are the best way to meet this growing demand. Their combination of efficiency, affordability, comprehensiveness, safety, and environmental friendliness is unmatched among freight transportation modes. Overwhelmingly privately-owned and operated, America's freight railroads in recent years have been reinvesting more than \$20 billion per year (of their own funds, not government funds) to create a freight rail network that is second to none in the world. These record investments are being made expressly because freight railroads want to be ready to meet their customers' needs and help the economy grow in the years ahead.

Thus, for passenger rail expansion to succeed, all parties — policymakers, railroads, and others — must understand that America's economic health and global competitiveness would

suffer greatly if the integration of freight service with expanding passenger service is not planned and implemented to ensure the ongoing success of both services. This point has been recognized by the U.S. Department of Transportation Secretary Ray LaHood, who has observed many times that we will not create a world-class high-speed rail system at the expense of our world-class freight rail system.

Through their ownership of the vast majority of the rights-of-way over which expanded intercity passenger rail would take place, freight railroads provide the literal foundation for passenger rail. That's why great care must be taken to ensure there will be a regulatory and legal framework that protects the business needs and responsibilities of all parties.

In that regard, freight railroads strongly support existing federal guidelines that stipulate that states receiving federal grants for intercity and high-speed rail projects must have written agreements up front with host freight railroads. The issues addressed — such as safety, capacity, compensation, and liability — help to ensure that all parties are on the same page, protect all parties' interests, and avoid unpleasant surprises later.

Principles to Guide the Expansion of Passenger Rail

Freight railroads agree that passenger railroading can play a key role in alleviating highway and airport congestion, decreasing dependence on foreign oil, reducing pollution, and enhancing mobility and safety. At the same time, however, the ultimate success of passenger rail in this country, and including especially high-speed rail, will depend on the willingness of policymakers to address, in a serious and realistic fashion, the numerous financial, legal, and operational issues associated with passenger rail.

Perhaps most importantly, once policymakers in the Administration, Congress, and the various states agree on the nature and scope of passenger railroading in this country, they must

be willing to commit public funds on a long-term basis commensurate with that determination. The AAR has long advocated that true high speed rail must operate on dedicated track and in a sealed corridor. In the meantime, moving to higher speed rail on a mixed use basis presents significant challenges. We believe these challenges can be more easily met if five key principles are followed.

One, safety comes first. Railroads are an extremely safe way to move both people and freight, and everyone involved in railroading wants to keep it that way. That's why safety has to come first when it comes to passenger trains sharing track or rights-of-way with freight trains. Under certain conditions (case-by-case evaluations are always necessary) passenger trains operating at speeds over 79 miles per hour may be able to safely share tracks with freight trains. Of course, as this Committee well knows from its experience with highways, vehicles operating at much different speeds present both safety and capacity concerns, leading to our second principle.

Second, capacity issues, including the ability to grow freight and passenger service, must be properly addressed. As noted above, over the coming decades, population and economic growth will mean sharply higher demand for freight transportation, and railroads are the best way to meet this demand.¹ But if passenger rail impedes freight rail and forces freight that otherwise would move by rail onto the highway, many of the primary reasons for having passenger rail in the first place — enhanced mobility, reduced congestion, and environmental benefits — would be compromised.

On many corridors, current or expected freight traffic levels usually mean there is no spare capacity for passenger trains. In these cases, new capacity will be needed before passenger

¹ For a summary of some of the key reasons why moving more freight by rail represents good public policy, see pages 2-6 of the April 7, 2011 testimony of Edward R. Hamberger before the House Transportation Subcommittee on Railroads, Pipelines, and Hazardous Materials.

trains can operate. New infrastructure built for passenger trains should fully preserve both the ability to operate freight trains as needed and the opportunity to expand further freight service as the need arises in the future, including the ability of the freight railroad to access new customers along the right-of-way. In other words, passenger rail projects cannot “box in” the freight railroad so that new freight customers cannot access the freight railroad. This would limit the ability of the freight railroad to grow and subvert good public policy by potentially forcing this business to go by truck over road.

Third, if passenger trains use freight railroad assets and property, it is reasonable for the host freight railroad to expect full and fair compensation. Simply put, freight railroads should not be expected to subsidize passenger rail any more than firms that provide locomotives, fuel, or food for dining cars. Tracks on which passenger trains operate, particularly high-speed trains, must meet different standards requiring significantly higher and more expensive maintenance than tracks on which freight trains operate. Host freight railroads should be fully compensated for these and any other added costs involved.² Moreover, railroads should not be subject to any new local, state, or federal tax liability as a result of a passenger rail project.

Fourth, freight railroads must be adequately protected from liability that would not have resulted but for the added presence of passenger rail service. It is almost inevitable that some accidents will occur on railroads, despite railroads’ best efforts to prevent them. An accident involving passenger trains — which are generally far lighter than freight trains, often travel at much higher speeds, and, most importantly, have passengers on board — is far more likely to

² By statute, access fees that Amtrak pays to operate over the freight railroads’ tracks are only required to cover the “incremental” costs associated with Amtrak’s operations — that is, the additional costs that arise solely because of Amtrak’s presence. Amtrak is not required to contribute to the freight railroads’ fixed costs or to the shared costs for which Amtrak operations have a responsibility. Consequently, Amtrak’s “track rental fee” is low and is, for all intents and purposes, an indirect subsidy paid by freight railroads to Amtrak. This means that the current structure by which Amtrak “rents” freight tracks should not necessarily serve as a guidepost for the future.

involve significant casualties than an accident involving only freight trains. Passenger operations also bring more people onto railroad property, resulting in a corresponding increase in risk. These potentially ruinous risks make freight railroads extremely reluctant to allow passenger trains on their tracks without adequate protection from liability.

Finally, there can be no one-size-fits-all approach. Each project involving passenger rail on freight-owned tracks in general, and high-speed rail projects in particular, has its own unique challenges and circumstances. Freight railroads currently and will continue to do their best to work with policymakers and passenger rail operators to overcome these challenges. For this to happen, agreements must be tailored to the specific needs and conditions of each project, which is why each project must be evaluated on a case-by-case basis.

Conclusion

To reiterate, freight railroads want passenger railroads to succeed, they work cooperatively with passenger railroads to help make this happen, and they support government efforts to grow passenger rail in ways that make economic sense and that complement freight rail growth.

At the same time, America's economic health and global competitiveness depends on having a healthy freight rail system. Expanding passenger rail on corridors owned by freight railroads will require a partnership between freight and passenger railroads that strikes the right balance and protects the business needs and responsibilities of both parties. Freight railroads are committed to working with government officials, passenger rail stakeholders, and others to ensure a winning result for all parties involved.