BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: CHALLENGES AND OPPORTUNITIES FOR INTERCITY PASSENGER RAIL SERVICE

(115–19)

HEARING

BEFORE THE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

OF THE

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June 16, 2017

SUMMARY OF SUBJECT MATTER

TO: Republican Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM: Majority Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE: Subcommittee Hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"

PURPOSE

The Subcommittee on Railroads, Pipelines, and Hazardous Materials, will meet on Thursday, June 22, 2017 at 10:00 a.m., in 2167 Rayburn House Office Building, to receive testimony related to "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service". The Subcommittee will hear testimony from the Federal Railroad Administration; Amtrak; representatives of two high-speed rail initiatives, All Aboard Florida and the California High-Speed Rail Authority; and John Porcari, former United States Deputy Secretary of Transportation and interim executive director of the Gateway Program Development Corporation, an organization formed to facilitate a program of rail projects in northern New Jersey and New York City.

BACKGROUND

Amtrak

Since 1971, most intercity passenger rail service in the United States has been operated by Amtrak, formally known as the National Railroad Passenger Corporation, by statute a for-profit corporation. At the time, the private freight railroads were losing money on passenger service. In exchange for being relieved of the obligation to operate the service, Amtrak in now required to provide access to their tracks on an incremental cost basis and to give Amtrak trains priority over freight trains.

Amtrak serves over 500 stations and in fiscal year 2016 carried 31.3 million passengers, including 11.9 million on the Northeast Corridor (NEC) between Washington, DC and Boston, Massachusetts. By comparison, intercity buses carried 604 million passengers in 2016, and 696 million passengers flew domestically. Over its lifespan, Amtrak has received $45 billion in federal subsidies to cover operating losses and support capital investments, including major projects on the NEC. Additional funds have been appropriated to states and other entities for conventional and high-speed rail projects. And many states also subsidized Amtrak, in fiscal year 2016 paying Amtrak $223 million.

The *Fixing America's Surface Transportation (FAST) Act* (P.L. 114-94) reauthorized Amtrak for five years, from fiscal year 2016 through fiscal year 2020. For fiscal year 2017, the *FAST Act* authorized $1.5 billion, and Amtrak was appropriated $1.49 billion. The *FAST Act* authorized $1.6 billion for Amtrak for fiscal year 2018.

Amtrak operates three principal lines of business, the NEC, state supported routes, and long distance routes.

The Northeast Corridor

The NEC is the backbone of the Nation's intercity passenger rail system, carrying more passengers than any other line. The NEC is host to intercity passenger rail, commuter rail, and freight rail operations. Of the 437 total miles of the NEC, Amtrak owns,[1] maintains, and controls 363 miles, with states controlling portions of the route north of New York City. While Amtrak owns the NEC, it is a minority user, operating about 150 trains daily on the corridor, compared to over 450 trains by the Long Island Railroad (LIRR), 415 train by New Jersey Transit (NJT), and 350 by the Southeastern Pennsylvania Transportation Authority (SEPTA). In total, about 2,153 trains operate on the NEC daily. On an operating basis, i.e., excluding depreciation and interest, the NEC produced a $440 million surplus in fiscal year 2016.

Much of the NEC's infrastructure dates from the eras of the Civil War to the *New Deal.* According to the NEC Commission (Commission), $38 billion in investment is needed to bring the NEC to a state of good repair.[2] The Commission's *Northeast Corridor Capital Investment Plan, Fiscal Years 2018-2022* identifies nine projects costing $22.8 billion as top priorities for the NEC:

Top NEC-Wide Unfunded Priorities*	Total Estimated Cost ($ billions)
North Portal Bridge	$ 1.7
Hudson Tunnel Project	$ 10.0
East River Tunnel Rehabilitation	$ 0.8
Sawtooth Bridge Replacement	$ 1.3
Baltimore & Potomac Tunnel Replacement	$ 4.5
Susquehanna Bridge Replacement	$ 1.7
Pelham Bay Bridge Replacement	$ 0.4
Connecticut River Bridge Replacement	$ 0.7
Devon Bridge	$ 1.5
Total	**$ 22.5**

Source: Northeast Corridor Capital Investment Plan, Fiscal Years 2018-2022

[1] Through a 1,000-year lease from the federal government.

[2] The NEC Commission was established by Congress as part of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (P.L. 110-432) to develop a formula for allocation NEC capital and operating costs among the users of the Corridor and to facilitate coordinated planning.

The first four projects are part of the Gateway Program, a group of proposed projects between Newark, New Jersey and Manhattan. A major element of the Gateway Program includes construction of a new Hudson River tunnel to allow the existing North River Tunnel to be rehabilitated and, over the longer term, provide additional train capacity into Penn Station. The Program also includes expanding Penn Station's tracks and platforms, and the creation of new Penn Station concourses and connections to the Farley Post Office, where Amtrak operations will relocate. In New Jersey, Gateway includes replacement of the Portal and Sawtooth Bridges, and expanding the NEC mainline from two to four tracks between Newark and the Bergen Palisades tunnel portals.

Beginning July 7, 2017 and continuing through Labor Day, Amtrak will be conducting major repairs on the track infrastructure at New York's Penn Station. The work had been scheduled to occur on nights and weekends over an extended period, but is being accelerated following two derailments that caused major disruptions for LIRR and NJT commuters this spring. The track work is expected to cause significant delays for both commuters and Amtrak since several tracks will have to be shut down at any given time. Currently, about 1,300 trains use Penn Station on a daily basis, carrying 450,000 passengers.

State-Supported Routes:

Amtrak receives funding from 18 states to operate 24 state-supported routes. These corridors of less than 750 miles, primarily located in the Northeast, Midwest, and Pacific Coast, connect major metropolitan areas and have seen substantial ridership growth over the past decade. State-supported corridor services carried 14.7 million passengers in fiscal year 2016, nearly half of Amtrak's total ridership. Pursuant to Section 209 of the *Passenger Rail Investment and Improvement Act of 2008 (PRIIA 2008)* (P.L. 110-432), Amtrak and the states have developed and implemented a methodology for allocating operating and capital costs associated with the corridor routes, reducing the operating loss on the trains to $149 million in fiscal year 2016. State payments to Amtrak have risen from $179 million to $228 million since 2012.

Long Distance Routes:

Amtrak operates 15 long distance routes over an 18,500-mile network, owned primarily by the freight railroads. In fiscal year 2016, the long distance routes carried a total of 4.65 million passengers and reported a loss of nearly $500 million. Currently, the entire cost of the long distance routes is borne by the federal government. The long distance routes lost an average of $105 per passenger, with the highest losses on the Sunset Limited ($348 per passenger) and the Cardinal ($156 per passenger), excluding depreciation and interest.

The President's fiscal year 2018 budget proposes that federal funding for the long distance routes be terminated, noting that the trains carry only 15 percent of Amtrak riders, but account for 38 percent of operating costs and are responsible for the majority of Amtrak's operating losses.

High-Speed Rail

Amtrak operates the only high-speed rail operation in the United States, the Acela service on the NEC. Acela can reach an operating speed of up to 150 miles per hour (mph) but due to track curvature and speed restrictions, actually reaches 150 mph for only 28 miles of the Washington, DC to Boston route. Acela averages only 83 mph between DC and New York and 72 mph between New York and Boston. Acela falls far short of international high-speed trains, which can average 150 mph and many Nations are upgrading systems to achieve top speeds of 220 mph.

In October 2008, *PRIIA 2008* established the groundwork for what would become the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail (HSIPR) Program, aimed at trains operating at speeds of at least 110 mph. Using that framework, *the American Recovery and Reinvestment Act (ARRA)* (P.L. 111-5), passed in January 2009, allocated $8 billion in federal funding – with no matching requirement – to launch the FRA's competitive HSIPR grant program in June 2009. An additional $2.5 billion was appropriated for high-speed rail in fiscal year 2010 with a required non-federal match of at least 20 percent. Congress has not funded the HSIPR Program since that time, and the fiscal year 2011 Omnibus actually rescinded $400 million of unobligated HSIPR funds. In addition, three states – Florida, Ohio, and Wisconsin -- refused to accept high-speed rail funds for a number of reasons, including the potential future costs to their states.

While termed the "high-speed" passenger rail service program, both high-speed and conventional rail projects were eligible for funding, and the majority of the grants were made to improve conventional Amtrak service, including track infrastructure, equipment, and stations. The FRA made a total of 153 grants to 34 states, the District of Columbia, and Amtrak, ranging from $100,000 to the state of New Mexico to develop a state rail plan to $2.9 billion for the California high-speed rail project. In total, the California project received a total of $3.879 billion in federal funding, which represented almost 39 percent of the total HSIPR grant funding awarded by FRA.

ARRA funds that have not been spent by September 30, 2017, will lapse and be returned to the U.S. Treasury. As of June 2, 2017, $1 billion of the original $8 billion, or 12.5 percent of the funds, had not been spent. Further, while a number of incremental improvements have been made mostly to conventional rail service, not a single new high-speed service has resulted from the sizable federal investments. That said, several high-speed rail projects are under development including projects in California and Florida.

California High-Speed Rail:

As originally proposed in 2000, the California high-speed rail network would have connected all of California's major population centers, including the San Francisco Bay Area, Los Angeles, and San Diego by 2020 along a dedicated, fully grade separated right-of-way with trains operating at speeds of up to 220 mph. The estimated cost at the time was $25 billion.

The plan has changed significantly since. (See Appendix for map of project). Currently, the initial high-speed segment, Stage 1, is planned to extend from San Jose to a point north of

Bakersfield (referred to as the initial operating segment or IOS), a distance of less than 250 miles, at an estimated cost of $20.7 billion. Service on this segment is now scheduled to begin in 2025. The California High-Speed Rail Authority's 2016 business plan states that "[t]he funding authorized by the governor and Legislature, by the federal government and the people of California is sufficient to deliver a high-speed rail line connecting the Silicon Valley to the Central Valley".[3] However, $10.6 billion of the funding, or slightly more than half of the total, is to come from California's cap and trade program. Since proceeds from the cap and trade auctions have varied considerably, the availability of the funds is far from guaranteed. Further, the project plans to borrow $5.2 billion to complete the IOS, using cap and trade funds scheduled to be made available from 2025 – 2050 to pay off the loan. In reviewing the 2016 business plan, the California High-Speed Rail Peer Review Group noted that securitization of the cap and trade funding will depend on an extension of the program beyond 2020 and may require approval by the Legislature to borrow against cap and trade revenues.

To address skyrocketing costs, the California high-speed rail project will no longer be a dedicated high-speed rail line for its entire length. Instead, California high-speed rail will operate over Caltrain's tracks from San Jose to San Francisco, and over Metrolink between Burbank through Los Angeles Union Station to Anaheim. Travel times and train speed will be reduced as a result. A total of $934 million in state funding dedicated to the high-speed rail project will be used to help fund the Caltrain electrification project. (See Appendix, Figure 1.)

The total cost of Phase 1 of the project between San Francisco and Los Angeles is now estimated to be $64.2 billion in year of expenditure dollars and $55.3 billion in 2015 dollars, with an optimistic completion date of 2029. No estimates are being given at this point for the cost of Phase 2 to add connections to Sacramento and San Diego.

In its review of the California High-Speed Rail Authority's 2016 business plan, the California High-Speed Rail Peer Review Group expressed concerns about the funding assumptions and shortfalls. The Group noted that even under the Authority's own assumptions, Phase 1 of the project faces an $18.9 billion shortfall. In addition to its concerns about the cap and trade funds, the Peer Review Group noted that an additional $2.9 billion in new funding, not currently identified, will be needed to complete stage 2 of Phase 1 to extend the IOS south to Bakersfield and north to San Francisco. The 2016 business plan indicates the Authority will seek federal funds or financing to fill the gap. With respect to the final stage of Phase 1, the Peer Review Group noted that $20.9 billion of the assumed funding consists of the net discounted cash flows the project might generate if the Phase 1 rail line is operated through 2060. Even if this optimistic assumption is met, another $10.9 billion remains unfunded.

All Aboard Florida (AAF):

AAF is a $3 billion - $3.5 billion "higher-speed" passenger service that will be privately owned and funded by Florida East Coast Industries. Phase I of the project, scheduled to begin full operations in October 2017, will operate between Miami and West Palm Beach at a speed of 79 mph. Phase II of the project will extend service to Orlando with operating speeds between 110 and 125 mph. Passengers will be able to travel time from Miami to West Palm Beach in one

[3] California High-Speed Rail Authority, Connecting and Transforming California, 2016 Business Plan, p. 9.

hour, and to Orlando in three hours. AAF currently expects Phase II to be fully operational by 2019. The new service has been named Brightline.

With the exception of 40 new miles of track between Orlando and Cocoa, Florida, AAF will operate alongside the Florida East Coast Railway. The use of existing rights-of-way will significantly lower the cost of the project.

The AAF project includes significant real estate development around its Miami, Fort Lauderdale, and West Palm Beach stations. For example, the $200 million Miami station will include 3.5 million square feet of development, including two residential towers. The Miami station will connect with three existing public transit rail systems to create an integrated multimodal transportation hub.

While privately funded, AAF is pursuing low interest federal financing for a portion of the project. AAF has received a $600 million allocation of Private Activity Bonds (PABs)[4] for Phase I, and is expected to apply for a PABs allocation of about $1.15 billion for Phase II of the project. The environmental work for Phase II has been completed and the Army Corps of Engineers is currently preparing a Record of Decision.

WITNESS LIST

Mr. Paul Nissenbaum
Associate Administrator for Railroad Policy and Development
Federal Railroad Administration

Mr. Charles W. "Wick" Moorman IV
President and Chief Executive Officer
Amtrak

Mr. John Porcari
Interim Executive Director
Gateway Program Development Corporation

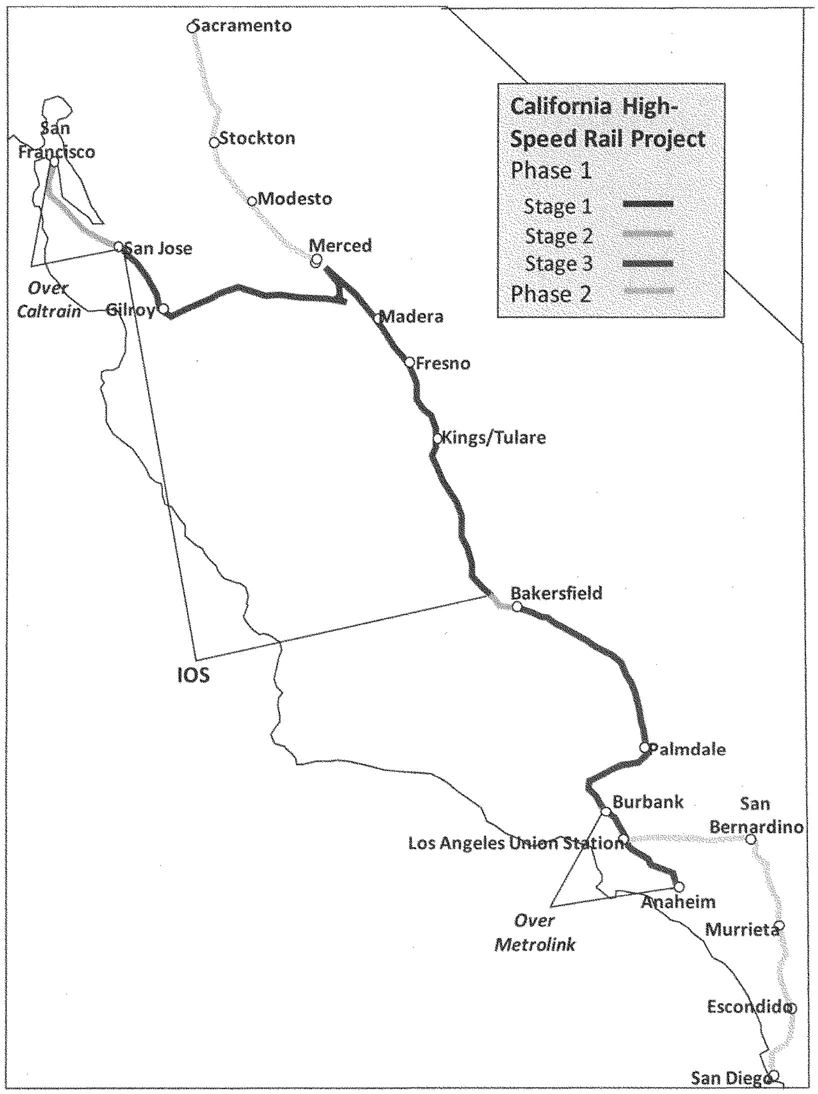
Mr. Mike Reininger
Executive Director
Florida East Coast Industries

Mr. Dan Richard
Chair
California High-Speed Rail Authority

[4] Public Activity Bonds, or PABs are debt instruments authorized by the U.S. Department of Transportation and issued by a State on behalf of a private entity for highway and freight transfer projects, allowing a private project sponsor to benefit from the lower financing costs of tax-exempt municipal bonds.

APPENDIX

Figure 1. California High-Speed Rail Project



BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: CHALLENGES AND OPPORTUNITIES FOR INTERCITY PASSENGER RAIL SERVICE

THURSDAY, JUNE 22, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m. in room 2167, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The committee will come to order. Before we—can we turn this down, just a little bit?

Before we begin, I would ask unanimous consent that Transportation and Infrastructure Committee members not on the subcommittee be permitted to sit with the subcommittee at today's hearing and ask questions.

Without objection, so ordered.

Good morning and welcome to today's hearing to consider the challenges and opportunities for intercity passenger rail service.

At the outset, I want to thank Mr. Capuano. He and I have worked very closely on Amtrak for reauthorization for the last 5 years, as well as the FAST Act. We have continued to push reforms that help us to unleash capital across the country and establish a good state of repair with Amtrak and other areas along the program.

I am also pleased to see the progress that has been made on the implementation of PRIIA, the Passenger Rail Investment and Improvement Act of 2008. A consistent methodology to allocate operating and capital costs associated with Amtrak corridor services has been implemented, and a methodology to allocate costs among all the users of the Northeast Corridor is in the process of being implemented. As a result of these changes, this year Amtrak will receive $286.6 million from 18 States and approximately $119 million from commuter authorities.

But in one respect our approach to intercity passenger rail service has been scattershot. Over $10 billion was appropriated by the ARRA, American Recovery and Reinvestment Act, during the fiscal year of 2010 to fund conventional and high-speed passenger rail projects.

But rather than investing these funds strategically to achieve specific outcomes, the previous administration distributed the funds widely, making about 150 grants to 34 States, the District of Columbia, and Amtrak. The result is the—most of the improvement made across the country has been incremental, at best. And further, about $1 billion of the $8 billion in ARRA funds has not been spent and will be turned back to the Treasury in September.

Particularly concerning to me is that nearly $4 billion of the funding was dedicated to California high-speed rail, which has seen skyrocketing costs at the same time the scope of the project has diminished.

What was sold to the voters as a $33 billion project that would connect all of California's major cities by 2020 is now a $64 billion project without connections to Sacramento and San Diego, with an optimistic completion date of 2029, and blended service over commuter rail at both ends of the line. The Initial Operating Section alone, extending from San Jose to a north point somewhere north of Bakersfield, will cost over $20 billion.

Other members of the subcommittee may also have concerns about the projects selected to receive ARRA funding. Given the limited Federal dollars available for intercity passenger rail projects, it is imperative that projects be better prioritized to accomplish specific national goals.

This hearing is also about understanding new technologies that will transform our passenger rail network. As an example, a number of members of this committee have experienced high-speed trains in Europe and Asia and alternative technologies such as maglev.

I want to thank all of our witnesses for being here today and look forward to a lively discussion.

Mr. DENHAM. I now recognize the ranking member, Mr. Capuano, for his opening statement.

Mr. CAPUANO. Thank you, Mr. Chairman. As usual, I will be brief.

I want to thank the panel for being here, I look forward to your testimony. As always, we learn from the things we do right and the things we do wrong. And I am looking forward to having a lively and thoughtful and informative discussion today.

And, with that, Mr. Chairman, I ask unanimous consent to include the gentlewoman from Texas—Ms. Johnson's written statement in the hearing record.

Mr. DENHAM. Without objection.

[Ms. Johnson of Texas's prepared statement follows:]

Senior Democratic Whip

Committee on Science, Space and Technology
Ranking Member
Committee on Transportation and Infrastructure
Subcommittee on Water Resources & Environment
Subcommittee on Aviation
Subcommittee on Highways and Transit

Congressional Black Caucus
Chair, 107th Congress

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THE HONORABLE EDDIE BERNICE JOHNSON
OF TEXAS
Thursday, June 22, 2017

EBJohnson

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS
STATEMENT FOR THE RECORD

As the most senior Texan on the Committee on Transportation & Infrastructure, I am writing to state my support for the Texas Central high speed rail project that runs from my congressional district in Dallas to Houston. We have the unique opportunity today during this hearing to hear the perspective from the Federal Railroad Administration on the importance of intercity passenger rail service. Although we do not have a representative from Texas Central on the panel today, it is my hope that FRA will comment on this project for informational purposes.

The value of high speed rail in the United States cannot be overstated. I believe that the California High-Speed Rail Authority can speak to this fact, however as a member who does not sit on this subcommittee, I feel that it is still vitally important that I voice my support for high speed rail projects across the country. Intercity transit that can meet the growing needs of the 21st Century is desperately needed, and I believe that high speed rail can help in meeting those needs through the efficient movement of people and the creation of high-skilled jobs. The high speed rail project in Texas is a strong example of how high speed rail projects can be a key component to any comprehensive strategy to bring our transportation infrastructure into the 21st Century.

As the committee continues to consider the importance of high speed rail projects across the country and the value of intercity passenger rail service, it is my belief that it would be instructive to have a representative of the Texas Central project come before this committee to inform us of their progress and speak to their best practices for moving projects forward.

Thank you for the opportunity to submit my statement for the record and I look forward to being a resource to this committee going forward.

Mr. DENHAM. Mr. DeFazio?

Mr. DEFAZIO. Thank you, Mr. Chairman. Thanks for this hearing today. It is yet another in a series of building a 21st-century infrastructure for America. But unfortunately, thus far we are making no progress. In fact, the President has proposed to take us backwards.

They had a much-touted infrastructure week 2 weeks ago, which came out with a mish-mash of devolution privatization proposals, and no real substantive move toward a needed Federal investment in a number of modes.

They also pointed at environmental regulation as being the only problem that is before us. Actually, 90 percent of projects in surface go forward with what is called a categorical exclusion. So no environmental analysis necessary. Five percent go through a minimal process environmental analysis, and 5 percent, the largest projects that impact millions of people, go through a NEPA analysis.

But that is not what is holding the States, the regions, or these projects back. In fact, the Department of the Treasury came out with a report that says a lack of public funding is, by far, the most common factor hindering the completion of transportation and water infrastructure projects.

So we got a lot of pretend going on. All we have to do is streamline. Well, we streamlined in the Mica bill, and then we streamlined in the FAST Act. Most of that streamlining has not yet been implemented. And once that is implemented, these nonexistent problems will be even more nonexistent. They also announced a dashboard, but of course the Obama administration had a dashboard, so that wasn't big progress, either.

And then the President's budget, $95 billion in cuts to highways, transit, and safety over 10 years; $20 billion in cuts to transit, New Start, over 10 years; $1 billion to the Army Corps of Engineers; and even $250 million in the FAA for the coming year.

He also proposed to cut all 15 Amtrak long-distance routes. He also wants to cut Essential Air Service. So I think a lot of people living in smaller cities throughout the heartland of America are going to be a little surprised to wake up one day, find out they have no air service, they have no train service, and—but they can get on the newly tolled, privatized interstate system, and move themselves around as best they can.

That is sort of where we are at today. So I really wish we could get down to the brass tacks of talking about building a 21st-century infrastructure for this country.

I have introduced three bipartisan bills. One would, shockingly, spend the taxes collected for the Harbor Maintenance Trust Fund on harbor maintenance. Whoa, that is shocking in Washington, DC. It was pulled out of the water resources development bill last year at the behest of the Speaker, at the request of Mr. Price, because the Budget Committee wants to pretend, by diverting that money from its intended purpose, that they are reducing the deficit: $9 billion sitting in the Treasury—maybe, or evaporated into ether.

Number two, lift the cap on passenger facility charges. I have introduced that with our colleague, Mr. Massie.

And, number there, a Penny for Progress: index the gas tax. Could never go up more than 1.5 cents a gallon a year. Borrow $500 billion over 13 years, and really get some things done.

There are three proposals totaling $560 billion of real investment. And all we have seen from the White House is privatization, and oh, they have one other great idea. They would bribe the States to sell their interstate. So if you propose to sell your interstate to a private vendor, then they will give you Federal gas tax dollars to do that. They will pay you 10 or 15 percent commission for selling the public infrastructure to private interests.

You know, this is becoming absurd. So I hope today we can begin to talk about the real needs of Amtrak, and where we are really going to find the investment money that Amtrak needs for the Northeast Corridor and the national system.

Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. DeFazio. Now I would like to welcome our panel of witnesses: Mr. Paul Nissenbaum, who is the Associate Administrator for Railroad Policy and Development at FRA [Federal Railroad Administration]; Mr. Charles "Wick" Moorman, the president and chief executive officer of Amtrak.

I would now like to pause to allow Mr. Webster for a brief introduction.

Mr. WEBSTER. Thank you, Mr. Chair. Wick Moorman and I have three things in common: we both went to Georgia Tech, we are both engineers, and we were fraternity brothers. And he began there as a co-op student working with Southern Railway, and he never left rails. He stayed the whole time. He moved his way up in Southern, and it became Norfolk Southern. He was president and CEO, chairman, and then he retired.

And I am not sure what struck him, but he decided to change from freight to get into passenger service. And I will tell you there couldn't be a better person, a more knowledgeable person. He even taught me what the distance between the rails are on standard rail, and why that is. It may have been an old wives' tale, I don't know.

But anyway, I will say this: Wick Moorman is a railroader of all railroaders, and he understands the business, and I think he is going to do a fine job as president and CEO at Amtrak.

Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Webster.

Also on the panel today is Mr. John Porcari, interim executive director of Gateway Program Development Corporation, and former Deputy Secretary of U.S. DOT; Mr. Mike Reininger, who serves as the executive director of Florida East Coast Industries; and Mr. Dan Richard, chair of the California High-Speed Rail Authority.

I would ask Members—Mr. Nissenbaum is a career employee, there is no Administrator, we are still waiting for staffing up of FRA, but he came as our—at our request, and may not be able to answer questions specific to the President's new plan.

But nevertheless, I asked him to be here to answer some of the FRA questions as they pertain to a number of our rail projects.

If there are other specific questions, I think we can send them in writing to the FRA afterwards. I ask unanimous consent that our witnesses' full statements be included in the record.

Without objection, so ordered.

Since your written testimony has been made part of the record, the committee requests that you limit your summary to 5 minutes.

We now recognize Mr. Nissenbaum for your opening statement.

TESTIMONY OF PAUL NISSENBAUM, ASSOCIATE ADMINISTRATOR, OFFICE OF RAILROAD POLICY AND DEVELOPMENT, FEDERAL RAILROAD ADMINISTRATION; CHARLES W. "WICK" MOORMAN IV, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK; JOHN D. PORCARI, INTERIM EXECUTIVE DIRECTOR, GATEWAY PROGRAM DEVELOPMENT CORPORATION; P. MICHAEL REININGER, EXECUTIVE DIRECTOR, FLORIDA EAST COAST INDUSTRIES, LLC; AND DAN RICHARD, CHAIRMAN OF THE BOARD, CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Mr. NISSENBAUM. Thank you, Mr. Chairman, and good morning, Ranking Member DeFazio, Ranking Member Capuano, and members of the subcommittee. My name is Paul Nissenbaum; I am the FRA's Associate Administrator for the Office of Railroad Policy and Development, which oversees the planning and delivery of passenger and freight rail development programs, including oversight of Amtrak.

I have had the privilege of serving under three administrations as a career member of the Senior Executive Service. And, as such, it is an honor to be here before you today to discuss the challenges and opportunities for intercity passenger rail.

I have submitted my full statement to the committee, and ask that it be made part of the hearing record.

FRA would like to recognize the committee's commitment to rail embodied in the FAST Act. The FAST Act represents a historic milestone in that, for the first time, intercity passenger rail has been included in a comprehensive, multimodal surface transportation authorization. The FAST Act builds on policies and programs this committee established back in 2008 in PRIIA, which shifted much of the responsibility for passenger rail development to the States.

Notably, PRIIA established new cost-sharing frameworks between Amtrak and the States, and authorized competitive passenger rail grant programs directed to the States, including the High-Speed Intercity Passenger Rail, or HSIPR, program.

Since January 2010, the HSIPR program has supported nearly 150 projects in 35 States and the District of Columbia. About 85 percent of those investments are concentrated in 6 corridors around the country. These projects are improving the rider experience by increasing reliability, adding new capacity, reducing travel times, and making stations and equipment more efficient and accessible.

Many of these projects have benefitted the broader rail network, including freight rail services, by increasing capacity, reducing congestion, and improving fluidity and safety.

In addition to critical infrastructure projects, the HSIPR program supported State planning, project development, and environmental work. The products that result from these efforts will lay the foundation for future construction projects and service improvements, establishing a strong pipeline of potential rail capital projects that are ready for funding and financing solutions.

To help mitigate program implementation challenges and ensure proper stewardship of taxpayer dollars, FRA has established a risk-based oversight program for all of the agencies' grant programs, including HSIPR. This oversight approach comprises three major components: grant compliance, technical assistance to grantees, and project implementation oversight, which involves managing project scope, schedule, and budget.

In the recently passed 2017 Appropriations Act, Congress provided funds for the competitive rail grant programs authorized in the FAST Act. FRA is currently working to develop the Notices of Funding Opportunity for these grant programs so that sponsors of eligible projects can leverage investment to help advance passenger and freight projects.

The Department of Transportation also provides credit opportunities, including TIFIA [Transportation Infrastructure Finance and Innovation Act], RRIF [Railroad Rehabilitation and Improvement Financing], and Private Activity Bonds that project sponsors can pursue. These programs are managed by the Department's Build America Bureau, which works closely with FRA to help project sponsors navigate and accelerate Federal permitting and procedural requirements in order to get projects ready for funding or financing as quickly and efficiently as possible.

To that end, FRA is working on a number of project delivery reforms to reduce duplication of environmental reviews and enhance interagency coordination. FRA has also been working with Amtrak to make changes to its account structure, and planning and reporting requirements. These reforms, which were developed under the leadership of this committee and included in the FAST Act, will significantly improve Amtrak's transparency and the delivery of its services.

I would like to close by thanking the committee for recognizing how integral rail is to a competitive U.S. multimodal transportation system. Making investments in rail that are market-appropriate will ensure that we meet the demands of America's growing economy in a safe, reliable, and efficient manner, while maximizing public benefits across all modes.

Thank you again, Mr. Chairman, for the opportunity to testify, and I am happy to answer any questions you may have.

Mr. DENHAM. Thank you.

Mr. Moorman, you are recognized for 5 minutes.

Mr. MOORMAN. Chairman Denham, Ranking Members Capuano and DeFazio, members of the subcommittee, and fellow witnesses, good morning. Thank you. A special thanks to Representative Webster for that gracious introduction. I can tell you that many of our former fraternity brothers are very surprised that either of us amounted to anything.

[Laughter.]

Mr. MOORMAN. It is my privilege to be here today—or at least me; sorry, Dan—on behalf of Amtrak to discuss our role in America's multimodal transportation system.

On many fronts, Amtrak is taking important steps to ensure that our business reaches the next level of success. Building on several years of record-setting ridership, last year we welcomed aboard a record 31.3 million passengers, and every day more than 300 of our trains carry almost 86,000 riders across the country. We serve more than 500 destinations in 46 States and the District of Columbia, over more than 21,000 miles of route, and we are the Nation's only high-speed, intercity passenger rail provider, operating at speeds to 150 miles per hour. More than half of our trains have a top speed of over 100 miles per hour.

Building on my career in the private sector, I have led a reorganization of Amtrak over this past year to instill a more corporate culture through the company. We are focused on a more streamlined structure, with enhanced project delivery capabilities. We are nearing our 50th anniversary. And as we approach that milestone, I can tell you we remain relentlessly focused on safety and efficiency.

Already we cover an industry-leading 94 percent of our operating expenses, and we spend $1.7 billion annually on domestic goods and services. We simplified our chain of command, we have clarified responsibilities and accountabilities, and that will enable us to be more bottom-line-driven and customer-centric. That is my objective with our employees, our customers, and with you, our investors.

These changes will allow us to do more, to do what we do better, and to be more responsive to our Federal, State, and local partners. The services we provide across our network perform a vital role in the country's transportation network.

Whether it is long-distance trains connecting otherwise isolated communities across the country, or State-supported trains that have seen 90 percent growth in the last 18 years, or the Northeast Corridor, where Amtrak and its commuter partners helped provide 820,000 passenger trips a day, Amtrak enables the economic vitality of America from rural towns to our largest cities.

Any network as complex as ours will always face challenges, from weather disruptions and old equipment to limited capacity and rising customer expectations. We at Amtrak are tackling these head on, and applying new project delivery capabilities to the very difficult tasks associated with renewing our aging assets, strengthening our infrastructure, and much-needed upgrading of capacity.

We would not be good stewards of the assets entrusted to us if we were not planning to rebuild and expand them as needed for the future. I am sure many of you are aware of the infrastructure renewal at New York Penn Station program that we are about to begin this summer. It will accelerate years of overdue infrastructure renewal to deliver essential increases in reliability.

And the necessity of this effort speaks to the stresses which the station's infrastructure is subject to. Penn Station today operates without a sufficient capacity margin to guarantee reliable delivery of service. And while we will make genuine progress this summer, huge needs remain from our 1934 vintage electric traction system to work in our 1910-era tunnels.

Beyond addressing the immediate needs, there are also serious capacity requirements pursued through the Gateway Program Development Corporation, which my fellow witness and acting executive director John Porcari will describe. We are working with New

Jersey Transit and the Port Authority of New York and New Jersey to address both capacity and resiliency through the Gateway Program. It will replace aging and failure-prone structures such as the Portal and Sawtooth Bridges, and increase track, tunnel, bridge, and station capacity between Newark and Penn Station.

We are also pursuing partnerships to enhance our stations. We are engaging master developers to work with us to maximize commercial value of stations like Washington, Philadelphia, New York, and Baltimore, and we have just announced our selection of a master developer in Chicago. These are public-private partnerships that will improve the stations for our riders and the communities we serve.

We are also working with Alstom and the French railway, SNCF, on a new Acela fleet to be built here in the United States with more capacity, better amenities, and a smoother ride, and we are about to refurbish our Amfleet cars, which serve as the backbone of our regional service.

These are essential initiatives, if we are going to lay the foundation for the next 50 years. We know how much our passengers rely on us now, and we clearly see the demand for new routes and increased service levels being expressed by so many communities. Investments now will allow Amtrak to ensure that all of our business lines are ready to expand and meet these growing demands.

With your help, Amtrak is poised to build on our strengths and rebuild our infrastructure. We are poised to renew our commitment to serve the people across America, and I firmly believe that the time for those infrastructure investments has come in this country. They are no longer nice to have; they have now reached the point of must-have.

We are committed to improving the way we run our business, to modernizing our customers' experience. We are investing in our assets. And I want to thank all of you for your leadership that resulted in inclusion of Amtrak in the FAST Act, and ask you to build on that foundation and invest at the levels you set in our authorization in these important essential steps to foster a renaissance in American passenger rail transportation. Thank you.

Mr. DENHAM. Thank you.

Mr. Porcari?

Mr. PORCARI. Good morning, Chairman Denham, Ranking Member DeFazio, Ranking Member Capuano, and members of this subcommittee. My name is John Porcari, and I am the interim executive director of the Gateway Program Development Corporation.

The Gateway Corporation is the Federal-State entity created to carry out one of the most important and urgent infrastructure projects in the United States: the Gateway Project. The 450-mile Northeast Corridor is the busiest rail corridor in the country. And the busiest section of this corridor is the part around New York City.

Heading out of Manhattan to the northeast, toward Boston, there are four tracks, which gives the system redundancy to allow maintenance to be performed and to respond to incidents. Unfortunately, in the other direction, where trains travel under the Hudson River to New Jersey and eventually to Washington, this is not the case. There are just two tracks. Any issues here, even minor ones, cause major problems for the corridor. There is no alternative route.

The Gateway Program of projects is designed to address this deficiency. The section from Penn Station in New York to Newark, New Jersey, is the most densely used piece of track in the United States, and one of the most densely used in the world. It can host nearly 1,200 train movements per day. Unfortunately, it is also very old and in need of urgent repair and expansion.

The existing tunnels under the Hudson River were completed in 1910, while the *Titanic* was still under construction, and while the Wright brothers were transitioning from their Model A to their Model B airplane. The tunnels' age is reason enough for them to be comprehensively refurbished. But compounding that is, during Hurricane Sandy in 2012, they flooded, worsening their already precarious situation.

In addition to the two-track tunnel, this section of track contains the Portal Bridge over the Hackensack River in New Jersey, the busiest train bridge in the Western Hemisphere. This two-track swing bridge also dates from 1910. And because of its low clearance over the water, it must be opened to allow boats to pass.

What we are calling phase 1A of the Gateway Program is the replacement of this aging bridge. The design, all environmental reviews, and permitting are completed, and we are just awaiting the last piece of funding. Preconstruction work on this new bridge site, such as building an access road and retaining walls, will be underway this summer. Amtrak has committed its funding for the new bridge, and the local partners, New Jersey Transit and the Port Authority of New York and New Jersey, have committed theirs.

With everything else in place, we are awaiting word from the U.S. Department of Transportation on whether the project will be awarded a Federal Transit Administration Capital Investment Grant for core capacity that we applied for last fall. Award of these funds will be the last piece of the puzzle, and then construction will be able to start on the bridge.

Let me emphasize that the technical assistance and coordination by the Department of Transportation has been extraordinary, and this first component of the Gateway project would not be ready for construction without DOT's assistance.

We are simultaneously moving forward with phase 1B, which is construction of a new two-track tunnel under the Hudson River. The plan is to quickly build these two new tracks under the Hudson and, once they are open, to close each of the existing 106-year-old tunnels, in turn, for repairs. Closing one of these tunnels for repairs without the new tunnel in place would reduce throughput of trains during rush hour by 75 percent, due to the need to run trains in both directions on the remaining track.

When the entire Gateway Program is completed, including subsequent phases, there will be a fully functional, four-track railroad, all the way from Newark, New Jersey, to New York Penn Station, and enough track and platform capacity in Penn Station and New York to accommodate decades of future travel growth.

Work is currently underway to finish the environmental impact statement [EIS] for the tunnel phase of the work. I am pleased to say that we are on an aggressive 24-month schedule for completion of the EIS, which is less than half the time that was typical for projects of this kind just a few years ago. With the help of U.S. DOT, we will release a draft EIS this month for the tunnel, and a final EIS Record of Decision and a Corps of Engineers section 404 permit simultaneously by March 2018.

In addition to giving us an urgently needed transportation project that eliminates a single point of failure for 10 percent of America's gross domestic product, this project serves as an example of how environmental reviews for even complex, expensive projects can be expedited without any compromise to environmental outcomes.

In the coming weeks we will be holding an industry forum to solicit input from private-sector experts about how they believe the tunnel project can be most efficiently delivered. We are looking to tap into the best thinking from the private sector about how to get the tunnel project built quickly and cost effectively. This will be followed by a request for information process. We are actively evaluating design, build, and public-private partnerships, for example, for the tunnel.

Despite the strong cooperation that is already in place between the national, State, and local stakeholders, it is not realistic to think that an infrastructure project of this magnitude can succeed without an appropriate Federal financial commitment. A project of national significance like Gateway requires this combined Federal, State, and local commitment.

As we all know, America has huge infrastructure needs. And it is heartening to see that this subcommittee recognizes that rail is an important part of the equation. Just as our parents and grandparents—and in the case of the existing 106-year-old Gateway Bridge and Tunnel, our great-grandparents—designed, built, and paid for the transportation infrastructure that is, literally, the foundation of our current economy in much more difficult circumstances than we are experiencing today, we have to do the same for the benefit of our children and generations to come.

I would submit there is no more urgent infrastructure project in the country than Gateway.

Thank you, Mr. Chairman, for the opportunity to testify, and I look forward to answering any questions.

Mr. DENHAM. Thank you.

Mr. Reininger?

Mr. REININGER. Chairman Denham, Ranking Member Capuano, and members of this subcommittee, thank you for the invitation to participate in this hearing, and to share a private-industry perspective on the opportunity to introduce intercity passenger rail as a new transportation solution needed in many cities across the country.

My name is Mike Reininger, and I am the executive director of Florida East Coast Industries [FECI]. We are an infrastructure and real estate development company based in Miami, where we are represented by your committee colleague and our distinguished congresswoman, Frederica Wilson. Further along our corridor, we are also represented by distinguished Members Dan Webster, Lois Frankel, and Brian Mast.

FECI is the parent company of All Aboard Florida, which was established in 2012 to pursue passenger rail opportunities on a private, for-profit basis. FECI traces its roots to the late 1890s and the company founded by Henry Flagler, who first introduced the integrated rail network which gave rise to Florida's rapid growth. After some 120 years of continuous operations, that railroad remains a profitable private enterprise.

Leveraging this legacy and historic assets, we have invested about $2 billion of private capital over the last 5 years. And in about 90 days we will launch Brightline. This new express intercity passenger train will service the downtown cores in Miami, Fort Lauderdale, and West Palm Beach as the first phase of a vision to fully connect the southeast and central Florida markets.

Today, 400 million trips are taken annually in this market, relying on roads and airways that are among the most congested in the Nation. These trips, which we see as too long to drive and too short to fly, represent the opportunity for the next generation of American train travel. Brightline will carry our customers in a new fleet of innovative, 100 percent Buy America trains to three new stations across 70 miles of modernized railroad that includes Positive Train Control.

In addition, we are building over 1.5 million square feet of mixed-use development in and around our transit hubs, and these facilities will begin welcoming new occupants, concurrent with the start of Brightline trains.

Our business thesis is quite simple. We believe that markets comprised of city pairs that are 250 to 350 miles apart present opportunities for trains to provide a more efficient, comfortable, and reliable alternative to cars and planes. The addition of integrated real estate development aligns two economic engines that directly support one another and creates a unified business platform that has more than one way to pay the bills.

Our experiences have sharpened our perspective on several key factors where enhanced interaction between Government and industry will contribute to faster results, encourage private capital investment earmarked for infrastructure, and contribute new capacity into our transportation networks.

Broadly speaking, the most notable areas for improvement that will help pioneering efforts such as ours, are a streamlining of complicated regulatory processes and enhancements to the debt markets that must accompany equity investments to produce new projects.

The NEPA process remains a disincentive to the private sector. And while there is ample equity, such as ours, ready to invest in transportation, the lack of precedent for new systems, coupled with uncertain permitting, have limited the availability of the appropriate debt needed to complete the capital equation. Both issues can benefit from retooling of already-existing structures.

Our own experiences with expanding our business into its second phase, an incremental investment of $2 billion, clearly demonstrates these points. Our project underwent a comprehensive 2.5-year-long NEPA study, resulting in the publishing of a final EIS. Yet 4.5 years after it began, the process has still not resulted in the outcomes that will facilitate needed permits. Rationalization of this reality will save enormous time and money, and produce much better results.

Programs such as Private Activity Bonds, RRIF, or TIFIA loans are underutilized for greenfield developments, as they suffer from opaque and complex rules that discourage their use. Yet we are encouraged that these existing programs could be easily revised to remove ambiguity and provide exactly the kind of efficient debt needed to incent investment and create progress.

As the demand for services such as Brightline continue to emerge, the opportunity to catalyze the direction of private capital against the infrastructure challenge can be effected through needed reforms that will align the interests and strengths of Government and industry toward common goals. As we work toward the launch of our business and the expansion of our system, we welcome the opportunity to contribute to enhanced solutions to these issues.

Thank you for the opportunity to share these thoughts with you today, and I will welcome questions.

Mr. DENHAM. Thank you.

Mr. Richard?

Mr. RICHARD. Good morning, Chairman Denham, Ranking Member DeFazio, Ranking Member Capuano. My name is Dan Richard, I am the chair of the governing board of the California High-Speed Rail Authority. And it is a privilege to appear before this committee today.

My written testimony gives a comprehensive view of both the status and the future of the California high-speed rail program. In the few short minutes here I would like to emphasize three points.

First, as we sit here today, construction of America's first true high-speed rail system is underway in California. The 119-mile spinal section of the project, with $3 billion of contracts already underway, has put 1,200 workers at 14 sites to work building this project. And this has all resulted from the American Recovery and Reinvestment Act, and I wanted to report to you that that act is performing as it was designed, and we thank the Congress of the United States and the administration for this support.

As a result of this, right now, 630 private-sector firms are working on the project. Of that, 373 small businesses—and I know, Mr. Chairman, of special interest to you, 45 businesses that are owned and operated by disabled American veterans are working on the high-speed rail project in California today. And it is not just the businesses that are owned. Veterans like a 32-year-old former Marine, Fernando Madrigal, is now earning $22 an hour as a third-year apprentice electrician, having served our country in Iraq and Afghanistan. This is what ARRA was intended to do, and it is performing as you wanted it to.

I also want this committee and the Congress to know that, in this construction activity, every ounce of steel, every ounce of concrete that is being used right now, is being produced in America, domestically. And we will continue to respect the Buy America provisions that were installed by the Congress, as we move forward.

In addition to the direct work having dramatic—direct effects on unemployment in one of the most challenging—economically challenging regions in California, we have seen, for example, that the unemployment rate in Fresno County, which ranks as, in fact, the poorest county in California, with a 25.2-percent poverty rate, the unemployment rate in Fresno County has fallen below 10 percent for only the fourth time in the last 25 years. And that is attributable to the investments that are being made by high-speed rail.

And there are indirect benefits, as well. Part of this construction will remove 55 at-grade crossings, dangerous at-grade crossings, up and down the Central Valley of California, and replace them with grade separations. And we are expanding freight capacity by moving to a new parallel passenger rail system. And this is very important.

So, the high-speed rail program is under construction, it is having dramatic effects immediately in California in an area that has suffered historic underinvestment in our State.

The second point that I want to make is that our next step is to connect the Central Valley of California with the Silicon Valley of California, and that will be a 250-mile stretch from north of Bakersfield, up through Fresno, and into San Jose and, ultimately, San Francisco. The import of this cannot be overstated.

Right now, in the Silicon Valley, which is the engine of California's economy and, to a great extent, the engine of America's economy, the housing crisis has reached epic proportions. The average cost of a home in the San Jose area, the average cost, is more than $1 million. So the challenge for our high-technology industry to attract and retain talent in this area with those housing costs is enormous.

Today, instead of taking a Google bus from San Francisco, which takes an hour, we now see the prospect of high-speed rail service connecting San Jose to Merced and Fresno, with 40- and 50-minute trips, and the technology leaders in Silicon Valley are extremely excited about this prospect of bringing a jobs-housing balance to a region that has not had that.

And just last week, Google announced the creation of a 20,000-person campus right at the Diridon Station, which will be the densest transportation hub in the West, with high-speed rail, BART, Amtrak, Caltrain, and so forth, all serving that region.

Finally, I want to make the point that, at this point in our program, we are beginning the transition to commercialization. The California high-speed rail program will be a privately operated system. The Government's role is to reduce risk at the outset, and then provide the rights to the private sector to operate on the infrastructure.

And last week, Members, we issued an RFP for a private-sector early operator to come in and infuse commercial thinking into the design and development of the system. Five international bid teams have all qualified for that, and we expect to receive robust competition.

So we are underway with construction of this system. We see the next step leading to either further connections between our economic regions, and we are moving towards the commercialization phase of high-speed rail in California. I think these are exciting developments for our State and our Nation.

I thank you for the opportunity to appear here today, and look forward to your questions.

Mr. DENHAM. Thank you, and I thank each of our witnesses for joining us today. We will have at least two rounds of questions. I know that there are a number of questions this entire panel wants to hear about: infrastructure and investment across the country, as well as the progress of each of these projects, as well as the oversight. I will start this morning off.

Mr. Richard, first of all, thank you. You have appeared many times in front of this committee. We do have a lot of questions, as this is the first high-speed rail investment in the country. We want to make sure that we do it right. We also want to make sure that what was proposed to taxpayers is adhered to. And so that has raised a number of questions as we move forward on investment.

I want to follow up on some of our previous hearings. First of all—and before I start, let me also thank you. I have taken you up on your request at the invitation of Congressman Costa to actually go on site, take a look at some of the jobs, take a look at some of the investment, as well as report back to this committee on that. So I want to thank you for your openness and invitation on that, and look forward to, over the next couple months, taking you up on that offer.

First of all, on page 13 of your 2016 business plan, it states—and I quote—"Since the inception of planning for high-speed rail in California it has been assumed that the program would be funded with Federal funds, State funds, and private-sector investment, each at approximately one-third." Are you still confident we are at one-third, one-third, and one-third?

Mr. RICHARD. Well, first of all, thank you, Mr. Chairman, for your remarks. And I guess I would have to say honestly that I don't think there is any question about the State's share of this, reaching roughly one-third of the cost. Our analyses show that the potential revenues that would generate private-sector investment would equal about one-third of the cost.

As we sit here today, Mr. Chairman, I think the question for us is the Federal participation. Right now, of the $64 billion, the Federal commitment is about $3.5 billion, representing a 5-percent share of Federal support for this project. And I would submit to you that that is far lower than historically has been the case.

California has committed both bond money, State cap and trade money. Those programs are moving forward. We see $20 billion of private-sector investment. That is about one-third. And I would hope, Mr. Chairman, that, as this Congress and the administration sees the private sector and the State contributions to this, that we could have a different conversation about the Federal support than we have had in the past few years.

Mr. DENHAM. So——

Mr. RICHARD. So my confidence level depends on that.

Mr. DENHAM. And so far, the amount of expenditures that you have had so far has been primarily Federal dollars.

Mr. RICHARD. Yes, sir. And, Mr. Chairman, we appreciate the fact that the Department of Transportation, through the tapered match approach, has allowed us to get going on this program when there was in the past some litigation and other challenges. We are on the threshold of completing the expenditure of the ARRA money.

Further Federal money for us, under the fiscal year 2010 grant, will have to wait, under the terms of the agreement, until California reaches its match. We have started to do that. And we see that moving forward appropriately.

Mr. DENHAM. And our previous hearing—from memory—our previous hearing last year, you had stated that you would not need any more Federal dollars under the initial construction segment. Is that still correct?

Mr. RICHARD. That is still correct, Mr. Chairman.

Mr. DENHAM. But you are still counting on the Federal Government to come up with roughly $20 billion of the $64 billion needed for phase 1?

Mr. RICHARD. I would say the right verb there is we are hoping for it. I don't know that we are counting on it, as we sit here today.

And the import of that will simply be that if the Federal Government does not provide additional support, it will certainly slow the development of the program. I think it is important to note that we have designed our program to be delivered in segments. Each segment will have utility. And as we complete each segment, the risk goes down.

So, my hope is that the Federal Government would look at areas where there are gaps to fill in or other things like that, and I think we can have that conversation at that point.

Mr. DENHAM. The California High-Speed Rail Peer Review Group concluded last year that even using a—California High-Speed Authority's—using your own assumptions, phase 1 still faces an $18.9 billion funding shortfall. Can you briefly describe in the short amount of time we have left what revenue sources are you counting on to fill that gap?

Mr. RICHARD. Well, again, I think the biggest part of that is I think they assumed that there was not necessarily going to be additional Federal support at this point. So Federal dollars could be a source of that.

Mr. Chairman, we are just also starting to look at a number of ancillary revenue opportunities. In Japan, the Japanese experience is they get about 32 percent of their revenues from real estate development around the stations. We are just beginning to look at that kind of issue, leasing our right-of-way for fiber optic and other things.

So I think we can provide this committee with a more detailed assessment of that. We don't have our arms fully around that, but we do kind of have in sight what directions we would go in to fill those gaps in the future.

Mr. DENHAM. I am about out of time here, but what I hear you saying is asset recycling might be something that you are looking at for California high-speed rail. And that might help you to fill some of that gap.

Mr. RICHARD. Mr. Chairman, I was taught not to step in to a bar fight.

[Laughter.]

Mr. RICHARD. I would rather not, if I——

Mr. DENHAM. Thank you.

Mr. Capuano, you are recognized for 5 minutes.

Mr. CAPUANO. Mr. DeFazio——

Mr. DENHAM. Mr. DeFazio, you are recognized for 5 minutes.

Mr. DEFAZIO. Thank you, Mr. Capuano. Thank you for your respect.

For Mr. Nissenbaum, you know, we basically made rail projects eligible for streamlining that we previously adopted for highway projects. Has that been implemented yet?

Mr. NISSENBAUM. So we are in the process of working with Federal Highway Administration and Federal Transit Administration to join their NEPA regulations, per the FAST Act. And that is in process, and we expect that out soon.

Mr. DEFAZIO. Will that require a rulemaking on your part?

Mr. NISSENBAUM. It does. It requires us to join in with the rule that the Federal Highway Administration and Federal Transit Administration are updating right now.

Mr. DEFAZIO. OK. So you will be part and parcel of that rulemaking, but of course, you can't do any rulemaking right now.

Mr. NISSENBAUM. Well——

Mr. DEFAZIO. You are not allowed to do——

Mr. NISSENBAUM. Yes, rules are under the regulatory review committee right now.

Mr. DEFAZIO. Right.

Mr. NISSENBAUM. But we expect rules like that will be moving forward.

Mr. DEFAZIO. OK. Now, here is a case where we are going to have a rulemaking that will expedite projects so I think almost everyone would agree that is beneficial, although some people will be concerned that there won't be adequate environmental protections, perhaps. I don't think that is the case.

But you are going to have to find two other rules to repeal, right? I mean if you become part of the highway rule, and the new rule is that you have to repeal two rules to adopt a rule, even if that rule is beneficial and is streamlining, what two rules are you going to do away with?

Mr. NISSENBAUM. So what I can tell you is that there is support within the Administration to advance environmental streamlining. That is—this is consistent with that principle. And at this point, we see no reason why we can't move forward, full steam ahead, on that.

Mr. DEFAZIO. OK. To President Moorman, the President has proposed for you to focus on core assets, or something like that, and they want to get rid of all your long-distance routes. And, as I said in my opening remarks, that would leave many communities throughout the heartland of America without either air service or rail service.

Is that going to save you money if we cut all those routes? And will it have an impact beyond those—the heartland of America?

Mr. MOORMAN. That is an excellent question, in that while I think there is a conversation that you can have about the efficacy and the need of just the long-distance network and the routes that we serve, the true impact is more severe in that when you look at how Amtrak does its accounting, and look at the long-distance network itself, the long-distance fares, which are roughly $500 million a year, cover the fuel costs, cover the crew costs, and cover the base operation of the network. Where the losses are incurred really is in the allocated cost, the cost of the reservation system for the entire network, for the Law Department, all of the SG&A.

And if, in fact, the funding for the long-distance network was withdrawn abruptly and we were ordered to stop it, we would lose all of the revenue. We would have significant labor protection, because we, like all railroads, have labor protection in our agreements, and we would continue to incur most of our labor costs, which would be $300 million to $400 million, and then all of the allocated costs that now go with the long-distance network, we would cut some, but the rest would just then go to the States, back to the State-supported business and the corridor.

The net result of an abrupt change like that would—we would essentially stop investing in the Northeast Corridor. We would not have the cash.

Mr. DEFAZIO. OK, that is helpful. Mr. Porcari, your project, I was just talking to my colleague, Mr. Payne, here about—what is the name of that bridge?

Mr. PAYNE. The Portal Bridge.

Mr. DEFAZIO. The Portal Bridge. And he witnessed it opening and closing, but it doesn't quite line up, so the guy gets out a sledge hammer and—you know, are we near the point of failure on this bridge?

Mr. PORCARI. It is an excellent question. Yes. The good news is it functions very well for a 106-year-old bridge. But the bad news is it is 106 years old. And there have been, operationally, repeated incidents where it doesn't open and close successfully, which stops the entire Northeast Corridor. That is in addition to the capacity issues.

One of the design features of the new bridge that we are ready for construction on is it is high enough over the Hackensack River that it does not have to open or close. It will be a fixed-span bridge.

Yes, it is true that blunt instruments have to be used at times to make it operate. And it is ironic that we are having a hearing on building 21st-century infrastructure, and it starts with, in my estimation, taking some early 20th-century infrastructure and trying to rehabilitate it and replace it.

Mr. DEFAZIO. OK, thank you.

Thank you, Mr. Chairman.

Mr. DENHAM. Mr. Duncan?

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Moorman, in your testimony you say we—you are now covering 94 percent of our investment. And I would like to have you explain that just a little bit more.

And you said also it is a record. And I would like to know. How does that compare to—what would that figure have been, say, 10 years ago or a few years ago?

Mr. MOORMAN. We do cover 94 percent of our operating costs. And as I said, if you look across the globe, that is an admirable number. I can only speculate about 10 years ago I would tell you I know it would be substantially less.

And Amtrak has done a lot of things to improve that. The revenues on the Northeast Corridor, with the introduction of Acela, were a big component of that. And I won't sit here today and tell you that we will get to 100 percent next year or the year after, but I think we will continue to drive that down.

Mr. DUNCAN. The staff tells us that you had a loss on operations last year of $800 million. Do you see that going down, or is that—the look on your face, you seem to think that may not be accurate.

Mr. MOORMAN. I am not sure, Congressman, where that number came from. If you look at our reporting, the operating loss for the company last year was $230 million.

Mr. DUNCAN. $230 million.

Mr. MOORMAN. Yes, sir.

Mr. DUNCAN. OK. All right, Mr. Reininger, people all over the country are moving from the high-tax States to the low-tax States. And an example of that, New York had 41 congressmen in the 1970s. Now they have got 27. And I was told last week they are going to go to 25 maybe in the next census.

Nothing against New York, but it is because—this has been very beneficial to my State. The Nashville area is exploding in population, and the Knoxville area, which I represent, is having very fast growth just right behind Nashville. Your minimum estimate on distance is 250 miles to 350 miles. Downtown Knoxville to downtown Nashville is 185 miles.

Do you think that a route between Knoxville and Nashville could be profitable, considering the tremendous population growth that both cities are having?

Mr. REININGER. Thank you for that question, Mr. Duncan. It could be. I would tell you that the things that would have to be understood pretty clearly to know whether it could feasibly work on its own would be probably three things.

Number one would be the magnitude of capital investment that would be necessary in order to put the system into operation, and that would be dependent on perhaps the ability to leverage other existing assets that may be contributory to that answer.

Number two is the absolute size of the marketplace that you have, including the diversity of the passengers that you would be fulfilling. Are they all business travelers, or are there other market segments that could supplement sort of that overall market equation?

And then, importantly, it will be the nature of the service, relative to the alternatives. Will traveling by train be a quicker and more reliable service than the alternative, which was—probably be predominantly driving in that particular case? And, if it is, then history has shown us across the world that there is an opportunity for a successful passenger train implementation in those kinds of markets.

Mr. DUNCAN. All right. All right, thank you.

Mr. Richard, once again the staff tells me that the original estimate on the cost of your project was approximately $22 billion to $25 billion and that now we are already at $64 billion, $65 billion. Is this going to be one of those projects where we see just unbelievable cost overruns by the time it—the completion date, I understand, is 2029.

What are you doing to make sure that we just don't see an explosion in the cost of this project?

Mr. RICHARD. Congressman, I—this is a really critical question, and my answer to this is that when we came in—when I was appointed, we came in in 2011, we looked at the cost. And those earlier estimates were probably based on 2006 year dollar estimates, whatever. But it was clearly higher. And we are the ones who came in and told the public, it is going to be more than you have been told in the past. And notwithstanding that, our legislature decided to move forward.

But as I have reflected on this—and I think this is a critical point—the cost growth that we have seen now is not the result of construction costs going out of control. In fact, there has really been very little of that. Our construction bids have come in hundreds of millions of dollars below the engineer's estimates.

The cost growth in the program is the difference between what people estimated when they were looking at a map and had a magic marker and were drawing it and when you actually get out there and find that, you know, you are really going to have to move this food processing facility, you are really going to have to underground in this area, you are really going to have to protect this ag land over here, you are going to have to protect this waterway over here. So the cost growth has all been the difference between somebody's initial plan and going out and looking on the ground.

If you will, I would say it is the social cost being brought in to the cost of the program. As we have gotten into construction, we have very tight standards, and we are maintaining our construction budget. So your question is really essential, as a representative of the taxpayers. We are not seeing that kind of cost growth. What we are seeing is that the initial estimates really didn't account for what it takes to build this on the ground and protect communities and ag land. But I think we have now absorbed those costs.

And, in fact, we are doing extensive and aggressive value engineering. Two years ago the cost estimate was $68 billion. We brought it down to $64 billion. We are continuing to look at ways that we can drive costs down, because we know we will have construction cost pressures.

Mr. DUNCAN. All right. Thank you very much, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Duncan.

Mr. Payne, you are recognized for 5 minutes.

Mr. PAYNE. Thank you, Mr. Chairman. And I would like to thank the witnesses for being here.

And just to piggyback on what the ranking member was talking about in terms of the Portal Bridge, I had the opportunity to go out to the Portal Bridge and visit that piece of infrastructure. And we are talking about a bridge that was designed in the 1800s and constructed around 1910. And this bridge, if it goes down, stops traffic between Massachusetts and Florida. This one bridge.

I mean the only thing—and if I am not mistaken, Mr. Porcari, all the other funding is in place except for the Federal part of that. Is that correct?

Mr. PORCARI. Yes, that is correct.

Mr. PAYNE. And so, this is something that, from my understanding, is shovel-ready with the input of the Federal Government's dollars that we could start on this project, create the four lanes that are necessary, and to make sure that this vital piece of infrastructure does not hamper the entire northeast coast. Am I correct?

Mr. PORCARI. That is correct. It is not only shovel-ready, it is shovel-worthy. I like to describe it as the single point of failure for 10 percent of America's GDP, because that is really what that bridge is.

As I mentioned in my testimony, we will be doing early construction activities, preconstruction work, this summer on the site, building an access road, retaining walls, and the like. We are ready to go, and it is 100 percent permitted, designed, and ready for bid.

Mr. PAYNE. OK. And Mr. Chairman, I hope that we could really bring attention to how vital this single bridge is. I mean they actually have to—it swivels, and when it goes back it never—9 times out of 10 it does not go back into position. They have to contact someone, a technician, to come up there—actually, sometimes, with a sledge hammer, and knock the track back into place. And this is a bridge between Florida and Massachusetts that, if it is down, everything is stifled, it is cut off. And I think that the only thing that is holding it up is our input.

So I hope we can take a look at that, just so you can understand, and the committee can understand how vital this really is. So let's see.

And Mr. Moorman, as a regular Amtrak rider myself, and a believer in the potential of intercity rail—and I really appreciate the unique and critical role Amtrak plays in my region and for the entire country. I also understand that Congress' inability or unwillingness to come up with the reliable funding stream for Amtrak since its inception has contributed to your company's shortcomings in updating infrastructure. And you know, we want to focus on that aging infrastructure.

Earlier this spring, there were a couple of derailments at New York Penn Station. As a matter of fact, I was on the platform in Newark for one of those derailments, waiting to come to Washington. You know, thankfully, no one was seriously injured. The more significant derailment delays for a week, and has—you know, it has led to Amtrak's accelerated infrastructure renewal plan.

You mentioned in your testimony while it is correct that Amtrak passengers will suffer the greatest impact of this plan, proportionately, I also know that New Jersey Transit customers will be impacted with—will far outpace Amtrak's. So how did Amtrak's infrastructure at Penn Station get to this point? And how do we ensure that the infrastructure failures don't continue to hamstring commuters?

Mr. MOORMAN. That is an excellent question. I would tell you that I think Amtrak got to this point over a period of years, particularly in the 1990s and the 2000s, when it was not funded adequately. And, as a result, we did not do the renewal work that should have been done, not only in Penn Station, but in a lot of the corridor.

We started that renewal process a few years ago, when our funding levels improved. But we were trying to do it, essentially, on the weekends because there has been a great understandable unwillingness to do work that disrupts the weekday traveler.

But the second derailment, the more disruptive one that you talked about, occurred. And, quite frankly, I went down and started looking around in the station. It is a terrifically difficult place to work. There are trains 24 hours a day. It is a maze of track work. But based on the conditions I saw, and other people who have expertise and I trust saw, we came to the conclusion that trying to kind of piecemeal this on weekends for the next few years would create more situations where we would have disruptive events, unplanned events, and we needed to go ahead and take aggressive action to renew the infrastructure. And that is what we are doing this summer.

Mr. PAYNE. Thank you.

Mr. DENHAM. Thank you, Mr. Payne.

Mr. Webster, you are recognized for 5 minutes.

Mr. WEBSTER. Thank you, Mr. Chair. I have a question.

Mr. Reininger, you are plowing new ground, at least for the current timeframe. I was wondering, as you plow this ground, what is your biggest frustration with the Federal Government?

Mr. REININGER. So the—as the stewards of private capital investment, we have to remain diligent with respect to the efficient use of that capital. And that really runs through the value of time. As processes are undertaken, the longer those processes take, the more challenge that that puts on the economics of the end game operation of the private-sector business.

And so, what that does, in effect, is it robs available funds that could be used for capital investment into actual hard assets and operating businesses, and utilizes them for other purposes.

And so, if I were to isolate one thing, I would say it would be a more private-sector-like appreciation for the value of time.

Mr. WEBSTER. So is it impact studies, things like that, that are——

Mr. REININGER. Certainly, you know, the processes that I described earlier, such as our experience with the NEPA process would be a part of it. By their very nature, projects like ours, like any infrastructure project, are multijurisdictional, right? They, by definition, go through more than one jurisdiction. And at multiple levels: at the Federal level, at the State level, and at the local level. And because of a lack of cohesion around those processes, it has the result of protracting processes and extending timeframes and causing complications that result in a lack of efficiency with the use of the capital.

Mr. WEBSTER. Wick, you had mentioned that in this little [displaying a document]—there is a white page on—a couple of pages on the Northeast Corridor. And in there it implies that the environmental review process is consecutive. Does that mean it sort of goes from one to the next one to the next one and the next one, as opposed to doing it concurrent?

And if so, is there any fix to that? Because it looks like it could. This is just one project, the doubling of the Washington Union Station's capacity. Do those studies—is there anything we can do to make them run concurrent, or in parallel?

Mr. MOORMAN. I think that they have been consecutive more because that is where our planning processes have been. We, you know, like every other industry, have a certain capability, in terms of our planning processes and our planning mechanisms. And so, in order to run all of the studies concurrently, we would have to be planning all of these projects concurrently.

I don't see that as a particular impediment. I think that certainly the whole issue around environmental regulation and other regulations is something we need to address, and something I asked internally for us to look at, in terms of suggesting the ways—be it working with Paul in the FRA or whomever, to streamline without giving up the essential aspects of regulation. But I think that there have been some very positives in that.

One of the things that I do want to recognize about NEPA, which was mentioned earlier, is that we would have expected the NEPA process for the Hudson River tunnels to have taken about 4 years. It took about 2. And, in fact, we will be ready to go, as John said, early next year.

But the thing I would assure you—and I think it goes to the other testimony—that we are also very focused right now at Amtrak in terms of looking at where we can ask the Federal Government to help us do things more quickly. And I am hopeful that we are going to get a very positive response.

Mr. WEBSTER. So time is money, just as it is with All Aboard?

Mr. MOORMAN. Yes, sir. Time is money. And the one thing I will tell you and the whole committee is that our intent at Amtrak is to look at the money that we are given, just like a private company looks at their money, to guard it and to spend it wisely.

Mr. WEBSTER. Thank you very much. I yield back.

Mr. DENHAM. Mr. Nadler, you are recognized for 5 minutes.

Mr. NADLER. Thank you, Mr. Chairman.

Mr. Porcari, as you pointed out in your testimony, the Hudson River tunnels were completed in 1910, while the *Titanic* was under construction. They have lasted better than the *Titanic*, I must say. Amtrak's infrastructure along the Northeast Corridor is not just old, but it has suffered decades of underinvestment.

Congress has, for many years, refused to provide adequate funding to bring the system into a state of good repair, let alone to upgrade it. We should have built new tunnels and expanded capacity in the Northeast Corridor long ago, but the damage to the existing tunnels caused by Hurricane Sandy has brought a real new urgency to the situation.

The Gateway Project, which includes the construction of a new tunnel under the Hudson, is widely recognized as one of the highest priority transportation projects in the country. But it will take more than lipservice to get it done. We need a willingness to spend real Federal funds.

Mr. Porcari and Mr. Moorman, which Federal programs are you depending on to fund the Gateway Project?

Mr. PORCARI. Excellent question. So the—as I mentioned, the local funding is in place for the first piece of it, the Portal North Bridge. The Federal funding we have requested for that is what is called the core capacity program within the Federal Transit Administration, because you are literally adding to the core capacity of an existing system.

For the tunnel portion of the project, it would be similarly structured, with a local commitment. And the Federal commitment would likely be the core capacity program, as well.

I should point out that, for the tunnel, regardless of the delivery methodology—in other words, whether it is design-bid-build, design-build, public-private partnership—so it could well include private investment as part of it—in any event, a substantial Federal investment component is required.

In my experience nationwide, there is no project of national significance that doesn't require a Federal funding investment.

Mr. NADLER. You want to add to that, or——

Mr. MOORMAN. I would point out, just to build on John's last point, that I am a great believer in private investment, and the——

Mr. NADLER. I am sorry?

Mr. MOORMAN. I am a great believer in private investment and the efficiency of the private sector and delivering projects. But when you look at something like Gateway, we will do everything we can to structure a private investment component of that.

But at the end of the day, that is a limited mechanism. And it is—just requires significant Federal investment and significant State investment to get the job done.

Mr. NADLER. Yes. Now, the President's budget proposes to cut funding for Amtrak by almost 50 percent, which also includes cutting the Northeast Corridor by $93 million, or 28 percent. The President's budget also recommends phasing down FDA Capital Investment Grants, New Starts, and core capacity grants, and DOT announced that it does not intend to sign any new full-funding grant agreements under the program.

Again, if Congress were to enact the President's budget request, or if FTA were to refuse to sign FFGA—full funding grant agreements for new projects, what would that mean for the Gateway Project?

Mr. PORCARI. To be clear, Mr. Nadler, for both the Portal Bridge and the tunnel, those projects cannot go forward without a Federal commitment.

Mr. NADLER. So the President's budget would foreclose these projects?

Mr. PORCARI. Yes, it would.

Mr. NADLER. Thank you.

Mr. Nissenbaum, if the administration proposes to cut all of these important transportation programs, how does the administration expect to fund the Gateway Project?

Mr. NISSENBAUM. So, as you know, Congressman, the Gateway Program is made up of a series of projects, independent projects, starting with Portal Bridge, the Hudson tunnels, and there are others——

Mr. NADLER. Well, there are two basic ones, the Portal Bridge and Hudson tunnels. Everything else is smaller.

Mr. NISSENBAUM. Right. And our responsibility is to advance those projects through the development process, so we are overseeing the engineering and the environmental process. And as John has mentioned, the Portal Bridge has completed the environmental process, and that is ready. The Hudson tunnels, we are in the middle of——

Mr. NADLER. But you are not answering my question. As Mr. Porcari said, if there are no new FFGAs, if the core funding—core capacity grants are phased down, there is no possibility of the Gateway Project, the Portal Bridge, and the Gateway—and the tunnels going ahead.

So again, if the administration proposes to cut these important transportation programs, how does the administration expect to fund the Gateway Project? Or do you think—I mean is it one or the other? Either the—there has to be a way the administration is thinking of funding the project, or thinks that we can let the Northeast Corridor fall apart. Which is it?

Mr. NISSENBAUM. So what I can speak to is our role at FRA in the process, and——

Mr. NADLER. Excuse me. I am not interested in the process. How, in the—how does the administration envision, in light of its budget proposals, that this admittedly key core project for the country will be funded?

Mr. NISSENBAUM. And again, in my position, what I can speak to is we take each project as they come to us. When funding is provided and when it is available, we evaluate those projects, we do the environmental work associated with them.

Mr. NADLER. That is very nice, but how do you envision the fund—the projects going forward, given the project—I mean I assume the administration, in making its budget proposal, thinks of these things.

Given the administration's budget proposal, how can these—how can this project go forward? Is there any way it can go forward? I am not interested in the environmental assessment. How can it be funded, if the administration proposal and the budget goes forward? Or does the administration think it shouldn't be funded?

Mr. NISSENBAUM. So, at the risk of being redundant—I apologize, Congressman—again, my role in this process is to evaluate what is in front of us.

Mr. NADLER. Well, let me say my time is running out. Let me just ask then. If the administration—if you will go back to the administration and get for this committee a reply, if Congress were to agree with the administration's budget proposals, how the administration envisions this—the Gateway Project being funded.

And, if it can't answer that question, does it think the Gateway Project is not crucial to the country? It has got to either think it isn't crucial, and so why bother funding it, or it is crucial, in which case it has to have in mind a way of funding it. One or the other. So which is it? And please specify.

So I am asking that you get us an answer for that question.

Mr. NISSENBAUM. I would be happy to bring that back to the Department and get you a response.

Mr. NADLER. Thank you. I yield back.

Mr. DENHAM. Thank you, Mr. Nadler.

Mr. Mitchell, you are recognized for 5 minutes.

Mr. MITCHELL. Thank you, Mr. Chair.

Mr. Moorman, can you help me with a couple of questions? The FAST Act required that Amtrak implement a new account structure and separate accounts for the Northeast Corridor and the national network. That was originally required by the end of—December 4, 2016. Like many things I have found here in Congress, that doesn't happen, apparently.

That accounting structure was not submitted, was not submitted by the end of June, when promised—or by June 2nd. We seem to have a problem of getting what is a pretty simple structure. I come from private business. An accounting structure is not that hard to modify and put in place. When can we expect to receive that from Amtrak?

Mr. MOORMAN. We——

Mr. MITCHELL. What is the problem?

Mr. MOORMAN. Well, we have submitted the first draft of that accounting structure. But I can talk to you about what the issues have been. And, as you know, I arrived here in September——

Mr. MITCHELL. Yes, sir.

Mr. MOORMAN [continuing]. And immediately was immersed in this. One of the complications, in fact, is that it is a fairly complex set of changes to the accounting structure, and just driving them out of the Amtrak accounting systems was not particularly easy to do, because it required a lot of understanding and manipulation of accounts to divide them into the appropriate buckets.

The second was, quite frankly, that in January of this year we reorganized at Amtrak to, I think, accomplish some very meaningful things. And that delayed the process.

But we are—we understand the importance of it. That work is being done. I have seen the drafts of the accounting structure.

There is another piece of this, which is the 5-year business plans, which I think were a great part of the FAST Act, and we will be submitting them shortly, as well.

Mr. MITCHELL. Well, I appreciate the feedback. It is—how do you—I mean we have gone along this path for a while now, trying to identify where you are able to cover costs and where not. It is—$230 million is currently your operating loss last year. And we need to get that on schedule. We need to get—how do you determine how your—I mean I ran a business, and we had accounting down to the project level in order to identify what was working and what wasn't.

Mr. MOORMAN. Right.

Mr. MITCHELL. So you have a draft—where has that draft been submitted?

Mr. NISSENBAUM. Yes, the draft is coming in at the end of this month on the 5-year plans, and they are currently—Amtrak is currently reporting on the new business line structure in their monthly reports.

Mr. MITCHELL. I thought we were supposed to receive that, and certainly we would like to see that structure when you do have that, Mr. Chair.

The—way back in 2005 the inspector general recommended reducing or eliminating the sleeper service because of the ongoing losses in that. They estimated that the savings could be $158 million a year. It hasn't been done. What other alternatives are you considering that will achieve similar savings?

Mr. MOORMAN. Well, I think that is a great question, and it goes back to this whole discussion about running Amtrak as a business. When you look at our sleeper service, there are a lot of times of the year where there is a lot of demand. It is full. And I think that Amtrak can do a significantly better job in its revenue analysis and its pricing systems in order to price for the demand appropriately.

And I would tell you that I think we can cut those losses substantially, just by doing a smarter, better job of understanding the market and pricing, and that is the path that we are going down.

Mr. MITCHELL. I appreciate it.

If we can, Mr. Richard, for a second, if we could talk for as much time as I have available about the high-speed rail project. Again, I come from 35 years in private business. Nothing at a scale of this. Quite impressive. The original estimate was $25 billion. We are now at north of $60 billion. Even if you adjust for inflation, that is quite an achievement, in terms of cost.

You describe the reasons for the cost changes or overruns as being social costs because the plan didn't quite adjust for having to protect certain areas, go underground, all those kinds of things. I have to tell you if I went to my board of directors and said, well, we originally planned X, but we didn't plan for whatever in building out this project, do you know what the response would have been?

Mr. RICHARD. Congressman, having spent a decade working for one of America's largest corporations as a senior officer, yes, I do.

Mr. MITCHELL. Mr. Richard, what would happen if you were a CEO of a company and you came in and said, "We are off by"——

Mr. RICHARD. Well, they would do what our State did, which was they would bring in new leadership. And so I was part of that new leadership. We are the ones who looked at those numbers. We are the ones who told the public what the new numbers were going to be. We were honest with the public about that. We were honest with our legislature about that.

Mr. MITCHELL. Let me stop you, because I have limited time, and I appreciate it.

Mr. Chair, do I have time for one more question, Mr. Denham?

Mr. DENHAM. Brief.

Mr. MITCHELL. Thank you, sir.

Maybe you could submit it for the record, I guess. The question I now have is the State depended upon financing a big part of their contributions through the cap and trade program, which—the peer review group has raised some serious questions about the viability of that, and its ability to support the funding, either bonds or direct funding for this program.

I would like to get in detail a response from the group as to how they are addressing that concern, which doesn't seem to be allayed at this point in time, as we continue to look at this as some form of investment. We need some response of how your group is addressing that, because it seems to be a significant flaw in the State's funding mechanism.

And I will yield back, in deference to time, but——

Mr. RICHARD. We will be happy to, and I would like to be able to discuss that. But we will be happy to——

Mr. MITCHELL. Thank you, sir, and I yield back.

Thank you, Mr. Chair.

Mr. DENHAM. Thank you.

Ms. Esty, you are recognized for 5 minutes.

Ms. ESTY. Thank you, Mr. Chairman, and thank you all for coming today and helping enlighten us. I represent Connecticut, and I have constituents who ride these rails every day. And I have particular concerns about the Northeast Corridor and what some of these funding proposals would do to people I represent, who rely on this to get to and from work.

So, Mr. Nissenbaum, the Northeast Corridor Future has proposed an alternative route, a coastal route. And it seems to be preferring that. There has been a great deal of public opposition, as I am sure you are aware. And I am wondering if there are any environmental concerns about the number of waterways that would have to be crossed, and what that might do.

I am wondering if there has been any reconsideration of that route, given the strong amount of public opposition.

Mr. NISSENBAUM. So yes, we have spent quite a bit of time in Connecticut, and heard from lots of your constituents. And that has been very valuable in the process, and it is part of the environmental process to do that, to have the public hearings, to have the public meetings, to get input.

And so, we are in the process of considering all of those comments, and putting together a Record of Decision on the Northeast Corridor Future, and would expect that out soon.

Ms. ESTY. And you expect that soon?

Mr. NISSENBAUM. Yes.

Ms. ESTY. Because I am getting that question asked of—and I want to be very clear on record I think it is really important to leave the door open for Connecticut to be part—at the table to consider an inland route, which would not have the—I think the same level of opposition, and could get us to much higher rates of speed than is ever going to be possible, given the geographical location, geology, and just—frankly, there is not enough footprint along the coast to ever make use of the speeds that new rail are able to get to. We can't do it on the coast, and people want actual high speed.

I would like to ask—explore a little bit on that same vein about the opportunity to do P3s. There is a lot of discussion about public-private partnerships with this administration and in this committee. And I would like feedback from all of you on the opportunity, particularly in the Northeast Corridor, where we know there is high demand for, again, something like an inland route, a different route from what we are currently using that would be able to reach the kind of high speeds that we see, say, in Japan, in China, in Europe, in other developed countries around the world.

Mr. NISSENBAUM. Sure, I would be happy to start, and I am sure other panelists would have something to say about that.

The Northeast Corridor Future is really a vision for the Northeast Corridor over the next 35 years. And it is kind of a prerequisite to get whatever kinds of investment into the corridor that we need. So it lays out the vision, and then it is agnostic as to what the funding source ends up being, but our expectation is that it will be multiple funding sources from a variety of entities, including the private sector, to actually deliver the program.

Ms. ESTY. If I could, are there examples of where private financing has helped alleviate funding for Amtrak? Can you give us any examples where that has actually happened, as opposed to being talked about?

Mr. NISSENBAUM. So what I can tell you is there are a number of examples around the country—in fact, you have one sitting here on the panel—of where the private sector has already put resources on the table. And we are actively working with those partners around the country. And there are certainly examples internationally, as well, where the private sector has made important contributions to project development.

Ms. ESTY. Mr. Chairman, I would like to submit for the record a letter I received from one of my constituents, who is very concerned about proposals to cut intercity rail, and made clear that, although he does not share my political persuasion, he shares my passion for intercity rail, rides the rails all the time, and is deeply concerned about these funding cuts that are being proposed.

[The letter follows:]

Mrs. Esty:

As a relatively new constituent (less than a year), I want to express appreciation to you for your support for Amtrak, including long distance trains. As a conservative and Republican, I don't understand that, in general, politicians of my party try to undermine our rail passenger network while throwing government largess at other transportation modes like air and road. Though one could argue that support for subsidized rail transportation contradicts conservative principles (and it does), our government whether for good or for bad, has interfered with the transportation market for so long that it only represents a quasi-free market. In light of this, my more pragmatic self is all for supporting Amtrak (ok, I'll admit, I like train travel and hate planes!).

By the way, I put my money where my mouth is. I've ridden on Amtrak quite a bit and my wife and I are using it to visit our son out in Oklahoma this Summer, so my support isn't just theoretical.

Though you are not of my political party, I definitely appreciate your work on behalf of Amtrak.

Best Regards,

Scott

Ms. ESTY. And I would like to follow up with those, because, again, we know the only part of the system that is making money is the Northeast Corridor. However, if we cut off the intercity rail, what feeds into that, what impact do we think that is going to have, including on the Northeast Corridor, for pieces that independently perhaps aren't making money, but funnel into the Northeast Corridor and then are needed to help maintain that system and keep it operating?

Mr. NISSENBAUM. So I think what you are referring to is that there are a number of branch lines that feed the corridor, as well as in other regions around the country, there are services which are generally known as State-supported services. And part of the original PRIIA of 2008—and then reiterated in the FAST Act—is that continuing relationship with the States to advance those services and to develop them. And I think what you did see in the budget proposal that came out this year was a commitment to focus on the Northeast Corridor and the State-supported corridors, including those branch lines.

Ms. ESTY. And, Mr. Moorman, any thoughts on that?

Mr. MOORMAN. Well, I will go back to one of the things that I mentioned earlier, which is the fact that—and this is true of any network-based company—there are a lot of allocations for cost.

On Amtrak, the Northeast Corridor generates positive revenue, substantial amounts of positive revenue. Some amount of that would be lost, in fact, if some of our other services went away, because the allocation portion would then fall back on the corridor, which would diminish, if not eliminate its profitability, or its cash generation, if you will.

So Amtrak exists as a system, right, a collection of businesses that are symbiotic in some ways. And the money flows the same way. So when you have a serious impact on any particular part of the business, it automatically flows to the others.

Ms. ESTY. Thank you very much, and I yield back.

Thank you, Mr. Chairman.

Mr. DENHAM. Mr. Mast, you are recognized for 5 minutes.

Mr. MAST. Thank you, Mr. Chairman, for giving me the time. I appreciate that.

I would like to start with you, Mr. Reininger. I appreciate your testimony today. I just wanted to start very simply. Is All Aboard Florida or Brightline, whatever we want to call it, is that publicly funded, or will it be publicly funded?

Mr. REININGER. It is not publicly funded at all, no. It is completely an investment of private-sector capital.

Mr. MAST. So in 2013, when it applied for about a $1 billion Railroad Rehabilitation and Improvement Financing loan, would that have been considered publicly funded?

Mr. REININGER. That would have been a loan from the Federal Government.

Mr. MAST. What about 2014, when it applied for a $1.75 billion public access bond, cost to taxpayers of up to $600 million, would that have been considered——

Mr. REININGER. Private Activity Bonds are 100 percent capital. It comes from the private sector. It doesn't have any involvement from any funds that are distributed from the Federal Government.

Mr. MAST. A district court judge said up to $600 million could have been on the taxpayers.

What about at the State level, 2014——

Mr. REININGER. To be clear, if I could, about that——

Mr. MAST. Please do so.

Mr. REININGER. In that particular case, what he said is there might have been a deference of some amount of tax revenue that would have come from the interest paid on those bonds. That is not the same thing as an investment by the Federal Government.

Mr. MAST. Thank you for the clarity.

In 2014, at the State level, $214 million for the facility at the Orlando Airport, do you consider that——

Mr. REININGER. As a part of the expansion of the Greater Orlando International Airport there was an investment made by the Florida Department of Transportation into the expansion of a multimodal facility in which we will be a tenant, and we will pay market rent for the utilization of the facilities that would be provided for us.

In fact, our rent, in part, goes to pay back the loan that the airport authority has received in order to build that facility. So that—so neither were those funds Federal funds, nor were they directed directly at our project.

Mr. MAST. Very good. Is Florida East Coast Rail, is that separate from All Aboard Florida or Brightline?

Mr. REININGER. It is. Florida East Coast Railway is a separately owned and operated company that operates freight in a shared use arrangement on the corridor.

Mr. MAST. Now, local county governments, they are billed for maintenance and safety equipment associated with Florida East Coast Rail?

Mr. REININGER. There are longstanding agreements for the utilization of the crossings that exist in several of the municipalities. There is something very unique about our particular railroad. And that is that railroad corridor really predates the existence of any of the development on the east coast of Florida.

As a matter of fact, most of the places along the east coast of Florida that have these grade crossings are as a result of the backbone of the infrastructure that was laid down in the late 1890s by Henry Flagler, which gave rise to the creation of those very communities. The unusual aspect of that is that when the municipalities up and down the corridor sought to get permission to cross the existing rail corridor, they had to go to the private company and get that permission. In return for that permission——

Mr. MAST. Florida East Coast Rail, correct?

Mr. REININGER. In return for that permission——

Mr. MAST. Florida East Coast Rail?

Mr. REININGER. It is both the—the rail right of way is shared ownership between two independent companies, Florida East Coast Industries and Florida East Coast Railway.

Mr. MAST. Perfect. Now, in that are you counting on counties like Martin County, St. Lucie County, Indian River County to pay for maintenance associated with the All Aboard Florida high-speed rail project, as well?

Mr. REININGER. The ongoing maintenance that would be associated with grade crossings in those particular counties we would expect that would be continued as it has been under longstanding contractual agreement with those communities. But I have to point out——

Mr. MAST. Is the contract——

Mr. REININGER [continuing]. That as a part of the——

Mr. MAST [continuing]. Florida East Coast or with All Aboard Florida? You said those are two separate companies.

Mr. REININGER. They are two separate companies, that is right.

Mr. MAST. So is the contract with Florida East Coast or with All Aboard Florida?

Mr. REININGER. They are with Florida East Coast Industries.

Mr. MAST. So are there counties that don't have a contractual agreement with the All Aboard Florida project?

Mr. REININGER. I am not sure.

Mr. MAST. OK. I would like to move to something else.

Mr. Porcari, I appreciate your testimony, as well. Phase 1, you noted, of your Gateway Project is fixing aging bridges. Is it important to fix those for safety?

Mr. PORCARI. It is. While both the bridge and tunnel are safe at 106 years of age, it is clear that the tunnel in particular, given that it flooded during Sandy, has to be rehabilitated in the next 10 years.

Mr. MAST. Is it important to not obstruct maritime traffic?

Mr. PORCARI. It is very important to not obstruct maritime traffic. The state of the art now is to build a bridge that doesn't—isn't required to be open and closed periodically, which would be the design of the new bridge.

Mr. MAST. So, Mr. Reininger, my question is to you. Will you be replacing the railroad bridges in my district that prevent all maritime traffic for 45-minute cycles?

Mr. PORCARI. We will made—in your district, as we did in the previous—in our first phase, there are—there happen to be two movable bridges within that district. With the similar situation that we have in Broward County, we will be making a significant investment in the complete reconstruction and remanufacture of the major component parts of those existing bridges. They are not of the same vintage ages that some of the other bridges we have been discussing here today are.

But we will be making significant capital investments in the entire reconstruction of the mechanical, electrical, and structural systems that are associated with those bridges. And in one instance we will also be completely restructuring the span itself.

Mr. MAST. My time has expired. Thank you for your testimony.

Thank you, Chairman.

Mr. DENHAM. Thank you, Mr. Mast.

Mr. Lipinski, you are recognized for 5 minutes.

Mr. LIPINSKI. Thank you, Mr. Chairman.

Mr. DENHAM. I am sorry. Mr. Lipinski, if you will hold, please. Mr. Garamendi has returned.

Mr. Garamendi, you are recognized for 5 minutes.

Mr. GARAMENDI. Thank you, Mr. Chairman. Some days I actually get back on time. So I appreciate it, the forbearance. We did have a markup on strategic arms and nuclear weapons and all of that. But here we are. And something that is critically important to California, and I think to the Nation, and that is the high-speed rail system in California.

Mr. Richard, my apologies for missing your testimony, although I was able to read it. Just a quick question to you about the new project going forward.

The President talks about making it in America, a subject matter that I have been banging away on for the 7 years that I have been here, and I am delighted to find myself in agreement with the President on at least one issue, that is that we ought to make things in America. Could you please tell us about the new train sets that are coming on, the attitude of the commission with regard to this very important policy of enhancing American manufacturing by buying American?

Mr. RICHARD. First of all, Congressman Garamendi, I want to recognize your leadership on this issue. You and I have had a number of conversations on this, and you have emphasized, as I think many of your colleagues would want you to, the importance of making sure that these dollars that are ultimately coming from taxpayers, Federal or State, go to create American jobs.

We envision—unfortunately, today there are no domestic manufacturers, no American companies that are in the business of manufacturing high-speed rail trains. We hope that that will change. And I think, as you have indicated many times, we can provide a role in creating a whole new manufacturing base in the United States. And these are very high-technology systems. And so these are prevalent—very high-paying, high-tech jobs.

Our view is that—well, first of all, we will respect the Buy America provisions that are in the law. That means that we have to do everything possible to make sure that the equipment and the components are manufactured in this country.

As I have committed to you and I commit here today to your colleagues, we will not seek waivers from those provisions unless we get to the most extraordinary circumstance that we have plumbed the depths throughout our economy to create these components here.

In California right now, Siemens, the German company, has a manufacturing plant in Sacramento. They are very interested in manufacturing high-speed trains with American workers. Kawasaki has a manufacturing plant in Lincoln, Nebraska. They are very interested in manufacturing trains with American workers. And any other entity that would come to participate in our program is going to need to come and show that they are either—presently have the capacity to build these trains in the United States, or that they will create the capacity to build it here.

Mr. GARAMENDI. There are many other elements in this system: concrete, steel, bridges, et cetera. Could you speak to that?

Mr. RICHARD. I am proud to say that today, as we sit here—and it is our intention that this will continue to be the case—every ounce of concrete, every ounce of steel is domestic. The steel girders are being manufactured in Lathrop, California. The steel rebar is manufactured in southern California. We continue to use 100 percent domestic content for the construction materials.

Mr. GARAMENDI. Did you say Lathrop?

Mr. RICHARD. I did. I believe you are familiar with that community, Mr. Chairman.

[Laughter.]

Mr. GARAMENDI. Lathrop. I think I know that city. And I know you do, also, Mr. Chairman.

Well, thank you very much. Just a final point of my own. It was 1988 when California established the High-Speed Rail Commission. Congressman Costa and I were the authors of that legislation. So we have been at this a long time.

The Buy America provisions are extraordinarily important for the continuation of support for this project. American taxpayer dollars and both California taxpayer dollars as well are the way in which this is going to be initially financed. And to maintain that support, the Buy America provisions maximum—I would love to see 100 percent.

And as I told you, Mr. Richard, we will never build a high-speed train in America unless the High-Speed Rail Authority in California simply says, "It will be American-made," in which case this industry will move to America, and it will be built in America, and we can then capture both the technology, the jobs, and the future.

And so I appreciate your position on this. I hope it is maintained. And, needless to say, I am sure this committee will watch closely, because Lathrop is an extremely important community in California. Thank you.

Mr. RICHARD. Thank you, Congressman.

Mr. DENHAM. Thank you, Mr. Garamendi.

Just a point of clarification to Mr. Garamendi's question. California High-Speed Rail Authority did apply for a waiver in 2014 on Buy America provision, did it not?

Mr. RICHARD. It did. And actually, there was a further one. And I worked with Mr. Garamendi and reversed that decision to seek a waiver at that time. And part of, I think, the issue there was that we were working with Amtrak at one point, and Amtrak had followed a protocol, some of our staff people thought that that meant that we could kind of skip over some steps.

My commitment to Congressman Garamendi and to also the members of this committee and the Congress is that, in the future, we will not seek any waiver prior to going out into the marketplace aggressively, looking for systems and components. And only after we have plumbed all those depths would we begin to discuss that.

Mr. DENHAM. Thank you for the clarification.

Mr. Faso, you are recognized for 5 minutes.

Mr. FASO. Thank you, Mr. Chairman.

Mr. Moorman and the panel, thank you for your appearance here today. And I find the testimony very illuminating and instructive.

Mr. Moorman, I represent an area in the mid-Hudson Valley of New York State served by the Empire Service, and I have had occasion to frequently use that service through the years. Can you—we have not been able to find out from Amtrak as to the potential service disruptions because of Penn Station construction project, which is a very necessary project, and what disruptions may be taking place on the Empire Service. Are you able to advise me in that this morning, or should we discuss it subsequent to the hearing?

Mr. MOORMAN. No, I think I can clarify that. We will continue to operate all the Empire Service trains during peak. It is our expectation that those trains will operate into Grand Central, rather than Penn Station, and that is how we will keep them out of the work that is going on.

Mr. FASO. So you are expecting all the Empire Service trains——

Mr. MOORMAN. We—right. We don't expect to cut any Empire Service trains, we just are going to keep them out of Penn during the peak periods, and that—those are the trains that will operate in and out of Grand Central.

Mr. FASO. So people should anticipate going into Grand Central for July, August, that time period, and then, after Labor Day, anticipating going back to Penn?

Mr. MOORMAN. Yes.

Mr. FASO. OK.

Mr. MOORMAN. That is correct. And the only people that should anticipate that will be the trains that are either arriving or departing in morning or afternoon rush hour.

Mr. FASO. OK. The—you—also in your testimony you mentioned that you are undertaking a major refresh program for the 450 Amfleet I cars that are the backbone of the Northeast Corridor Service. Is that train rehabilitation and upgrade going to affect the service, or the train sets that are used on the Empire Service line?

Mr. MOORMAN. Yes. Those are the so-called Amfleet I cars, and I believe they are all in Empire Service, as well.

Mr. FASO. OK.

Mr. MOORMAN. As well as a lot of other State-supported services and the corridor.

Mr. FASO. That is good news, because I can tell you, as someone that has used those, that Empire Service many times through the years, they needed to be refurbished about 15 years ago.

Mr. MOORMAN. Given that I think it was last done over 20 years ago, I think your timing is exactly right.

But let me say more broadly that this is part of the whole thesis, I think, that Amtrak has to have of being—of paying attention to the customer experience. And the work that we are doing is not extraordinarily expensive. But it will result in a completely different customer experience.

Mr. FASO. And one last—now that you mention customer experience, the fact that you can't buy a cup of coffee on the Empire Service trains between Albany and New York City, I know this is an issue between Amtrak and New York State, as well. I hope that you would go back to the drawing board on this, because I can tell you it is a very frustrating experience for many people who utilize that service.

And if there is ever a delay, there is virtually nothing—I have been on trains on the Empire Service where there was—a tree falls on the track, or there is some other unintended disruption, and literally, you have got to get off the train at a station, if you are close enough to it, and it is very uncomfortable for those folks, not having any refreshments on those trains.

So I just wanted to—you don't have to answer that. I think you know my point——

Mr. MOORMAN. I wasn't aware of it, but I will work on it.

Mr. FASO. It really—it is important, believe me. If you can get coffee back—and other things back—on the Empire Service, we may name a car after you or something like that.

[Laughter.]

Mr. FASO. Mr. Porcari, you have perhaps one of the most integral and important projects in the Nation. Tell me. Is 3P something that you have looked at, in terms of trying to get some of the financing, some of the pieces of the financing that could be necessary to build this project? Because I understand that we are looking at a project that is $18 billion to $20 billion.

Mr. PORCARI. Excellent question, Congressman. The short answer is yes. So for the first piece of the Gateway Project, Portal Bridge, which is 100 percent designed and ready to go, that will be a more traditional design-bid-build. For the phase 1B, the tunnel project, starting with an industry forum this summer we are actively soliciting private-sector input to determine the best procurement methodology, which may well be a public-private partnership. So a project like that could well lend itself to a public-private partnership, because it is essentially a capacity allocation under the Hudson River.

With a private-sector partner under that scenario, we would still, of course, require a Federal Government funding partner. The ratios might be slightly different, and certainly the allocation of risk would be different, which is one of the primary advantages of a public-private partnership.

So we are actively evaluating that and considering that. We are looking at best practices from around the world. We truly have an open mind on where to go. What we—the real determination going forward is how we can most quickly and efficiently deliver that tunnel project.

Mr. FASO. Thank you.

Mr. Chairman, could I just ask one more followup for the record, if they could submit——

Mr. DENHAM. Brief, yes.

Mr. FASO. Mr. Porcari, could you advise whether there are any State or Federal statutory impediments to the Gateway Project seeking a public-private partnership? And if you could submit that to us for the record, I would appreciate that.

Mr. PORCARI. We will be happy to submit it for the record. The Gateway Project Development Corporation was created in part so that it would have the flexibility of doing things like a public-private partnership, if appropriate.

Mr. FASO. Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Faso.

Mr. Lipinski, you are recognized for 5 minutes.

Mr. LIPINSKI. Thank you, Mr. Chairman.

Chicago Union Station is owned by Amtrak. And recently, Amtrak selected a master developer for a nearly $1 billion redevelopment project at Union Station that will bring over 3 million square feet of office, residential, retail, and hotel space to the historic facility. It will certainly bring a markedly improved experience for commuters and travelers, be great for economic development in that area. So it is good to see that. I was—worked on getting some language in the FAST Act that helped to make that possible.

Now, in 2013, Amtrak's board of directors called for a more coordinated approach to unlock the commercial value of Amtrak's assets and generate additional revenue that could be reinvested back into the infrastructure, with a particular focus on major stations such as Chicago Union Station. This was called the Terminal Development Initiative.

So I wanted to ask Mr. Moorman, can you describe Amtrak's priorities for these investments? And will they be linked to the regions where the revenue is generated? Obviously, it is a big question that I have. The money that Amtrak receives in this redevelopment, will that be used in the region? Or could that be moved somewhere else?

Mr. MOORMAN. As we look at these projects, Chicago being a great example and our first project—but with more to come on the Northeast Corridor—it is our hope and expectation that that will generate significant funds for Amtrak to use in the operation of its business.

It is certainly our intention to make sure that funds, for example, from Chicago are used to the maximum extent possible to do the work that is required, and a lot of it is required in Chicago Union Station and in our Chicago facilities. We will have to make sure that we work on the timing because, in some cases, the funds that come from a particular development may not match the timing of the investments that we need to make. But we certainly plan on using those funds to the extent possible to do the work in the area where they are being generated.

Mr. LIPINSKI. Thank you. And I want to go back to the—to Buy America. I was happy to hear what Mr. Richard said about the Buy America and what high-speed rail is—will do on Buy America. In February I introduced a Buy America Improvement Act, which seeks to close loopholes, increase transparency, and promote the use of American-made goods and materials.

The FRA's official policy is that High-Speed Intercity Passenger Rail equipment can and should be manufactured in the United States. I want to ask Mr. Nissenbaum what your office is doing right now in reaching this goal. I want to make sure that you are doing that, and the waiver process—I have some concerns about the waiver process, and I want to make sure that is not being used to sort of undermine our goal of domestic rail manufacturing industry.

Mr. NISSENBAUM. Thank you, Congressman. Not only is it our policy, it is the law. So we are following it strictly for the entire HSIPR program, and all of our—all programs that are funded under the statutory authority granted by this committee.

There is a very rigorous waiver process that is not easy to go through that requires public notice, requires full vetting of whether there are domestic suppliers available if someone is seeking a waiver. And so, while there have been a few waivers granted over the course of this program, the vast majority of all the project work has been done through domestic manufacturing.

Mr. LIPINSKI. And the previous administration implemented a policy that imposed Buy America requirements on the RRIF loans. Does this administration believe this policy should be continued?

Mr. NISSENBAUM. I can't speak to that. What I can say is that all of the indications we have are—is the strong support for Buy America policy from our current administration.

Mr. LIPINSKI. I certainly would encourage that. And the President certainly talks a lot about Buy America, so I want to make sure that we are not in any way going backwards. We should be moving forward on that. And I would appreciate your office's work on that. Thank you.

Mr. NISSENBAUM. Happy to bring that back.

Mr. FASO [presiding]. Thank you, Mr. Lipinski. Mr. Lewis is recognized for 5 minutes.

Mr. LEWIS. Thank you, Mr. Chairman, and thank you to the witnesses for joining us today.

Mr. Moorman, the FAST Act, as I understand it, required a separate P&L statement for the Northeast Corridor, as well as the network, by December of 2016. That didn't materialize, and I believe the date was pushed back to June 2nd. That didn't materialize. Where are we in this process?

Mr. MOORMAN. We had an earlier conversation from—about this from a P&L standpoint and an allocation of all of our spending and revenue. Those accounts have been developed. And I think the FRA has—which has been a partner with us in developing them—has them. And I want to say that they have been delivered.

But what—but I am going to go back and make sure that is the case, and I won't describe the issues we had in developing them, but there were several. What has not yet been delivered are the 5-year business plans for each one of our major businesses. That will be delivered within the next couple of weeks, in part delayed because, when I got to Amtrak, we did a substantial amount of reorganization to more clearly align our organization with the specific business lines——

Mr. LEWIS. OK. Mr. Nissenbaum, do you—would you want to comment on that, or——

Mr. NISSENBAUM. Sure. Congressman, it is a—we think it is a very important issue, something we have been working on for quite a while, and we appreciate the committee's leadership in advancing the account structure and more transparency and accountability for each of Amtrak's service lines and asset lines.

It is a large task for Amtrak. They are dealing with some pretty antiquated accounting systems. Wick has brought in a new leadership team, including a new CFO, who has demonstrated to us a real commitment to not only comply with the requirements of the FAST Act, but to actually deliver and go beyond, in terms of transparency. So we are looking forward to continuing to work with Amtrak——

Mr. LEWIS. I believe, Mr. Nissenbaum, the FAST Act also required DOT to accept some competitive bids for some of the routes. Have you received an application? Or where are we on that?

Mr. NISSENBAUM. Yes. So the FAST Act provided for a pilot program for up to three long-distance routes to be competitively bid. We—it requires a rulemaking process. We issued an NPRM, and we are in the process of finalizing our final rule. Once that rule goes out, that will start the clock ticking on getting expressions of interest and then bids in on——

Mr. LEWIS. And when do you expect the timeline for that to be?

Mr. NISSENBAUM. We expect that rule to be out very soon.

Mr. LEWIS. What is soon?

Mr. NISSENBAUM. I can't say for sure. I can tell you that it is in the final review process.

Mr. LEWIS. OK. Mr. Reininger, I am interested in your business model on All Aboard Florida, and especially choosing the Miami-Orlando route.

I mean I think you described the policy, or the business model as trying to serve those areas that are too long to drive and too short to fly. I call that high density, where rail is most successful. Was that a factor in your choice?

Mr. REININGER. With certainty. The size of the absolute marketplace and the mobility between the individual cities is central to the equation.

Mr. LEWIS. The FRA envisions a high-speed rail network connecting urban areas up to 500 miles. Now, I am a little perplexed as to how that is going to work. I believe right now we serve about 1.2 percent with Amtrak of the rural communities in the country.

But given the concern of what I call density, or too long to drive/too short to fly, what is your view of that?

Mr. REININGER. I think the private sector's participation in this is important, in that you can use private investment dollars to solve portions of the overall infrastructure challenge, specifically those that have the dynamics where they can be profitable.

Importantly, in my earlier remarks I emphasized the need to incent things to happen that actually create new capacity. The ability to create new capacity, to absorb future growth, or to tackle the core of the challenge is sort of an important part of that. And in these marketplaces like the one that we have entered into that give rise to a profitable operation is exactly the kind of position that——

Mr. LEWIS. I mean this is the conundrum, isn't it? I mean in 2005 the DOT said, well, on some of these long-distance routes for Amtrak they could save $75 million to $150 million if they just eliminated sleeper cars. Well, that is the first thing I look for when I get on the Empire, is a sleeper car.

Mr. REININGER. Well, clearly, our approach from the beginning here, we entered into this as a provider of a transportation service with an emphasis on the word "service." And so, as we developed, we had the advantage of building our platform from scratch. We didn't have a legacy that we had to work from, and so we started with the customer. And we made sure that——

Mr. LEWIS. OK.

Mr. REININGER [continuing]. Everything about our physical plan was addressed to those needs.

Mr. LEWIS. Very good. I thank the witnesses, and I yield back.

Mr. FASO. Mr. DeSaulnier is recognized for 5 minutes.

Mr. DESAULNIER. Thank you, Mr. Chairman. To all the witnesses, thank you.

Thank you for the work you do, Mr. Richard. It is interesting to be back here, particularly if—under Mr. Denham's charge for the three of us. And for my colleagues that have been supportive of high-speed rail in California, particularly as we have become more urbanized, and it is in an area that Mr. Richard and I worked on when we were in local government.

So to—following a little bit on Mr. Lipinski's questions, but broadening it in your introductory comments—and we have talked about this before, particularly the model in Japan, where I think 25 or 30 percent of their operational revenue comes from land leases, and they broaden the space beyond what Mr. Lipinski was talking about, as I remember from my trips over there.

So in—as we urbanize in California at a rate that none of us expected, in San Francisco the assessed value around the Transbay Terminal, which cost us $4 billion in the Bay Area, but we still need to get the Caltrain line, the extra half-mile, mile from Third Street in there, which will cost $1.25 billion, so we are trying to find the revenue, the assessed value within a few blocks of the Transbay Terminal is being urbanized so intensely is $8 billion.

So, in Union Station in Los Angeles, a similar order of magnitude. San Jose, as you have mentioned. How does the—maybe the Federal Government play a role as the Japanese Federal Government does in incentivizing a proper investment that those private-sector investments want, as well? So all the people at Union Station who are now investing heavily in downtown Los Angeles, Fresno is going through the same thing. On the east coast you already have that.

I was—in terms of intercity investment, we did a trip—former Chairman Mica and I were on a trip to the Second Avenue subway in New York, the most valuable real estate in the United States, and some of that—it would seem that at least the increase in the assessed value is a good investment back into the operations, or the capital investment of the infrastructure.

So could you comment a little further on that, about where the Federal Government might have a role, based on your knowledge about other successful high-speed rail and intracity investments around the world, where they do it differently than we do it here, in the United States?

Mr. RICHARD. Congressman DeSaulnier, thank you. The first thing that comes to mind is I think in the State and local context, if you and I were back in 1996 thinking about how we would do this, knowing what we know today——

Mr. DESAULNIER. Yes, we probably wouldn't be here.

Mr. RICHARD. Well, you would be here. But the—I think that there was a missing link in California, in terms of creating the initial authority for us, as the rail authority, to have control of the area around the station so that we could harvest some of this uplift that you are talking about.

I am trying to recapture some of that now. I have created a transit land use committee, and we are trying to find ways to do that. As you know, our Governor dissolved the redevelopment authorities. You and I worked on a redevelopment authority previously.

Your question, though, was to the Federal Government. And I would like to reflect on that and get back to you. But my initial thought on that is this: I think it goes to the generic role of the Federal Government and Government in general if it wants to unleash the potential of the private sector, which is to recognize the risk profile at the beginning is very high, in many cases, for the private sector.

And well—and actually, one other thing. If you look at, for example, Fresno, where it is just going to be a hub, where high-speed rail is going to revitalize the downtown, they need about $800 million of infrastructure improvements: water, sewer, streets, internet, and so forth, because a private developer, as you and I saw in Pleasant Hill, cannot come in and make—and carry those kinds of investments on their balance sheet.

So I do think that the partnership here is, to the extent that there is Governmental support for infrastructure, the private sector then both sees the risk profile come down and also sees that the infrastructure has been put in place that allows them to bring private dollars in. And I think that would be true in transit-oriented development, as well as the broader infrastructure——

Mr. DESAULNIER. In the few seconds I have left, Mr. Porcari or any of the other witnesses, do you have—just capturing this investment—I mean, historically, in the United States we have let people speculate more than other countries, and benefit from the infrastructure. And it seems like the Japanese have a different relationship, in terms of risk. So could we do something to incentivize that behavior?

And part of that allows for higher density, which a lot of the people in the community don't want, but then they do when they understand that this is the investment.

Mr. PORCARI. If I may, Congressman, there is a much more sophisticated view, I think, on both rail projects and transit projects nationally, in terms of value capture. Thinking more holistically from the beginning, in your Second Avenue subway example, of not capturing that——

Mr. DESAULNIER. Right.

Mr. PORCARI [continuing]. Value, subsequent phases of that or other projects from the beginning, thinking about the real estate value capture as an integral part for both capital and perhaps operating cost recovery for the projects.

Mr. DESAULNIER. Well, to the degree that any of you have, in your work—think that there are ways that we can incentivize this and do it appropriately, so we are not taking away inappropriately from the private sector, but where there is a mutual benefit, I think we would be all better served by your information.

Mr. PORCARI. One clear way to do that would be in the Federal grant-making process, whether it is New Start's core capacity grants, or others, to recognize that as part of one of the criteria for a grant application process.

Mr. DESAULNIER. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. DENHAM [presiding]. Mr. Richard, one of the focuses of today's hearing is private investment in intercity passenger rail service. The Florida and Texas projects, for example, are funded entirely through the private sector. In California, where the high-speed rail project has been in development for an extended period of time, how much funding has been pledged or invested so far?

Mr. RICHARD. We have not been at the point of seeking or receiving private-sector investment so far, Mr. Chairman, at this point. That is not to say that there is not overwhelming interest, but it would come in at a different phase in the project.

Mr. DENHAM. Well, let me then ask you about the interest.

At our January 15, 2014, oversight hearing on California high-speed rail, you had indicated that private-sector investment was imminent. And then, your written statement said, quote "In 2011, the Authority issued a Request for Expressions of Interest (RFEIs) and received more than 1,100 responses." Those 1,100 responses, are those in the areas of selling right-of-way, station development, fiber optics, real estate development, air rights, all in that type of——

Mr. RICHARD. I don't remember specifically, but I think that is right. And then there was another round where we went out to the private sector, we got, very specifically, about 36 responses to our question about how to finance the next phase of the project.

But if I might, just two quick points. First of all, we applaud the success of both Texas and Florida and what they are doing. Their structures are different than ours. In some cases, they are operating on existing railway corridors. In some cases, there is an existing railway.

Also, there was a deliberate decision made by my predecessors—and I think even your predecessors in the California Legislature—that this program should try to connect areas of the State, including the Central Valley, which has been underinvested. That is different than building a straight line from San Francisco to Los Angeles.

And what that has meant, since we are also, by law, not allowed to provide an operating subsidy, what that has meant is that, for the private sector to come in, either the Government has to guarantee their first period losses, which we cannot do by law, or we have to show them that there is sufficient ridership that they will make that investment on a risk-adjusted basis. And that is why our view is that the Government has to pay for the first operating segment. We will then auction the rights to the private sector to come in and operate on that segment.

So it is in sequence, and I think we are on path for that to happen.

Mr. DENHAM. I have got specific questions on the ridership side of things, and the private investors as it pertains to either direct money into the project, or from buying the train sets themselves.

Mr. RICHARD. Right.

Mr. DENHAM. But specifically on the redevelopment of real estate or selling of right-of-way for whatever purpose, whether that is development or fiber optics or signage or what have you, do you have estimates on what all of the different developments from L.A. to San Francisco and the right-of-way that is being purchased—estimates on what that value is that could be generated from just that aspect of the business?

Mr. RICHARD. I don't have that at this time, Mr. Chairman. We are just really starting to get into that. So my answer is I do not have that at this time.

Mr. DENHAM. But you had 1,100 responses. Those 1,100 responses were pertaining to what?

Mr. RICHARD. Mr. Chairman, I have to say I don't recall at this point. I would like to be able to supplement my testimony with that.

Mr. DENHAM. OK. We are just looking for ideas and a——

Mr. RICHARD. I understand.

Mr. DENHAM [continuing]. Better understanding of how we put this—these numbers together.

Well let me finish that quote from that hearing. "Following up on the results of the RFEI, in January 2012, the Authority met with eight infrastructure investment firms, which confirmed their interest in investing in the program." What has happened since 2012? It has been 5 years since you made that statement.

I assume—well, let me ask you. The eight infrastructure investment firms, was that pertaining to buying the trains themselves? Was it capital infusion? Was it going into the infrastructure of rail? And what has happened with those eight companies?

Mr. RICHARD. I was in many of those meetings, Mr. Chairman. It was really about, at that point, looking at the question of infusion of capital. And actually, it was my idea to say we need to go out and take snapshots of the market from time to time, and find out where we are and what we need to do.

Subsequent to that, in 2012, probably the one thing that sort of disrupted our development was adverse court rulings in 2013 that basically put the project on hold. Those ultimately were reversed. And, in fact, all the other court rulings have gone our way since then.

There were questions about the extension of the cap and trade program, which are being resolved; issues about our bonds, which are being resolved. And so now, we are back at the point of talking to the private sector about when and how they want to come in.

But that is why I want to reemphasize our action last week to issue an RFP for early operator. This would be operating companies that would come in to the program now, help us design the program, be available to start up the program, absorb those early losses. And we got very strong indications from five international consortia, all of whom want to compete for that. I think that is a very good indicator that we are now moving into a commercial phase, and about to enter into those conversations with the private sector.

Mr. DENHAM. Thank you.

Ms. Wilson, you are recognized for 5 minutes. Thank you for your patience.

Ms. WILSON. Thank you, Chairman Denham and Ranking Member Capuano. Thank you to our esteemed witnesses for sharing your perspectives on challenges and opportunities for intercity passenger rail service. I especially want to thank and welcome Mr. Reininger for joining us today on behalf of Florida East Coast Industries, which is based in my district.

Tourism is the backbone of Florida's economy, so the viability of every transportation mode matters today, especially passenger rail. I am pleased that Brightline, the Nation's first passenger rail service in 100 years to be privately funded, is headquartered in my district. I cannot overestimate how important this rail system will be to Miami and the greater Florida economy. We expect Brightline, which will launch this summer, to jumpstart our economy with up to 10,000 jobs, and to transport 3 million to 5 million Floridians and tourists annually.

Amtrak's Miami Station, which serves more than 70,000 Floridians and tourists each year, also is in my district. So I was quite alarmed by President Trump's proposal to slash nearly half of Amtrak's funding. The draconian cuts would derail Amtrak in my home State and in 22 other States.

If this budget is adopted, three Amtrak long-distance services currently available in Florida—the Auto Train, Silver Meteor, and Silver Star—could come to a grinding halt. This would not only deprive nearly 1 million Floridians and tourists of safe and reliable passenger rail service, it also would slash hundreds of jobs, exacerbate highway congestion, and harm Florida's tourism-driven economy.

Once upon a time, Miami was a tiny hamlet of fewer than 300 residents. Then Henry Flagler's railroad came to town and helped transform the city into a bustling metropolis. Today Miami is one of the Nation's largest cities, and a leader in global commerce.

But the proposal would slow its economic growth, and perhaps even put it in reverse. Amtrak provides an essential service that enables hard-working Americans to travel from State to State and coast to coast in an efficient and cost-effective manner. We should be looking for ways to work across party lines to improve and expand this national treasure.

As Members of Congress, we have an obligation to our constituents. We need to support Amtrak and new passenger rail services like Brightline. I look forward to working with my colleagues on this subcommittee to derail proposed funding cuts and support sensible reforms that will help keep the traveling public, workers, and communities safe and secure.

I have a couple of questions. Mr. Reininger, I applaud your commitment to the Miami community. Please elaborate on Brightline's commitment to workforce training and apprenticeship education. Specifically, who do you plan to partner with to ensure we develop a workforce that meets the industry's needs? And how do you plan to do that?

Mr. REININGER. Thank you for the question, Ms. Wilson. As you know, we have taken to heart several very important initiatives around the idea of making sure that our workforce is a reflection of our local communities and all the places that we are serving them.

In specifics, in the Miami Station area, we made an important decision to locate our corporate headquarters adjacent to our station location in downtown Miami, and we have a preference program in place that, as we are building up our staff, that we make a preference for hiring those that are the most local within our neighborhood as we possibly can.

As an extension of that, we have also done a couple of things where we have partnered with other local business enterprises and created opportunities for them to open new businesses within the context of our developments there at the station. And we have made special provisions for making those deals with people that share our preference for hiring from the very sort of localized community.

We have also been in discussions with local educational institutes like Miami-Dade College, to develop programs that will support the nature of the training that will be necessary to produce the workforce that we need to make our business successful. As I stated earlier, as a transportation service provider, we have a special emphasis on the word "service," and we have a very hospitality-oriented approach to the product that we are delivering.

And so, the development of training for people that will be in what is essentially a hospitality industry for us is central to our ability to be successful, as we go forward.

Ms. WILSON. Thank you.

Mr. Nissenbaum, the White House budget requests $25 million for consolidated rail infrastructure and safety improvements, down from $68 million in 2017. Will this cut impact rail safety?

Mr. NISSENBAUM. So in the fiscal year 2017 Consolidated Appropriations Act, Congress provided for the $68 million, so that is the program we will be implementing in fiscal year 2017.

Ms. WILSON. I didn't hear you.

Mr. NISSENBAUM. Congress provided in the fiscal year 2017 appropriations the full $68 million for that program, and that is the program we will be implementing this fiscal year.

Ms. WILSON. OK, thank you.

Mr. DENHAM. Ms. Wilson?

Ms. WILSON. Mm-hmm?

Mr. DENHAM. Your time has expired.

Ms. WILSON. I yield back.

Mr. DENHAM. Thank you.

[Laughter.]

Mr. DENHAM. Mr. Richard, the peer review group noted in reviewing the 2016 business plan that if the—"if the initial northern Initial Operating Section is completed as planned, the lack of a connection into Bakersfield"—you are stopping, the first initial segment——

Mr. RICHARD. Right.

Mr. DENHAM [continuing]. Short of Bakersfield. So if it is not connected with Bakersfield, and you don't have a fully functional connection from San Jose to the Transbay Terminal in San Francisco, will that not—those two limit the ridership numbers and passenger revenue are needed to complete the rest of the project and encourage private investment?

Mr. RICHARD. They will limit it, Mr. Chairman. I think that the key point here is our 2016 business plan showed that the construction that we are doing in the Central Valley from wherever the terminus is to San Jose, by itself, would allow us to build something that would be economically self-sustaining, which is both the law and the policy in California.

That would be the minimum system that we could build. It would connect the Central Valley to Silicon Valley. There would be enough ridership on that system, even between sort of the Fresno-Merced region and San Jose, to be economically self-sustaining, to not require an operating subsidy.

Mr. DENHAM. Have you released those ridership estimates?

Mr. RICHARD. They were part of the 2016 business plan.

And so—but we also—and the reason we stopped north of Bakersfield is originally we thought we were going to build our first segment to Los Angeles. We changed our direction for reasons I can go into, and so we didn't go any further south, and we turned to go north and west.

But we also said—as you point out—in the 2016 business plan that it would make a lot more sense to actually connect in to Bakersfield, and to enhance the service between San Jose and San Francisco. Even if we could meet the minimum criteria not doing that, it would make more sense to do that.

That would require an additional $2.9 billion of investment, but it would generate $4.7 billion of additional ridership revenue. So our point was we could have the conversation with the Congress about whether that is an appropriate Federal investment, given the almost immediate return of doubling that investment, and further connecting those regions.

So we don't need to connect into Bakersfield right now, or enhance the service to San Francisco, but we think it would be better if we could do that. Frankly, the first place we were going to look is here. If that is not satisfactory, we will start scrounging in the sofa cushions to see how we get there.

Mr. DENHAM. And the recent FRA grant for Caltrain electrification, it is my understanding that the folks over in that area have made it very, very clear that they will never be high-speed rail, nor do they want to be high-speed rail, and that the Caltrain track will never be upgraded to be able to facilitate the California high-speed rail trains on that piece of track.

So it is my understanding that, as the blended approach, as you connect with Caltrain eventually, that you would have to get off of California high-speed rail and on to Caltrain.

Mr. RICHARD. Mr. Chairman, I am going to have to respectfully say that I don't think any of that is correct. The folks—you may be talking about people who, in the community of Atherton, have tried to bring litigation to stop high-speed rail from happening on that corridor. But in fact, all of the transportation leaders in the Bay Area have a very different view. We have a very different view. And, in fact, by law we could not provide the $600 million of bond funding contribution to that unless that corridor will accommodate high-speed rail. We simply couldn't do it.

The plan is that the electrification will take place now, which will allow Caltrain to have more efficient service as a stand-alone thing. But in fact, we save $20 billion by using the Caltrain tracks. There is no appreciable diminution in speed between San Jose and San Francisco on that, and there will have to be some track straightening and some passing tracks.

But we are in discussions with Caltrain and other transportation leaders in the Bay Area about precisely how to do that. We are doing environmental work on that right now. So that corridor will be upgraded to high-speed service, and we think that is the most cost-effective way to do it. But I would be happy to engage with you or your staff about where we are having differences there in——

Mr. DENHAM. Thank you. I would like to understand that better, but it is your intention that the Caltrain system will accommodate high-speed rail trains at a certain point in time.

Mr. RICHARD. That is correct. And those engineering studies have been done, and that is the plan. The California Legislature appropriated our bond money specifically with that idea in mind. And so I am happy to engage with you and your staff on this for——

Mr. DENHAM. Would this be at a later date, or is this part of the FRA grant that the—the grant and the Caltrain upgrades are being put in place with the understanding that California high-speed rail trains will be on that track.

Mr. RICHARD. Well, my understanding is that the grant, the core capacity grants that they got, which comes through a different part of the Department of Transportation, that grant, I believe—Mr. Nissenbaum can correct me—came out of the Federal Transit Administration, not FRA, and it was intended to be able to support Caltrain electrification as a stand-alone matter.

But we are now working with Caltrain so that we—and the reason we are funding this is that it will allow us to step up to full high-speed service. But I think that the grant from Federal Transit Administration was independent of that, if I understand that correctly. And I——

Mr. DENHAM. Mr. Nissenbaum?

Mr. NISSENBAUM. Yes, that is correct, it is through the Federal Transit Administration, through their Capital Investment Grant Program.

Mr. DENHAM. OK, so this has been my concern from the initial grant request that came up in late January, is that you are using Prop 1A dollars as your State match, yet there has not been any clarification that Caltrain will ever be able to facilitate—well, let me ask you.

Under the grant agreement, will Caltrain be able to facilitate California high-speed rail?

Mr. NISSENBAUM. So, I am going to have to get back to you, because this is an FTA administered grant, about how they have written that. From our standpoint, we worked closely with FTA to ensure that whatever sources of funding are applied to each grant, is uniquely for those grants, that there is no double-counting and so forth. So that is our piece of it. But we will—I can certainly get back to you on how the—how it is written from FTA.

Mr. DENHAM. But you understand my concern. If Mr. Richard is saying Prop 1A is for California high-speed rail, and you are using California high-speed rail money on a grant match for an upgrade to Caltrain, I want to make sure that we are not going to build a new track, an upgraded track, only to have to turn back around and find other money to upgrade it again, assuming we are going to have Caltrain—California high-speed rail on there. If you could clarify that position, we would look forward to a written response.

Mr. NISSENBAUM. I am happy to do that for you.

Mr. DENHAM. Thank you.

Mr. RICHARD. And may I just say I agree with you on that, Mr. Chairman. We certainly are working with Caltrain to make sure that we don't end up with sequential investments. We want to do this right the first time.

Mr. DENHAM. Thank you, Mr. Richard.

Mrs. Bustos, you are recognized for 5 minutes.

Mrs. BUSTOS. Thank you, Chairman Denham, and also Ranking Member Capuano, and also to our panelists for being here today. This is an important issue for me.

I represent the central and northwestern region of the State of Illinois, and we have two possible passenger rail corridors in the district that I serve. The first is service from Chicago to Rockford, and then on to Galena, and then over the river into Dubuque, Iowa. The second is Chicago to the Quad Cities. I live in a town called Moline. The Quad Cities are Moline and Rock Island in my congressional district.

That project was awarded $177 million in Federal money in 2011, as part of the High-Speed Intercity Passenger Rail program. The Chicago to Quad Cities route has experienced delays upon delays due to uncertainty, mostly at the State and Governmental level. We have got some issues with our State budget. But it is now moving forward, and we are working very, very hard to get this over the finish line.

And as you might expect, it is a major economic development impact on our community: 800 new jobs, helping with tourism, helping our families get back and forth to Chicago on a—you know, which is very congested, if you do that by driving.

So, Mr. Nissenbaum, I actually have two questions for you. The rest of you can relax. I don't have any questions for the rest of you. You have been at FRA for some time and you are—I think you are familiar with this project. And the FRA has been a really big help to our office, so I want to thank you and your colleagues for that.

I am wondering if, as you sit here, if you can offer your commitment to continue to working with us on this project, so we don't continue to face delays, and just really help us get this over the finish line. Our community sees this as so important.

Mr. NISSENBAUM. Thank you, Congresswoman. Yes, absolutely. We have worked closely with the State and with the railroads on that route. They are having some challenges. A portion of it, we have been able to get those investments in place, the portion over the BNSF Railroad. It is when we have hit the short line territory that things have been a little bit more difficult, but we are working through that with the State, and you absolutely have our commitment. We are continuing to partner with the State on it.

Mrs. BUSTOS. I appreciate that. And that was really part of my second question. We have got the—so you have got the Illinois Department of Transportation, and I think you—I don't need to mention the rail line, but the part that a certain rail line—that—where they own the track.

So we have got timeline and design upgrades that are needed on that. I think if we can work through that part of it, we will be able to move this forward. And I guess that is probably more specifically the area that we just really hope that we can work together on, on working that part of it through.

Mr. NISSENBAUM. Yes, absolutely. Again, as you know, these are State grants. And so, you know, we do need the State DOT, as they have been, to stay focused on it and to try to resolve those issues. Ultimately, you know, they are responsible for it, but we have been partnering with them to help them try to clear some of the obstacles in the way of that grant.

Mrs. BUSTOS. How are you feeling on our chances?

Mr. NISSENBAUM. We remain committed and hopeful on getting through them.

Mrs. BUSTOS. I will pass that along to my community.

Mr. NISSENBAUM. All right.

Mrs. BUSTOS. I appreciate that. No, we really do appreciate your help. The FRA has been very, very good to deal with. So thank you so much for that, your willingness to commit to that.

That is all I have, Mr. Chairman.

Mr. DENHAM. Thank you, Mrs. Bustos.

Mr. Capuano?

Mr. CAPUANO. Thank you, Mr. Chairman. And I want to thank the panel again. Like I said, I wanted to listen today, and I heard some interesting stuff.

I want to be real clear. From my perspective, anything I do as a Member of Congress to deal with Amtrak or any passenger facility across the country, none of it is going to get me a single vote. No one is going to vote for me by spending a lot of money on passenger rail.

Yet we all know that it is an absolute necessity for this society to be successful and our economy to be successful. So that is why people like me support this. Politically, I am much better off cutting a ribbon on a bridge or, you know, opening up a new subway stop, or whatever it might be. But this is essential.

And honestly, I don't usually advocate for projects outside my district or my region. But clearly, the Gateway Project is absolutely critical to this country, and it has to be done. I think high-speed rail is an embarrassment, for those of us who travel internationally, to see how far behind we are on high-speed rail.

You know, we pride ourselves on being the best and the brightest and the fastest and the first, and yet we are probably the last, as far as developed countries go, for high-speed rail. It is about time that we catch up.

I want to clarify one thing. Several times today comments were made relative to ARRA, the American Recovery and Reinvestment Act, if I remember. Just for the record, I want to be real clear. ARRA was the stimulus which people like me, who voted for it, got the hell beat out of me for voting for it as some kind of a throwaway project. And yet today we are reaping the benefits of it, and I haven't met anybody who doesn't like what we did with it.

Now, we could all argue about exactly where the money should have gone, but each and every one of you at this table are representing thousands of people that have been employed because of it. And I always like to draw that distinction because we in Government—I think wrongfully so—we took a lot of grief for the stimulus, and we took credit for ARRA, and nobody understands that it was the same thing.

Now we are going through that today in the same thing with health care. You know, people hate Obamacare, but they love that ACA. It is the same thing. The stimulus was a good bill. I am glad I voted for it. I wish we could have had more into infrastructure. That is the mistake we made. But so be it.

I guess I would like to ask—I am going to let you off on this one, Mr. Nissenbaum, out of respect for your current position, but I want to ask the rest of the panelists. I assume you are familiar with the President's proposal relative to rail, particularly passenger rail. And I would like to ask each of you. Do you support the President's budget, as proposed to this Congress, in regards to the money expended relative to passenger rail? Do you think it is sufficient? Can you do your jobs efficiently if that budget were to be passed as submitted?

And again, Mr. Nissenbaum, out of due respect I will exempt you from answering that.

Mr. Moorman, do you have an opinion on the President's budget, relative to passenger rail?

Mr. MOORMAN. Mr. Capuano, I will say what I said earlier. I think that the President's budget, the statement of the budget is that we should not support the long-distance network, but we should continue to support the States and the Northeast Corridor.

And as I have said before, I think the long-distance network provides valuable services, but that is an argument that you can have on a philosophical basis. The practical—from a practical standpoint, the President's budget would effectively eliminate capital funding for the Northeast Corridor, and that is a bad thing.

Mr. CAPUANO. Mr. Moorman, you have a future in the State Department with that beautiful way to say no, you don't support it.

[Laughter.]

Mr. CAPUANO. Mr. Porcari, how do you feel about it?

Mr. PORCARI. Thank you, Ranking Member Capuano. The Gateway is a great illustration of a very specific project where the President's budget, as proposed, would not permit Federal—the Federal funding share. So any project that does not yet have a full funding grant agreement could not qualify for a core capacity or New Starts grants.

So, starting with the bridge, the Portal North Bridge, and later with the tunnel, the two most crucial elements of this very crucial project, would not be eligible for Federal funding under the President's budget, as proposed.

Mr. CAPUANO. I got to love this. I guess I am going to have to speak English for each of you. That was a no, as well.

Mr. PORCARI. That is a no, as well.

Mr. CAPUANO. Mr. Reininger, how do you feel about the President's budget? I can translate afterwards, don't worry.

[Laughter.]

Mr. REININGER. Am I going to be cutting a ribbon on a bridge?

I share your point of view, that there is a fundamental need for significant investment in infrastructure across the country. I absolutely believe that the role that intercity passenger rail can contribute to that is an important piece of the entire equation. We have, for 5 years now, been laser-focused on a private-sector response to that. And, as much of the conversation has gone on today, I felt a little bit exempted from that because we aren't seeking grants, we aren't seeking subsidies, and we really aren't part of the Federal funding source resolution to the opportunities that we see for intercity passenger rail, as we go forward into the—you know, into the—in the infrastructure challenge, in general.

I will say that I think there are—there is room within the context of the dialogue that is presently taking place on infrastructure in general for assistance for projects like ours, and we support those.

Mr. CAPUANO. So that is a no, too. Thank you, Mr. Reininger.

Mr. Richard, do you support the President's budget?

Mr. RICHARD. Mr. Capuano, I am going to give you a direct answer, but——

Mr. CAPUANO. I don't believe that for 1 second.

Mr. RICHARD. You are going to see that I am, predicated by this. It will surprise people to know that California, a State where—we are a car culture, we write songs about our cars in California—actually has three of the five busiest Amtrak routes in the United States. Our L.A. to San Diego route is second only to the Northeast Corridor, which we acknowledge is the most important rail corridor in the country.

Our State secretary of transportation has sent a letter opposing the cuts to Amtrak in the President's budget. I don't think you need to translate for me for that.

Mr. CAPUANO. I think that is pretty good.

Mr. RICHARD. And supporting full funding of the FAST Act budgeted amounts.

Now, I will also say there are other aspects of this administration's proposals where we are supportive, and we are working with them on things like effectuating the fast track elements of regulatory permitting and other things, where we are having very positive, constructive conversations with the administration.

But we have specifically opposed the cuts to Amtrak in the President's budget.

Mr. CAPUANO. I am presuming the chairman is going to be a little flexible with me since I have been so nice all day. I got a few more.

Mr. Porcari, I just want to be clear. On the Gateway Project, doesn't that include, like, a big project that Governor Christie shut down years ago?

Mr. PORCARI. Yes. The ARC project, which would have—wasn't exactly the same as the Gateway Project, but would have provided new capacity under the Hudson River into New York, was actually under construction when it was terminated. The Gateway Project is—you can think of as its successor. It is more comprehensive——

Mr. CAPUANO. Right.

Mr. PORCARI [continuing]. But it is——

Mr. CAPUANO. And yet the State of New Jersey or the Port Authority, or whoever it was, has a fair amount of money on the table for the rest of this project. Is that correct?

Mr. PORCARI. Yes. The State of New Jersey, through New Jersey Transit, is an important part of the local funding component to this, and——

Mr. CAPUANO. How—when you come to the Federal Government and ask for money, how can we be sure that Governor Christie won't renege again?

Mr. PORCARI. The Governors in both the States of New Jersey and New York have been very strong supporters of this project. They have——

Mr. CAPUANO. When did he change his mind?

Mr. PORCARI. We believe, because we have a project that is ready to go, that—by the way, the Portal North Bridge project will be managed by New Jersey Transit, an instrument of the New Jersey Government—that that shows the strong support, and Governor Christie has repeatedly expressed his support for the Gateway Project——

Mr. CAPUANO. Well, I am particularly happy he was enlightened. Again, I will take all the money I can get. We tried to grab the Florida money when they walked away, and, you know, if Jeff ever stopped the California project, I would be grabbing your money, anything I can.

[Laughter.]

Mr. CAPUANO. But, as I said, I need this Gateway Project to go through, because it is good for the country. And actually, I am an American. I am not just a parochial guy. I am a little bit of both, but, you know, it would be good for us.

I guess the last item I have is for you, Mr. Nissenbaum. I have been reading, and I have been informed that President Trump's administration have told all Departments not to answer any questions submitted to them by ranking members of committee or subcommittees. I haven't seen this, but that is what I have been informed is accurate.

And I am just curious. I mean, honestly, up until now, this committee is about as bipartisan as you get. You know, we have minor differences, but they are kind of like family differences. We are—we—that is why we get things like the FAST Act——

Mr. DENHAM. That is until I take your $20 billion for California high-speed rail.

[Laughter.]

Mr. CAPUANO. That is not a very family thing to do, but——

[Laughter.]

Mr. CAPUANO. But it is just—it just strikes me that that is the kind of policy that, absent some reason, would really drive a divisive wedge in a—maybe other places, but in this committee would drive a divisive wedge between people that get along and work together.

And I am just curious. Has your Department been informed by the White House that you can't answer questions submitted by the ranking member of this committee?

Mr. NISSENBAUM. We have gotten no such direction. We have been responsive to requests from both——

Mr. CAPUANO. Up until now, everybody has been great. I mean, you know, the DOT and all the subagencies have been great. We have had—to my knowledge, we have had no problem. As usual, we go back at you three or four times, but that is normal.

But I just want to be clear. I mean, if that comes down, I guess we will be having another discussion because, again, I don't mind having our arguments with my colleagues on this side, on that side, but up until now we like to build things. And we all—again, here we are, having a long discussion about projects that are not going to get any of us votes. But we all know it is critical for this country. We know it. And we will do what we have to do, as best we can. There is no reason to find ways—and I am not talking to you, but there is no reason for anybody to find ways to drive us apart unnecessarily.

And with that, thank you, and I yield back, and I deeply appreciate the chairman's wonderful flexibility and his liberal approach to his timing.

Mr. DENHAM. Easy on the liberalism.

Mr. Richard, a lot of new discussions about the blended approach. With Caltrain now—and Metrolink to the south, in L.A.—so you now have changes on the northern and southern ends of the high-speed rail line. What will the average train speed be with the current number of stops that are proposed be between San Francisco and Los Angeles? Average train speed.

Mr. RICHARD. I would say—I will have to do the division in my head, but the system, as you know, Mr. Chairman, has to be designed so that a nonstop train can go in 2 hours and 40 minutes. And we are still meeting that standard. In fact, the peer review group thought that we are about 8 minutes ahead of that.

In a way, the answer to your question is going to depend on the operator. Again, we are going to turn this over to private-sector operations. They are going to make decisions about how many through trains, which trains stop in which areas, and so forth. Those will be commercially driven. But I would say, in general, if I had to guess today, it would be about 3 hours from L.A. to San Francisco with normal stops, but with through trains at the 2 hours and 40 minutes that the statute calls for.

Mr. DENHAM. So there will be some trains that skip a certain amount of stops to be able to hit the 2.4 hour——

Mr. RICHARD. The requirement in the law is that the system be designed so that a nonstop train can go in 2 hours and 40 minutes. Just as the airlines optimize their service, which things they do nonstop, which ones they go through hubs, the private-sector operator will come in, and they will look at the ridership numbers, and they will decide how they want to provide service to those cities. Some of it will clearly be nonstop, some of them will stop in San Jose, maybe make limited stops, some of them will stop in all the cities.

And we will certainly want to make sure that everybody gets served. And I think the markets are there to serve them. But the reason that I can't give you a full answer today is whatever I say would be superceded by the commercial decisions, probably within some limits, that the commercial private-sector operator would make about how to optimize the system the best.

Mr. DENHAM. Well, we have seen a number of models as we have taken a look at France and Japan and China, and seeing what projects there are that are high speed that are already out there. We have also seen Florida and Texas that are modeling on what is proposed in the future. I would also like to see that modeling for California to better understand what areas of the State you could actually hit the 220 miles per hour. And if you are adding in stops and optimizing the rail system based on those stops, we would like to see how that affects the 220 miles an hour.

Mr. RICHARD. We will be happy to provide that to you. I would only make this point very quickly, Mr. Chairman, which is several times you have referenced the legislatively created peer review group. One of the things—before we agreed to the blended service, the peer review group not only recommended it, but indicated that we could run blended service in the end portions and still meet all the requirements of the Bond Act.

Eighty-five percent of the track we are laying will be brand new, virgin track, and that will all be susceptible to the highest speeds that these trains can run on, subject only to track geometry. It is only in the urban areas where, as you have traveled around and seen it, the trains don't go 200 miles an hour anyway. That is why we were able to share track in the North. And in the South, we are only sharing corridor. We are building our own track, but adjacent in the corridor, with no appreciable impact on the speeds.

Mr. DENHAM. Thank you. And I want to follow up on one final question, Mr. Richard, from a previous hearing that we had had last year.

Last July, California High-Speed Rail Authority made a presentation to the U.S. DOT in which it indicated it would seek $15 billion in Federal funding and financing support. Where does this stand, and why was this not discussed in the 2016 business plan?

Mr. RICHARD. I was not in that particular interaction with the DOT. My understanding, Mr. Chairman, is that—and I have to search my memory on this—is that basically it was a conversation about possible access to RRIF funding and other sources like that. I don't believe it ever—well, I know, because it never came to our board—it never rose to the level of a proposal.

I think that it was a conversation with DOT, but we have had an excellent partnership with our funding partners there about, as we moved forward, the ability to, if you will, securitize our revenue streams with RRIF loans, and so forth. I don't think it progressed past that at that point. We would like to come back to that at the appropriate point.

And, Mr. Chairman, if you will permit me, at some stage I would like to work with you and your staff on our long-term view about how we are staging this, and what support we might be looking for at various junctures.

Mr. DENHAM. I look forward to that continued discussion. But as chair of the California High-Speed Rail Authority, certainly you must authorize or at least know of any of your staff that may be going out and giving a formal presentation, especially one that would require $15 billion.

Mr. RICHARD. That would be correct, sir. But I don't think that this was a formal presentation. But again, I am going to go back and take a look at it. I did not authorize it, and I would like to say that I know every single fact that——

Mr. DENHAM. I would love to go over that with you.

Mr. RICHARD. OK.

Mr. DENHAM. It looks, from our standpoint, that we got it after the fact. It looks like a very formal presentation.

I guess my bigger concern is that, while this happened in July, we had a hearing in San Francisco, or in the Bay Area, on August 29th——

Mr. RICHARD. That is right.

Mr. DENHAM [continuing]. Where you had indicated there would not be any Federal funding needed—both from questions from Republicans and Democrats, that there would not be any more funding needed under the Initial Operating Section. So you can understand how we would be concerned to see that, a month prior, $15 billion is being requested out of DOT.

Mr. RICHARD. Well, Mr. Chairman, first of all, let me just say I take my obligation to give full and candid testimony very seriously. And what I said is exactly what I meant. For our Initial Operating Section, which is about a $20 billion segment, my belief right now is that it would be—I mean I would love to take Federal money, but my belief right now is it will be funded with $8 billion of State bonds, the $3.5 billion of Federal money we already have from ARRA, the stimulus act, and the fiscal year 2010 appropriation, from a combination of cap and trade dollars, and then we have a gap of a couple billion dollars we have to fill.

But we have a financing plan in mind for that that does not involve us coming and asking for any additional amount of Federal money. So my statement to you on August 29th stands, and I am happy to go back and rectify that with this other presentation. But my statement to you stands on that. We were not looking for $15 billion to get the Initial Operating Section done.

And again, I think it goes to the nature of—as Mr. Reininger was responding to a different question—a RRIF loan that is a payback of Federal dollars is certainly not the same as a Federal grant.

And so—but again, I don't have that presentation in front of me or in mind, Mr. Chairman. I understand very seriously the concern you are raising, and I will be happy to follow up with you and the committee on it.

Mr. DENHAM. The concern is to make sure that we have an open and transparent process——

Mr. RICHARD. Yes.

Mr. DENHAM [continuing]. And that we actually adhere to the will of the voters. So my concern with—both on Caltrain, as well as finding out—we want to make sure that it is a transparent model, that—you should be having a discussion with us. So when we find a grant agreement that comes up only a couple of days before the administration leaves, or when we find that there is a presentation that was presented to the U.S. DOT a month before we had a hearing, and we were not privy to that transparent document, it obviously raises questions.

So we would like to see a little more transparency. I am looking forward to not only our sit-down to go through some of these items, as well as the items that we are requesting in writing, but also, again, taking up Mr. Costa's offer and invitation, that we actually take a look at some of the jobs that are being created in the Central Valley.

Mr. RICHARD. Thank you, Mr. Chairman. I look forward to it.

Mr. DENHAM. Thank you.

You have more questions? I have got one final one for Mr. Nissenbaum, I wanted to follow up. Your written testimony mentions, with respect to oversight, that FRA uses its resources to focus on projects that present the highest risk. Do you consider California high-speed rail, the project itself, to be one that presents the highest risk?

Mr. NISSENBAUM. So, as I mentioned, 85 percent of the funds in the Recovery Act HSIPR program went to six corridors. And all six of those corridors are ones that we look at very closely, because they are complicated, there are multiple projects in them, there are lots of stakeholders and railroads and other parties involved. So we look at all of those very closely.

Mr. DENHAM. OK. Do all of them present a highest risk?

Mr. NISSENBAUM. Any significant investment in a transportation project is going to put it up into, for us, a higher level of oversight. And that is the category for all of the six corridors that are in the program, that we treat them all on that level.

Mr. DENHAM. Have all six corridors received a waiver, or received a tapered match?

Mr. NISSENBAUM. Not all six, but we have—there have been a number of tapered matches provided under the program.

Mr. DENHAM. Outside of California high-speed rail, where else are we doing a tapered match?

Mr. NISSENBAUM. I will be happy to get back to you with the specific answer. I know of a few, but I don't want to misquote them. There are several that we provided tapered matches to.

Mr. DENHAM. Is there guaranteed funding on the repayment of that tapered match? If you are going to spend all the Federal money upfront, and hope that there is State match in the future, is that State match guaranteed?

Mr. NISSENBAUM. Right. And not all of them were structured so that it was a 100-percent Federal match followed by State. There were different mixes. But it is the obligation of all of the grantees under the program to complete the scope of work of the project, which means they need to fulfill their match requirements, and they need to cover any additional costs that might be incurred. That is in the grant agreements, we have had remedies in the grant agreements to address any failure to comply with that, but that is absolutely our expectation.

Mr. DENHAM. Has FRA done an audit on California high-speed rail?

Mr. NISSENBAUM. We are not an audit agency. What we do is we conduct assessments of risk, and work closely with our grantees to try to identify areas to mitigate risk and to address any concerns that we have.

Mr. DENHAM. In your testimony, in your written statement, "FRA uses its resources to focus on projects that present the highest risk." So FRA's oversight program, how do you conduct oversight and use your resources to focus on projects that present the highest risk, if you don't do audits?

Mr. NISSENBAUM. Well, "audit" is sort of a formal term. What we do is—oversight, from a grant perspective, which involves looking at how the grantee is delivering the scope, schedule, budget, identifying areas where there may be concerns with any of those elements.

So oversight is a sort of standard term that is used for grantmaking agencies like ourselves. Audits are typically done by organizations like the inspector general's office.

Mr. DENHAM. So do you ever coordinate with the inspector general's office or any other office to conduct an audit?

Mr. NISSENBAUM. Yes. In fact, we have had, I believe, 14 audits conducted on the program and some of our projects over the course of the HSIPR program.

Mr. DENHAM. How many of these types of audits have been done on California high-speed rail?

Mr. NISSENBAUM. I will have to get back to you on that. I know of at least one that was focused primarily on California high-speed rail. There are others that have touched on a number of our grants.

Mr. DENHAM. We would request to see each of those written documents.

Mr. NISSENBAUM. I will be happy to provide those.

Mr. DENHAM. So if you are going to do a full audit on the project, what agency would be responsible for that full audit?

Mr. NISSENBAUM. I can't say for sure what the right agency would be. We could certainly—I will take that back to the Department. We can get you an answer for the record.

Mr. DENHAM. How are you not sure? I am a little confused here. So FRA changes its grant program. We have a grant program that says, OK, State and local government, you have got to come up with your match, and we will match it. We are going to do a grant program and invest Federal dollars to match funds.

And then you take a waiver and you say, OK, we are going to spend all the Federal dollars upfront with the promise that these State dollars are eventually going to come, and you have no idea who does the audit, or if there is an audit that has been done to guarantee that the State——

Mr. NISSENBAUM. Well——

Mr. DENHAM. So you can see where my concern is going here.

Mr. NISSENBAUM. Yes. No, I——

Mr. DENHAM. Mr. Richard, in his testimony, understands that at some point he is going to have to come back to the Federal Government. And I imagine going to the rest of my colleagues on this panel, that this panel is not going to be very kind to that new request if they can't actually verify that a State match has actually been fulfilled on the previous grant before we issue another grant.

So, if we don't even know if there is an audit that has been done, if we don't know who actually would do the audit, obviously it would raise a number of concerns that this match, that isn't there today, would actually come to fruition, especially before we have a new grant request.

Mr. NISSENBAUM. Yes, Mr. Chairman, I apologize if—I may have misunderstood your question.

From the standpoint of our program being audited, and any of the projects in our program being audited, the DOT inspector general is the office that handles that. And they have conducted a number of audits, and they may in the future conduct audits. So that would be the agency that would do it with respect to FRA, and how we have delivered, and any of our grants under our program.

Mr. DENHAM. OK, but, to your knowledge, you have not done an audit on the current grant.

Mr. NISSENBAUM. We have not. But again, the inspector general and the GAO have conducted—I believe the number is 14 audits of the overall HSIPR program, of which at least 1 of those was focused on California high-speed rail.

Mr. DENHAM. And you have reviewed this audit?

Mr. NISSENBAUM. Yes.

Mr. DENHAM. And are you convinced that this is no longer a high-risk project, and that the State match will be fully funded?

Mr. NISSENBAUM. I would never suggest any of our projects are not high risk. I mean we treat all of the projects with the seriousness of a grant oversight agency, particularly the large, complicated corridor projects. And so we will continue to look at it. We have not changed our oversight regime at all with respect to those audits.

Now, we did have some recommendations, which we have been in the process of putting in place, and have actually closed most of those recommendations. But we continue to oversee all of our grants, and particularly these six corridors, aggressively.

Mr. DENHAM. I would—I hate to assume anything in politics, but it seems to me that if a State or a project came back to the Federal Government and said, "Hey, trust us, let me give you some information and show you how great we are, we would like to have a waiver so that we can spend all the Federal money upfront instead of doing the obligatory State match at the same time," that at some point you would be looking at an audit or some type of guarantee to say this is less riskier than the other corridors, or other projects, because of a lower risk and a larger guarantee that the project will be done and the grant will be fulfilled.

There has to be some type of understanding before we would do a tapered match, would there not?

Mr. NISSENBAUM. Correct. Whenever we get a request for a tapered match—and we have had a number, and, as I said, we have granted some—we go through a review process. It is a standard grant tool that is used. We follow the same procedures as the Federal Highway Administration when they do tapered matches. We look at whether the benefits of that tapered match, in terms of project efficiency and delivery, exceed the risks. And in this case, we made that determination and granted that tapered match.

And again, in all of our grant agreements we have terms and conditions that are consistent across the grants that give us remedies to address a failure to comply, or a failure to deliver on any of the obligations to the grantee.

Mr. DENHAM. Thank you. This committee will be requesting to take a look at and receive copies of what the guarantee was, or the cost analysis that was used prior to approving the tapered match, and then also take a look at where we are now, before we request an audit. We will do both of those in writing, as well.

Mr. NISSENBAUM. Absolutely.

Mr. DENHAM. Anything else before we close? No more? I yield to Mr. DeSaulnier.

Mr. DESAULNIER. I just—two comments. I share the concern expressed by the chair on these mega-projects. When we look at risk management, risk assessment—not specifically towards high-speed rail, but just from experience.

And then, Mr. Richard, in regards to the commitment to the 2 hours and 40 minutes, I feel obligated to at least ask you to provide me with some information to the committee. The last committee that I was involved with in Sacramento, the head of your peer review group said—and it was well publicized—that, under his belief, under the changes you had made at that time—and that was 3 years ago—that you could no longer make the 2 urs and 40 minutes, I think it was 3 years ago. You weren't in attendance, Mr. Morales was. But it was well publicized. That's my memory.

So we need to find out what changed, or what the difference was, because it was a clear, unequivocal response to a question I asked him, and it was the chair of the peer review group. So we just need to find out. I would like to find out whether it is 2 urs and 40 minutes or not, whether he made an error in that public meeting, or if something changed subsequent to that, so that your testimony here is accurate.

Thank you, Mr. Chair.

Mr. RICHARD. I will provide that for you. I think I understand where the difference is, and I will get that information for you, but——

Mr. DESAULNIER. Because I have a—sitting here today I have never heard an explanation of why he wasn't factually correct in response to that question. So let's find out.

Mr. RICHARD. OK.

Mr. DENHAM. Well, let me thank each of our witnesses. We normally in this subcommittee, with the help of Mr. Capuano, we are usually very, very quick and very, very efficient. We normally do not go over 3 hours. But I would like to thank each of you for your indulgence, as well as your testimonies today, and look forward to following up with each of you. We will have some written questions, as well.

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 be submitted to them in writing, and unanimous consent that the record remain open for 15 days for additional comments and information submitted by Members and witnesses to be included in the record of today's hearing.

Without objection, so ordered.

If no other Members have anything to add, the committee stands adjourned. Thank you.

[Whereupon, at 1:05 p.m., the subcommittee was adjourned.]

WRITTEN STATEMENT OF PAUL NISSENBAUM
ASSOCIATE ADMINISTRATOR
OFFICE OF RAILROAD POLICY AND DEVELOPMENT
FEDERAL RAILROAD ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

Before the
Committee on Transportation and Infrastructure,
Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives

"Building A 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"

June 22, 2017

Chairman Denham, Ranking Member Capuano, and Members of the Subcommittee:

Thank you for inviting me to discuss the Federal Railroad Administration's (FRA) oversight of passenger rail programs. FRA's mission is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future. Under the leadership of Secretary Elaine L. Chao, FRA executes this mission through developing and enforcing safety regulations, promoting non-regulatory safety activities, investing in rail services and infrastructure, facilitating national and regional rail planning, and conducting research and development to advance innovative technology solutions.

FRA's Office of Railroad Policy and Development is responsible for project development and investment in passenger and freight rail infrastructure as well as the implementation of statutory policy concerning intercity passenger rail service and high-speed rail. We oversee grant agreements with Amtrak to administer federal funds appropriated by Congress to support Amtrak's operations, infrastructure, and equipment.

My office also works with FRA's Office of Railroad Safety on priorities such as implementation of Positive Train Control (PTC) and development of passenger equipment safety standards—and with the U.S. Department of Transportation's Build America Bureau (Bureau) on helping project sponsors navigate and accelerate federal permitting and procedural requirements, getting projects ready for funding or financing as quickly and efficiently as possible.

Rail Development

FRA would like to recognize the Committee's commitment to rail embodied in the Fixing America's Surface Transportation (FAST) Act. The FAST Act represents a historic milestone in that for the first time intercity passenger rail has been included in a comprehensive, multi-modal surface transportation authorization. The FAST Act builds on policies and programs this Committee established in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). PRIIA also enhanced the role of states in passenger rail planning and development through the Section 209 state-supported corridors requirements. Congress subsequently provided a total of $10 billion in funding to Amtrak and states through the American Recovery and Reinvestment Act of 2009 (ARRA) and Fiscal Year 2010 annual Appropriations.

HSIPR Implementation and Scope

The High-Speed Intercity Passenger Rail (HSIPR) Program was built as a national program in scope, but state-based in execution, similar to how the federal government has approached the highway system over the last 50 years. States were given the ability to seek funding for projects that best reflected the needs and characteristics of their individual markets.

It is important to note that operating speeds are only one element of a high-performing rail service. While 150 m.p.h. plus service may be justified in certain markets (e.g., the Northeast Corridor (NEC)), the infrastructure and resources required to construct and operate such services in other markets may not be economically feasible. In many corridors, improving reliability, adding service frequencies, and addressing congestion issues at conventional speeds will meet critical transportation needs in a cost-effective manner.

HSIPR Investments

Since January 2010, the HSIPR Program has supported nearly 150 projects in 35 states and the District of Columbia. Nearly 85 percent of these investments are concentrated in six key corridors:

- Seattle – Portland – Eugene
- San Francisco – Fresno – Los Angeles
- Chicago – Springfield – St. Louis
- Chicago – Kalamazoo – Detroit
- Charlotte – Richmond – Washington, D.C.
- Boston – New York City – Washington, D.C.

Through the HSIPR Program, thousands of corridor miles of track are being constructed or improved, new passenger rail equipment are being procured, and more than 30 stations are being upgraded. These modernization and infrastructure projects are improving the rider experience by increasing reliability, adding new capacity, reducing travel times, and making stations and equipment more efficient and accessible. Many of these projects have benefited the broader rail network, including freight rail services, by increasing capacity, reducing congestion, and improving fluidity.

Safety Benefits

HSIPR funding, along with other FRA investment programs, has also been critical to improving safety on rail corridors across the country. Investments have been made in safety-critical track and bridge improvements, upgrades to highway-rail grade crossing protection measures, additional grade separations, and signal system upgrades. HSIPR has also provided $460 million in signal upgrades related to the implementation of PTC technology.

A few additional examples of safety-related outcomes from HSIPR-funded projects include:

- **Track and Bridge Improvements**
  - **Missouri** – Construction of a new bridge and crossover resulting in the addition of a second track across the Osage River, eliminating a bottleneck for Union Pacific freight trains and Amtrak's *Missouri River Runner* passenger trains.
  - **Vermont** – Significant track, signal, and bridge improvements on the Vermonter. The project installed approximately 150 miles of new rail across the state, replaced 130,000 older rail ties, upgraded or replaced 38 switches and 46 rail crossings. In addition to improving safety along the corridor, the track and signal upgrades reduced travel time by approximately 30 minutes.
  - **Illinois** – Replacement of two bridges in northern Illinois to improve safety and reliability on the Chicago – Milwaukee corridor. The new

bridges, which carry 16 daily passenger trains, allow passenger trains to maintain their current speeds without slowing due to safety concerns.

- **Grade Crossing Improvements**
  - **North Carolina** – Engineering, environmental review, and construction of a highway-rail grade separation for Sugar Creek Road in North Charlotte—the most heavily trafficked grade crossing in the state of North Carolina.
  - **Pennsylvania** – Design and construction to eliminate three public grade crossings on the Keystone Corridor between Philadelphia – Harrisburg.
- **PTC Installation**
  - **California** – Funding to implement PTC between Moorpark and San Diego on the Pacific Surfliner corridor, the busiest corridor outside the NEC (2.9 million passengers in FY 2016).
  - **Michigan** – Funding to implement PTC on the Chicago – Detroit – Pontiac corridor, part of a larger award for the Dearborn – Kalamazoo corridor program that will also increase speeds and reduce trip times.

Program Challenges and Oversight

The HSIPR Program was the first major infusion of federal grant money made available for states to use for rail projects. Federal, state, and private-sector partners, including host railroads, had to quickly adjust and ramp up to apply for and make use of those funds. In a collective effort, our state grantees and industry partners rose to the challenge and overcame multiple obstacles to deliver successful projects that benefit the millions of Americans who depend on America's rail system. Nevertheless, like all major and ambitious transportation projects, whether public or private, there inevitably arose important challenges that demand continued attention and conscientious oversight.

Program Development:

To help mitigate program implementation challenges and ensure proper stewardship of taxpayer dollars, FRA established a risk-based oversight program for HSIPR.

FRA's program management model comprises three major components: grant compliance reviews, project implementation oversight, and technical assistance delivery.

- **Grant Compliance** – FRA grant agreements clearly outline each award recipient's grant administration responsibilities, in compliance with federal grant oversight regulations and FRA policies. Grantees are required to submit detailed and accurate quarterly financial and project progress reports. FRA closely reviews reports for accuracy and has developed a compliance assessment tool to evaluate grantee adherence to administrative requirements on a monthly basis. Further, grant compliance is a component of FRA's oversight monitoring program discussed below.

- **Project Implementation Oversight** – Consistent with good grant management practice, grantees are required to submit a detailed, thorough, and feasible statement of work (SOW), including a clear scope, schedule, budget, and deliverables. FRA uses these grantee-generated deliverables and other resources to assess grantees' adherence to the SOW and general project quality throughout the grant period of performance.

FRA's oversight program is comprised of routine monitoring—day-to-day grant management across the portfolio as needed—and scheduled monitoring, which could occur in a desk or site visit. FRA uses its resources to focus on projects that present the highest risk. Utilizing these tools to evaluate grantee performance and identify project delivery issues, the FRA grant oversight team may require grantees to submit and implement corrective action plans, if necessary.

- **Technical Assistance** – Grantees are given substantial access to FRA's monitoring and oversight team, which is often able to help grantees identify project risks or address challenges in technical areas such as engineering or environmental compliance.

External Programmatic Oversight:

The Department of Transportation Office of Inspector General (OIG) has audited the HSIPR Program. The auditors identified no cases of waste, fraud, or abuse in any of the grants.

To be expected of a new program, a recurring theme in the findings of the 14 audit reports was related to project delivery challenges faced at the grantee level as states worked toward implementing HSIPR projects. Project implementation often involves several parties—state DOTs, regional rail authorities, host railroads, Amtrak, and sometimes local municipalities—working collaboratively to successfully deliver projects per FRA's grant agreements. As a result, project delivery-related challenges can be a natural part of the business, and are often addressed collaboratively by these parties.

HSIPR Progress

Rail remains a mode of opportunity that drives investment and economic productivity. The influx of public funding provided by Congress and HSIPR to state grantees has attracted private-sector interest in developing intercity passenger rail in the United States.

In **California**, new locomotives, manufactured by Siemens, have been rolling off the assembly line since 2016, and have since undergone testing at FRA's Transportation Technology Center in **Colorado**, as well as on the passenger rail corridors where they will soon be placed into regular service.

In **Illinois**, the Town of Normal's new Uptown Station has spurred millions in new development of hotels, restaurants, apartments, and retail.[1] On the south side of Chicago, the Englewood Flyover, which allows trains to pass over each other instead of waiting for traffic at a four-way intersection, eliminates a major passenger and freight rail choke point and costly delays.

In **Minnesota**, investment to improve the St. Paul Depot has led to additional investment and the rebirth of the Lowertown area, where industrial buildings are being modernized and repurposed.

Project Pipeline

In addition to critical infrastructure projects, the HSIPR Program funded planning and environmental studies. Seventy-five (75) planning, environmental analysis, and engineering projects were completed or are underway across the country. The products that result from these efforts will lay the foundation for future construction projects and service improvements—establishing a strong "pipeline" of potential rail capital projects, ready for funding and/or financing

[1] http://highspeedrailworks.org/2014/10/new-study-shows-high-speed-rail-spurs-job-growth-in-normal-illinois/.

solutions. Many of these potential capital projects involve reinvesting and improving existing corridors.

Rail Development Opportunities – Funding and Financing

Funding Programs:

The FAST Act authorized three new competitive rail development grant programs—two capital grant programs and one operating grant program:

- *Consolidated Rail Infrastructure and Safety Improvements (authorized at $1.1 billion over 5 years)* – For capital projects, regional and corridor planning, environmental analyses, research, workforce development, and training to improve the safety, efficiency, and reliability of passenger and freight rail systems.
- *Federal-State Partnership for State of Good Repair (authorized at $997 million over 5 years)* – For capital projects on publicly- or Amtrak-owned infrastructure, equipment, and facilities to (1) replace existing assets in-kind or with assets that increase capacity or service, (2) maintain service while existing assets are brought into a state of good repair, or (3) bring existing assets into a state of good repair.
- *Restoration and Enhancement Grants (authorized at $105 million over 5 years)* – For operating assistance for up to 3 years per route to initiate, restore, or enhance intercity passenger rail transportation.

In the Consolidated Appropriations Act of 2017, signed into law on May 5, 2017, Congress appropriated $68 million for Consolidated Rail Infrastructure and Safety Improvements, $25 million for Federal-State Partnership for State of Good

Repair, and $5 million for Restoration and Enhancement Grants. FRA is currently working to develop the Notices of Funding Opportunity for these grant programs.

The FY 2017 Appropriations Act also provided $199 million in grants for PTC implementation for commuter railroads and states, as authorized by the FAST Act. FRA and the Federal Transit Administration (FTA) selected 17 projects in 13 states to help passenger railroads implement this important life-saving technology mandated by Congress to help prevent certain train-to-train collisions, over-speed derailments, incursions into established work zones, and trains routed to the wrong tracks because a switch was left in the wrong position.

Financing Programs:

FRA works collaboratively with the Bureau—the Department of Transportation's one-stop shop for financing and technical assistance for transportation projects. The Bureau has three credit programs that project sponsors can consider as a potential solution to advance rail projects:

- *Transportation Infrastructure Finance and Innovation Act (Provided $22 billion in credit assistance to 53 projects to date)* – Provides loans, loan guarantees, and lines of credit to finance surface transportation projects.
- *Railroad Rehabilitation and Improvement Financing (Provided 36 loans totaling over $5 billion to date)* – Provides loans and loan guarantees to finance railroad and intermodal equipment, and infrastructure that results in public benefits.
- *Private Activity Bonds (Issued nearly $5.8 billion to date)* – Provides authorization for a state or local government to issue tax-exempt bonds on behalf of a private entity developing a qualified highway or surface freight transfer facility project.

Streamlining Project Delivery

The FAST Act contains a number of project delivery reforms to reduce duplication of environmental reviews and enhance interagency coordination. For FRA, these changes include:

- Aligning FRA's environmental review process with Federal Highway Administration and FTA, creating consistency among operating administrations with jurisdiction over surface transportation (Sec. 11503);
- Exempting historic rail and transit lines from Section 4(f) reviews (Sec. 11502); and
- Proposing an exemption to Section 106 Historic Preservation reviews (Sec. 11504).

In addition to these items, FRA is surveying its use of Categorical Exclusions (CEs) dating back to 2005 and undertaking a rulemaking to propose new and modify existing CEs.

Optimizing Amtrak Oversight

The FAST Act made significant changes to Amtrak's account structure and planning/reporting requirements. Rather than the previous Operating grant and Capital/Debt grant, the FAST Act establishes separate accounts for the NEC and National Network.

FRA and Amtrak have worked together to implement the changes required to meet this new account construct (used by Congress in the FY 2017 enacted appropriation), as well as enhanced planning and reporting requirements. These measures will significantly improve Amtrak transparency and delivery of its services by requiring 5-year planning and monthly profit and loss statements for each of Amtrak's business lines (NEC, state-supported routes, long-distance routes, and ancillary services) and asset categories (infrastructure, stations, equipment, and national assets).

The Immediate Future

- FRA is committed to the continued oversight and management of all its grant programs, including the rail programs authorized in the FAST Act. As mentioned earlier, the FY 2017 Appropriations Act provided funding for these programs, and FRA is working to get these programs up and running. FRA will use the oversight and monitoring processes developed to support the HSIPR program, which contain strong protections for the taxpayers' investment, for these new funding programs as well.
- Under the leadership of Secretary Chao, FRA will continue streamlining project approval and delivery processes, where appropriate, to ensure that the economic, transportation, and safety benefits of the projects we invest in are maximized.

Conclusion

Rail plays an integral role in a strong U.S. multi-modal transportation system. Making prudent investments in rail that are market-appropriate will ensure that we address the needs of the rail network and the larger transportation system in a cost-effective manner while maximizing public benefits across all modes.

The investment Congress has made in rail has resulted in greater state ownership and improved passenger rail service; increased speeds; improved reliability; new and refurbished stations, locomotives, bridges, and track; highway-rail grade separations as well as other safety improvements—and led to increased mobility, productivity, and economic growth. This investment has also helped the states establish a pipeline of future capital projects that are ready to address a range of corridor needs.

The rail programs authorized by Congress in the FAST Act and funded through the FY 2017 Appropriations Act will build off of that investment and allow us to continue to work toward our collective goal of achieving a world-class passenger and freight rail system.

Thank you, Mr. Chairman, for the opportunity to testify. I am happy to answer any questions.

Committee on Transportation and Infrastructure,
Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives

"Building a 21st Century Infrastructure for America:
Challenges and Opportunities for Intercity Passenger Rail Service," June 22, 2017

Questions for the Record

Submitted on behalf of Chairman Jeff Denham (CA-10)

1. **$400 million of ARRA funds were used to construct the underground level of the Transbay Transit Center in downtown San Francisco in anticipation of the high-speed train system. Now that the 'high-speed' rail trains will operate over Caltrain, was this money wasted?**

   Answer: No. The underground "train box" project at Transbay Transit Center, funded by a Federal Railroad Administration (FRA) grant, is necessary to preserve the future station, platform facilities, customer waiting areas, and intermodal connections for both California High-Speed Rail and Caltrain at this future multi-modal San Francisco hub. California High-Speed Rail and Caltrain will have separate, dedicated platforms in the train box, even if they share a rail corridor. However, within the train box, platforms are not yet built to ensure maximum flexibility to determine the final configuration once all the specifics about the high-speed rail cars are known. The Transbay facility will provide direct access for future rail passengers to Bay Area Rapid Transit, bus services, and taxis in the heart of the downtown financial district. FRA considers the train box a necessary part of the comprehensive, multi-modal Transbay Terminal project.

2. **What additional work and at what cost, beyond the $400 million in ARRA funding, will be needed for the California high-speed rail line to serve Transbay Terminal?**

   Answer: Most of the additional project costs for the Transbay Terminal are being funded by local, State, and Federal Transit Administration (FTA) funding sources, including a significant portion of funding generated from a fee from the newly formed Transbay special district. Scheduled for substantial completion near the end of 2017, Phase 1 includes the above-ground, multi-story Terminal and its below-ground train box. Phase 2 involves completion of the interior of the train box, including platforms for the high-speed rail service, customer waiting areas, and operational rooms of which a detailed cost estimate is not yet available. In addition, for train service to connect to the Transbay Terminal, the rail connection must be made between 4th and King Street and the Transbay Tunnel Portal, which is planned for Phase 2. Transbay Joint Powers Authority's current estimate for the "Caltrain Downtown Extension" connection is $3.9 billion. The City of San Francisco and Transbay Joint Powers Authority recently initiated a contract amendment to advance preliminary engineering design and cost estimating for the Phase 2 tunnel; this work will be completed in about June 2019.

3. **How much communication was there between FRA and FTA about the Caltrain full funding grant agreement and the use of Proposition IA rail funds to fund the Caltrain project?**

   Answer: While FRA has had contact with FTA regarding the full funding grant agreement, as part of FRA's oversight of the Phase 1 environmental review and preliminary engineering funded by the High-Speed Intercity Passenger Rail (HSIPR) grants for the California High-Speed Rail program, FRA's primary role has been ensuring that the California High-Speed Rail Authority (CHSRA) has provided Caltrain with its system design and Proposition 1A funding requirements so that those issues are appropriately considered and incorporated into the FTA-funded work.

4. **What could Amtrak do to make the long distance trains more cost effective?**

   Answer: Amtrak's long distance services, while geographically expansive, serve a small number of passengers—less than 5 million annually. These trains also account for the vast majority of Amtrak's operating losses—roughly half a billion dollars a year, on average. Congress and FRA have offered various ideas on how to improve the bottom line of Amtrak's long distance trains, including truncating service and scaling back on premium amenities. FRA plays an important oversight role through our grant administration of Amtrak. While Congress considers the Administration's budget proposal, FRA will work with Amtrak to identify ways to drive improvements in the cost-effectiveness of the long distance business line.

5. **Does FRA expect the December 2018 deadline will be met by all of the freight and commuter railroads?**

   Answer: No. Very few freight and passenger railroads will complete full implementation of a positive train control (PTC) system by the December 31, 2018 deadline. Most railroads will need to request FRA's approval of an alternative implementation deadline, which may be no later than December 31, 2020 by law. To qualify for an extension beyond December 31, 2018, a railroad must demonstrate to FRA in a written notification that it has completed all PTC hardware installation and spectrum acquisition by December 31, 2018 and has made sufficient progress on testing and employee training, as the Positive Train Control Enforcement and Implementation Act of 2015 (PTCEI Act) requires. Of the railroads that will need to request an extension from FRA, several commuter railroads are currently at risk of not being able to complete all the statutory requirements necessary for FRA to approve an extension.

6. **Can you explain how FRA reports progress on PTC implementation? The freight railroads' reports suggest they are much further along than FRA gives them credit for.**

   Answer: FRA reports railroads' PTC implementation progress based on the data railroads directly report to FRA in their Annual PTC Progress Reports (Form FRA F 6180.166, OMB Control No. 2130-0553) and Quarterly PTC Progress Reports (Form

FRA F 6180.165, OMB Control No. 2130-0553). In the graphics on FRA's website, FRA primarily depicts the high-level, summary data that railroads report to FRA in these reporting forms as an overview of railroads' overall progress with respect to full PTC system implementation. For example, the graphics depict how many locomotives and track segments a railroad has equipped with a PTC system, and as your question acknowledges, certain railroads believe this does not reflect incremental progress. However, FRA also posts links on its website (https://www.fra.dot.gov/Page/P0628) to the public versions of railroads' full progress reports, which contain detailed, incremental information about various aspects of PTC hardware installation, spectrum acquisition, revenue service demonstration, and employee training.

7. **What do you consider to be the greatest risks to the California high-speed rail project?**

Answer: This is a long-term project with many stakeholders. Once completed and operational, it would be the first rail system in the country capable of speeds of up to 220 miles per hour. A challenge for a project of this magnitude similar to many projects with a long timeline for completion is maintaining continuous leadership and ongoing funding support through all stages of the project. Efforts are underway at CHSRA to address those through the procurement of an Early Train Operator (ETO) with proven experience and expertise to provide advisory services through initial high-speed rail operations. The intent of the ETO is to ensure commercial viability of the system to attract additional funding streams to include private funding.

FRA's engagement includes ensuring engineering and design compatibility with regulations and operating standards, and overseeing compliance and completion of the grant agreement.

The FRA grants for California High-Speed Rail fund the environmental review and preliminary engineering for Phase 1 of the California High-Speed Rail System and the final design and construction of the first construction segment in the Central Valley. FRA continues to track CHSRA's development through regular meetings on a wide variety of topics and through standard grant oversight and monitoring activities. FRA takes its responsibility to oversee this project and compliance with federal requirements seriously, and will continue to track development to ensure California High-Speed Rail meets its obligations under the grant agreements.

8. **Please submit for the record a summary of how the ARRA funds have been used on the California high-speed rail project and what has been accomplished.**

Answer: All the work of the ARRA grant is underway. Consistent with the cooperative agreement between CHSRA and FRA, accomplishments to date include:

- Project Development – Planning, environmental review, and preliminary engineering have been completed for the first construction section from Madera to north of Bakersfield (FCS). Planning and environmental review are underway for the other project sections (e.g., San Francisco to San Jose, San Jose to Merced, Palmdale to Burbank, and Burbank to Los Angeles, etc.). The environmental reviews underway in each of these segments will comply with relevant environmental laws. As part of that effort, FRA and CHSRA are identifying alternatives, evaluating the potential impacts and costs of each alternative, and gathering input from stakeholders and resource agencies to inform future state and federal decision making. Completing this process is a precursor for right-of-way (ROW) acquisition, final design, and construction. This accounts for approximately 20 percent of the grant budget.

- ROW Acquisition, Utility Relocation, Final Design, and Construction of the FCS – Approximately 65 percent of the parcels (approximately 1,700) have been acquired and turned over to the design/build contractors, and CHSRA is working with utilities companies to relocate utilities within the project footprint. CHSRA has contracted with three separate design/build contracting teams for the final design and construction of the FCS. The design/build contracting teams are conducting engineering work for the FCS, and construction is underway. Notably, construction has begun on 14 structures and the realignment of SR-99. This is the largest portion of the project, representing approximately 70 percent of the grant budget.

- Contract Management and Oversight and Third Party Agreements – Both program management and construction oversight are essential elements of CHSRA's management of the FCS. Dedicated contract management and oversight provides impartiality and ensures engineering and construction work meets technical requirements for the project. Additionally, these activities ensure that the design/builders are meeting the requirements of their permits, as they design and construct the FCS. CHSRA also enters into third party agreements with railroads, utilities, and other parties that may be impacted by construction of the FCS. These activities account for approximately 10 percent of the grant budget.

Questions 9-12 submitted on behalf of Ranking Member Michael E. Capuano of Massachusetts

9. You note that your office works on the development of passenger equipment safety standards. Following the derailment of Amtrak train 188 in Philadelphia, Pennsylvania, and a 2013 derailment of a Metro North train in New York, the NTSB concluded that the current passenger equipment safety standards are not adequate. Specifically, the NTSB found that "if the passenger car windows had remained intact and secured in the cars, some passengers would not have been ejected and would likely have survived the accident." The NTSB recommended that FRA "develop occupant protection standards for passenger railcars." What is FRA doing to implement this recommendation?

Answer: FRA does have standards for passenger railcars to protect occupants in accidents and other emergencies. FRA understands the NTSB recommends FRA enhance those standards, specifically to prevent occupant ejection through windows. With the assistance of Volpe, The National Transportation Systems Center, FRA initiated research in September 2015 to assess the relative effectiveness of window system design methodologies to enhance occupant containment capabilities, while not compromising the ability to provide emergency egress and rescue access through the window or provide normal window functioning. FRA's research has included quantifying the force environment (interior and exterior) that window systems are subjected to under nominal rollover derailments, identifying potential methods for testing window system performance, and developing conceptual design strategies. FRA is currently reviewing design strategies and is considering developing a prototype of the most promising design strategy to evaluate its effectiveness and determine whether regulatory changes are reasonable and practical.

10. The NTSB also found that "the passengers were not protected from serious injuries resulting from being thrown from their seats when the cars overturned." Has FRA ever evaluated the use of seatbelts on passenger trains? If so, when was that evaluation conducted and what were the findings?

Answer: Yes. FRA has evaluated the effectiveness and practicality of seatbelts for occupant protection on passenger trains. FRA did so initially in developing its Passenger Equipment Safety Standards in the 1990s and subsequently as part of evaluating other potential occupant protection strategies. FRA found that seatbelts consisting only of lap belts actually increase the risk of injury to passengers in train accidents. Safety could potentially be enhanced by using seatbelts with both a lap belt and a shoulder restraint. However, implementing such seatbelts introduces other risks, particularly because hardening seatbacks to support lap and shoulder belts increases the risk of injury to unrestrained occupants striking the hardened points. FRA instead has focused on other means of improving occupant protection such as redesigning tables and commuter seats to better contain and cushion passengers, and other passive restraint interior design features.

11. You mentioned that the DOT Inspector General has audited the FRA's high-speed intercity passenger rail program and "identified no cases of waste, fraud, or abuse in any of the grants." Did that include a review of the FRA grants to California for the High-Speed Rail Project, and has California met all of its federal grant responsibilities?

Answer: The HSIPR Program has been audited or reviewed a total of 15 times, with the audits identifying no waste, fraud, or abuse in any of the grants. The U.S. Department of Transportation's Office of Inspector General (OIG) has audited the Program six times, and the GAO has audited it eight times and conducted one legal review of the California High-Speed Rail program. The following is work conducted by the GAO specific to California High-Speed Rail:

- GAO-13-304, California High-Speed Passenger Rail: Project Estimates Could Be Improved to Better Inform Future Decisions, (2013), available at: https://www.gao.gov/assets/660/653401.pdf

- GAO Legal Review, Issues Arising under FRA's Implementation of California High-Speed Rail Authority Grant Tapered Match Provision, B-325583, (2015), available at: http://www.gao.gov/products/B-325583

There are no open recommendations for both the above audit and legal review.

In addition to the formal GAO and OIG audits and reviews, FRA has developed and implemented a comprehensive oversight program for projects funded by the HSIPR Program, including the grants between California High-Speed Rail and FRA. This oversight and monitoring program is described further in response to question 12 below.

12. **You mentioned that FRA "will use the oversight and monitoring processes developed to support the high-speed rail program which contain strong protections for the taxpayers' investment." Can you discuss those oversight and monitoring processes in more detail?**

Answer: FRA established a dynamic and robust oversight program for HSIPR to mitigate program implementation challenges and ensure proper stewardship of taxpayer dollars. FRA's program management model comprises three major components: grant compliance reviews, project implementation oversight, and technical assistance delivery.

- **Grant Compliance** – FRA employs both routine and scheduled monitoring to ensure grantee compliance with federal rules and regulations, as well as adherence to a project's scope, schedule, and budget. Routine monitoring includes a review of grantee compliance with the grant agreement terms and conditions, and allows for staff to monitor trends and inconsistencies concerning payment requests. Activities such as reviewing quarterly progress and financial reports, reoccurring status calls with grantees, reviewing payment requests, and responding to correspondence from grantees all fall under routine monitoring.

  Every calendar year, FRA assesses its grant population and selects grants for scheduled monitoring. The assessment criteria include the monetary award amount, program funding source, regional distribution, project type, and past performance and compliance to identify which grants could use extra attention. FRA staff then schedule either a desk review or site visit to examine selected projects in depth using evaluation checklists. Site monitoring provides direct interaction and an opportunity to review the grantees' files, inspect construction progress, verify equipment and material purchases, and conduct other monitoring activities. FRA's monitoring activities are not audits and instead provide FRA with an opportunity to work with grantees to resolve potential or realized problems that could prevent the successful completion of a project. Through the extra attention monitoring provides, FRA is able to address problems, ensure compliance with federal rules and regulations, capture best practices, and receive feedback from grantees on areas for improvement.

- **Project Implementation Oversight** – Before awarding funds, FRA requires each grant recipient to submit a detailed, thorough, and feasible statement of work (SOW), including a clear scope, schedule, budget, and deliverables that grantees must submit throughout the grant period of performance. FRA uses these grantee-generated deliverables and other resources to assess grantees' adherence to the SOW and general project quality. Utilizing these tools to evaluate grantee performance and identify project delivery issues, in conjunction with the monitoring activities described above, the FRA grant oversight team may require grantees to submit and implement corrective action plans, if necessary.

- **Technical Assistance** – FRA's monitoring and oversight team is in constant communication with grantees and is often able to assist grantees in identifying project risks or addressing realized challenges in technical areas such as engineering or environmental compliance. FRA has provided an extensive level of support to grantees throughout the HSIPR Program to safeguard federal investments and maximize public benefits.

Committee on Transportation and Infrastructure,
Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives

"Building a 21st Century Infrastructure for America:
Challenges and Opportunities for Intercity Passenger Rail Service," June 22, 2017

Post-Hearing Requests

From FRA or FTA – Provide information with respect to the scope of work under the Caltrain full funding grant agreement, specifically whether the agreement includes work necessary to accommodate high-speed trains, i.e. passing tracks, straightening of curves, and other work beyond electrification.

Response: As explained at the hearing, the Federal Transit Administration (FTA) is administering the Full Funding Grant Agreement (FFGA) for Caltrain's electrification program. Further questions regarding the FFGA's scope are best answered by FTA. However, the Federal Railroad Administration (FRA) would be happy to participate in any meetings between FTA and Committee staff related to the electrification program.

Provide a list of all projects receiving ARRA funds that received a tapered match, the terms of the tapered match, and the terms of the remedies in the grant agreements (including the California High-Speed Rail agreement) for failure by the State to comply with matching funds requirements.

Response: Below is a list of all projects receiving ARRA funds that received a tapered match.

State	*Grant Name*	*Grant Status*	*Obligated Funding*	*Outlays to Date (6/30/17)*	*Remaining Balance (6/30/17)*	*% Outlaid*	*% Remaining*	*Tapered Match Date*
CA	California High-Speed Train Program: ARRA Grant	Obligated	$2,552,556,231	$2,405,179,269	$147,376,962	94%	6%	12/5/2012
IL	Chicago-St. Louis Corridor Improvement Program	Obligated	$1,142,324,000	$1,037,195,178	$105,128,822	91%	9%	5/5/2016
CA	Transbay Transit Center (TTC): Train Box (Part of Phase I)	Closed	$400,000,000	$400,000,000	$0	100%	0%	8/11/2010
NY	Harold Interlocking - Northeast Corridor Congestion Relief Project	Obligated	$294,781,579	$286,347,082	$8,434,497	97%	3%	9/16/2015
VA	Arkendale to Powell's Creek Third Track	Obligated	$74,840,119	$69,481,669	$5,358,450	93%	7%	Pending
CA	Rolling Stock: CA Statewide Acquisition (ARRA)	Obligated	$68,000,000	$11,835,036	$56,164,964	17%	83%	Pending

NY	Empire Corridor Capacity Improvements: Albany-Rensselaer Fourth Station Track, Hudson Line Signal Wire Relocation, and Schenectady Station Projects	Obligated	$58,131,756	$58,131,756	$0	100%	0%	8/30/2016
CA	Pacific Surfliner: Oceanside Pass-Through Track	Obligated	$3,400,000	$11,610	$3,388,390	0%	100%	4/26/2016
MI	Preliminary Engineering and Environmental Documentation for the Ann Arbor Station	Obligated	$2,806,400	$766,638	$2,039,762	27%	73%	5/5/2017

The Terms of the Tapered Match

Please see the Tapered Match Request Submission Guidelines (attached) for information on the general terms of tapered match eligibility and approval.

In addition to enforcing the requirements of the Tapered Match Request Submission Guidelines, FRA also requests that ARRA-funded grantees submit monthly spend plan projections, which include a detailed forecast of scheduled spending of FRA funds down to the task level, as well as past actual expenditures.

The Terms of the Remedies in the Grant Agreements (including the California High-Speed Rail agreement) for Failure by the State to Comply with Matching Funds Requirements

All grants with tapered match are currently governed by Title 49, Code of Federal Regulations (CFR) Part 18. These Grants' Terms and Conditions detail the Right of FRA to Terminate if Grantees violate the terms of the Agreement. The excerpt below includes standard language that is conventionally included in the individual grant agreements:

23. **Right of FRA to Terminate:**

a. Upon written notice, the Grantee agrees that FRA may suspend or terminate all or part of the financial assistance provided herein if the Grantee has violated the terms of this Agreement, or if FRA determines that the purposes of the statute under which the Project is authorized would not be adequately served by continuation of Federal financial assistance for the Project. Any failure to make reasonable progress on the Project or other violation of this Agreement that significantly endangers substantial performance of the Project shall provide sufficient grounds for FRA to terminate this Agreement.

b. In general, termination of any financial assistance under this Agreement will not invalidate obligations properly incurred by the Grantee and concurred in by FRA before the termination date, to the extent those obligations cannot be canceled. However, if FRA determines that the Grantee has willfully misused Federal assistance funds by failing to make adequate progress, failing to make reasonable use of the Project property, facilities, or equipment, or failing to adhere to the terms of this Agreement, FRA reserves the right to require the Grantee to refund the entire amount of FRA funds provided under this Agreement or any lesser amount as may be determined by FRA.

c. Expiration of any Project time period established for this Project does not, by itself, constitute an expiration or termination of this Agreement.

Furthermore, Grantees are also subject to 49 CFR 18.43 Enforcement and 40 CFR Part 18.44 Termination for Convenience. Detailed explanations of these provisions can be found at the following links:

https://www.gpo.gov/fdsys/granule/CFR-2011-title49-vol1/CFR-2011-title49-vol1-sec18-43

https://www.gpo.gov/fdsys/granule/CFR-2009-title49-vol1/CFR-2009-title49-vol1-sec18-44

Provide a list of the audits conducted by the DOT Inspector General that have addressed the CAHSR project.

Response: The Department of Transportation's Office of Inspector General (OIG) has audited FRA's implementation of the High-Speed Intercity Passenger Rail (HSIPR) Program and included reference to the California High-Speed Rail Project as a component of this Program in the audit reports listed below. The report findings based on these audits identified no waste, fraud, or abuse in any of the grants.

FRA Passenger Rail Development & Grants
OIG Audit Reports, 2009-2016

Auditor	*Report Title*	*Published Date*	*Recommendations Issued*	*Recommendations Open **
OIG	Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program, CR-2012-178 Available at: https://www.oig.dot.gov/sites/default/files/FRA%20HSIPR%20Grants%20Program%5E9-11-12.pdf	9/11/12	5	0
OIG	FRA's Requirements For High Speed Rail Stakeholder Agreements Mitigated Risk, But Delayed Some Projects' Benefits, CR-2013-007 Available at: https://www.oig.dot.gov/sites/default/files/HSIPR%20Access%20Agreements%5E11-1-12.pdf	11/1/12	2	0
OIG	FRA Continues to Make Progress Implementing PRIIA Responsibilities But Faces Challenges With Rail Planning, CR-2014-030: Available at: https://www.oig.dot.gov/sites/default/files/FRA%20Progress%20Implementing%20PRIIA%5E2-25-14.pdf	2/25/14	1	0
OIG	FRA Improved Its Guidance on High Speed Rail Grant Agreements, but Policies and Procedures for Amending and Monitoring Grants Remain Incomplete, ST-2015-038 Available at: https://www.oig.dot.gov/sites/default/files/FRA%20HSIPR%20Grant%20Amendment%20and%20Oversight%20Processes%20Final%20Report%5E4-1-15.pdf	4/1/15	5	0

** As of June 22, 2017*
Note: One OIG audit underway—FRA's Acquisition and Use of Monitoring and Technical Assistance Contractors for High Speed Intercity Passenger Rail Grant Oversight; initiated April 2016.

To date, the Government Accountability Office (GAO) has also conducted the following reviews and audits of the HSIPR Program, in which the California High-Speed Rail Project was either the focus or a component:

FRA Passenger Rail Development & Grants
GAO Audit Reports & Reviews, 2009-2016

Auditor/ Reviewer	*Report Title*	*Published Date*	*Recommendations Issued*	*Recommendations Open **
GAO	High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role, GAO-09-317 Available at: http://www.gao.gov/new.items/d09317.pdf	3/19/09	3	0
GAO	High Speed Rail: Learning From Service Start-ups, Prospects for Increased Industry Investment, and Federal Oversight Plans, GAO-10-625 Available at: http://www.gao.gov/new.items/d10625.pdf	6/17/10	0	0

GAO	Intercity Passenger and Freight Rail: Better Data and Communication of Uncertainties Can Help Decision Makers Understand Benefits and Trade-offs of Programs and Policies, GAO-11-290 Available at: http://www.gao.gov/assets/320/315893.pdf	2/29/11	2	0
GAO	Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grantmaking Practices, GAO-11-283 Available at: http://www.gao.gov/assets/320/316415.pdf	3/10/11	1	0
GAO	Recovery Act: Funding Used for Transportation Infrastructure Projects, but Some Requirements Proved Challenging, GAO-11-600 Available at: http://www.gao.gov/assets/330/320351.pdf	6/29/11	0	0
GAO	California High-Speed Passenger Rail: Project Estimates Could Be Improved to Better Inform Future Decisions, GAO-13-304 Available at: https://www.gao.gov/assets/660/653401.pdf	3/28/13	1	0
GAO *(Legal Review)*	Issues Arising under FRA's Implementation of California High-Speed Rail Authority Grant Tapered Match Provision, B-325583 Available at: http://www.gao.gov/products/B-325583	12/18/15		
GAO	Rail Grant Oversight: Greater Adherence to Leading Practices Needed to Improve Grants Management, GAO-16-544 Available at: https://www.gao.gov/assets/680/677501.pdf	5/26/16	3	3

** As of June 22, 2017*
Note: No relevant GAO audits underway.

Status of Open GAO Audit Recommendations on FRA Passenger Rail Development & Grants, As of June 22, 2017

Auditor	*Report Title*	*Published Date*	*Recommendations*	
			Issued	*Open **
GAO	Rail Grant Oversight: Greater Adherence to Leading Practices Needed to Improve Grants Management, GAO-16-544	5/26/16	3	3
	To strengthen FRA's grants management practices, the Secretary of Transportation should direct the FRA Administrator: Recommendation 1. To enhance the process outlined in the Grants Manual to monitor project performance for future grants to include: (1) performance measures directly linked to project goals, and (2) fully incorporating timely and actionable information on grantee performance into FRA's review process to help determine whether current efforts are in line with the overall project goals.			

	Status: *FRA implemented this recommendation and on 6/5/17 requested GAO close the recommendation based on actions conducted.* Recommendation 2. To develop and provide written guidance to grantees to include FRA's expectations on the type of information grantees should provide, such as guidance specific to deliverables and milestones for each grant project. Status: *FRA is on target to close the recommendation by December 31, 2017.* Recommendation 3. To analyze training needs and formalize a training plan for grantees and agency staff, which could include training on grant-specific procedures and policies. Status: *FRA implemented this recommendation and on 1/28/17 requested GAO close the recommendation based on actions conducted.*			

Provide the name of the federal agency that is capable of performing a complete audit of the CAHSR project, including its current business plan and the plan's underlying assumptions.

Response:

1. U.S. Department of Transportation Office of Inspector General (OIG)

   OIG is responsible for detecting and preventing fraud, waste, and abuse within the U.S. Department of Transportation (DOT) by:

   - Conducting audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system; and
   - Providing independent and objective reviews of the economy, efficiency, and effectiveness of programs and operations in DOT.

2. U.S. Government Accountability Office (GAO)

   GAO supports congressional oversight by:

   - Auditing agency operations to determine whether federal funds are being spent efficiently and effectively;
   - Investigating allegations of illegal and improper activities;
   - Reporting on how well government programs and policies are meeting their objectives;
   - Performing policy analyses and outlining options for congressional consideration; and,
   - Issuing legal decisions and opinions, such as bid protest rulings and reports on agency rules.

Committee on Transportation and Infrastructure,
Subcommittee on Railroads, Pipelines, and Hazardous Materials
United States House of Representatives

"Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service," June 22, 2017

Follow Up to Submitted QFRs

Follow up to QFR regarding tapered match:

The Federal Railroad Administration's (FRA) grant agreements require that grantees must refrain from taking any action that would cause the proportion of federal funds made available to the project at any time to exceed the percentage authorized under the grant agreement. For example, if a grant has a 20% match requirement, grantees should only seek reimbursement from FRA for 80% of project costs. Tapered match is the process by which FRA allows the proportional match expenditure requirement to be delayed.

When tapered match is approved, either through an amendment or as part of the original grant agreement, the terms and conditions of the existing grant agreement do not change. Tapered match does not result in reduced or additional terms; it is simply a payment method that allows federal funds to be spent first, to be followed by the expenditure in full of non-federal matching funds. In reviewing tapered match requests to the proportional funding condition, FRA requests schedules and commitments from grantees outlining when matching funds will be available.

Drawing down the federal funds first does not prematurely end the grant. Grants are not complete until the scope of work and objectives of the grant have been met and then the grant is closed. The terms and conditions of the existing grant agreement remain in effect and apply to the non-federal funded portion of the project until the project is complete. The grantee is required to complete the full scope of the project as agreed to in the grant agreement after all federal funds have been spent.

Response to Representative Nadler's (NY-10) question regarding the Gateway Project:

Question: If Congress were to agree with the Administration's budget proposals, how does the Administration envision the Gateway Project moving forward? How can it be funded?

Response: The Department has recently taken a number of actions that advance the environmental and related processes for the Hudson Tunnel, and other local New York and New Jersey projects along the Northeast Corridor (NEC). On July 6, the Draft Environmental Impact Statement (DEIS) for the Hudson Tunnel project was released. The Final EIS is expected to be issued early in 2018. On July 12, the Department released the NEC Environmental Impact Statement Record of Decision and strategic plan for all 457 miles of the NEC. As with all such large projects, as the engineering and design processes advance and applications from project sponsors are received, the Department will apply the relevant criteria to assess these competitive applications—such as the project sponsors' funding plans, including the commitment of non-federal funds from the sponsor or other local sources.

TESTIMONY OF

CHARLES W. MOORMAN

PRESIDENT AND CEO

AMTRAK

60 MASSACHUSETTS AVENUE, N.E.

WASHINGTON, D.C. 20002

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

HEARING ON

"BUILDING A 21ST CENTURY INFRASTRUCTURE FOR AMERICA:

CHALLENGES AND OPPORTUNITIES FOR INTERCITY PASSENGER RAIL SERVICE"

THURSDAY, JUNE 22, 2017

10:00 A.M.

2167 RAYBURN HOUSE OFFICE BUILDING

Chairman Denham, Ranking Member Capuano, members of the Subcommittee, and fellow witnesses, good afternoon. My name is Wick Moorman, and it is my privilege to be here today on behalf of Amtrak to discuss our role in America's multimodal transportation system.

Introduction

In four years, Amtrak will have reached a milestone – 50 years of providing safe and reliable service to Americans across the country. As President and CEO of Amtrak, I am here today to tell you that we, with your help and through our partnerships with states and commuter railroads, are poised for a new era of intercity passenger rail growth in America. We are ready to build on our strong foundation through an unrelenting commitment to safety, innovation, and investment in our infrastructure and equipment so that we can continue to provide value to the American people and the communities we serve.

As most of you know, I joined Amtrak in September of 2016, after a forty-two-year career with Norfolk Southern Railway that culminated in my service as President, CEO, and Chairman of the Board. I came to Amtrak because I deeply believe in the mission and sense that we have reached an important time in our history, as intercity passenger rail service has reemerged as a vital and growing part of our national transportation network in the new century. Amtrak has set ridership records each of the last several years and we are on pace this year to set another record. We are now covering a record 94% of your investment in us. While this is good news, there is more to be done. That is why we are working to create more of a corporate culture at Amtrak. One that is focused on our customers and investors in the administration and here in Congress. We have reorganized our corporate structure, simplifying the chain of command and responsibilities so we can be much more bottom-line driven and customer friendly. We fully recognize we will be more successful when passengers want to ride us again, and not just because they might not have another transportation option. That is my objective with our employees, customers and, again, our investors. Having observed the work of this Subcommittee, I believe you share this sense, too.

Through your leadership, Congress enacted the FAST Act in December 2015 – the first surface transportation bill that included a reauthorization of Amtrak and brought together the Federal government's rail, highway and transit programs. I would like to thank you all for that effort and applaud steps like today's hearing that look at ways to further integrate federal policy and programs for the benefit of mobility, safety, and efficiency.

The FAST Act is an incredibly important step towards the type of stable and mature policy and funding framework that Amtrak has long sought in order for us to achieve our maximum potential. It recognizes the critical role Amtrak plays in our nation's transportation network and, through a restructured funding process and a new approach to cost accounting, enables us to more clearly articulate the needs of our National Network and Northeast Corridor services and assets. Taken together with new funding flexibility, grant programs, and planning and reporting requirements, the FAST Act represents the logical evolution of the framework begun under PRIIA that has allowed Amtrak to vastly improve its business.

If I leave you with one message today, it is that our continued success relies on you and your colleagues' commitment to follow-through on this excellent work. As we have laid out in our recently issued FY2018 Legislative and Grant Request, our top priority is full funding of the $1.6 billion you authorized through the FAST Act for our FY2018 annual grant, along with full funding of the two new FRA grant programs authorized by this Committee. Additionally, if an infrastructure package is developed, as members of both parties have advocated, a robust investment in intercity passenger rail could launch a new area of rebuilding and improvement that would simultaneously jump start the nation's economy and provide the mobility our nation requires to maintain our competitiveness and quality of life. With this support, Amtrak can make real strides in product improvement, customer service, safety, and infrastructure and fleet condition, all of which will increase the value we provide the public and generate important economic benefits. Without it, we will be stuck in neutral, having prepared for a race we can no longer run or even worse, incur greater costs as a result of underfunding that truncates parts of our network and triggers associated costs. I do not believe that is what any of you or the House wanted when it voted overwhelmingly to approve Amtrak's reauthorization. As I will discuss in the remainder of my testimony, Amtrak's two networks, the Northeast Corridor and the Nation Network, do much for that nation already, but can do so much more with the right support.

Amtrak's National Network

Amtrak's National Network provides connectivity to cities and communities all across America, and carried 19.3 million passengers in 2016, 61% of our total ridership. National Network trains operate through all but one of the 46 states we serve, many of them supported through partnerships with 18 states, who support 29 short-distance corridor routes. In 23 of those 46 states, Amtrak service is provided only by our long distance trains, which connect rural and small-town America with major urban centers. The importance of these trains is found in the communities they serve, particularly those places with few other transportation options. For instance, about half of the passengers on our *Empire Builder*, which links Chicago, Portland, and Seattle via the northern tier states, were going to, or coming from, a rural destination.

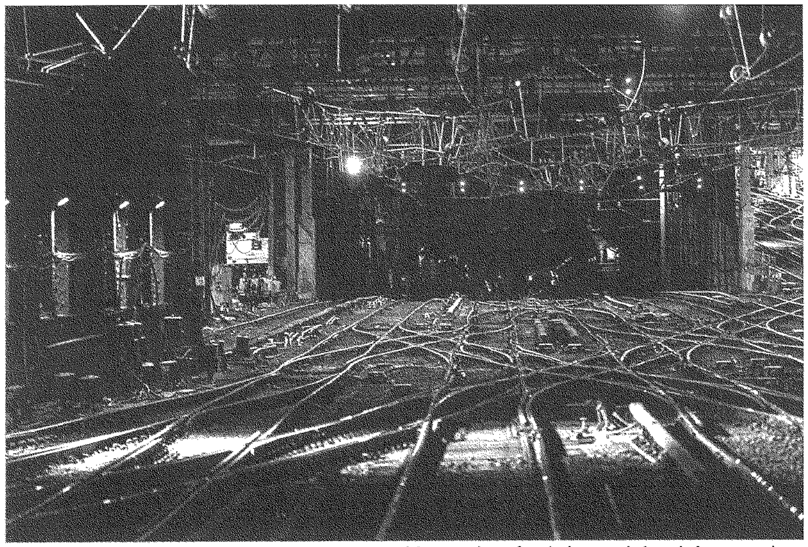
Amtrak's Beech Grove facility rebuilds and repairs equipment for both long distance and state-supported services.

Our state-supported services, developed in close collaboration with the states that sponsor them, provide mobility and connectivity between major city pairs and intermediate communities. Providing roughly half of all Amtrak ridership and serving as one of our primary sources of growth, these short distance corridors are intercity passenger rail's "sweet spot," where multiple frequency trips can provide auto-competitive service with high levels of reliability. Our *San Joaquin* service in California is one of our top five state-supported services in terms of ridership, offering online communities in the Central Valley direct or connecting service to Sacramento, Los Angeles, and the Bay Area. Key to this service's success is the strong relationship we have with the San Joaquin Joint Powers Authority, which provides the local management and sponsorship of the service and is spearheading efforts to improve schedules and add more frequencies to further strengthen performance. These services, in particular, afford us an excellent example of the way that investment in equipment and infrastructure – made by states, the Federal government, and Amtrak – can be an incubator of jobs and economic growth. Just last year, Amtrak spent more than $1.7 billion in domestically procured goods and services, and through our various facilities is a major employer in places like Beech Grove, Indiana, where 522 people work at our car and locomotive repair shop.

Finding ways to support and develop our National Network services in collaboration with our host railroads and state partners is therefore a high priority for us. We particularly see tremendous opportunity to increase services connecting established and growing city pairs in short-distance corridors across the country. With the right Federal and host railroad partnerships, we believe states will continue to invest in growing existing or emerging corridor services because they provide real alternatives for people seeking to avoid highway congestion and the lost productivity and unreliability that comes with it. Critical to the success of these services are the stations that serve as the critical interface between our routes and the communities we serve. In a city like Galesburg, Illinois, which is served by our *California Zephyr*, *Southwest Chief*, and a pair of daily corridor trains, the number of riders who passed through the station last year was more than triple the community's population in the 2010 census. Whether a station is modest, such as the platform-only Arcadia Valley, Missouri station, which was opened last year, or massive, like Chicago Union Station, the fourth-busiest station in the Amtrak system, they all create nodes of activity and potential development that can strengthen communities. As an example, we recently announced a master development transaction between Amtrak and a local developer in Chicago which will help transform our historic station headhouse and other related properties into a new commercial hub while also providing Amtrak with new revenues that we can use to improve the station's transportation functions.

Amtrak's Northeast Corridor

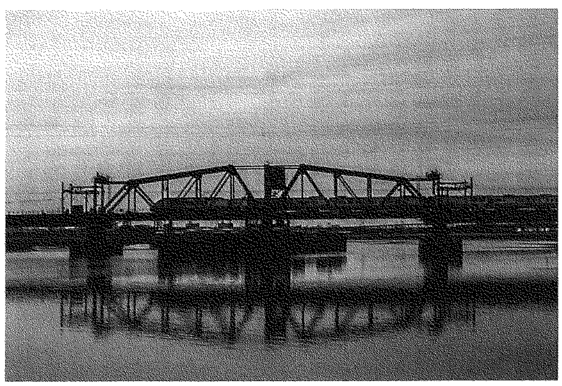
While the National Network provides vital transportation services across our nation, the heavily concentrated populations of the Northeast are served by a truly unique North American railroad, the Northeast Corridor (NEC). The NEC is one of the world's greatest railroad operations, hosting 2,200 daily commuter, intercity, and freight movements from Boston to Washington and along its several branches. It provides more than 750,000 passenger trips a day, or almost half of the nation's daily rail trips. The route is ideally positioned to play a major role in the regional economy, as more than 7 million jobs and over 100 million square feet of development are within walking distance of the ten largest stations – many of which, including Baltimore Penn and Philadelphia 30th Street, are the subjects of carefully planned master development processes similar to the one now proceeding in Chicago designed to create public-private partnerships that can unlock value for both Amtrak and communities we serve. The Northeast is the fifth largest economy in the world, and it produces 20% of the nation's GDP – which makes the NEC a national, as well as a regional asset.



"A" Interlocking at New York Penn Station. This complex of switches and signals is currently undergoing repairs through the "Infrastructure Renewal at Penn Station" program.

Already the nation's busiest, projections suggest that ridership on the NEC will double by 2040. The system is at or beyond capacity today in many places and relies heavily on old infrastructure that must be replaced if service is to remain reliable. We have seen this situation recently in New York's Penn Station, where we are now preparing for a series of major track renewal projects that, due to the incredible volume of trains, will impact services at the station over the summer. This work, which is part of our "Infrastructure Renewal at Penn Station" program, accelerates several years of planned improvements of track and switches in the critical area of the station where trains are sorted between the Hudson River tubes and Penn's platforms. After years of heavy use and limited Federal and commuter funding that curtailed our ability to invest, Amtrak is now taking an aggressive approach to replacing old assets so we can keep this most important terminal – the nation's busiest – operating reliably. While this work will cause some regrettable disruptions to all the railroads using Penn – most notably Amtrak, which has the biggest proportional reduction in service – we are confident that doing this work now and enduring some short-term impacts will create long-term benefits for all. Early work is already underway and will continue through the summer so that we can quickly achieve the benefits of this renewal, with the minimum amount of inconvenience to our partners at New Jersey Transit and Long Island Rail Road.

While I am confident we will successfully complete this work this summer, the need to undertake it so aggressively is a testament to the stresses to which the infrastructure in the station is subject. The station is operating today without a sufficient capacity margin to guarantee reliable delivery of service and while we will make progress this summer, huge needs remain, from our 1934 electric traction system to work in the 1910-era tunnels. We need to invest now to address not just condition issues, but capacity needs. Through the Gateway Program Development Corporation, capably led by my fellow witness and Acting Executive Director John Porcari, we are working with New Jersey Transit and the Port Authority of New York and New Jersey to advance the Gateway Program, which will replace aging and failure-prone structures such as the Portal and Sawtooth Bridges, and increase track, tunnel, bridge, and station capacity between Newark and New York Penn Station. With some elements, like a new Portal Bridge over the Hackensack River, ready to proceed to construction and others, like the critically important expansion of Penn Station to the south, still in the early phases of planning, this program is a "poster child" for the types of major infrastructure investments the nation needs to be undertaking right now. Taken together, this program will both preserve and expand access to nation's economic capital, while creating thousands of good paying jobs and helping our environment and public safety, delivering a cost-benefit ratio of more than 3 to 1.



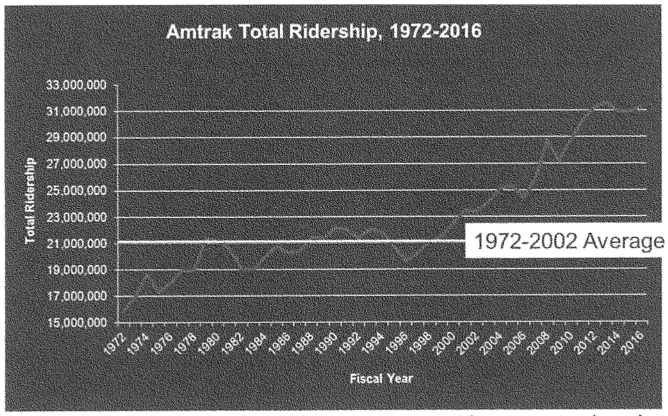
Portal Bridge is a major chokepoint on the NEC. Completed in 1910, it requires almost continual maintenance, and there are no possible alternative routings to or from New York Penn Station in the event of a failure.

Similarly, investments in our fleet represent a huge opportunity to improve our services, while creating jobs and economic activity around the nation. We are already undertaking two major equipment programs designed to enhance our service offerings on the NEC and hope to continue this momentum across the network. We are in the process of purchasing 28 new high-speed trainsets from Alstom, now being built in Hornell, New York, which will allow us to bring the latest generation of France's TGV technology to the U.S. With 40% more trainsets, each with roughly one-third more passenger seats, we expect to be able to provide peak half-hourly *Acela Express* service between Washington and New York and hourly service between New York and Boston by the time all the trainsets are in revenue service in 2022. This purchase is funded by a $2.45 billion loan from the U.S. DOT, which will also support investments in our infrastructure designed to improve the on-board and station customer experience and accommodate the increased high-speed rail service levels made possible by the new trains. I am pleased to be able to note that the Hornell plant has just shipped its first American-made electric traction motor to France for quality analysis and evaluation, an important step in the manufacturing process.

We are also undertaking a major "refresh program" for the 450 Amfleet I cars that are the backbone of our Northeast Corridor service and many of our state-supported trains. This program will replace the existing seats, carpets, and walls in these Amfleet cars. We will be adding LED lighting to improve light quality and reduce electrical consumption and maintenance costs. In order to expedite this program, we are making the alterations over a period of time as these cars come in for their daily and periodic maintenance, so the work will be done in several different maintenance facilities, including Boston, Massachusetts, New York City, Washington, D.C., Philadelphia, Pennsylvania, and Norfolk and Lynchburg, Virginia. We expect the first car to be completed refreshed by September, and hope to complete the whole program by next summer.

The Future of Rail

Our system plays a vital role in the economic life of our great nation. We have had a succession of record years for ridership, including the last one, and we are now reliably carrying over 30 million passengers a year – a significant leap from the average of about 21 million that characterized our first thirty years. To get to the next level, we are working on relentlessly improving our safety culture, modernizing and upgrading our products, and strengthening our operational efficiency and project delivery. We are pursuing opportunities to promote innovative approaches to our business, such as a master development process for our major stations. We streamlined our organizational structure earlier this year, creating a consolidated senior executive team to provide focused leadership and to work with our Board of Directors to drive long-term value. With this change, Amtrak is now organized like most freight railroads and major corporations, which is entirely appropriate because that is just what Amtrak is – a corporation.



Amtrak today carries almost fifty percent more riders per year than the average of its first three decades.

Although we have a somewhat different history, in that the core of our business and mission was established by Congress, we are a business and that business is moving people by rail and serving our main stakeholders, the Federal government and the American taxpayer. Our business model is different from that of a typical, publicly held, for-profit company. Yet we have a lot in common with other businesses who serve government and to support public purposes, such as highway builders. Amtrak receives funds from the Federal government to augment the more than $2 billion in revenue we generate directly through ticket sales every year. In that way, we also provide infrastructure and services that produce public benefit and promote the nation's economy.

Federal funds are what allow us to meet the operational and capital needs of our 46-state national network of trains and our infrastructure that serve more than 500 communities, urban and rural, across America. We serve these communities and operate these routes because Congress, various Administrations, and the public generally have recognized the unique value that intercity passenger rail service can provide to these communities and the nation. Our job is to deliver the services and run the network that you, our principal stakeholders, believe is in the public interest and that provide sufficient value to warrant the investment. In doing so, my pledge to you is to operate Amtrak as safely, efficiently, and effectively as possible. From better project delivery to greater operational excellence, we are working on ways to deliver even greater value from your investments in our mission.

Responses to Questions for the Record
Mr. Wick Moorman, Amtrak CEO
June 21, 2017

Questions 1-7 issued by Hon. Jeff Denham of California

1. A 2005 report by the U.S. Department of Transportation's Inspector General concluded that the operating losses on the long distance trains could be reduced by between $75 million and $158 million per year by eliminating sleeper service. Do you consider this a reasonable alternative to cutting the service altogether?

As the Committee is aware, each long distance train within our network serves many markets and purposes. Each route has its own unique and dynamic mix of coach and sleeper demand, along with average trip length and key origin-destination pairs. Sleeping car passengers also pay much higher fares than coach passengers. Many factors have likely changed since the 2005 IG report: for example, ridership on long distance trains has increased significantly, as has cost recovery for the food services provided on long distance routes, and the right-sizing initiative discussed in response to Question 6 has reduced sleeping car operations and costs during off-peak periods. The *Auto Train*, the route with the highest sleeping car ridership, now covers nearly all its operating costs. This means a new analysis would be required to determine sleeping car service cost recovery. Amtrak believes that decisions on what sleeping car and other services should be provided on long distance routes should be determined on a route-specific basis, taking into account financial and customer service considerations.

2. Since Amtrak is the minority user of Penn Station and for that matter the Northeast Corridor, why should Amtrak own and operate these assets?

Congress directed Amtrak to purchase New York Penn Station, along with the balance of the Boston-Washington Northeast Corridor (NEC) still owned by the bankrupt Penn Central Transportation Company, in 1976 because it recognized that unified control of the NEC rail line and its principal facilities was an essential prerequisite to upgrading the NEC and developing high speed rail service.

That was a wise decision. Amtrak's ownership of the NEC has produced significant public benefits. The NEC and New York Penn Station, which were in decrepit condition when Amtrak acquired them, have been improved and upgraded, and their capacity increased. This, together with targeted commuter investments, has allowed both to accommodate twice as many commuter trains as they handled in 1976, as well as increased Amtrak service. Electrification and high-speed rail service have been extended throughout the NEC, on which Amtrak's trains now carry more passengers between New York City and both Washington and Boston than all the airlines combined. Maximum train speeds have been increased to 135-150 mph throughout the NEC: except on the 54-mile segment between New Rochelle, NY and New Haven, CT, the only portion of the NEC Amtrak does not control, where the maximum speed is only 90 mph.

This type of improvement effort could only be undertaken efficiently by a single network operator responsible for integrating the needs and requirements of all users along the entire NEC. In fact, across all of Europe, railway infrastructure management and operation has been integrated into single entities, which often exist as subsidiaries or divisions of the national carriers, to ensure integration, proper prioritization and standardization, economies of scale and greater efficiency across the total rail network. Evidence of the challenges that stem from Balkanizing infrastructure under separate ownership and management can be seen by looking at the condition and performance of the section of the NEC operated by Metro-North. Further division of the network into separately-controlled segments would likely drive-up costs, decrease standardization across the corridor, negatively impact Amtrak's intercity service and create opportunities for bias and less regional accountability for operations and performance.

Additionally, while public funding for NEC investments has been inadequate, as the independent NEC Commission and others have documented, the clear majority of the funding provided has come from the Federal government and Amtrak pointing to the need for the Federal government and Amtrak to retain strong governance over the assets that they have invested in. The major projects to upgrade and increase capacity on the NEC – the NEC Improvement Project (NECIP) in the late 1970s, the Northeast High Speed Rail Improvement Program (NHRIP) in the late 1990s were all funded by the Federal government. The significant Federal investment in the NEC and New York Penn Station is protected by the 999-year mortgage the United States holds on Amtrak-owned NEC assets, and Federal control over the membership of Amtrak's board.

Amtrak, using Federal grants and net revenues from real estate and other ancillary activities, has funded the majority of the investments in the portions of Penn Station and its adjoining tracks and tunnels that are shared by Amtrak and commuter trains. Over the past decade, Amtrak has invested nearly half a billion dollars in these facilities, which is more than twice the combined investments of the two commuter railroad users - Long Island Rail Road (LIRR) and New Jersey TRANSIT (NJT) – during that period.

Selling, or transferring control, of New York Penn Station (or the NEC) to an entity other than Amtrak would do nothing to solve its underlying transportation-related challenges and would likely, as explained above, add to them. - Decades of inadequate public investment have resulted in assets that are not in a state of good repair and inadequate capacity to accommodate the vastly increased number of trains and passengers. All the New York area public transportation authorities already confront major funding, operational, and state-of-good repair challenges of their own. None can take on the added responsibility of owning and operating the most heavily used and complex rail station in North America, or have an available workforce with the specialized skills required to maintain New York Penn Station's unique, entirely below ground and rivers, electrified tracks and infrastructure.

Nor do any of these public entities have excess available funding to purchase the station, which is Amtrak's most valuable asset and is located in an area with some of the highest real estate values in the United States. (Since Amtrak is required by statute to operate as a for-profit company, and specifically prohibited from subsidizing commuter rail services, any sale of Penn Station would have to provide compensation to Amtrak based upon fair market value.) Amtrak is aware that private entities may have interest in the retail and development potential at Penn Station, and Amtrak will pursue these facility joint-benefit improvement opportunities as it improves its terminal assets through current investment in NEC capital projects as required by the FAST Act. But shifting control of Penn Station from a railroad to a real estate developer is not the solution to the station's capacity and railroad operating and infrastructure challenges.

3. Why should Amtrak continue to own Penn Station after Amtrak moves to the Farley building?

The target date for the opening of the new train hall at Moynihan Station is 2021. When the train hall project is completed, Amtrak's primary departure concourse and passenger-facing operations will move across the street. However, the addition of the Moynihan Train Hall does not replace Penn Station, but rather expands the station's passenger concourses. The same existing 21 tracks and 10 passenger platforms run beneath both buildings, and Amtrak passengers can and will continue to utilize these tracks and platforms as well as other portions of the existing station facility, such as the large back-of-house presence we currently have at the station and limited concourse operations for late night service, when the Moynihan Train Hall will be closed.

Therefore, and as detailed in the answer to Question 2, Amtrak will need to continue to own, maintain and jointly-dispatch Penn Station's trackage and platforms even after the Train Hall is open.

Upon moving to Moynihan, Amtrak will look to redevelop the space we vacate. Recognizing that private investment is needed to make substantial changes to the Penn Station building, Amtrak will be issuing a Request for Proposal (RFP) to the development community in the 2019 timeframe, following up to the positive response to the prior Request for Expression of Interest. In preparation for the RFP, Amtrak is undertaking master planning and assessing needs of Penn Station's commuter railroads pre- and post-Moynihan expansion. Whether in conjunction with the expansion to Moynihan Station, changes in control/ownership of areas within the existing station are warranted, and would be in the financial, business, and operational interests of Amtrak and the station's commuter railroad users, will be determined in light of specific proposals.

In the meantime, Amtrak continues to make investments in rail assets in New York City, including both rail infrastructure (tracks, platforms, signals and communications, etc.) and upgrades to our concourse in Penn Station to enhance the customer experience. Amtrak has improved signage and wayfinding by installing new arrival/departure boards; is releasing a construction contract for refreshed restrooms; and is designing improvements to waiting areas to ease congestion.

Amtrak is also collaborating with many partners to advance Penn Station projects. Amtrak is working with the Metropolitan Transportation Authority, its subsidiary LIRR, and New York State on an expansion concept for the 33rd Street Concourse, and with NJT on extension of the Central Concourse. Amtrak has also been in preliminary discussion with its partners on the potential to introduce new entrances to Penn Station at 7th Avenue and 32nd Street, and at 8th Avenue directly across from Moynihan Station, for improved pedestrian circulation and better connections from the street.

4. Given the rights of Amtrak's maintenance of way forces in terms of bidding on work, what is Amtrak doing to ensure it has a reliable workforce to perform the work at Penn Station?

While the rules around bidding rights in certain agreements can present challenges to maintenance and capital project execution, these have not been an impediment in advancing the Penn Station Renewal Project this summer. Between completion incentives and use of travelling construction units to supplement New York forces, we are confident we will have sufficient employees to complete the project and as of this date, the project is progressing on schedule.

5. What is your definition of "fix-it-first" with regard to the NEC?

"Fix-it-First" is a colloquialism used in the transportation industry that refers to prioritizing maintenance and state-or-good-repair (SOGR) work over expansion and improvements projects. In general, this philosophy makes good sense, as the continued and reliable operation and utility of existing assets is a precursor to growth and improvement. Large numbers of Amtrak's NEC assets face major SOGR needs, as documented by the NEC Commission and highlighted in the most recent 5-Year Capital Plan for the Corridor. However, it is also important to note that capacity and improvement projects may be necessary strategies to address SOGR requirements. For instance, the creation of additional tracks and platforms at Penn Stations, known as the "Penn South" project within the Gateway Program, is necessary to support train and passenger growth made possible by additional tunnels and trackage entering New York from the West, but is also essential to creating the "swing space" that will permit critical maintenance and SOGR efforts within today's Penn Station to occur without causing major impacts to service.

6. Please discuss your work to improve cost recovery, on-time performance, and customer satisfaction on your worst-performing long distance routes. For example, the Sunset Limited from New Orleans to Los Angeles has the highest per rider subsidy and worst cost recovery of any long-distance route. How can you make this a more effective, less money-losing route?

In an effort to improve the financial performance of our long distance trains, Amtrak has sought to take a systemic approach to the entire 15 train portfolio. For example, to better match capacity to demand, Amtrak implemented a "right-sizing" initiative designed to take advantage of the seasonality of our business. Trains are shortened during off-peak periods, which allows us to take advantage of the seasonality of our business to move some scheduled maintenance into off-peak periods. This improves our ability to match capacity to demand, adding capacity during the summer and reducing same during off peak travel periods.

We have also studied our passenger feedback to identify and focus on priorities that are important to our customers (more effective communication, for example). Customer satisfaction (eCSI) rose for three consecutive years because of a renewed focus on those attributes that our customers identified as high priorities. One particular passenger priority, On-Time Performance, has been a focus, as it correlates both to passenger satisfaction and direct cost savings. Amtrak has focused particularly on "initial terminal dispatchment" (ITD), ensuring that the train departs its originating point on time. While Amtrak has limited control over the performance of trains on host railroads, it has improved ITD and continues a vigorous ongoing dialogue with our host railroad partners through daily and weekly performance reports and a monthly meetings regimen with each host to ensure that hosts have a focus on the timely movement of our trains – which bolsters customer satisfaction and revenues, while helping to control costs.

7. Why is Amtrak's load factor only about 50%?

While Amtrak's average load factor for FY 2016 was 51%, it is important to understand that this is not a total load factor for an endpoint to endpoint journey as it is with aviation. Rather, it is an average for a journey that can include 10-30 intermediate station stops where passengers board and alight, constantly changing the load factor. The *peak load factor* – the degree to which the train is filled on the most crowded segment of the trip – is often the limiting factor for sales, as seats that are filled limit our ability to sell trips that would begin or end outside of the filled segment.

This journey segmentation is the big difference compared to airlines. Many trains, particularly our long distance trains, are heavily patronized, and frequently carry enough passengers to fill every seat multiple times per trip.

Passenger demand for travel services can also vary with geography and time of day. Airlines can operate smaller planes off the peak, while using larger jets during peaks. For trains, however, it is not usually cost efficient to bring in a switch engine to add/cut cars in the middle of a route – which would also make trips longer – or feasible in above-capacity stations like New York Penn Station.

Acela and many state corridor routes use equipment that has an engine or power car at both ends. Such trains do not have to be turned at endpoints, and can thus make more trips. However, this makes it impractical to add or remove cars between trips, even on trains on which cars are not permanently joined like *Acela*, which means that the train must have enough cars for the trip with highest demand. This increases cost efficiency and ridership, but it does decrease the load factors.

Revenue management makes it possible to even out some of the lumps in demand by charging lower fares at lower demand times or on lower demand segments to attract more passengers. We also reduce the number of cars on winter long distance trains to match lower passenger demand. On the NEC, we run more cars on peak days; more trains on peak days of the week (a practice some airlines have recently begun to emulate); and additional trains on heavy demand segments. Passenger rail's lower load factors are offset by the efficiency and scope benefits of being able to serve multiple cities and towns with a single trip, the majority of which (even on the NEC) do not have air service, and hundreds of origin-destination pairs (versus just one for an airline flight).

Questions 8-12 issued by Hon. Michael E. Capuano of Massachusetts

8. You mention that Amtrak's top priority is full funding of the $1.6 billion that Congress authorized through the FAST Act for FY2018, along with full funding of the two new FRA grant programs authorized by this Committee. Yet the President's FY2018 Budget proposes to cut Federal funding for Amtrak by nearly 50 percent to just $760 million. What impact would such a low funding level have on Amtrak?

The Administration's FY2018 budget proposes $760 million for Amtrak, which includes eliminating long distance service. As mentioned below in Question 9, if Amtrak was required to eliminate long distance service it would need additional Federal funds above the total authorized level requested in Amtrak's FY18 budget request, and not less, as the Administration proposed. If Congress were to implement the Administration's proposal, Amtrak would be unable to make many critical investments on the NEC or the National Network and face near-term threats to continued operation of the system.

9. The President's Budget proposes to eliminate all 15 long distance routes, leaving 23 states and 4.6 million people stranded without access to intercity passenger rail service. Would eliminating long distance service increase costs and impact ridership on the Northeast Corridor and

state-supported routes? How would it effect Amtrak as a whole? Please provide specifics for the hearing record.

Amtrak estimates that the long distance service elimination proposed in the Administration's FY2018 budget would impact both the Northeast Corridor (NEC) and state-supported routes. If Amtrak eliminates long distance service, significant unavoidable costs will remain, and those costs would need to be reallocated to other aspects of Amtrak's business. This must happen, because Amtrak would continue to incur these "shared and system-related costs," which would simply be shifted to state-supported routes and (in some cases) to the NEC. It is projected that state supported routes would see an annual increase of approximately $461 million in their costs, while the NEC would see an annual increase of $229 million. In addition, it is projected that there would be a loss of approximately $15 million in NEC and state supported revenue due to the loss of connecting passengers from discontinued long distance trains.

Overall, Amtrak's initial projection is that elimination of long distance service would result in an additional cost of approximately $423 million in FY2018 alone, requiring <u>more</u> funding from Congress and our partners, rather than less. In addition to "shared and system-related costs" discussed above, the majority of these additional costs are due to mandatory labor protection payments, known as C-2, which Amtrak would have a contractual obligation to pay to impacted employees over the FY2018 – FY2022 timespan.

10. In August 2016, Amtrak received a $2.5 billion Railroad Rehabilitation and Improvement Financing (RRIF) loan from the DOT to cover the cost of a contract with Alstom for 28 new trains, as well as other improvements to Amtrak's high-speed **Acela** ***service from D.C. to Boston. What improvements could Congress make to the RRIF loan program?***

Amtrak has funded two major equipment acquisitions using the RRIF program, the ACS-64 electric locomotives and the Next Generation High-Speed Trainsets. Amtrak received very good rates on generally favorable terms for both these loans, but we do believe the process to get to the point of a financing commitment by USDOT could be improved. The following are some suggestions in how to improve the program as it relates to Amtrak:

- Although Amtrak is clearly an eligible applicant, the Office of Management and Budget and the USDOT have consistently had challenges reconciling the mandate of the program to Amtrak as a borrower. One way to address this is to require that in calculating the credit risk premium (CRP), OMB and USDOT be limited to considering Amtrak's rating by the major rating agencies and that the CRP be no higher than what would be provided to another railroad with a similar rating.
- The Secretary of Transportation has a lien on all of Amtrak's assets and a mortgage on the Northeast Corridor and other infrastructure. RRIF-funded improvements to Amtrak's assets therefore improve the value of the underlying assets covered by the Secretary's lien and/or mortgages. This increase in value should be included when calculating the total value of collateral offered by Amtrak in support of a RRIF loan application.
- The most recent RRIF loan, which is financing the new trainsets, took over two years from time of application until time of financing commitment. This time frame is not

consistent with Congressional intent that applicants receive timely decisions from USDOT and OMB – specifically within 90 days of application. The lack of timely action on applications delays important investments in infrastructure, the resulting creation of jobs, and other important considerations and is not in the public interest. Amtrak suggests that Congress may want to clarify the requirement for timely decisions on RRIF applications for USDOT and OMB.

- Another effect of the indefinite period for review of applications is the potential movement of the interest rates applicable to RRIF loans while applications are under review, potentially resulting in adverse impact on project business cases. This was an ongoing concern of Amtrak during the two+ years our loan application was pending. One possible solution would be to set a cap in the interest rate 90 days after the application. Applicants could then be permitted to receive the current rate on the date of loan commitment if it is lower than the interest rate cap, with the added proviso that if interest rates increased during the USDOT/OMB deliberations, consideration of such an increase would not be able to be included in the calculation of the CRP.
- Amtrak repaid the RRIF loan used to purchase the ACS-64 locomotives but was unable to obtain a refund of the CRP. If the CRP is reflective of the Secretary's risk in making the loan and the loan is repaid in full, then there is no risk that the loan will not be repaid. Thus, Amtrak believes CRPs should be refunded at the time a loan is repaid.
- The Administration proposed allowing Federal funds to be used to pay the CRP by eliminating the annual prohibition included in current and recent appropriations laws. Amtrak agrees with this proposal for Federal funds to help support the cost of the CRP. Further, and in the interest of parity, the Secretary should be allowed to use the TIGER grant program to cover the costs of RRIF CRP, similar to how TIGER can currently cover the subsidy and administrative costs of TIFIA projects.
- Under amendments made by the FAST Act, the Secretary may enter into Master Credit Agreements with applicants for programs or projects prior to such applicants having meet all the conditions required for a direct loan or loan guarantee as a means of reserving credit authority on a contingent basis for such projects or programs. The Department should clarify in its NEPA rules that entering into a Master Credit Agreement is categorically excluded from NEPA requirements, and that completion of NEPA reviews are required only as predicate for receiving a direct loan or loan guarantee, as applicable.

11. Amtrak has received just $45.6 billion in Federal funding since its creation in 1971. This compares to $1.2 trillion for highways and transit and $391 billion for aviation. Part of the problem here is that Amtrak has no reliable funding mechanism, making it difficult to plan for future capital investments. Have you looked at possibilities for a dedicated funding mechanism for Amtrak? If so, please share those possibilities

Most transportation programs are funded through a trust fund via contract authority, including all highway and most transit programs. Amtrak does not, however, receive any trust fund dollars and, as such, is dependent on discretionary funding through the annual appropriations process.

Our discretionary funding originates in the Transportation, and Housing and Urban Development, and related agencies (THUD) appropriations bill, competing with other important priorities beyond transportation needs. This puts Amtrak in a precarious position and makes our annual and long-term capital planning extremely difficult, which can result in investment delays, inefficiencies, and higher Federal funding requirements.

We remain committed to the idea of a trust fund for capital investment connected to Amtrak. However, absent Amtrak having access to a trust fund, Amtrak requests that Congress provide its discretionary funding through a mechanism known as "advance appropriations." This would provide a predictable funding stream that Amtrak has sought since our creation and would improve our ability to plan.

At the very least, Amtrak requests three years of funding, which includes the fiscal year of the annual appropriations bill being considered by Congress, as well the two subsequent fiscal years. For example, the FY 2018 Transportation, Housing and Urban Development, and Related Agencies appropriations bill would include funding for FY2018, FY2019, and FY2020. According to OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget: *"Advance appropriations of budget authority will be scored as new budget authority in the fiscal year in which the funds become newly available for obligation, not when the appropriations are enacted."*

To be clear, these two additional years of advance appropriations (FY2019 and FY2020) would not score in FY2018 and would not count against the FY2018 THUD appropriations bill's 302(b) allocation. Also, in order to appropriate funding in this manner, the budget committees would need to authorize Amtrak for advance appropriations in order to comply with budget rules and points of order.

Based on the advantages outlined above, as well as no clear disadvantage to doing this, Amtrak believes providing an advance appropriation is simply the most prudent way to invest the American taxpayer's resources in intercity passenger rail.

12. What is the status of PTC implementation on the Northeast Corridor and other Amtrak routes?

Amtrak is responsible for the installation and operation of PTC on the 456-mile Northeast Corridor between Washington and Boston, with the exception of the 57-mile segments operated by Metro North Railroad and the Long Island Rail Road. Amtrak has installed and turned on its Advanced Civil Speed Enforcement System (ACSES) on 392 miles of the NEC, and only three miles of unequipped track remain in the terminal areas at Washington, Philadelphia, and New York Penn Station. ACSES is also in service on the 104-mile Keystone Corridor between Philadelphia and Harrisburg, and Amtrak is committed to having PTC operational on the Amtrak-owned Springfield Line and on the Amtrak-owned or operated trackage of the Empire Corridor between Hoffmans (Schenectady) and New York City by the mandated deadline of December 31, 2018. PTC is also in service on the 95-mile-long Amtrak-owned Michigan Line.

Statement of John D. Porcari

Interim Executive Director, Gateway Development Corporation

At the Hearing

"Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"

Subcommittee on Railroads, Pipelines, and Hazardous Materials

House Committee on Transportation and Infrastructure

June 22, 2017

Good Morning Chairman Denham, Ranking Member Capuano and members of the Subcommittee. My name is John Porcari and I am the Interim Executive Director of the Gateway Program Development Corporation. The Gateway Corporation is the federal/state entity created to carry out one of the most important and most urgent infrastructure projects in the U.S. – the Gateway Project.

The U.S. rail system is and always has been mostly private. Most traffic is carried by private freight railroads, and most passenger service runs over freight tracks. The exception to this is the 450-mile Northeast Corridor, where the tracks are owned by Amtrak and the states, and where the dominant use is passenger traffic.

This is the busiest rail corridor in the country, and the busiest section of it is the part around New York City. Heading out of Manhattan to the Northeast toward Boston there are four tracks, which gives the system redundancy to allow maintenance to be performed and to respond to incidents. Unfortunately, in the other direction, where trains travel under the

Hudson River to New Jersey and eventually to Washington, this is not the case. There are just two tracks. Any issues here, even minor ones, cause major problems.

The section from Penn Station in New York to Newark, New Jersey, is the most densely used piece of track in the U.S., and one of the most densely used in the world. It can host nearly 1,200 train movements per day. Unfortunately, it is also very old and in need of urgent repair and expansion. The tunnels under the Hudson River were completed in 1910 while the *Titanic* was under construction and the Wright brothers were transitioning to their Model B airplane. The tunnels' age is reason enough for them to be comprehensively refurbished, but during Hurricane Sandy in 2012 they flooded, worsening their already precarious condition.

In addition to the two tunnels, this section of track contains the Portal Bridge over the Hackensack River, the busiest train bridge in the Western Hemisphere. This two-track swing bridge also dates from 1910, and because of its low clearance over the water it must be opened to allow boats to pass.

What we are calling Phase 1A of the Gateway program is the replacement of this aging bridge. Design and all environmental reviews are done and we are just awaiting the last piece of financing. Amtrak has committed its funding, and the local partners – New Jersey Transit and the Port Authority of New York and New Jersey -- have committed theirs. With everything else in place, we are awaiting word from U.S. DOT as to whether the project will be awarded a Federal Transit Administration Capital Investment Grant (CIG) for core capacity that was applied for last fall. Award of these funds will be the last piece of the puzzle and then construction will be able to start.

Once construction of the bridge is underway, we can proceed to Phase 1B, construction of new tracks under the river. The plan is two build two new tracks under the Hudson, and once these are open, to close each of the existing tunnels in turn for repairs. Closing one of these tunnels for repairs without new capacity in place would reduce throughput of trains during rush hour by 75 percent due to the need to run trains in both directions in the remaining tunnel. When the entire program is done, including subsequent phases, there will be a fully-functioning four-track railroad all the way from Penn Station to Newark and enough track and platform capacity in Penn Station to accommodate decades of future travel growth.

Work is currently underway to finish the environmental impact statement for this phase of the work. We are on an aggressive 24-month schedule for completion of the EIS, less than half the time that was typical for projects of this kind just a few years ago. When I was at U.S. DOT, we put great effort into finding ways to speed up the review process without compromising environmental protections, and I look forward to similar efforts from the current administration. We plan to have a draft EIS this month, and a Final EIS, a Record of Decision, and a Corps of Engineers Section 404 permit by March, 2018.

In addition to giving us a transportation project that can help support 10 percent of the country's GDP, this project can serve as an example of how environmental review for even complex, expensive projects can be expedited without any compromise to environmental outcomes.

This summer we will be holding an industry forum to hear from construction companies and other private sector experts about how they believe the project can be most efficiently delivered. We are looking to tap into the best thinking from the private sector about how to get a quality project built quickly and cost-effectively.

As I have described, Amtrak and the local partners are doing everything they can to move the project forward. They are doing this because of how urgent the need is given the condition of the existing tunnels, and how large the regional and national economic benefits can be from upgrading the entire Northeast Corridor, an effort that begins with Gateway. Despite the strong cooperation that is already in place between national, state and local actors, it is not realistic to think that an infrastructure project of this magnitude can succeed without U.S. DOT as a partner. The federal government has always done its part to build the infrastructure that builds America – from the National Road to the Hoover Dam to the Interstate Highway System – and this is what is needed for Gateway.

Although the NEC is the busiest rail corridor in the U.S., it is not the only one. Passenger rail travel has seen steady growth in corridors across the country. The fastest growing segment of the inter-city market has been Amtrak's medium-distance state supported services, which are a perfect example of the kind of national-local partnership I mentioned a moment ago.

These services also depend on infrastructure that is often very old. The rail infrastructure in and around Chicago has been a particular area of focus because of the high density of both freight and passenger traffic. This Subcommittee is familiar with the set of projects that go under the CREATE banner and has provided federal funding for them in the past. CREATE is yet another example of the partnership model: investments are being made by local governments, by the State of Illinois, by the Federal government, and by the private freight railroads. Each party bears some responsibility, and each has something to gain.

In addition, the rail funding provided by the American Recovery and Reinvestment Act in 2009 enabled some very important projects around the country that are now bearing fruit. Passenger trains now travel at up to 110 miles per hour on portions of the line between Chicago and Detroit, and a comprehensive upgrade of another line will cut at least one hour from the time it takes passengers to travel from Chicago to St. Louis.

I also have very high hopes for several of the projects out there that are building towards true high speed rail. Mr. Chairman, you are of course very familiar with the California project now under construction. Although the share of that project's overall cost provided so far by the federal government is fairly low in percentage terms, federal support was key to getting it off the ground.

In Texas, a different model is being tried with a plan to connect Dallas and Houston with a high speed line using Japanese technology. Although this project is not seeking federal grants, chances are it will wish to benefit from one of U.S. DOT's loan programs, the Railroad Rehabilitation & Improvement Financing (RRIF) program, to provide low interest loans.

As we all know, America has huge infrastructure needs, and it is heartening to see that this Subcommittee recognizes that rail is an important part of the equation.

Thank you Mr. Chairman for the opportunity to testify and I look forward to answering any questions.

Testimony of

P. Michael Reininger

Executive Director

Florida East Coast Industries, LLC

Before the
U.S. House Transportation and Infrastructure

Subcommittee on Railroads, Pipelines and Hazardous Materials

On

"Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"

Submitted by

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June 22, 2017

Introduction

Chairman Denham, Ranking Member Capuano and members of the subcommittee, thank you for the invitation to participate in this hearing. My name is Mike Reininger, and I am the Executive Director of Florida East Coast Industries. We are an infrastructure and real-estate development company based at our signature central station in Miami where we are represented by your Committee colleague, and our distinguished Congresswoman Frederica Wilson. Further along the remainder of our passenger rail corridor we are also represented by distinguished members Dan Webster, Lois Frankel, and Brian Mast.

I am pleased to share a private industry perspective on the opportunities to introduce intercity passenger rail as an important example of the kind of transportation solutions needed for cities across the country where increased mobility options are essential to support prosperity.

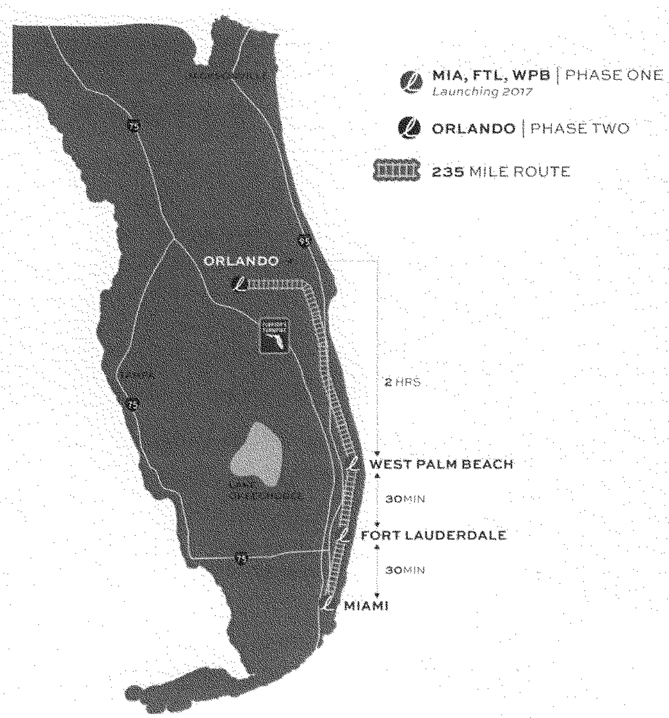
Background

FECI is the parent company of All Aboard Florida which was established in 2012 to pursue passenger rail opportunities on a private, for-profit basis. FECI traces its roots to the late 1890's and the company founded by Henry Flagler who first introduced an integrated rail network into Florida. That railroad gave rise to the growth of most of what is now the country's third largest state. Originally the system was built as a railroad that carried passengers from points north to new development projects along the Florida coastline, and also carried the freight to support the needs of those people and of those building the communities emerging along the new infrastructure backbone. In the late 1960's the passenger service ceased operations, (as was commonplace with many US passenger rail routes) but the freight service continued to support the growth of the state. After some 120 years of continuous operations, the original railroad remains a profitable private enterprise.

In 2007, Fortress Investment Group (a $70 billion alternative investment manager) acquired Florida East Coast Industries; which was at the time a publicly traded company, and converted the assets into two distinct private companies with interests divided between freight and passenger railroad operations. Florida East Coast Railway is the freight operation and FECI is the passenger and real-estate operation.

A Vision for Passenger Rail in America

Leveraging the legacy of the original company and its historic assets which, include a century of previous investment into railroad infrastructure, All Aboard Florida has invested $2 billion of private capital over the last 5 years toward a reintroduction of passenger rail service to major Florida cities. This express, intercity passenger train will operate under the brand name Brightline, which is a newly created, consumer- oriented brand built to support an optimistic vision for what it means to travel by train in America. Brightline will be introduced in two phases, with service to the downtown cores of Miami, Ft Lauderdale and West Palm Beach initiating in about 90 days. This initial phase is an all-important first step toward a vision to fully connect the Southeast and Central Florida markets - two driving forces of the overall economy of the third largest state in the country.

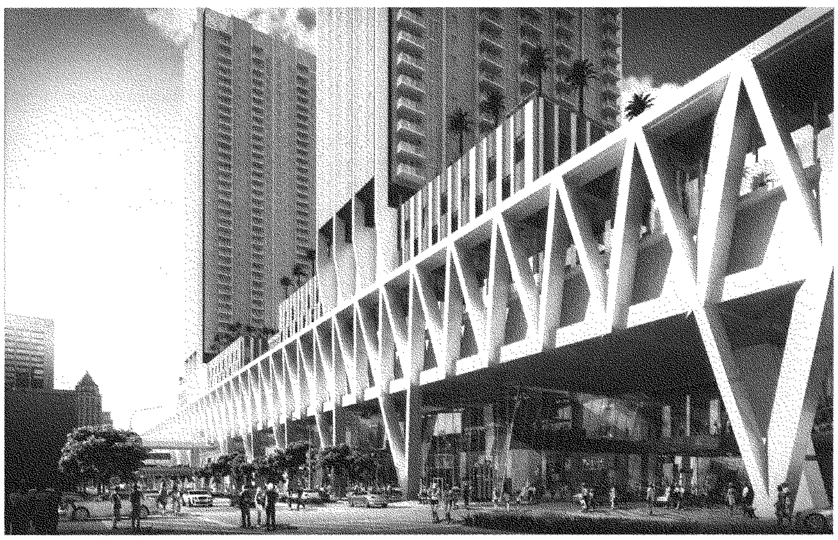


Today, 400 million trips are taken annually in this market, relying on roads and airways that are among the most congested in the nation. With nearly half of the State's 20 million residents living within close proximity to the railroad corridor, and many of the more than 100 million visitors to Florida attracted by the complementary attributes of Central Florida attractions and South Florida's beaches and culture, enhanced mobility between these markets is vital to meeting the growth trajectories event in this region.

These trips, which we see as "too long to drive and too short to fly" represent the opportunity for the next generation of American train service. Today's market sensibilities are vastly different than those of 1969 when traveling by train in Florida effectively stopped. The demand for alternatives to private cars on crowded roads has never been clearer. Demand driven by growth, dysfunction generated by congestion and the social priorities of a modern demography all support the future prospects for passenger rail as a key component of transportation networks.

Only five years since it was conceived, Brightline will begin carrying customers in a fleet of new and innovative, 100% Buy America trains, to three new stations, across 70 miles of modernized railroad infrastructure that includes Positive Train Control.

In addition to the new train operations, we are building what will soon become new multi-modal transit hubs in the heart of the existing downtown cores of three of Florida's most important cities. With over 1.5 million square feet of mixed-used development under construction in and around our stations, an important second component of the project will welcome new occupants concurrent with the Brightline trains. These new urban environments benefit from added transit activity and also contribute to the use, and therefore viability of the new train system by increasing the density and proximity of many new customers.



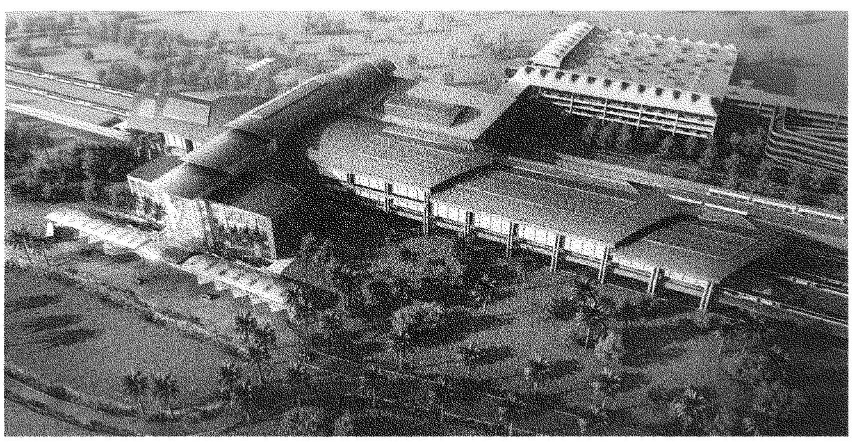
A major component of Brightline's intermodal advantage is its direct connection to the adjacent Metrorail and Metromover systems and the cross-utilization of commuter and intercity rail on our MiamiCentral station platforms. As a result of a successful collaboration between All Aboard Florida and the South Florida Regional Transportation Authority (SFRTA), regional commuters can now get to downtown Miami with a one-seat ride on the Tri-Rail system, the first downtown connection for this public system since it began in 1985.

Brightline offers an efficient and sustainable transportation system that will connect communities, bringing a much needed and often overlooked component of successful urban redevelopment efforts. In Miami in particular, our station and new corporate headquarters is located in a long-neglected and economically disadvantaged area known as Overtown. This once bustling African-American community was effectively marginalized when the new interstate system split Miami's downtown neighborhoods in the 1960's.

With our commitment to the Overtown community, which includes hiring preferences for local residents, we hope to be the catalyst that will encourage others to re-invest in this historic part of downtown and bridge a decades long divide in Miami's city center.

With the second phase of Brightline, the service will stretch north from West Palm Beach and ultimately connect into a new multi-modal station that is being built as a center piece of the expansion of the Orlando International Airport. With this leg the connection to Central Florida will be accomplished; and as a result, the linking of a major international air gateway to an intercity passenger rail network will put this facility among a small group of American airports that have achieved this level of connectivity.

The further integration of the various other transportation systems that convene at the airport, in particular Central Florida's SunRail commuter system, will be facilitated with direct connections and immediate proximity.



In fact, each of our station facilities have been planned and constructed to optimize connections and ease of cross-utilization between all existing and planned future transit systems.

Job Creation, Labor and STEM

When completed, All Aboard Florida's investment in the Brightline will exceed $3 billion. In addition to creating up to 10,000 jobs during the design and construction phases of the rail system and thousands more associated with train operations and ancillary development, Brightline is an investment in STEM related education and employment opportunities. From our advanced technology train equipment with fuel efficient, environmentally friendly EPA Tier 4 compliant engines, to modern signaling and communications systems designed to enhance safety and produce a high quality customer experience, Brightline is making a commitment to a workforce training regime that includes skill-based apprenticeship education.

Brightline is perhaps a prototype of what a future private passenger rail workforce may look like. As a new company operating alongside an existing, long-established freight company we have found that through relationships in the form of joint-use agreements and joint-ventures, such as with our dispatch and infrastructure maintenance operations, we can create a working partnership that includes union and non-union personnel working collaboratively.

Through equity in pay and benefits, such arrangements can contribute to healthy working conditions, healthy companies and efficient joint operations. In addition we maintain a strong commitment to building a diverse workplace. We voluntary adapted Florida Department of Transportation standards for public infrastructure projects, and our minority workforce routinely exceeds those minimum thresholds.

Investment Thesis

Our business plan is quite simple. We believe that markets comprised of city pairs that are 250-350 miles apart present opportunities for trains to provide a more efficient, comfortable, and reliable alternative to cars and planes. The addition of integrated real-estate development aligns two economic engines that directly support one another, creating a unified business that has more than one way to pay the bills.

The lack of analogous precedent for operating systems within the United States meant that lessons needed to be learned from a comprehensive study of the global markets where profitable rail services can be found. In addition to transportation analogs, we gleaned knowledge from the perspective drawn from other hospitality service offerings as a benchmark for a new transportation service. Combining these with best-practice observations from examples of Transit-Oriented Development (TOD), we developed a balanced approach to breaking the inertia that has beset many initiatives similar to ours being considered elsewhere in America.

The advantages of a private-sector model, which exacts efficiency from all parts of a process and focuses on the time value of money as a central tenet of achieving profitability, is also a key aspect of the overall business thesis.

And lastly, the leverage provided by augmenting existing assets and resources allow investment requirements to be manageable. A point of view that forces rational judgement on each discrete decision and the effect on profit, longevity and market acceptance of each aspect of the overall equation combine to form the framework for an approach that has moved the thesis from conversation to reality in a fraction of the time typically seen with project's such as Brightline.

Opportunities for Government and Industry Cooperation

Our experiences have sharpened our perspective on several key factors where enhanced interaction between government and industry will contribute to more and faster results. The objective should be to encourage the billions of dollars of capital earmarked for infrastructure to be deployed against creating *new* systems that will generate growth, and contribute new capacity into our transportation infrastructure networks.

There is ample equity capital available in the current markets targeting the prospects for infrastructure and transportation as long-dated assets worthy of investment. The challenge is that the majority of this capital will move toward existing and established projects and therefore will not generate incremental assistance to the core challenge of capacity.

Broadly speaking, the most critical areas for improvement that will help pioneering efforts such as ours are a streamlining of complicated regulatory processes, and enhancements to the debt markets that must accompanying equity investments to produce new projects.

The uncertainty of time relative to complex governmental approval processes discourages capital investment, as it represents an unmeasurable risk. The lack of precedent for new systems to serve as examples, coupled with the risks resulting from uncertain and extended permitting processes have limited the availability of appropriate debt needed to complete the total capital equation. Both issues can benefit from re-tooling of already existing structures.

Our own experiences with expanding our business into its second phase, which represents an incremental investment of $2 billion, clearly demonstrate these points.

The NEPA process associated with an original RRIF loan application we submitted in March 2013 gave rise to a comprehensive study process led by the FRA that engaged some nine different entities and fully followed all prescriptive guidelines. That 2 ½ year process resulted in the publishing of a Final EIS in August 2015. We believe a two-year goal, from initiation to record of decision for NEPA reviews is not only achievable, but a necessary regulatory requirement in order to attract private investment. The challenge we are experiencing is some 22 months *after* the FEIS went 'final", the process has still has not produced the definitive actions to allow complete permitting under NEPA. In the face of so many regulatory hurdles, combined with the ease by which narrow interests can delay worthy projects through legal and administrative challenges, rationalization of this reality will dramatically improve the interest and motivations of private investment capital.

Financial incentives also factor heavily in these decisions. As the demand for services such as Brightline continue to emerge, the opportunity to activate the direction of private capital against new infrastructure can be catalyzed through more efficient utilization of already existing programs such as TIFIA, Tax-Exempt Bonds, and the RRIF program. These programs suffer from opaque and complex rules which discourage pursuit of these options and render them underutilized. Yet, these existing programs could easily be changed to remove ambiguity and provide exactly the kind of efficient debt needed to incent investment and progress. This effort coupled with political will, can move projects from ideas to construction very quickly.

Reforms such as those being considered by this committee and the current administration will save taxpayers billions of dollars, while accelerating the task of rebuilding our nation's infrastructure.

With near-term results shown to be possible, the added ingenuity these new examples will inspire will help motivate attention to still further models and adaptations of the strengths of the private sector and government when aligned toward common goals.

As we work toward our launch date, and continue work on the expansion of our system, we welcome the opportunity to contribute to enhanced solutions to these issues.

Thank You for the opportunity to share these thoughts with you today. I would be happy to answer any questions or comments you may have.

"Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"
Thursday, June 22, 2017, 10:00 a.m.
2167Rayburn House Office Building
Washington, D.C.

Responses to Questions for the Record

Submitted by P. Michael Reininger, Executive Director
Florida East Coast Industries, LLC

Questions 1-2 issued by Hon. Jeff Denham of California

1. Even though All Aboard Florida is being developed by a private company, you mention in your written testimony that the project had to go through the NEPA process. Do you have specific recommendations, based on your experience, regarding how to streamline the process?

A: Environmental Impact Statements (EIS) should commence with a robust initial scoping process in order to clearly determine project parameters and be scaled to the issues relevant and appropriate to the specific project. For example, in AAF's case there is an obvious difference in impacts as a result of utilizing an existing, active rail corridor versus those which would occur from developing an entirely new route (such as with the California High Speed Rail project) and the scope for study should reflect this reality.

NEPA reviews can be completed in a more timely fashion by establishing clear lines of authority and providing clarity with regard to lead agency responsibilities. Early identification of one point of contact responsible for coordinating amongst cooperating agencies and other interested parties will allow sometimes conflicting positions or procedures to be resolved quickly.

On the broader issue of time, our experience has shown that a more diligent adherence to pre-established time periods for specific tasks and activities along the process will eliminate inefficiency and uncertainty that comes from an inability to predict progress when time parameters become arbitrary.

The FAST Act contained several provisions which when fully implemented will greatly help in accelerating project delivery. I urge the committee to continue their oversight of this process.

2. What do you consider to be the advantages of developing a higher- speed rail service on existing rights-of-way compared to a high-speed service on a new, dedicated rail line?

A: Perhaps the two most challenging aspects of creating new passenger rail service in the U.S. are acquiring a new right-of-way and entitling it for the specific purpose as a transit corridor. From the start, Brightline was advantaged by the fact that these two hurdles had been overcome over 120 years ago when the primary corridor was established. In addition to ownership, the pre-existing infrastructure could be leveraged to provide an appropriate system for operating higher-speed trains and this resulting lower capital cost is a key factor to financial viability.

We believe the added investment needed to deliver a true high-speed rail system would require public investment to become financially feasible, and that a modest improvement to time of travel does not warrant the environmental consequences associated with grade separation of the entire corridor through urbanized areas.

Questions 3-6 issued by Hon. Michael E. Capuano of Massachusetts

3. How are you financing Phase 2 of the project, from West Palm Beach to Orlando? Are you applying for another Railroad Rehabilitation and Improvement Financing (RRIF) loan? Tax exempt bonds?

We continue to consider all potential sources of capital with a specific focus on identifying the most efficient long-term capital structure that will support the ongoing financial health of the entire enterprise.

Both the RRIF and PAB programs exist to incent projects such as Brightline. These programs present no risk to taxpayers nor do they provide a subsidy from public dollars. We are actively considering both options.

4. Are there any objections to Phase I or Phase II of your project from local communities? Can you summarize those and what you've done to address their concerns?

A: The initial phase of Brightline (Miami-West Palm Beach) has been built with no organized opposition or legal actions, as has the new multi-modal station facility Brightline will utilize through a lease arrangement at the Orlando International Airport.

Some objection to the project has been raised in the three smallest contiguous counties along the route through which the railroad has operated for 120 years.

In order to hear and understand concerns, AAF agreed to five public scoping meetings, extended the public comment period from the statutory 45 days to 75 days and increased the number of public workshop meetings from six to eight. In addition, a public comment extension was granted for an Army Corps of Engineers permit and, following issuance of the Final EIS on August 4, 2015, the FRA agreed to accept comments beyond the statutory 30 days.

AAF's project development team participated in more than 800 meetings, public workshops, briefings and presentations to civic and community organizations, and elected officials and bodies in an effort to understand, communicate clearly and address concerns being voiced with factual representations and clarifications to many misunderstandings and misrepresentations which were at the root of objections being voiced.

Moreover, AAF's engineering design team met with each city and county engineering department along the rail corridor to receive input and suggestions on the development of highway-railroad crossing safety designs, many of which were incorporated in the final plans. This series of meetings included FRA's General Engineer for High Speed Rail.

In a letter dated May 3, 2016 the FRA approved AAF's final crossing designs with the following comment:

"The Federal Railroad Administration (FRA) has completed its review of All Aboard Florida's (AAF) grade crossing design plans submitted to FRA on March 9 and 17, 2016, for the Florida counties of Palm Beach, Martin, St. Lucie, Indian River, and Brevard (Counties). These plans comply with the grade crossing mitigation requirements in FRA's Final Environmental Impact Statement (FEIS)."

The FRA reiterated their approval of AAF's crossing design in an August 24, 2016 email stating that the design: *"...complies with the "Sealed Corridor" concept as outlined in FRA's Highway-Rail Grade Crossing Guidelines for High-Speed Passenger Rail, conforms with the requirements of the ON-SITE ENGINEERING FIELD REPORTS, and meets the intent as specified in FRA's FEIS document dated August 2015."*

Without question, the resulting enhancements to the railroad significantly improve safety along the corridor for the local communities that are adjacent to it.

AAF has also committed to fully rehabilitate railroad draw bridges over navigable waters to include repair and replacement of mechanical and structural components of the bridges. Together with the new signal system, the future reliability and safety of the moveable bridges will be assured. As an example of the kind of cooperation we are committed to (and similar to what was achieved in the project's first phase) we worked closely with elected board members of a local taxing district to make additional bridge modifications to allow for easier passage of small and midsize boats at one of these bridges.

We are continuing to work with communities to develop partnerships on such issues as quiet zones, future station stops and other issues which may arise.

5. To what extent are you working with minority- and veteran-owned businesses on your project?

All Aboard Florida made an early voluntary commitment to adopt the Florida Department of Transportation aspirational goal for MBE/DBE/SBE and veteran-owned business participation both in our hiring and contracting. Based upon Federal guidelines of 9%, AAF has currently exceeded the goal with 12% of our workforce and contractors falling under these categories. This includes 100% minority-owned construction firms and two African-American owned businesses as future tenants in our MiamiCentral station.

To meet our goals AAF held a series of minority contractor forums beginning in 2014. AAF hosted a job fair for skilled and unskilled workers with priority given to people living in certain zip codes near the downtown Miami station complex. This was done in partnership with Southeast Park West CRA, City of Miami and Career Source.

AAF has committed to host job fairs for positions at both the Miami and Fort Lauderdale downtown stations. AAF's new headquarters adjacent to the MiamiCentral station is located within a CRA in the historically black neighborhood known as Overtown. AAF has committed to a hiring preference for qualified residents of the Overtown and nearby neighborhoods. In addition, AAF is working in partnership with the Miami-Dade College downtown campus in job training and apprenticeship programs for nearby residents.

6. What month and year did you withdraw your RRIF loan application and why did you withdraw it? Are you applying for another RRIF loan?

AAF's first RRIF loan application was formally withdrawn in October of 2016 since it was focused only on Phase I. A new draft RRIF loan was submitted on July 10, 2017 that covers both Phase 1 and 2.

Statement of Dan Richard
Chairman of the California High-Speed Authority Board of Directors
Hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"
Before the Subcommittee on Railroads, Pipelines, and Hazardous Materials
Committee on Transportation and Infrastructure
U.S. House of Representatives
June 22, 2017

Chairman Denham, Ranking Member Capuano, and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the California High-Speed Rail program as part of the Subcommittee on Railroads, Pipelines, and Hazardous Materials hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service". I am Dan Richard, Chairman of the Board of Directors of the California High-Speed Rail Authority (Authority). In this testimony, I would like to highlight major areas of progress the Authority has made since this Subcommittee's last oversight hearing in August 2016. I would also like to provide some thoughts about how Congress and the Trump Administration can advance the development of high-speed rail in California and nationally.

Mr. Chairman and Ranking Member, the California high-speed rail program has advanced on many fronts since last August. Major construction activity in California's Central Valley is progressing, providing good paying jobs and creating opportunities for small and disadvantaged businesses all over the state. Congress provided funding through the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) to create jobs, aid the economic recovery of the nation's poorest areas, and spur technological development to build new transportation infrastructure that provides long-term economic benefits – and I am proud to report to you today that we have truly accomplished those goals with the funding you provided. We have dispatched more than 1200 craft labor workers to our design-build construction package sites, and 100 percent of the steel and concrete used in the construction is domestic. Overall, investment in the program has resulted in 19,900 to 23,600 job-years of employment and generated $3.5 to $4.1 billion in total economic activity, while more than 630 different private sector firms have been contracted to work on the program.

Additionally, in March, the Authority published its *2017 Project Update Report to the California State Legislature,* which provides a comprehensive update on the status of the project including issues that I will address in my testimony today.[1] In April, the Authority completed its evaluation of Early Train Operator qualifications and compiled a "short list" of teams invited to participate in the second phase request for proposals that the Board approved this month. This procurement represents a key partnership with a private sector operator to ensure we design the system to enhance its commercial value and profitability, strengthen our public-private partnership strategy and build the case for private investment to expand the system. Also in April, we met a major milestone when California sold over $1.3 billion of Proposition 1A construction bonds for the high-speed rail project.

[1] *2017 Project Update Report to the California State Legislature:*
http://www.hsr.ca.gov/docs/about/legislative_affairs/SB1029_Project_Update_Report_030117.pdf

Today's hearing will explore "Challenges and Opportunities for Intercity Passenger Rail Service". I want to remind the Members of this Subcommittee that the California High-Speed Rail project has national implications – we are effectively building a 21st Century Northeast Corridor on the West Coast. Any infrastructure program of this scale will face challenges with schedule and budget; managing these challenges is a dynamic and continuous process, not a one-time or occasional exercise. I have appeared before this Subcommittee several times, and as the Chairman of the California High-Speed Rail the Board, I want to emphasize that *the Authority and the Board will actively manage this project* so that cost growth and schedule slips in any area of the program are avoided, mitigated or offset with savings in other areas of the program.

One thing I would like to highlight in my testimony is the tremendous opportunity facing the program today. Federal investment to date in the California High-Speed Rail project has unshakably secured California's ability to deliver the nation's first high-speed rail network. The State of California is stepping up now, we have cash in hand, and we will be making significant state expenditures in the coming months to advance this project and invest in our partnership with the federal government.

Looking forward, President Trump and several Members of Congress have pledged to increase infrastructure investment significantly. In California, we are listening closely to this discussion, we are hearing that there is an interest in developing transformational and nationally significant projects, leveraging non-federal investment, and delegating federal authorities to the states to streamline delivery. In California we are ready, willing and very well-positioned to step up on all these fronts and build upon our partnership with the federal government to deliver America's first high-speed rail network.

I. Major Areas of Progress

A. Construction

In January 2015, the Authority and its partners celebrated the official groundbreaking for the California High-Speed Rail system in Fresno. Today, the project is well underway with 119 miles of construction ongoing from Madera to north of Bakersfield. Three design-build teams are working on three separate sections of high-speed rail stretching through the Central Valley. Meanwhile, the California Department of Transportation (Caltrans) is completing the State Route (SR) 99 Realignment in Fresno, which will move the highway about 100 feet to the west to make room for the high-speed rail line. Work began first on the most complex structures: bridges, viaducts and overcrossings. Clearing and demolition along the right of way and drilling for geotechnical investigations and utility locating can also be seen throughout the Central Valley.

Mr. Chairman and Ranking Member, during this Subcommittee's August 2016 hearing on "Continued Oversight of California High-Speed Rail", I extended an invitation to Members of this Subcommittee to tour our project construction sites in the Central Valley so that you can see for yourself the transformative progress we are making on the ground. I renew that invitation to this Subcommittee, and particularly to you Chairman Denham – I hope that you are able to find some time to tour our construction sites when you are back in your district. The project now has eleven active construction sites, and we have provided Subcommittee staff with monthly construction updates, including videos of our progress, which can be found on the Authority's website at www.buildHSR.com. Key highlights include:

- The Tuolumne Street Bridge structure in downtown Fresno is nearly complete. Final paving has been finished for both ends, tying the structure into Broadway Street on the east side and F Street on the west. The original one-way bridge was demolished in January 2016 and this new, higher bridge was constructed to allow high-speed trains to pass underneath. This bridge will also allow for two-way traffic and coincide with the re-opening of Fresno's Fulton Mall to traffic.
- The final concrete pour for barrier walls has been completed at the Fresno River Viaduct, and crews have just a few more tasks to finish. Some final activities, such as construction of drainage structures and other concrete finish work, will be completed over the next few weeks.
- Two bridges will be connected by an earthen embankment for a crossing that will allow Avenue 12 traffic to cross over the future high-speed rail line and the freight line further to the east. Trucks continue importing fill dirt for a new alignment north of the existing Avenue 12 in Madera County, a little to the east of Madera Community College. The substructure has begun on both bridges and columns have been constructed.
- The Avenue 8 overpass, east of SR 99, will be a single span bridge that will allow traffic to cross over the high-speed train. Drilling continues for the bridge support piers at Avenue 8. Once the piers have been constructed, girders will be set to span the distance between the two walls.
- At the San Joaquin River Viaduct, crews continue to work on the support piers and other substructure elements for the pergola – the section of the viaduct that crosses over the existing Union Pacific rail tracks. Substructure activities, such as drilling shafts and setting rebar columns, continue along the rest of the project area.
- As part of the SR 99 Realignment in Central Fresno, SR 99 is being shifted about 100 feet to the west between Clinton and Ashlan Avenues to make room for the high-speed rail corridor. The Clinton Avenue Bridge over SR 99 has been demolished and the new structure is beginning to take shape. The Clinton bridge has to be raised to accommodate the high-speed rail trains.
- Temporary girders have been set at SR 180 for the next phase of construction that will shift traffic to the outside lanes, allowing work to occur in the median. Crews also began excavation for a tunnel beneath SR 180. Further north, drilling rigs have begun forming shafts for the next section of the trench. The Fresno Trench will be two miles long and take trains about 40 feet below ground to cross under a rail spur, a canal and SR 180.
- Flared pier caps are being constructed on the support columns of the northern section of the Cedar Viaduct, while other crews tie rebar for walls on the viaduct deck closer to

SR 99. Deck forms have been removed from this section of the structure and will be reused on the section being built across North Avenue.

- Much of the abutment for the Muscat Avenue viaduct has been constructed and workers are putting up falsework for the superstructure. Once the Muscat structure and the Cedar Viaduct are complete, the two will be connected so that trains can cross over SR 99.

- Workers constructed the abutment wall forms for the north abutment for the Road 27 Overpass. The structure will take traffic over the existing railroad line and the future high-speed trains, eliminating the need for the existing at-grade crossing.

B. American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) Investment, Jobs, Small Businesses and Economic Activity

To date, this construction has largely been supported by the Authority's partnership with the Federal Railroad Administration (FRA) and its participation in the High-Speed Intercity Passenger Rail (HSIPR) program. As of today, the Authority has expended or accrued the complete $2.55 billion in ARRA funding, and we are working through the final invoicing process for this work with the FRA. Additionally, we have dispatched more than 1200 craft labor workers to our design-build construction package sites.

As reported in the Authority's *2017 Project Update Report to the California State Legislature*, from July 2006 through June 2016, the Authority invested more than $2.3 billion in planning and constructing California's high-speed rail system. This investment has created jobs and generated economic activity in numerous ways. High-speed rail contractors have hired workers throughout the state, and these contractors have in turn paid suppliers for goods and services, further stimulating industries all over the state. Together, these direct and indirect impacts have induced wider economic activity by pumping money back into California's local economies. Overall, the Authority estimates this investment has resulted in 19,900 to 23,600 job-years of employment and generated $3.5 to $4.1 billion in total economic activity, while *more than 630 different private sector firms have been contracted to work on the program.*

The Authority is meeting its aggressive 30 percent goal for small business participation, and specific goals for Disadvantage Business Enterprise (DBE) and Disabled Veteran Business Enterprise (DVBE) of 10 percent and 3 percent respectively. To date, the Authority has contracted with and committed 373 small businesses, including 110 DBEs and 45 DVBEs. For more information about the small businesses participating in our program, I encourage you to visit the Authority's website and read our Small Business Newsletter at http://www.hsr.ca.gov/Programs/Small_Business/newsletter.html

It is also important to note that 100 percent of the steel and concrete used in the construction is domestic, further stimulating the economy of California and the nation. Furthermore, the Authority has committed to working with the manufacturing community, suppliers and Congress to ensure that trainsets are made in America.

A number of recent reports highlight the national and regional significance of California's high-speed rail program, and how investments in the program have resulted in economic benefits and job creation. These reports include:

- A study conducted by the University of the Pacific that shows Fresno-area unemployment is now below 10 percent for only the fourth time in the last 25 years, with high-speed rail construction being a key factor in this improvement: http://www.pacific.edu/Documents/school-business/BFC/Forecasts/CA-Metro-Forecast-May2016.pdf

- The Authority's recent analysis of "The Economic Impact of California High-Speed Rail" indicates that high-speed rail investment between July 2015 and June 2016 represents about 11 percent of the 32,000 jobs that the Central Valley economy grew by over the same period. In Fresno County, where most construction activities currently take place, high-speed rail investment represents roughly 29 percent of the total jobs added during this time period, with direct jobs representing about 17 percent: http://hsr.ca.gov/docs/newsroom/fact%20sheets/Economic_Impact.pdf

C. State Investment (Proposition 1A and Cap and Trade) and the Ongoing Federal-State Partnership

Mr. Chairman and Ranking Member, the California High-Speed Rail program has always been envisioned, as is being implemented, as a partnership among the federal government, the State of California, and the private sector. In addition to $3.5 billion in federal funding, in 2008 California voters approved the "Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century" (Proposition 1A). Proposition 1A authorizes the state to issue $9.95 billion of general obligation bonds, $9 billion of which will be used to develop high-speed rail. Proposition 1A also stipulated certain operational requirements and that the system would operate free of federal, state or local subsidy.

Approximately $2.6 billion of this authorized funding has been appropriated by the California State Legislature to match federal grant funds in the Central Valley, and $1.1 billion has been appropriated for "Bookend Investments" including Caltrain electrification on the San Francisco Peninsula and other early improvements in Southern California that will lay the foundation for future high-speed rail service. Another $950 million has been appropriated for "regional connectivity" projects that will provide direct connectivity to high-speed rail lines and facilities. *In April, we met a major milestone when California sold more than $1.3 billion of Proposition 1A construction bonds for the high-speed rail project.*

In 2014, the California Legislature built on this support by approving a continuous (i.e., permanent) appropriation of 25 percent of the annual proceeds of the state's cap and trade program for high-speed rail development and construction. To date, in excess of $1.33 billion in cap and trade proceeds have been provided for the high-speed rail program. Additionally, the system will ultimately be operated by the private sector through a long-term concession whereby the operator will pay an up-front fee that will be used to expand the system, and recoup its investment over time through revenues generated from operating the system.

As I testified before this Subcommittee last August, the Authority's 2016 Business Plan[2] lays out how the project will be sequenced starting with the Silicon Valley to Central Valley initial operating line (costing $20.7 billion) stretching from San Jose to just north of Bakersfield starting service in 2025, followed by delivery of the full $64.2 billion Phase 1 high-speed rail system extending to San Francisco, Merced, and Anaheim (through LA). The Authority's 2016 Business Plan identifies federal and state public funding already committed to the program sufficient to build the Silicon Valley to Central Valley line. However, an additional $2.9 billion of federal funding can extend the Silicon Valley to Central Valley line into Bakersfield and improve service to San Francisco; this extended line would significantly enhance ridership and provide an additional $4.7 billion in revenues, and thereby attracting higher value private sector concession bids.

Mr. Chairman and Ranking Member, while the federal government is a critical and necessary partner in the California High-Speed Rail program both today and in the future, the majority of funding currently committed to the program is California state funding. With a continuous appropriation of cap and trade revenues and over $4 billion of remaining Proposition 1A bonding capacity, the Authority is well-positioned to expand our partnership with the federal government beyond construction in the Central Valley. Additional federal investment in our project could be matched and put to work almost immediately, creating jobs and accelerating the delivery of this long-term transformational infrastructure program.

D. Early Train Operator Procurement and Public-Private Partnership

Mr. Chairman and Ranking Member, a fundamental goal of the California High-Speed Rail program is to create a commercially-successful *privately operated* high-speed rail transportation system. As segments of the program are delivered, they are projected to generate significant revenues and positive cash flow that will support private investment. Over time, the value of the system as a commercial enterprise will be significant for the State of California, creating the opportunity for private investment to support expansion of the system. In furtherance of these objectives, the Authority is strategically partnering with a private sector operator that will help ensure that our system is designed to enhance its ultimate commercial value and profitability.

The Authority is in the midst of bringing an Early Train Operator on board that will advise the Authority on the planning, design and construction of the high-speed rail system, and then undertake actual early operation of passenger service while working to build the market once the system is built. The Early Train Operator will provide input on procurements for trains, track and systems, maintenance facilities and station design; and be in charge of operations, revenue collection, marketing and branding and financial planning and modeling, including ridership estimation.

In April, the Authority completed its evaluation of Early Train Operator qualifications and compiled a "short list" of teams invited to participate in the second phase request for proposals

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[2] *2016 Business Plan*: http://www.hsr.ca.gov/docs/about/business_plans/2016_BusinessPlan.pdfb

that the Board approved this month. Proposals are due in September 2017 and we anticipate contract award by the end of the year.

E. Statewide Rail Modernization: Concurrent System-wide Strategic Investment

Mr. Chairman and Ranking Member, last August I noted for this Subcommittee that while the Authority is currently delivering a major construction project in the Central Valley, the completed high-speed rail system will serve as the backbone of a larger modernization of statewide, regional and local rail systems. The Authority is now working with state and regional partners to advance and accelerate regionally significant concurrent investments. These investments are strengthening and improving existing rail systems that will connect to high-speed rail or facilitate future high-speed rail operations.

The California State Legislature appropriated $1.1 billion of Proposition 1A funds for "Bookend Investments", improvements that allow high-speed operations to blend with existing Northern and Southern California rail systems. This funding is the subject of two Memoranda of Understanding (MOU) with agency partners in Northern and Southern California. An additional $950 million in Proposition 1A dollars has been appropriated for 17 "regional connectivity" projects that will provide direct connectivity to high-speed rail lines and facilities; over 50 percent of the Proposition 1A dollars for these projects have been expended. This combined $2 billion in Proposition 1A investment will leverage $5 billion in additional funding for these bookend and connectivity projects. For more information, the *2017 Project Update Report to the California State Legislature* provides a detailed discussion of Proposition 1A bookend and regional connectivity projects.

Through its 2012 Southern California MOU, the Authority committed $500 million to projects in the region. A number of priority Southern California regional projects have been identified and are in various stages of planning and development. Focused, strategic early investment projects - like grade separations - will increase capacity and improve the speed, safety and efficiency of existing passenger and freight services while paving the way for future high-speed rail services in the region.

For example, the Rosecrans and Marquardt Avenue intersection in Santa Fe Springs has been rated by the California Public Utilities Commission (CPUC) as the most hazardous grade crossing in California, which is traversed by over 110 freight and passenger trains and more than 52,000 vehicles every day. In 2016, the U.S. Department of Transportation (U.S. DOT) awarded a $15 million Transportation Investment Generating Economic Recovery, or "TIGER", discretionary grant for Rosecrans/Marquardt Avenue Grade Separation Project (the Los Angeles County Metropolitan Transportation Authority (LA Metro) is the lead agency for the project). The Rosecrans/Marquardt Avenue Grade Separation Project has been identified as the first project to be funded using Proposition 1A bookend investment funds under the Authority's Southern California MOU with its regional partners. The Authority will contribute up to $76.7 million of the costs for this $137 million project, and the Authority has submitted the funding plan for the project. In addition to the safety benefits this projects will bring, it will also increase passenger rail capacity to the Inland Empire by 60 percent.

The state is also partnering with LA Metro to improve connectivity in Southern California by funding the Regional Connector Transit Project in downtown Los Angeles. The state is providing almost $115 million in Proposition 1A regional connectivity funds to the $1.75 billion project that will connect Metro Rail's Gold Line to the 7th Street/Metro Center with a nearly 2-mile underground light rail system (this video link shows how crews are constructing this underground tunnel and why the project will make it easier for Southern Californians to get around town: https://www.youtube.com/watch?v=4G2Lso5EGes).

In Northern California, the Authority is providing Proposition 1A bookend funding for the Peninsula Corridor Electrification Project, which will increase capacity and improve safety in the Caltrain commuter rail corridor between San Francisco and the Silicon Valley. In 2016, the Authority agreed to a supplemental MOU with partnering Northern California agencies to increase funding for the Peninsula Corridor Electrification Project to a total of $713 million for the $1.98 billion project. The Authority's contribution is intended to advance key project elements which will initially improve service between Tamien Station in San Jose and the Caltrain terminal at 4th and King in San Francisco, and in the future, allow high-speed rail to use the corridor as part of blended operations with Caltrain.

The Authority is pleased that the Federal Transit Administration has executed a Full Funding Grant Agreement with Caltrain for the Peninsula Corridor Electrification Project. This critical regional project is ready to move forward, and will provide significant near-term operational, environmental and economic benefits. The Caltrain Peninsula Electrification Project alone will result in the creation of over 9,600 jobs, including over 1,300 located outside of California. When finished, new trains will reduce travel times between San Jose and San Francisco by 15 percent, cut emissions by 97 percent, and save more than 600,000 vehicle-miles each day on heavily congested freeways. The Authority will continue to work in partnership with Caltrain to advance this critical project.

F. Risk Management and Actively Managing Scope, Schedule and Budget

Mr. Chairman and Ranking Member, managing risk is one of the Authority's key responsibilities as we work to deliver the program. Like other large, complex infrastructure projects, the California High-Speed Rail program faces a range of budget, schedule and other risk pressures every single day; managing these challenges is a dynamic and continuous process, not a one-time or occasional exercise. The Authority and its Board actively manage risks through a robust and transparent risk management program, a thorough change control process, and by establishing and managing appropriate contingencies – with $11 billion in contingency, out of a total cost of $64 billion for the Phase 1 program, set aside to mitigate risk factors.

The Authority's Risk Management and Project Controls Office has a direct reporting relationship with the Board; together with the Authority's Program Controls division, these independent programs are constantly taking the pulse of the project and report monthly to the Board on program elements, including environmental progress, right of way acquisition, third party negotiations, construction progress and budget versus actual expenditures. Operations, financial and performance reporting are provided to the Board's Finance and Audit Committee each month, and shared with the California State Legislature and posted on the Authority's website.

Finance and Audit Committee meetings are also open to the public. Risk management is also a central focus of the Authority's continuing partnership with the FRA.

The *2017 Project Update Report to the California State Legislature* provides a detailed discussion of the Authority's risk management program, citing examples where it has yielded results in the Central Valley – namely in the areas of right of way acquisition, utility relocations, railroad and other third-party issues with our Construction Package 1 design-build contract. The Authority's budget for contingency is driven by risk analysis, and thanks to that analysis we anticipated cost and schedule pressures associated with these issues. To address these risks, we have executed change orders to the contract within our contingency, to address right of way delay impacts and to transfer utility relocation work to the design-builder, which will help relocations keep pace with construction.

We are also mitigating risk by identifying cost savings associated with other elements of the program. For example, the Authority identified through the environmental review process a preferred alternative alignment for the Central Valley Wye, the junction for trains that head either northwest to the San Francisco Bay Area or north to Merced and ultimately Sacramento, which is $221 million less than the alternative assumed in the Authority's 2016 Business Plan.

Finally, the Authority is also anticipating and managing risks to delivering the remainder of the Silicon Valley to Central Valley line beyond the current construction. The Authority is procuring additional right of way services to prepare for the approximately 1,800 parcels that will need to be surveyed, mapped and acquired to extend construction from the Central Valley to San Jose. We are drafting procurement documents for the remaining major procurements, including the high-speed trains, track and systems, and design-build civil construction with the intent of being able to quickly move into construction once environmental clearance is complete.

II. Looking Ahead

Mr. Chairman and Ranking Member, President Trump and several Members of Congress have pledged to significantly increase infrastructure investment, and perhaps also rethink and restructure the way the federal government funds infrastructure projects and supports project delivery. As the nation's largest transportation infrastructure project, California High-Speed Rail welcomes this discussion, and we hope that we can be a resource for Congress and the Trump Administration going forward.

A. Federal Infrastructure Investment: Targeting Transformational Projects and Leveraging Non-Federal Investment

Last month, the Trump Administration rolled out its federal fiscal year (FY) 2018 Budget Proposal, which was accompanied by a six page "Infrastructure Initiative Fact Sheet".[3] The

[3] 2018 Budget: Infrastructure Initiative (Fact Sheet): https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/2018%20Budget%20Fact%20Sheet_Infrastructure%20Initiative.pdf

Trump Administration Infrastructure Initiative outlines a new initiative that will provide $200 billion in federal funding to leverage a total of $1 trillion for infrastructure investment.

Key principles of the Trump Administration plan call for focusing federal dollars on the most transformative projects, stating: "When Federal funds are provided, they should be awarded to projects that address problems that are a high priority from the perspective of a region or the Nation, or projects that lead to long-term changes in how infrastructure is designed, built, and maintained." The Trump Administration plan also states, "while this Administration proposes additional funding for infrastructure, we will structure that funding to incentivize additional non-Federal funding. . ."

Mr. Chairman and Ranking Member, the California High-Speed Rail program fits squarely within these principles, and if given the opportunity, we would be very well-positioned to expand our partnership with the federal government and successfully implement them.

First, as I stated before this Subcommittee in August, *the California High-Speed Rail Program is in every way a transformational program.* California High-Speed Rail represents the first ever effort to build an intercity high-speed passenger rail system in this country. California is at the forefront of developing an entirely new American industry where investments *in* and the development *of* new technologies, manufacturing capabilities, and innovative business practices will create high-skilled, good paying jobs and benefit the entire nation for decades to come.

The California High-Speed Rail Program, and the larger Statewide Rail Modernization effort it is supporting, represent a revolutionary commitment to passenger rail investment that will vault our state into a more sustainable future, one that is also cheaper to build and maintain – much cheaper in fact than the cost of equivalent mobility of new highways and airports required to sustain the 50 million people we must serve by the middle of this century. These investments will benefit industry, open freight capacity to enhance the flow of goods from our fields and ports and sustain an innovative state economy that will help drive America's economic competitiveness.

With regard to structuring federal investment to leverage non-federal investment, the State of California is stepping up and leading the way on infrastructure investment. To date, California has made an unprecedented commitment to the California High-Speed Rail project: High-Speed Rail's portion of the state's cap and trade program has yielded $1.33 billion to date with more to come each quarter and the California State Legislature has already appropriated $2.6 billion in Proposition 1A bonds for the project of which over $1.3 billion have been sold. Moreover, the California High-Speed Rail program has demonstrated its ability to leverage additional investment all of over the state through its Proposition 1A bookend and regional connectivity investments.

California is certainly making significant investments in transportation and infrastructure, and is eager to partner with the federal government to advance the California High-Speed Rail program. With a continuous appropriation of cap and trade revenues and more than $4 billion of remaining Proposition 1A bonding capacity, the Authority is well-positioned to expand our partnership with the federal government beyond construction in the Central Valley. Additional federal investment in our project could be matched and put to work almost immediately creating jobs and accelerating the delivery of this long-term transformational infrastructure program. More simply stated - if a federal funding program is structured to incentivize or leverage non-federal investment, the California High-Speed Rail Program has a great deal to bring to the table quickly, and can put our state-federal combined resources to work quickly and produce real results.

B. Expediting the Environmental Review and Permitting Process

Mr. Chairman and Ranking Member, the 2016 Business Plan established a very important goal – to make the full Phase 1 system shovel ready as quickly as possible by completing environmental reviews. The Authority remains committed to completing environmental reviews expeditiously in order to provide clarity to local communities, stakeholders and regional partners as to the route and station locations, and to be shovel ready in order to build out the system and facilitate intermediate improvements as funding is available.

However, the ability to expedite environmental reviews depends on many external factors that are not necessarily under the Authority's control. For example, advancing environmental clearance involves working with multiple partners (e.g., FRA, U.S. Army Corps of Engineers, etc.) each of which are required to comply with, or address their own statutory mandates, and/or may face resource constraints.

Given these constraints, the State of California fully supports efforts to expedite the environmental review and permitting process without diminishing environmental standards and safeguards. In February, Governor Brown wrote President Trump to seek expedited environmental review for several California projects, including California High-Speed Rail, under Executive Order 13766, *Expediting Environmental Review and Approvals for High Priority Infrastructure Projects*. More recently, Governor Brown wrote the President requesting U.S. DOT to delegate its federal authority under the National Environmental Policy Act (NEPA) so that California can expedite the High-Speed Rail project.

The State of California has had an extremely successful history with NEPA assignment. California has been able to cut the regulatory burden on thousands of road projects because of the U.S. DOT's willingness to assign to the state the required reviews under NEPA, and has achieved time savings of months and years in reviewing and approving NEPA documents. The Governor's request is squarely in keeping with Congress' intention to extend NEPA assignment to rail projects under the Moving Ahead for Progress in the 21st Century Act (MAP-21; P.L. 112-141), as well as the Trump Administration Infrastructure Initiative principles that call for expediting environmental review by ". . .putting infrastructure permitting into the hands of responsible State and local officials where appropriate."

Mr. Chairman and Ranking Member, *California is ready to take on this responsibility, to commit its own resources (and also free up federal staffing and resources) to expedite the environmental review and permitting of the California High-Speed Rail project.* We look forward to working closely with the Trump Administration to advance the Governor's request.

C. A National Policy to Advance High-Speed Rail

Finally Mr. Chairman and Ranking Member, as efforts to construct high-speed rail networks advance across the nation, we feel a need to acknowledge the fact that building high-speed rail in America is not quite the same as adding capacity to an existing highway or building a new runway at an airport. We are building an entirely new mode of transportation using new technologies that have never been built or used before in this country. In some instances, U.S. high-speed rail systems will need to deal with issues of first impression for several federal regulators, including agencies other than U.S. DOT.

The Trump Administration Infrastructure Initiative principles discuss the concept of "One Federal Decision" - of designating a single entity with responsibility for shepherding projects through the regulatory process. I would suggest building on this idea and taking it a step further, that we should have a *National Policy to Advance High-Speed Rail*, a total government approach with leadership directly from the White House and also senior U.S. DOT leadership. Earlier this year President Trump himself publicly expressed his disappointment that, unlike other countries, we do not have high-speed rail systems in America. Governor Brown responded via Twitter that "California's ready". There is a tremendous opportunity for the President Trump to shape federal policy and leave a lasting legacy for high-speed rail in America. . . *and California is ready to strongly support the President in this effort.*

III. Conclusion

In closing, I would like to thank you again for allowing me to provide you with an update on the exciting progress the Authority has made towards implementing the nation's first high-speed rail system. I look forward to continuing to work with the Subcommittee to ensure that the nation's first high-speed rail system is built correctly, cost-effectively, and in the best interest of the nation's and California's taxpayers.

In response to questions for the record from Chairman Denham

The 2016 business plan asserts that the initial operating segment can be built with available funding.

> ***Of the $20.68 billion in estimated construction costs, how much funding is on hand or has been spent?***
>
> ***Without an extension of the Governor's cap and trade program, do you have any other guaranteed sources of state funding?***

RESPONSE: To date, the high-speed rail project has been awarded or authorized funding of $9.95 billion in Proposition 1A bond funds; $650 million in Cap and Trade funding from the state 2014-15 budget year; approximately $3.5 billion in federal grant funding, and a 25 percent continuous appropriation of Cap and Trade funding with a revenue estimate of $500 million a year to fill in the remaining funding needs for the initial operating segment (beginning in the state 2015-16 fiscal year). Expenditures to date are approximately $3.503 billion.

Details of the Authority's funding and expenditures can be found in the monthly financial statements presented at the Finance & Audit Committee:
http://hsr.ca.gov/Board/monthly_fa_committee_meeting.html

The Authority's funding sources include state bond funds, federal grant funds, and Cap and Trade funding. On July 17, 2017 the California State Legislature voted to extend the Cap and Trade program through 2030.

The California High-Speed Rail Peer Review Group noted in reviewing the 2016 business plan that "If the initial northern IOS is completed as planned, the lack of a connection into Bakersfield and the lack of a fully functional connection from San Jose to the Transbay Terminal in San Francisco will limit system ridership and passenger revenue."

How do you respond?

RESPONSE: The California High-Speed Rail Peer Review Group's statement is accurate and aligns with the Authority's plans for building the Silicon Valley to Central Valley operating line. The 2016 Business Plan outlined how a financially self-sustaining Silicon Valley to Central Valley segment can be constructed with existing and ongoing appropriations. However, the plan also described how an extension of the Silicon Valley to Central Valley segment – that is not necessary for financial self-sufficiency, but is economically sensible – would connect into Bakersfield and enhance the corridor from San Jose to San Francisco, thus increasing ridership and passenger revenue. This could be accomplished with an additional $2.9 billion in funding, and the 2016 Business Plan as well as my testimony of August 2016 and June 2017 made clear that such an investment of federal funds would be justified by the return on investment, and that the Authority would seek funds from any new programs for that enhanced portion of the system.

With blended service over Caltrain and Metrolink at the northern and southern ends of the high-speed line, what will the average train speed, with stops, be between San Francisco and Los Angeles?

RESPONSE: Proposition 1A requires that the high-speed rail system be designed to allow a non-stop train to travel from San Francisco to Los Angeles in 2 hours and 40 minutes. In 2013 the Authority shared the results of its travel time simulations with the Peer Review Group that included the blended system on the San Francisco Peninsula. After reviewing that analysis, the Peer Review Group confirmed that the Authority's design would be able to achieve the 2 hours and 40 minutes requirement. Since then, the Authority has continued to evaluate the system's ability to meet those travel time requirements and the most recent analysis continues to show that current designs have several minutes to spare. While meeting the design criteria, the actual average speed, with stops, during operations will be determined by the private high-speed train operator. That determination will ultimately be influenced by market forces and will not be determined until commercial operations begin.

Please provide the Subcommittee a spreadsheet detailing ridership, revenues, operating costs, and cash flows through 2040 assuming (1) medium case projections, and (2) that the Valley to Valley Extended (San Francisco to Bakersfield) is not completed until 2029. Please explain any differences in the revenue estimates between these estimates, the 2016 business plan, and the estimates in the technical supporting document on cash flows.

RESPONSE: The forecasts for the Valley to Valley Extended line contained in the 2016 Business Plan we based on an assumed 2025 start date for operations. At time of the modeling for this effort, a 2029 open date was not contemplated.

The most recent modeling and forecasts in regards to revenues, operational costs and capital costs are contained within the 2016 Business Plan. All technical memos that support the 2016 Business Plan are located at: http://hsr.ca.gov/About/Business_Plans/2016_Business_Plan.html

You mentioned during the hearing that it will cost $1.25 billion to extend Caltrain's line to the Transbay Terminal. What additional work and at what cost, beyond the $400 million in ARRA funding, will be needed for the California high-speed rail line to serve Transbay Terminal?

RESPONSE: The Transbay Joint Powers Authority (TJPA) is responsible for building the new Transbay Transit Center (TTC) as well as the tunnel that will allow rail service (high-speed and commuter) from the current Caltrain corridor terminus at 4th and King Streets to the TTC. The TTC is nearly finished and was built in part with $400 million in American Recovery and Reinvestment Act (ARRA, P.L. 111-5) funds. TJPA is developing the funding package for the tunnel part of the project and has assumed an additional contribution of $557 million from the Authority. This amount is included the 2016 Business Plan and it is part of the $64 billion cost estimate for the Phase 1 program.

The 2016 business plan for the California high-speed rail project projected that all environmental clearances would be achieved in 2017. The 2017 project update issued 10 months later projects the clearances won't be received until 2018. What is your current projection?

RESPONSE: Environmental clearances were originally planned to be completed by December 2017 and updated schedules are under development in cooperation with the Federal Railroad Administration (FRA). When this collaborative process is complete, we will be releasing updated schedules that reflect additional time for outreach, information sharing, and cooperation with affected communities.

Additionally, the Authority is in the process of working with the FRA on the assignment of National Environmental Policy Act (NEPA) responsibilities to the Authority which, if implemented, would enable expedited review and approval of the environmental documents required for the project.

Please submit for the record a summary of how the ARRA funds have been used on the California high-speed rail project and what has been accomplished.

RESPONSE: ARRA funds were intended to support a number of aspects of the Phase 1 high-speed rail system and were used as the FRA intended: to establish the foundational technical civil design standards, train specifications and safety standards for an American high-speed rail system; to support environmental review of the Phase 1 system from San Francisco to Los Angeles/Anaheim; to complete the environmental clearances necessary for construction to begin in the Central Valley; and, to start construction of the high-speed rail project.

Three design-build contractors and three corresponding project oversight teams were hired for the 119 miles of construction that is underway between Madera and Kern counties; construction began in the in 2015. The construction of bridges, viaducts and grade separations is underway at multiple locations and the first complete structures are expected to be finished this year. This construction activity resulted in the creation of thousands of jobs, not only throughout California, but across the country. In addition to the over 1200 craft laborers directly employed in constructing the project, workers and residents of the Central Valley are experiencing the positive effects of the ARRA expenditures as the project's economic benefits continue to bolster the local areas' economic recovery.

Construction in the Central Valley has also resulted in various mitigation agreements that are improving air quality through the purchase of cleaner equipment and investments in preserving natural habitat and agricultural lands.

For more information on program accomplishments, please see the latest Project Update Report submitted to the California Legislature on March 1, 2017 at:
http://www.hsr.ca.gov/docs/about/legislative_affairs/SB1029_Project_Update_Report_030117.pdf

Questions on pages 5-7 were issued by Hon. Michael E. Capuano of Massachusetts

There seems to be a sentiment in Congress that states and localities and private investors/industry can get these big projects done without federal funding. What is your response to that?

RESPONSE: Historically, large transportation infrastructure projects rely on the federal government as a funding partner with grants supplementing 50% or more of projected project costs. Major transportation corridors, such as the Interstate Highway System, were built with 90% federal funding.

A recent example of federal involvement in large infrastructure projects is the Gateway Tunnel Project to improve intercity and commuter rail services in the Northeast. The $20 billion Gateway Tunnel Project was a collaborative effort between New York and New Jersey with federal funding of approximately 50% and state matching funds of 50%. This is consistent with states' need for the federal government to assist in funding large infrastructure projects.

The Authority views high-speed rail in California similarly, wherein an initial investment by the federal, state and local governments is made to get the project to the operations phase, which can then unlock private sector participation. This is consistent with other models for infrastructure delivery, not limited to high-speed rail, both domestically and internationally.

To be clear, as with other major infrastructure projects, the California High-Speed Rail program has national economic impacts, meets national policy goals, and has far-reaching effects on citizens beyond California. Accordingly, it is appropriate that the federal government play a significant role in funding these endeavors.

What are the regional and national economic benefits that will be seen from completing the Phase 1 of the Project? How many jobs have and will be created?

RESPONSE: The economic benefits from completing the program will be as follows:

1. High-speed rail will transform California's economy by connecting the major population centers of the state together and facilitating new economic opportunities that do not exist today. Businesses from across California will be able to connect with clients and partners in other regions that are not easily accessible today and workers will have more options for where they can live and work. This is entirely consistent with the international high-speed rail experience.

   In California these economic benefits will start with the Silicon Valley to Central Valley Line that will tie those two regions closer together. With the Bay Area's housing crisis resulting in unprecedented challenges for families trying to live in that area, high-speed rail can create new opportunities in the Central Valley where housing prices have remained affordable. With less than a 1-hour trip from Fresno to San Jose on high-speed rail, that can be an easier commute than many Bay Area workers have today.

Similarly, with commercial office rents skyrocketing, some back-office or other functions could easily move to the Central Valley from the Bay Area, creating new economic opportunities there while maintaining close connections to the head offices. These kinds of economic connections are not possible today, but will help fuel economic growth for decades to come once the high-speed rail is complete.

We anticipate that these same types of economic opportunities will spread and grow as the system is extended from the Valley to Valley segment into Southern California.

2. Beyond the long-term transformational economic benefits, the investment in high-speed rail in California is already having substantial economic benefits as construction ramps up. To date, 1200 craft laborers have been dispatched to our design-build construction sites, with many more to come. But the direct employment of construction workers is only part of the story. The Authority recently completed an economic analysis looking at the economic results during the 10-year period from 2006 to 2016. In that analysis, we found that the $2.3 billion that was invested during that time period:

    - Resulted in $3.5 billion to $4.1 billion in total economic impact.
    - That economic impact led to 19,900 to 23,600 job-years of employment.[1]
    - 52% of the investment went to Disadvantaged Communities in California.
    - In total, over 630 different private sector firms (including almost 400 small businesses) worked on the program from across California and the country, including 35 different states.

    The economic benefits have been especially apparent in the Central Valley, where construction has resulted in a tremendous infusion of state and federal funds into the local economy. The impact of the high-speed rail investment between July 2015 and June 2016 is equivalent to about 14% of the 32,000 jobs that the Central Valley economy grew by over the same period.

    In Fresno County, where most construction activities currently take place, the high-speed rail investment is equivalent to roughly 30% of the total jobs added during this time period. This has helped Fresno's unemployment drop to under 10% for just the first time since 2008 and just the fourth time in the last 25 years. Additionally, Fresno County has seen three straight years of annual employment growth over 3%. Prior to 2014, Fresno County had only one year of 3% employment growth since 1990.

    These economic benefits will only continue to grow as construction expands and as the system is built out over the coming years. Our forecasts show that just completing the Silicon Valley to Central Valley Line will result in almost 200,000 total job-years while Phase 1 will generate hundreds of thousands more. These are significant economic impacts that we are seeing from today's investment, but there is much more to come in the future.

[1] Job-years are a common economic term to standardize employment results. One job-year is the equivalent of one person working full time two half-time people working for a year is one job-year while someone working full time at the same job for five years is five job-years.

3. The Central Valley segment of the high-speed rail system will create a new, passenger-only rail asset that would allow shifting of passenger service off the existing rails that are owned by private companies. This shift will allow for the expansion of freight rail capacity which will have large benefits for the agricultural sector. Also, construction of high-speed rail is removing dozens of at-grade crossings up and down the Valley, resulting in vastly improved public safety, efficiency of rail movements, and flow of commerce in downtown areas.

There have been efforts by some to continually delay the California high-speed rail project. What effect does that have on costs?

RESPONSE: Delays to project elements that have yet to begin have a commensurate project cost increase because of the time value of money. Likewise, delays to project elements underway often result in cost increases such as extended home and field office expenses, work interruptions and restarts, idle construction equipment costs, inefficiencies and the like.

Litigation by project opponents resulted in construction delay costs paid by the Authority for not acquiring necessary right-of-way properties for the first construction project in the Central Valley. Opponents had challenged the validity of the state bond funds used to fund Central Valley construction. Although the Authority eventually prevailed in the litigation, it initially prevented access to the state funding that required the FRA and the Authority to modify the ARRA federal grant agreement to allow the use of federal funds through a tapered match arrangement. The litigation delay triggered the need to update more than 500 already completed right-of-way appraisals that had gone stale during the period of renegotiation and execution of the federal grant amendment. This delayed the contractor's progress and the Authority paid approximately $50 million in construction delay costs.

This is just one example of the types of problems that can arise from efforts to delay projects of this complexity and magnitude. The ripple effects of delay are real, and can have significant consequences.

<u>In response to requests for information from Chairman Denham</u>

A more detailed assessment of the revenue opportunities CAHSR sees from ancillary opportunities such as real estate development and fiber optic cable.

The Authority is continuing to develop ancillary revenue estimates that may be directly available in the pre-operations or operations phases. The ancillary revenues analysis could include potential station level (e.g., retail concessions) and land parcel sources (e.g., fiber optic cable). In the 2016 Business Plan, the Authority made a conservative assumption that 1% of all ridership cash flows could be generated from ancillary sources. International experience, especially that of Japan, has shown that these ancillary revenues can become a significant part of the high-speed rail system's total revenues. We are currently developing strategies to increase ancillary revenues and will share those with the Committee as they are promulgated.

Details on what the 1,100 expressions of interest received in 2011 from private sector investors involved.

In 2011, the Authority solicited the private sector for their input on how they might develop the high-speed train system in a commercially viable and acceptable way. The Authority received significant responses from a broad range of industry participants and this information was used to develop the direction of the 2012 Business Plan and Business Model. Additional details about the 2011 RFEI can be found here:
http://www.hsr.ca.gov/Programs/Construction/request_for_expressions.html

In 2015, the Authority again solicited Expressions of Interest for delivery of an Initial Operating Segment from the private sector. Again, a broad range of information was received and was used to inform the direction of the Business Plan for 2016. This information can be found at: https://www.hsr.ca.gov/Programs/Construction/rfei_for_ios.html

A description of the additional work and estimated cost to upgrade the Caltrain line to accommodate high-speed trains, including track straightening, passing tracks, environmental work and any other modifications beyond electrification of the line. Please address in your response whether any part of the estimated $1.25 billion cost to extend the Caltrain line (and service for CAHSR) from its terminus at Third Street to the Transbay Terminal is included in the Authority's business plan.

As the Authority works through the environmental review process in collaboration with local communities, we are continuing to refine the exact set of projects that will be necessary in the San Francisco to San Jose corridor. Projects will include safety upgrades at grade crossings along the alignment, track straightening to speed up service, signaling upgrades, station upgrades, a light maintenance facility, and potentially passing tracks. These elements were estimated to cost $2.9 billion in the 2016 Business Plan, including TJPA's planned contribution from the Authority for the tunnel to the Transbay Transit Center. All of these costs are included in the $64 billion estimate in the 2016 Business Plan.

Information on the train speed modeling used for the CAHSR project.

The high-speed rail system is being designed and developed to meet the requirements of Proposition 1A, which is to allow a non-stop train to travel from San Francisco to Los Angeles in 2 hours 40 minutes.

The Authority uses industry standard train travel time modeling software called RTC, which is developed by Berkeley Simulation Software, LLC. The software uses a generic existing high-speed train's performance (acceleration, speed, braking, etc) and the design for the high-speed rail system (curves, grades, speed restrictions, etc) to evaluate the amount of time that it would take a high-speed train to travel from San Francisco to Los Angeles. Travel times and average speeds will be dependent upon the stopping pattern of services. The Authority will develop these with the early operator when the project reaches the stage of commercial operations.

Mr. Richard indicated he did not believe the presentation made to DOT last summer about RRIF financing was a formal presentation. Please see the attached and provide a response as to why Mr. Richard was not aware of this presentation.

Please see the letter from California High-Speed Rail Authority Board Chair Dan Richard to Chairman Jeff Denham dated June 29, 2017 re: "Clarification to Oral Testimony and Supplementary Information for the Record of the Hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service", June 22, 2017."

The California High-Speed Rail Authority's long-term approach to the project, how the work is being staged, and what financial support the authority may be looking for as the project proceeds.

Details of the Authority's long term approach to the project are described in the successive business plans published in 2012, 2014 and 2016. Additionally, the Authority presented its Project Update Report to the California Legislature in March 2017 that details current status of construction and planning efforts. Links to all of these documents are provided below: http://hsr.ca.gov/About/Business_Plans/index.html; http://www.hsr.ca.gov/docs/about/legislative_affairs/SB1029_Project_Update_Report_030117.pdf

In response to requests for information from Mr. Mitchell

Information on how the Authority is addressing the concerns of the Peer Review Group about the viability of financing a portion of the high-speed rail project with cap and trade revenues.

In their review of the Authority's 2016 Business Plan, the Peer Review Group (PRG) noted concerns regarding the viability of financing the project with Cap and Trade revenues in light of uncertainty around the legal status of Cap and Trade beyond 2020. The PRG highlighted a need for additional funding or financing in order to complete the project. The Air Resources Board's 2008 Scoping Plan and recent investment plan identified the high-speed rail as a priority investment for Cap and Trade revenues. In California state Fiscal Year 14/15, $250 million of Cap and Trade revenues was appropriated to the Authority, and in state Fiscal Year 15/16, 25% of auction sales were continuously appropriated to the Authority. On July 17, 2017 the California State Legislature extended the Cap and Trade program through 2030. The Legislature's action was consistent with policy recommendations of the PRG. In addition to Cap and Trade resources, financing programs may be explored such as the Railroad Rehabilitation and Improvement Financing (RRIF) and the Transportation Infrastructure Finance and Innovation Act (TIFIA) programs, state revenue bonds, Private Activity Bonds and potentially export credit and other private sector financing programs.

<u>In response to requests for information from Mr. DeSaulnier</u>

Information regarding the role of the federal government in incentivizing private sector investment.

As stated above, large transportation infrastructure projects rely on the federal government as a funding partner with grants supplementing 50% or more of projected project costs. Major transportation corridors, such as the interstate highway system, were built with 90% federal funding.

We believe that the current federal investment will ultimately leverage private sector investment, and that additional federal investment can incentivize additional private sector investment. A fundamental goal of the Authority is to create a commercially successful high-speed rail transportation system to connect the State. As segments of the program are delivered, they are projected to generate significant revenues and positive cash flow which will support private sector investment. As the high-speed rail system expands and connects with other passenger rail networks, network connectivity will increase and generate more ridership and revenue. Over time, the value of the system as a commercial enterprise will be significant for the State of California, creating the opportunity for private investment to further support system expansion. Of course, as the value of the system increases (by expanding, gathering more riders, and revenue in turn), so will the value of the private sector investment.

An explanation of the impact of changes in the plan on travel times, specifically regarding the statement of the head of the Peer Review Group several years ago that due to changes in the plan, the trip from San Francisco to LA could no longer be made in 2 hours, 20 minutes.

Proposition 1A requires that the high-speed train is designed to allow a non-stop train to travel from San Francisco to Los Angeles in 2 hours and 40 minutes. In 2013 the Authority shared the results of its travel time simulations (including the blended system on the San Francisco Peninsula) with the Peer Review Group. After reviewing that analysis, the Peer Review Group confirmed that the Authority's design would be able to achieve the 2 hours and 40 minutes requirement. Since then the Authority has continued to evaluate the system's ability to meet those travel time requirements and the most recent analysis continues to show that current designs have several minutes to spare. However, the average speed, with stops, during operations will be determined by the private high-speed train operator (while still meeting the design standards of Proposition 1A). That determination will ultimately be influenced by market forces.

CALIFORNIA
High-Speed Rail Authority

June 29, 2017

The Honorable Jeff Denham
Chairman
Subcommittee on Railroads, Pipelines, and Hazardous Materials
House Committee on Transportation and Infrastructure
2029 Rayburn House Office Building
Washington, D.C. 20515

Re: Clarification to Oral Testimony and Supplementary Information for the Record of the Hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service", June 22, 2017

Dear Chairman Denham:

Thank you for the opportunity to testify at the hearing held by your subcommittee on June 22nd. I am writing both to clarify a comment I made in my responses during the Question & Answer portion of my oral testimony and to provide important supplementary information for the record of that hearing.

Near the end of the hearing, you raised the issue of a document prepared by the California High-Speed Rail Authority (Authority) that was provided to the U.S. Department of Transportation (DOT) at a meeting in July 2016 and questioned whether that document was inconsistent with testimony I gave before to the Subcommittee during a field hearing on August 29, 2016. I committed to you at the June 22, 2017 hearing that I would review this matter further and provide a full response to the Subcommittee, and that is the purpose of this letter.

In responding to your question at the hearing, I assumed the key import of your question was whether or not the Authority was in fact seeking additional federal funding for the "Valley to Valley segment", contrary to the representation I made at the August hearing. The use of the term "funding" created confusion and led to some lack of clarity in my response. As you know, funding and financing are very different. The document in question, which I did not have before me at the hearing, related to potential use of federal *financing* tools for the Valley to Valley segment, while the discussion of additional *funding* was related to extending the segment to Bakersfield and additional improvements in the San Jose to San Francisco corridor as well as investments in Southern California. This is entirely consistent with my testimony on August 29, 2016.

As part of my response, however, I indicated that I had not been present at the DOT meeting in July 2016 where that document was given to DOT. It would have been more

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precise to say that I was not actively involved in discussions about that document, which was not formally presented in that meeting. My staff has informed me that the presentation was distributed at or after a meeting at the Department that I did attend, although I did not recall having done so at the time of my testimony at the Subcommittee hearing.

I do wish to reiterate that my testimony before the Subcommittee on August 29, 2016 was an accurate reflection of our approach to the initial construction segment, and I would like to offer the following summary points in that regard:

- The Authority's 2016 Business Plan contemplated that a financially self-sustaining segment from Poplar Avenue in Kern County north and west to San Jose (the "Valley-to-Valley" segment) can be constructed with a combination of the previously-committed federal funds (from ARRA and Fiscal Year 2010 appropriations, totaling roughly $3.6 billion), California Proposition 1A bond proceeds and anticipated revenues apportioned from the California's Cap & Trade Program. The plan made it clear that the most cost-effective way to deliver this operating segment would be to finance a portion of it using Cap and Trade proceeds – funding – to pay for the financing. The Business Plan went on to note that a number of private and public financing options are available and would be explored, including federal programs such as DOT's Railroad Rehabilitation and Improvement Financing (RRIF) program.

- An enhancement of the Valley-to-Valley segment – that is not necessary for financial self-sufficiency but is economically sensible – would extend service to Bakersfield and enhance the corridor from San Jose to San Francisco. This could be accomplished with an additional $2.9 billion in funding, and the 2016 Business Plan as well as my testimony of August 2016 made clear that such an investment of federal funds would be justified by the return on investment, and that we would seek funds from any new programs for that enhanced portion of the system.

- Consistent with that analysis and discussion in the 2016 Business Plan, the July meeting was a preliminary discussion between Authority staff and DOT staff to lay out the assumptions of financing, understand how the federal process would work and what requirements would be part of any consideration of a loan, recognizing that a federal loan application could take years to be considered and approved.[1] There was no discussion of additional federal funding for this segment.

- Finally, and as I testified, there has been no action by the Authority to secure additional federal funds at this time. Furthermore, the Authority has not submitted an application to use federal financing tools.

Turning to other matters, I would respectfully request that the record include an update of information provided to the Committee in the Staff Report as it relates to the status of California's progress on matching federal funds provided through ARRA. The staff report

[1] Note that both the Texas Central Railroad and All Aboard Florida high-speed rail projects are exploring RRIF loans or similar financing mechanisms, while not seeking federal funding.

indicated that the primary sources of the state match, namely Proposition 1A bonds and proceeds from the Cap & Trade program, were likely to be unavailable, due to court challenges and market instability, respectively. As noted in my written testimony, in fact, court challenges to the bond funds have been unsuccessful to date and on April 20, 2017 the state sold $1.2 billion of those bonds. More recently, the Cap & Trade auction program again delivered robust results, slightly exceeding the amount we have budgeted for the quarter. The Legislature is presently deliberating an extension of the program which should bring further stability.

To date, California has provided $293 million of funds in furtherance of its match requirements under the grant agreement with DOT. We see no impediments to fully committing all of the funds required to match the federal investment.

In conclusion, the California High-Speed Rail Program is already producing major economic benefits in the state, especially in the Central Valley, employing over a thousand people and hundreds of local small businesses. Those benefits will continue to grow as the program proceeds, and we believe strongly that the federal government should have a significant role, as it has in virtually all major infrastructure programs throughout our nation's history. At this point, however, we realize that there is no available new federal funding, and the Authority is therefore not depending on it to advance the program. We will keep open the option of utilizing existing Congressionally-authorized financing programs, and have been clear and consistent about that in all of our dealings with this Committee.

Sincerely,

Dan Richard
Chair
California High-Speed Rail Authority

Cc: The Honorable Mike Capuano, Ranking Member

GRASSROOT
INSTITUTE OF HAWAII

June 22, 2017
10:00 AM
2167 Rayburn House Office Building
Washington, D.C. 20515

Testimony for the Record

To: House Transportation and Infrastructure Committee
Subcommittee on Railroads, Pipelines, and Hazardous Materials

From: Grassroot Institute of Hawaii

Hearing - Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service

Dear Chair and Committee Members:

While the purpose of this hearing is to consider the future of intercity rail service and evaluate projects in some of the country's largest cities, the Grassroot Institute of Hawaii would like to draw your attention to the issues that have dogged a federally-funded rail project in one of the country's most isolated cities – the Honolulu elevated rail project.

It is our belief that the misrepresentations of the pro-rail lobby and industries have enmeshed the city of Honolulu and the state of Hawaii in a potentially disastrous public project. Not only have project costs ballooned beyond all expectations, but those same misrepresentations committed the Federal Transit Administration to help fund an initiative that (if completed as planned) threatens to be unsustainable without the infusion of additional funds.

We hope that the Department of Transportation's Office of the Inspector General will be moved to mount a comprehensive fiscal and engineering audit of Honolulu rail that encompasses an investigation for fraud, waste, and abuse. However, until that occurs, we hope that Hawaii's experience may be instructive in examining the pitfalls and promise of rail.

Background

While the possibility of a commuter rail in Honolulu has been a subject of debate for decades, it wasn't until 2008 that a bare majority (50.6%) of the electorate approved a ballot initiative giving the city the power to establish a steel wheel on steel rail transit system. During the lead-up to the vote, the City of Honolulu spent millions of dollars on a pro-rail campaign that promised rail would alleviate traffic congestion, lower commute times, and save energy, without affecting the environment or the aesthetics of the city.

Moreover, the city declared that a 34-mile elevated rail system going from the town of Kapolei to Ala Moana Center, Manoa, and Waikiki (in Honolulu) could be built for $3 billion.

Unfortunately, none of this would turn out to be true.

Spiraling Costs

It is not unusual for a public project of this magnitude to outstrip its estimated costs, but even by that standard the Honolulu rail has eclipsed expectations.

Despite the optimistic $3 billion estimate, the City signed a Full Funding Grant Agreement with the FTA in 2012 based on a total cost of $5.2 billion. In 2015, that estimate had grown to $6 billion. Only a year later, it was revised upward to $8.6 billion. Then, in January 2017, the City put the estimate at closer to $10 billion. And some believe this is still too conservative.

Thus, at a very early stage of its construction, the Honolulu rail is headed toward at least an 83% cost overrun. And there are indications that those behind the project have always known the estimates were flawed.

In 2010, then-Governor Linda Lingle commissioned an audit by Infrastructure Management Group, which came up with a baseline cost of $7.8 billion for the project with a high-end estimate of $10.9 billion (which the project may yet exceed).

While the federal government is footing part of the bill for construction of the rail, the FTA recently threatened to suspend payments until the City could produce a plan to cover its funding shortfalls. Though the Hawaii legislature already passed a temporary surcharge on the state excise tax in order to fund the project, Honolulu's mayor is now calling for an extension of that surcharge (or the implementation of a different tax) in order to meet the city's funding needs and the FTA's requirements.

However, with the project already years behind and billions over budget, there's no guarantee that this is the end of the rail's fiscal woes. And that's without getting into the problem of an estimated operating and maintenance cost of $100 million per year.

Misrepresentation and the Need for an Audit

The citizens of Hawaii are only beginning to grasp the scope of the rail problem. A recent poll showed support for the project has plummeted. At the same time, many wonder what can be done other than complete the project, regardless of the cost.

Most worrisome of all is the persistent belief that waste, fraud, and abuse have become an inextricable part of the project, lowering public faith in the rail and the City government. This lack of trust has led to a grassroots movement calling for a federal audit that can answer some of the most pervasive questions about the troubled project.

So far, thousands of Hawaii residents have signed our petition calling for a true independent audit to investigate the Honolulu rail project for fraud, waste and abuse. While it is true that there have been regular audits throughout the project, many question whether they were truly independent. Moreover, there has not been an audit to look specifically for fraud, waste, and abuse ... including efforts to misrepresent the project to the public and the FTA.

Conclusion

At present, the Honolulu rail is in disarray. Mounting costs and declining public support have led to a political and financial crisis for the state. In the end, it may fall on the federal government to step in and determine the fate of the project. In short, it has become a cautionary lesson about the problems that can overtake a seemingly-popular infrastructure project when planning and cost analyses go awry.

The Grassroot Institute of Hawaii appreciates the opportunity to submit this testimony for the record. If you have any questions, please contact Keli'i Akina, President and CEO of the Grassroot Institute of Hawaii at 808-591-9193 or akina@grassrootinstitute.org.

Respectfully,

Keli'i Akina, Ph.D.
President/CEO
The Grassroot Institute of Hawaii