**Statement of**

**The Honorable Joseph H. Boardman**

**Federal Railroad Administrator**

**To the**

**Amtrak House Subcommittee on Transportation, Housing and Urban**

**Development, and Related Agencies**

**Committee on Appropriations**

**March 28, 2007**

Chairman Olver, Ranking Member Knollenberg, I appreciate the opportunity to appear before you today on behalf of Secretary of Transportation Mary Peters and the Bush Administration to discuss the President's budget proposal for Fiscal Year 2008 as it relates to the Federal Railroad Administration and Amtrak.

The Administration remains committed to improving the manner by which intercity passenger rail services are provided. This, of necessity, also includes improvements to how Amtrak provides this service and laying the groundwork for the States to have a stronger role in determining the important characteristics of services that States support financially and for the participation of other entities in the provision of intercity passenger rail service under contract to the States and/or Amtrak.

Since 2002, the Administration has drawn a distinction between intercity passenger rail service, a form of transportation, and Amtrak, the company that provides the service. The Administration supports the form of transportation as a component of our national transportation system but recognizes there are shortcomings with the service provider. The Administration's advocacy for change is beginning to see results as Amtrak, through its Board of Directors, has acknowledged the urgent need for reform and issued a Strategic Reform Initiative plan that mirrors major elements of the Administration's plan, such as introducing competition; empowering States to participate in infrastructure decisions; reducing operating subsidies; and enabling management to separate Amtrak's train operations from its infrastructure management. There is also a new management team being put in place with a mandate to overhaul the company. The Administration expects Amtrak to follow through now on the reform plans the corporation has outlined to date. Congress similarly has taken steps to encourage cost efficiency and accountability. Nevertheless, much more is required to resolve Amtrak's well-documented problems.

For FY 2008, the Administration requests $800 million in direct subsidies to Amtrak and $100 million to fund a program of matching grants to the States to undertake capital investment projects for passenger rail services that the States believe important. This amount would support continued intercity passenger rail service and would enable Amtrak's new management team to act on its mandate to reshape the company. However, it would also require that Amtrak undertake meaningful reforms and control spending. The FY 2008 budget request marks part of a multiyear effort to reduce, and eventually eliminate, operating subsidies for Amtrak. This is reflects the standing policy established in the Amtrak Reform Act requirement that, "Amtrak shall operate without Federal operating grant funds appropriated for its benefit." For 2008, the President's request will provide Amtrak incentive to grapple with its costs, rationalize its services, and pursue innovations. It would also expand State support for intercity passenger rail, thus putting more of the decisions on what should be operated with public subsidies in the hands of those who know best what intercity passenger needs exist and how best to meet those needs.

Consistent with FY 2006 appropriations account restructuring, the FY 2008 Budget seeks Amtrak funds through the Capital Grants and Efficiency Incentive Grant accounts. The Administration agrees that using distinct budget accounts for Amtrak makes Federal spending more transparent. The Budget also contains many of the stipulations included in the FY 2006 appropriations language.

**Capital Grants**

The request includes $500 million in direct Federal subsidies for Amtrak capital costs. In addition, the budget, as discussed below, includes $100 million to fund a program of grants to States, requiring a 50 percent match, to fund capital costs associated with intercity passenger rail services that the States deem important. With this amount, Amtrak and its State partners could carry out a capital improvement program that, when combined with other collections from Amtrak partners, can address the most pressing investment needs on the Northeast Corridor infrastructure as well as essential equipment investments. The request represents close to the maximum capital budget that Amtrak could reasonably manage in FY 2008, given that it can complete only a certain amount of work annually.

**Efficiency Incentive Grants**

The Administration requests $300 million for efficiency incentive grants. The request will provide operating subsidies is sufficient to avoid a bankruptcy, provided Amtrak acts to cut its costs by focusing on core services. To ensure this occurs, the Administration proposes expanding the authority first provided in 2006 allowing DOT to target funding based on Amtrak's progress in implementing cost-cutting measures. For 2008, the Budget requests that all $300 million in operating support be provided through efficiency incentive grants subject to DOT's oversight. For example, the Secretary of Transportation could review and approve grant requests for individual train routes, or require Secretarial approval for the use of funds for specific operating expenses, such as subsidies of food and beverage service which, in FY 2006, accounted for more than 10 percent of the total Federal subsidy of Amtrak. Amtrak must also improve its operating performance through revenue gains, debt service reductions, or other means. Ultimately, the $300 million request should lead to a more efficiently run railroad by causing Amtrak's management to explore opportunities for savings and for revenue gains. The Government Accountability Office, DOT Inspector General (IG), Amtrak IG, and others have all recently presented options for achieving savings.

**Intercity Passenger Rail Grant Program**

Most publicly supported transportation in the U.S. is undertaken through a partnership between the Federal Government and the States. This model, which has worked well for generations for highways, transit and airports places the States, and in certain cases their subdivisions, at the forefront of planning and decision-making. States are uniquely qualified to understand their mobility needs and connectivity requirements through Statewide and metropolitan area intermodal and multimodal transportation planning funded, in part, by the U.S. Department of Transportation.

While intercity passenger rail has historically been an exception to the application of this successful model, in recent years some States have taken an active role in their rail transportation services. Several States have chosen to invest in intercity passenger rail service provided by Amtrak as part of strategies to meet their passenger mobility needs. Over the past 10 years, ridership on intercity passenger rail routes that benefit from State support has grown by 73 percent. Over that same time period, ridership on Amtrak routes not supported by States has increased by only 7 percent.

State involvement in planning and decision-making for intercity passenger rail service identifies where mobility needs justify public investment. An excellent example can be found in Washington State, which has invested in intercity passenger rail from Portland, Oregon through Seattle to Vancouver, British Columbia, to make this service a viable alternative to highway travel on the congested I-5 corridor. Illinois provides another example, where its recent investments have doubled the number of intrastate trains operated by Amtrak.

Additionally, State involvement in planning and decision-making helps assure that the infrastructure, such as stations, and connectivity to other forms of transportation support intermodalism within the State. No better example of this exists than in North Carolina where the State has undertaken the redevelopment of its intercity passenger rail stations and transformed them into multimodal transportation centers serving the mobility needs of the communities in which they are located.

State involvement in funding intercity passenger rail service also provides an added discipline on Amtrak to continually seek ways to provide the highest quality of service. An example can be found in Vermont where the State, when presented with the prospects of higher State operating subsidies for its current service, is working with Amtrak to restructure the service that will not only drive down operating costs, but will increase the frequency of service.

Amtrak's own strategic reform initiative seeks to build on Amtrak's recent experience with the States. Amtrak is seeking to create a stronger role for the States in designing and supporting the services the States believe important. The Administration supports this aspect of Amtrak's internal reform. In discussions with interested States, the U.S. Department of Transportation has found that the greatest single impediment to implementing this initiative is the lack of a Federal/State partnership, similar to that which exists for highways and transit, for investing in the capital needs of intercity passenger rail. Such a partnership is one of the five principles of intercity passenger rail reform laid out by former Secretary Mineta in 2002 and was a central element of the Administration's passenger rail investment reform legislative proposal.

Therefore, the Administration is proposing a Capital Grant Program that will encourage State participation in its passenger rail service. Under this new program, a State or States would apply to FRA for grants of up to 50 percent of the cost of capital investments necessary to support improved intercity passenger rail service that either requires no operating subsidy or for which the State or States agree to provide any needed operating subsidy. Priority would be given to infrastructure improvement projects that improve the safety, reliability and schedule of intercity passenger trains; reduce congestion on the host freight railroads where the freight railroads commit to an enforceable on-time performance of passenger trains of 80 percent or greater; commit States to contribute other additional financial resources to improve the safety of highway/rail grade crossings over which the passenger service operates; and protect and enhance the environment, promote energy conservation, and improve quality of life. To qualify for funding, States would have to include intercity passenger rail service as an integral part of Statewide transportation planning as required under 23 U.S.C. 135. Additionally, the specific project would have to be on the Statewide Transportation Improvement Plan at the time of application.

I appreciate your attention and would be happy to answer questions that you might have.

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