

Federal Railroad Deputy Administrator Karen Hedlund
Prepared Remarks
6th Annual Transportation & Infrastructure Convention
Washington, D.C.
March 6, 2013

Good afternoon, everyone. On behalf of President Obama and Secretary LaHood, I am honored to be here with Sasha Page, Steve Anderson, and Richard Arena.

Just a few hours ago, Administrator Szabo touched on the success stories that made 2012 the greatest year for rail in generations:

- From the year-over-declines in accidents and incidents that made last year the safest year in railroad history;
- To the record 31 million Americans who chose to travel by Amtrak;
- To intermodal freight traffic surging above 12 million units, close to a record;
- And to the successful obligation of 100% of our Recovery Act-funded High-Speed and Intercity Passenger Rail program funding.

I lead with this because I know one reason for having this discussion is to focus on the challenges of financing infrastructure and transportation projects.

But as the greatest year for rail in generations and the 15,000 infrastructure projects funded these past four years will attest – we have plenty of successes to discuss as well.

These past four years – between the Recovery Act and core infrastructure funds – American workers:

- have improved more than 350,000 miles of U.S. roads;
- have replaced more than 20,000 bridges;
- and are now, building, improving or creating 6,000 rail corridor miles, 40 stations, 260 passenger rail cars, 105 locomotives, 75 planning studies, and 30 state rail plans or service development plans.

This comes in addition to investments in more than 350 miles of new rail and bus rapid transit.

Now, if you've heard Secretary LaHood speak recently, you have heard him say frankly that modern economies require modern transportation.

And a modern transportation network – he's been adding – requires high-speed rail, higher-performing intercity passenger rail, and an even more robust freight rail network.

With more than 100 million additional people and 4 billion more tons of freight to move by 2050 – and with our highways and airports near capacity – rail is clearly the next generation of transportation. It's the growth mode of the future.

And as we look ahead, our High-Speed and Intercity Passenger Rail program – through which we’ve been able to partner with 32 states and invest in 152 projects – is entering its two busiest construction years yet.

Fifty-two construction projects in 19 states worth \$3.6 billion in funding are either complete, under construction, or set to begin.

This summer, the nation’s first 220 MPH passenger rail system will break ground in California.

In the next two years, 110 MPH service – the fastest trains outside the Northeast Corridor – will cover the majority of two key Midwest Amtrak routes.

And in the Northeast Corridor, in addition to overseeing more than \$3 billion – more than any previous Administration – in corridor development projects, we’ve launched the first comprehensive NEC planning effort since the Carter Administration, an effort that will result in a 30-year rail investment plan.

But of course, as Administrator Szabo talked about earlier today – and as President Obama continues to recognize – we have more work to do.

This is why the President continues to support long-term increases in rail funding, why he continues to support the creation of a bipartisan National Infrastructure Bank, and why in his recent State of the Union Address he proposed two programs focused on modernizing our infrastructure.

The President proposed the Rebuild America Partnership, which calls for enhancing the role of private capital to support vital infrastructure projects. And he also proposed the “Fix it First” program, which targets our most urgent infrastructure repairs.

The President understands the need to take a balanced approach to reducing our budget.

But he also understands that – along these same lines – we must also pay back our debts to previous generations, who sacrificed on our behalf to build us the best transportation infrastructure in the world.

At the FRA, we recognize the need to provide steady, affordable financing for major rail construction and expansion projects.

And one way we’re providing it is through our Railroad Rehabilitation and Improvement Financing Program – or our RRIF program, as we call it.

RRIF is the largest federal direct loan and loan guarantee program ever established for the railroad industry.

It provides direct loans and loan guarantees up to \$35 billion, with up to \$7 billion reserved for projects benefitting freight railroads other than Class I carriers – including short lines, which RRIF was largely created to benefit. Through RRIF, railroads are able to pay for costly yet vital infrastructure improvements over an extended period of time rather than all at once. And when the program started in 2002, we saw this being particularly beneficial to the smaller carriers.

But through the years, RRIF has revealed itself to be a valuable financing source for a much more diverse set of railroads – from Class Is to commuters.

And in addition to railroads, eligible borrowers include state and local governments; government-sponsored authorities and corporations; joint ventures that include at least one railroad; and freight shippers facing limited options who intend to construct a new rail connection.

Thirty-three RRIF loan agreements for a total of \$1.7 billion in loans have been approved since 2002. And we've seen firsthand in recent years how RRIF benefits both the borrower and the public.

Last year, for example, we loaned approximately \$55 million to Kansas City Southern Railway Company to buy 30 new diesel-electric locomotives. This purchase is generating new business at General Electric in Erie, Pennsylvania – and this new fleet of locomotives is safer and more energy efficient than the fleet it replaced, benefitting both the environment and freight growth over the long term.

The year before that, we made both our smallest and largest loans in the program's history – lending \$56,000 to a short line operation and more than half-a-billion dollars to Amtrak for the purchase of 70 new, energy-efficient and higher-performing electric locomotives.

The federal loan to Amtrak, again, is a win-win. It ensures the railroad will be ready to more comfortably meet record-breaking demand for its services. And it also means the most energy-efficient option for intercity travel becomes even greener.

So in RRIF, we see a model for how federal dollars can be leveraged to stimulate private investment that is time-tested, and timeless.

This year, we're celebrating the centennial of Grand Central Terminal – an amazing project that took 10 years and two billion in today's dollars to build.

Upon its completion, the New York Times wrote, "It is not only the greatest station in the United States, but the greatest station – of any type – in the world."

And as its rail lines extended out to the Bronx and the suburbs, economic opportunity followed, with development thriving near commuter stations.

Today, train stations are once again playing a powerful role in shaping and transforming cities and communities.

In fact, Denver Union Station developers – part of a project that drew more than half of its total funding from RRIF and DOT TIFIA loans – recently told a Denver Post reporter that this was their Grand Central.

More than two million square feet of mixed-use development is being built around the station. And the project is now 70% complete – with a mixed-used, transit-oriented hub offering Amtrak service, expanded light rail, and regional buses planned to open in Mid-2014.

We're seeing similar developments now in Normal, Illinois and Brunswick, Maine, where improved rail service, improved regional connectivity, and station renovations are forming magnets for economic development.

In Normal, the opening of a new intermodal transit hub and the prospect of a connection to 110 MPH service attracted some \$200 million in private sector investments, creating jobs and revitalizing the city's downtown area.

In Maine, a similar story: Before rail service was restored to Brunswick, millions of private dollars poured into its downtown. And by 2030, the project has been forecasted to create more than 800 jobs and save residents millions in transportation costs.

In San Francisco, transit-oriented development at the future site of the Transbay Terminal – which will service the state's high-speed rail line – is opening up new opportunities for financing rail infrastructure.

Late last year, a parcel of land at the site was sold to developers for approximately \$190 million, which will help fund the Transbay Terminal's construction.

We're also seeing the private sector invest in the development and re-development of major train stations on the Northeast Corridor. And commercial development in and around these stations has and will continue to provide revenue sources for transportation improvements.

In New York City, the Moynihan Station project will expand Penn Station.

And private investors see this station project as a critical part of a vision for – in that same neighborhood – Hudson Yards, considered one of Manhattan's last pieces of developable land.

Imagine that – Manhattan has essentially reached its last frontier.

Now, think of all the sacrifices, all the labor, and all the vast investments – public and private – that went into making New York what it is today: the biggest regional economy in the United States, the second largest city economy in the world.

Today, we're investing in improvements at Penn Station that will improve the experience for travelers today and also preserve it for future generations.

And yet, in 1900, Penn Station was called a boondoggle – too expensive, impossible to build.

Today, it is the busiest transportation facility in the United States, and by far the busiest train station in North America.

But what if Alexander Cassatt, President of the Pennsylvania Railroad, had given up on building it – or had abandoned his dream of digging the tunnels that connected the rail from New Jersey into Manhattan?

Can you imagine New York City – and the Northeast – without this infrastructure?

Today, as we look to build the infrastructure needed to answer the vast growth, mobility, and economic challenges of a new century, we mustn't give up on our dreams, either.

The next generation is counting on us.

Thank you.