

Federal Railroad Deputy Administrator Karen Hedlund
Remarks
TFI News 3rd Annual US P3 Transport Finance Investors Forum
New York, NY
April 18, 2013

Slide 1

Thank you, Jeffrey. Good morning, everyone.

On behalf of President Obama and Secretary LaHood, it's a pleasure to join you.

I'm here today to talk about our Fiscal Year 2014 Budget Request and our long-term vision for rail.

Last week – when we met with Congress to discuss our budget – we wanted to make clear from the start that our priorities reflect a clear consensus that rail is the mode of opportunity.

Our long-term vision – while bold – is simply what it will take to build the rail network our economy needs to compete, and that our citizens both want and deserve.

Slide 2

By 2050, America's transportation network will need to move 100 million additional people and four billion more tons of freight.

And it will need to do it safely, reliably, and efficiently.

But today, our highways and airports are stretched close to their limits, facing congestion that will only grow with time.

Highway congestion alone now costs our economy more than \$120 billion a year – boiling down to \$800 a year to each commuter.

Our airports – as well – are struggling to keep up with modern demand.

Around 20 percent of all flights are delayed.

And as a way of confronting high fuel prices and changing demand, airlines are now making significant cutbacks to short-haul flights to small and medium-sized cities.

These challenges underscore the need to invest in more under-utilized transportation alternatives such as rail, which can be the most cost-effective, least oil-reliant, and most environmentally friendly mode to move people and freight.

Slide 3:

Over the past-half decade, two landmark pieces of legislation have combined with an unprecedented level of public-private investment to begin positioning rail for its growing role.

The Rail Safety Improvement Act of 2008 – which we call RSIA – has allowed us to focus on risk reduction programs and some of the most challenging safety areas.

Railroad accidents have declined in every fiscal year since. And by virtually all measures, 2012 was the safest year in industry history.

On the development side, the Passenger Rail Investment and Improvement Act – which we call PRIIA – has provided the policy framework for President Obama’s historic investments in modernizing American rail.

Today:

- 6,000 corridor miles are being improved;
- 40 stations are being upgraded;
- Hundreds of new passenger cars and locomotives are being procured;
- And states are completing more than 100 different environmental, engineering, and planning efforts.

Slide 4:

The High-Speed and Intercity Passenger Rail program has allowed us to invest in 152 projects in 32 states.

And with our Recovery Act funding 100% obligated, the next two years promise to be our busiest construction seasons yet.

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

In the Midwest, by 2015, trains will run at 110 MPH throughout most of the Chicago-St. Louis and Chicago-Detroit routes – cutting both total trip times by close to an hour.

In the Pacific Northwest, 21 projects are moving forward that will increase roundtrips and cut trip times in a growing rail market connecting Portland and Seattle.

North Carolina has already finished three station projects, and is moving forward now with a series of construction projects along the Charlotte-Raleigh corridor that will improve speeds, safety, frequency, and reliability for passenger and freight trains.

By the end of this year, North Carolina and Virginia will finish a planning effort to cut today’s trip time by 90 minutes between Washington, D.C. and Raleigh – while additional planning efforts move forward in Georgia and Texas.

Slide 5:

Our largest planning effort – which we call NEC FUTURE – is happening in the Northeast Corridor.

NEC FUTURE is the first comprehensive planning effort in America's busiest rail corridor since the Carter Administration.

Thus far, through our scoping process, we've heard from nearly 800 individuals, agencies, and organizations who are helping us better understand the needs of the market.

With this market-based assessment, we'll know from the very beginning what types of rail services will be needed to meet future demand.

We recently published our Preliminary Alternatives Report.

And our plan is to complete NEC FUTURE with exhaustive public engagement over the next 34 months – after which we'll have an immediately actionable rail investment plan.

In addition to planning, we've invested more than \$3 billion – more than any previous Administration – in NEC development projects: for station and track development; for modernizing power systems; for replacing aging infrastructure; and for buying new equipment.

Slide 6:

But Fiscal Year 2014 brings us to a critical juncture.

PRIIA and RSIA expire at the end of this year.

And as much progress as we've made these past four years to build a rail network that is safer, more reliable, and more efficient, much more needs to be done to re-balance the Nation's transportation system – and to make up for decades of public under-investment in rail.

Slide 7:

Our Fiscal Year 2014 budget lays out a comprehensive blueprint for moving forward.

At its core, we are proposing to take a more coordinated approach to enhancing the Nation's rail system – a holistic, integrated strategy that addresses safety issues, passenger and freight service improvements, and planning.

Our budget requests \$6.6 billion to invest in rail safety and passenger and freight rail programs.

And this includes \$6.4 billion to establish a National High Performance Rail System program, the first of a five-year, \$40 billion reauthorization.

Our new approach builds on the core principles of our two authorizations; better reflects our on-the-ground experience; and is better suited to the complex realities of a rail system that carries a mix of passenger and freight trains on mostly private track.

The National High Performance Rail System program would consolidate existing rail programs with two interlinked programs.

Slide 8

The Current Passenger Rail Service Program will focus on maintaining a state of good repair for existing service.

In March, Amtrak achieved its highest month of ridership ever – and has set ridership records 9 out of the last 10 years.

Furthermore, with 55% ridership growth since 1997, Amtrak is now America's fastest-growing major travel mode.

Our plan will ensure Amtrak is ready to meet this rising demand for decades to come.

Slide 9

But to further accommodate growing demand, the Rail Service Improvement Program will make competitive investments in projects that expand and improve passenger and freight rail networks.

This program will allow us to continue:

- developing high-performance passenger rail networks;
- Untangling chokepoints that plague network reliability;
- Enhancing the freight rail industry's robust investments in capacity expansion;
- And to do the planning that guides future investments.

Additionally, the Research, Development, and Technology program will invest in people, businesses, and technology to help America take the global lead in safety, productivity, and technological innovation.

Slide 10

We remain focused on managing and executing high-quality projects, and advancing market-based service improvements.

A recent report by the Brookings Institution showed that Amtrak's corridors under 400 miles collectively generated a positive operating balance in 2011.

Fifteen years ago, in regional travel markets like Seattle-Portland or Washington-New York, travelers overwhelmingly chose air over rail.

Today – as you'll see here – those numbers are reversed.

Our initial investments in high-speed and higher-performing intercity passenger rail have targeted these very regions where rail is increasingly claiming its sweet spot for trips in the 400- to 600-mile range.

Slide 11

And we remain committed to expanding rail's role in moving freight.

Freight traffic rail traffic in 2012 continued its post-recession surge to near-record highs.

And the freight rail industry is now investing in capacity expansion like at no other time since the 19th Century – inspiring the Wall Street Journal to recently declare a “Revival of the Railroad Age.”

This has weighed heavily in our minds while planning passenger rail projects.

In crafting agreements with states and host freight railroads, we made sure that – not just our passenger network – but our entire rail network can grow to meet future demand.

Additionally, through DOT's TIGER grant funding program, we've awarded more than a billion dollars to projects that strengthen freight rail infrastructure and intermodal terminals.

The National High Performance Rail System program will enable us to continue forming similar public-private partnerships that enhance the freight rail industry's record-setting investments in its infrastructure.

And I'm also pleased to share that DOT has been appropriated funding for a fifth round of our popular TIGER program.

Slide 12

Going back to my earlier point, the rail system our budget envisions is not just what America's economy needs:

It's what the American people want – and deserve.

It's a common myth that America has too much of a car culture to embrace trains.

But according to a recent study by the U.S. PIRG and Frontier Group, over the last eight years, Americans have actually driven less, while using passenger rail and public transit in record numbers.

The changes are happening fastest among young people.

In an eight-year period starting in 2001, young people reduced their vehicle miles traveled by 23 percent and increased their average passenger miles traveled by rail and buses by 40 percent.

But it's not just the next generation.

AARP has made it clear that more and more senior citizens are seeking communities that make it easier to walk places or use public transportation rather than drive, allowing them to remain active and independent as they age.

Compared to a decade prior, in 2009, seniors made 328 million more trips by rail and transit.

So this is the future we're preparing for.

Slide 13

And as we make smart investments in rail, we do more than advance transportation.

We improve livability – and revitalize local economies.

Across the country, communities are leveraging their stations and access to travel options to attract new investment, construction, and jobs.

San Francisco's Transbay Terminal – under construction since 2010 – will be the northern terminus of California's high-speed rail system.

Last fall, a 50,000 square foot parcel of land adjacent to the station sold for \$190 million.

On a per square foot basis, that's the highest price paid for a large development property in the city's history.

Slide 14

In Normal, Illinois, the new DOT-funded Uptown Station and the prospect of 110 MPH service incentivized private investors to spend more than \$200 million in the downtown area – including to build a new hotel and conference center.

Slide 15

In Brunswick, Maine, a rail extension project restored passenger rail service to the city last year for the first time since 1959.

But as soon as that project got started, millions of private dollars for commercial and residential development – including to build the Brunswick Inn – started pouring into its downtown.

And by 2030, this rail extension is expected to generate \$7.2 billion in construction development throughout the region.

Slide 16

In Denver, more than two million square feet of mixed-use development is being built around Denver Union Station, spurred by its revitalization.

Slide 17

And here in New York City, the Moynihan Station project will expand Penn Station.

Private investors see this station project as a critical piece of their vision for Hudson Yards, considered one of Manhattan's last pieces of developable land.

Slide 18

Much of the rail infrastructure we rely on today was built by past generations of Americans who acted boldly on our behalf.

Now, the time has come for our generation – for the sake of our children and grandchildren – to recapture that visionary spirit.

The Interstate Highway System got started with eight lonely miles in the middle of rural Kansas.

It took 10 Administrations, 28 sessions of Congress.

But year by year, piece by piece, we got it done.

This is the commitment we must make to American rail.

And a sustained long-term funding strategy – similar to those in place for highways, transit, and aviation – is needed to keep this commitment on track.

The next generation is counting on us.

And we believe we can't afford to wait.

Slide 19

I'll be happy now to take your questions.