

TESTIMONY

OF

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BEFORE THE

**SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND
URBAN DEVELOPMENT AND RELATED AGENCIES**

OF THE

HOUSE COMMITTEE ON APPROPRIATIONS

THURSDAY, APRIL 7, 2011

10:00 A.M.

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Good morning, Mr. Chairman, and Ranking Member. On behalf of the Amtrak Board of Directors and the men and women of Amtrak, I'm pleased to have the opportunity to come before the committee today to discuss our financial needs. To start with, I have some very good news: As of this morning, we've just finished seventeen straight months of year-over-year ridership growth. This will be our best March ever, and we're on track to set another annual ridership record. This is part of a long-term trend we've seen since 2000 of growth in demand for our services. Our ridership has grown more than 36% since 2000, and I expect that trend to continue – and if gas prices continue to rise, to accelerate; our only restriction will be the available capacity. Last year, we carried more than 28.7 million people. Of those, about 10.4 million rode Northeast Corridor trains, and 13.8 million rode short-distance corridor trains outside of the Northeast, many of them in California, whose three corridor services carried about 5.2 million riders. Our 15 long-distance trains, which carried more than 4.5 million riders, are the only Amtrak service in 23 states and at 223 of the 516 stations we serve. They provide an important service to passengers with disabilities who travel on long-distance trains at a proportionally higher rate than the other services; 43% of the passengers with disabilities who took an Amtrak train in 2010 traveled on one of those 15 trains.

Amtrak plays an important role as a provider of rural transportation services, which has become increasingly important as bus and air services to rural areas contract. The Bureau of Transportation Statistics estimates that almost 16% of Americans enjoy access to only one of three intercity transportation modes (train, bus or airplane), and bus routes today serve 12% fewer rural residents than they did in 2005. About 152 of Amtrak's stations serve rural communities, many of which have no intercity bus service.

To sustain this system, Amtrak has asked for a total of \$2.22 billion in FY 2012, divided into \$616 million to support our operations, \$1.285 billion for capital programs, and \$271 million for debt service. With the exception of the \$50 million in funding, we've requested for our NEC Gateway project in New York, and some additional debt service money to buy out leases, these levels are those authorized by the Passenger Rail Investment and Improvement Act of 2008. The Administration has proposed a considerably higher number, totaling more than \$53 billion over a six year period. As Secretary LaHood recently testified, this money would continue construction on a national high speed rail network. Their plan will level the playing field, funding high-speed rail in a manner similar to the way other modes such as air and highways have been funded for decades. The Administration's proposal will simultaneously help to fund Amtrak's state-of-good-repair needs, and it will go a long way toward advancing the goal of making passenger rail more accessible to more Americans.

These are major needs, and Amtrak strongly supports this effort to invest in transportation modes that provide Americans alternatives to congested highways and airports. We appreciate the support we have received, and we are committed to working with your staff and with other committees such as T&I and Homeland Security, which also oversee various aspects of our operation. We detailed some of the major programs in our grant request, which we submitted in February. Foremost among the needs we have identified are rolling stock replacement and capacity development. We have just published an update to our fleet plan, which identifies some of our major equipment needs, and we have placed orders for new electric locomotives and single level, long-distance cars to replace the aging Heritage Fleet.

As an interim measure, we have used Recovery Act funding to return stored cars and diesel locomotives to service. A total of about 81 Amfleet cars (enough for eleven Northeast Corridor trains) and 15 locomotives, as well as 21 Superliner cars, were put back to work after rebuilding at our shops in Bear, Delaware and Beech Grove, Indiana. This equipment has eased the strain on a fleet that's aging and hard-run and has helped us to expand capacity on our heavily patronized Northeast Regional trains. We would like to expand capacity on our *Acela Express* trains, but to do so will require the addition of forty cars to the fleet. We plan to begin the procurement of these cars in FY 2012.

Amtrak is also working to realize our vision for high speed rail in the Northeast. We recently unveiled our NEC NextGen vision for the development of high-speed rail, and we announced our plans for the "NEC Gateway" into New York in January. Our grant request included a specific request for \$50 million in funding to begin this project, and we are also actively pursuing HSIPR grant funding from the FRA for components of the project.

Amtrak is focusing heavily on cost-effectiveness, and these projects will sustain the system, reduce operating costs, and generate additional revenues. We've made significant progress in paying down our debt, cutting our debt level in half, from \$4 billion in 2002 to \$1.8 billion today. Amtrak reduced its debt by \$850 million in FY 2010 alone, and we have addressed recent audit findings to improve our financial controls and accountability. The 2008 audit revealed one three-part material weakness, 4 significant deficiencies, and 5 deficiencies. We cut that to a single significant deficiency and two deficiencies in 2010. We're in the process of launching a

new financial accounting system, and I expect that this will help us greatly in our ongoing efforts to improve accountability and management procedures.

Amtrak is already the most cost-efficient passenger railroad in America, generating 76% of its operating need out of the farebox and covering more than 85% of its total operating costs from revenues. We are working constantly to find solutions that will generate more revenue from each person-hour worked. For example, for our on-board environment we are developing electronic “point-of-sale” solutions that will replace the time-consuming and costly process of manually tracking stock in every café and dining car on every trip with a system that will automatically track sales and allow our workforce to focus instead on selling food. Similarly, we are in the process of implementing an e-ticketing system that will deliver a real-time manifest and ultimately replace the traditional conductor’s ticket punch with a handheld “smart phone” device to lift tickets electronically. The first phase of this system went into operation on the *Auto-Train*, where we use gate check-in, in February, and it is already providing us with improved customer service and manifest information. We expect to start rolling out the final phase, with the conductor handheld, across the system later this year, delivering improved manifests, better customer service, and reduced costs.

Wi-Fi on our *Acela* trains, which we introduced in FY 2010, is another such success.

Conservatively we estimate Wi-Fi has delivered an incremental 1.5% improvement in *Acela* ridership, which translates into 47,000 riders and \$6.5 million in incremental revenues in FY 2011. In FY 2012, we expect incremental ridership and revenue on *Acela* to grow to 63,000 and \$8.6 million, respectively. Given this proven success, and working with our state partners,

Amtrak is now in the process of extending Wi-Fi to our eastern and western corridor services this year. In FY 2012, these new offerings are expected to generate an additional \$13.7 million in ticket revenue while simultaneously adding more than a quarter of a million additional riders (the exact number is 280,400).

Solutions like these are dependent on capital funding, but have proven themselves capable of cutting operating costs and raising revenues, further improving our cost recovery rate. Similarly, ~~the process of replacing outdated infrastructure can reduce maintenance and operating expenses,~~ and for that reason, we're seeking every penny we can get so that we can continue to develop a more cost-efficient and effective operation.

I understand that there will be some difficult choices in the coming years, and that the Committee is working actively to reduce the budget deficit. In Amtrak's case, while we will support this through austerity measures and careful oversight of our allocated funds, capital funding will allow us to reduce or eliminate problems that translate in turn into higher levels of operating expense. Over the long term, an effective investment in capital can translate into a permanent reduction in expenses, and I hope the committee members will consider this carefully as they discuss our proposed funding levels in coming months.