



February 7, 2011

Honorable Joseph R. Biden, Jr.
President of the Senate
U.S. Capitol
Washington, DC 20510

Honorable John Boehner
Speaker of the House of Representatives
U.S. Capitol
Washington, DC 20515

Dear Mr. President and Mr. Speaker:

Pursuant to Section 24315(b) of Title 49 U.S. Code and the “Consolidated Appropriations Act, 2010” (P.L. 111-117), we are transmitting Amtrak’s Fiscal Year (FY) 2012 General and Legislative Annual Report to you. In accordance with the law, this year’s request includes Amtrak’s FY 2012 Comprehensive Business Plan. This letter provides you with a brief overview of the key elements of that document, serves as a review of the past year’s activities, and outlines our views on financial, legislative, and policy strategies to support the improvement and expansion of high speed and intercity passenger rail service in the United States.

Introduction

Amtrak is America’s intercity passenger railroad. Formed in 1971 to operate the passenger services formerly provided by the freight railroads, Amtrak’s mission is set by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA); it “is to provide efficient and effective intercity passenger rail mobility consisting of high quality service that is trip-time competitive with other intercity travel options.” Amtrak operates the national rail passenger transportation system, which provides service on 305 daily trains to 46 states, the District of Columbia, and three Canadian provinces. This network includes 15 long distance train services, operating over routes as long as 2,400 miles, as well as the 457 mile Northeast Corridor, America’s only high speed railroad, which Amtrak is principally responsible for operating and maintaining. Amtrak carried more than 28.7 million riders in FY 2010, an all-time record.

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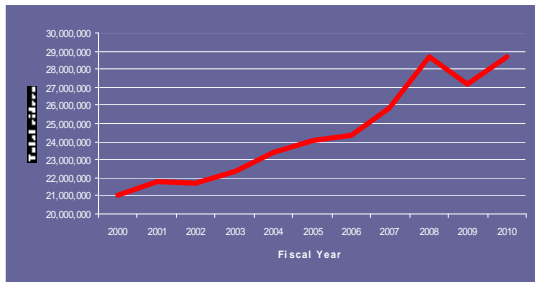
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Financial Performance and Debt Stabilization

In light of the PRIIA-defined mission, Amtrak's management has a twofold responsibility. We are to

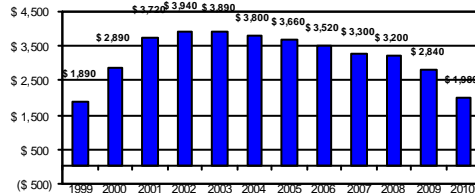


provide an effective public service and to do so in an efficient, economical, and transparent manner. Market demand strongly indicates that Amtrak is providing the public with a service they want and need.

Amtrak's ridership has grown by more than 36 percent between FY 2000 and FY 2010, and Amtrak closed FY 2010 with records in both ridership and revenue. FY 2010 ridership topped the FY 2008 record by a few hundred passengers and ticket revenue exceeded the FY 08 level by more than \$8 million.

Amtrak's Ridership - 2000-2010

Amtrak is an energy-efficient company. The annual *Transportation Energy Data Book*, published by the Oak Ridge National Laboratory, has determined that Amtrak is more efficient at moving people than either airlines or automobiles. The latest edition, published in the summer of 2010, found that Amtrak moves a passenger with 20 percent less energy than the airlines and 30 percent less energy than cars. We've been working hard in recent years to improve this performance, deploying "regenerative braking" to our electric engines that return power to the energy grid as they slow or stop a train, and cutting diesel fuel use nearly 9 percent since 2005.



Amtrak's Debt Level – 1999-2010

in 2002, we have reduced the company's debt to \$2.0 billion at the end of FY 2010, with a reduction of \$850 million in FY 2010 alone. The on-time performance of our trains has also improved. While four years ago (in 2006), Amtrak's system-wide on-time performance averaged 68 percent. Amtrak finished FY 2010 with a 79 percent on-time performance average, an improvement that has contributed to the company's ridership and revenue performance.

We are also working hard to ensure that our company is managed in an efficient and transparent manner.

Amtrak now publishes a five-year business plan every October and delivers its annual budget request on the same schedule as the Federal Government. Both of these documents provide detailed information on capital and operating needs, budgets, and the metrics and measures that will be used to assess success.

Amtrak worked strategically and achieved great progress in debt reduction; from a high of \$3.9 billion

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Thanks to efficiency improvements, investment in our infrastructure and systems, and the continuing pattern of ridership and revenue growth, Amtrak's day-to-day operations will continue to be supported primarily by revenues. In FY 2010, some 76 percent of the company's core operating costs were met from passenger related revenues (excluding food and beverage revenues). The company's total revenue (which includes state contracts, food and beverage revenues, real estate-related revenues, and revenues from commuter train operations) covers 85 percent of its operating costs. The operating costs exclude non-cash items and items not funded with operating support (depreciation, other post employment benefits and project costs). Federal capital programs fund such critical needs as fleet and infrastructure improvements and modernization programs, and have in the past supported the improvement and electrification programs that brought high speed service to the Northeast Corridor.

Amtrak Fleet and Infrastructure Needs

The fleet that supports Amtrak's services is stressed and badly in need of recapitalization. Amtrak's equipment is run very hard, and our cars routinely average more than twice the annual mileage of any other domestic passenger car fleet. Moreover, the average age of Amtrak's fleet reached an all-time high in 2010, and the car fleet (which still includes a few cars built in the 1940s) is now, on average, older than it was when Amtrak was formed. To address these issues, Amtrak developed a fleet procurement plan, and the company's first orders under that plan for new electric locomotives and new single level long-distance cars are designed to address Amtrak's most urgent fleet replacement needs. Amtrak has awarded contracts to Siemens of Sacramento, California, to build 70 electric locomotives for our Northeast Corridor services and to CAF, USA of Elmira, New York, to build 130 single-level passenger cars.

In FY 2012, Amtrak plans to begin procurement of 40 additional *Acela* cars to meet growing ridership demand. Each of the twenty existing *Acela* train sets will receive two additional coaches, increasing ridership capacity by 130 seats per train set. Increasing train set length will require infrastructure changes in coming years, including enlarging the *Acela* maintenance facilities in Washington, New York, and Boston. The costs and expected revenue increases for this program will be incorporated in Amtrak's next Five Year Financial Plan. A detailed business case for this additional capacity shows an internal rate of return of over 40 percent through a ten-year period.

Vital as fleet recapitalization is, the track and infrastructure that support our trains are no less important. Amtrak's Northeast Corridor hosts half of Amtrak's daily trains, and it carries an even greater volume of commuter traffic – about 2,200 daily trains, with a total annual ridership of more than 245 million people. Much of this traffic operates on aging infrastructure. New York's Penn Station, for example, brings Amtrak passengers and commuters from New Jersey and Long Island into Manhattan through six tunnels

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under the Hudson and East Rivers; these were completed just over a century ago, in 1910. Today, they carry more than 1,200 train movements on a typical day, with trains spaced 150 seconds apart during service peaks. Federal investment has allowed Amtrak to undertake a vital modernization program to install modern firefighting, ventilation and evacuation systems in these tunnels. Amtrak has pursued other vital investment programs in recent years, and has also made major improvements in track, roadbed, and signaling equipment. While these have improved the situation, the age and condition of our infrastructure continues to be a major concern and an impediment to growth in this vital region of the country.

Currently, there is a backlog of more than \$5 billion in deferred maintenance on the NEC. This includes more than 224 bridges that are now beyond their design life, and the three 140 year old tunnels in Baltimore which continue to carry a heavy daily traffic. These structures are now well past the end of their designed life and replacement will be a multiyear process. There are major challenges, and we will need to balance the requirement to replace aging infrastructure against the need for economy and the challenges imposed by an uncertain year-to-year funding cycle.

Amtrak is also making significant investments in information technology to meet the corporation's strategic needs – an area that has long been neglected - to fulfill the mandates of the reauthorization and ensure the technology infrastructure and applications are in a state of good repair. The focus in FY2012 will be implementation of improved tools for Enterprise Resource Planning and Financial Transparency, Employee Information Management, Asset Management, eTicketing, IT Infrastructure and Management Information needs. These investments are governed by an Enterprise Architecture that was established in 2009 and is being updated to respond to the corporation's needs. The total investment in Information Technology dependent projects will be \$195 million in 2012.

Amtrak's Northeast Corridor (NEC)

The NEC is the centerpiece of the Amtrak system – a high-speed railroad developed over the course of a multi-year partnership between Amtrak, the Federal government, the commuter railroads, and states. Hosting some 153 of the more than 300 daily trains that Amtrak runs, its daily operation is a triumph of vision, creativity, and careful investment. In spite of the fact that portions of the right-of-way follow alignments that date to the 1830s, Amtrak, the US DOT and the commuter railroads have created a network that supports an intense daily schedule of more than 2,200 trains (Amtrak, commuter and freight), and provides hourly high-speed service, with a top speed (on the Boston-New York leg) of 150 mph. On each of its major legs (New York-Washington and New York-Boston), Amtrak now carries more passengers than all of the airlines serving these routes, and Amtrak's share of the air-rail market

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from the endpoints to intermediate cities such as Philadelphia is even larger. The NEC is a product of several programs of incremental capital investment that have transformed the system, built ridership, and made the corridor into a unique national asset.

The time has come for us to contemplate the next round of investment, and to this end, Amtrak is advancing a pair of plans that envision major investments in the corridor to address key infrastructure, capacity, and security issues. The first, the West Baltimore Tunnel Realignment Project, will involve a 12 year, \$1.25 billion effort to replace the three Civil War-era tunnels in Baltimore, which continue to present significant operational challenges. Track capacity is limited and speeds are restricted to 30 mph, making them a problematic chokepoint; the ability to perform major work without disrupting traffic is nonexistent. Construction of a new tunnel on a better alignment will allow for rehabilitation of the existing structures, and significant permanent improvements to the resilience, flexibility, and security of the rail system through Baltimore. To undertake this project, Amtrak is working with the Maryland Department of Transportation regarding funding this activity through their High Speed Rail (HSR) grant.

The second project is known as the Northeast Corridor Gateway. It is intended to provide additional passenger rail capacity on the existing NEC route into and through Manhattan, and is needed to support Amtrak's proposed Next Generation High Speed Rail program. This comprehensive program will reconstruct the railroad between Newark and Penn Station, expand the right of way from two to four tracks, build two new tunnels under the Hudson River, and develop Amtrak's planned Moynihan Station on the site of the existing post office.

This planned program will cost some \$13.5 billion, with \$50 million of that required to begin design work and some preliminary engineering work in FY 2012. When complete, the NEC Gateway will vastly increase capacity at the Manhattan terminals for both Amtrak and commuter providers. By adding tunnel capacity, it will provide security and resilience benefits to New York's transportation system and allow quicker, more comprehensive, and less costly improvement and repair programs in the existing tunnels, which are currently too busy to permit more than brief service outages. The plan will generate tens of thousands of jobs and tens of billions of dollars in economic outputs, and will provide the terminal facilities New York needs to support a century of planned growth.

As we begin design and preliminary engineering for the Gateway project elements we will also be planning to continue two new high speed tracks south of Newark to toward Philadelphia's 30th Street Station. These new high-speed tracks will form the first minimum operating segment (MOS) of the Next Generation High Speed Rail Vision. The capital cost for this first segment is being further defined and currently estimated at \$7 billion. So with an investment of \$20 billion over the

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next decade the goal of opening the first segment of the Next Generation High Speed line will be achievable. While reducing trip time between New and Philadelphia to 50 minutes, the opening of this MOS will substantially increase capacity and service south of New York, thereby generating revenue to help fund additional expansion.

If funded, the development of both these projects would be closely coordinated with the recently established Northeast Corridor Operations and Infrastructure Advisory Commission.

Long Distance Trains

Amtrak operates long-distance services, most of them on a daily basis, on 15 routes. These trains, which are the only passenger rail service in 23 of the 46 states Amtrak serves, are a vital part of our system. Operating over routes that range up to 2,438 miles in length, they serve several purposes, connecting on-line communities with one another, with terminal cities, and with other Amtrak services at major hubs such as Chicago. The majority of coach passengers travel over only portions of these routes; for longer distance travel, and for trips between the endpoints, Amtrak offers sleeping car service (which generates 15 percent of the passengers and 36 percent of the ticket revenues). These trains are also heavily patronized by senior citizens and passengers with disabilities; the 29 daily long-distance departures (representing less than 10 of Amtrak's daily total) carried 42 percent of those passengers with disabilities and nearly 30 percent of the senior citizens who rode on Amtrak in FY 2010. In many places, long-distance trains have helped to "incubate" short-distance corridor service on portions of their route, and many long-distance trains provide an additional service frequency on short-distance routes, offering travelers a greater range of travel options, and combining the needs of growing state-supported service with the requirement to tie the national system together.

Short Distance Corridor Trains

Short-distance corridor trains operating outside of the Washington-Boston Northeast Corridor are the fastest-growing portion of the Amtrak system. They range from the 110 mph electrified Keystone Corridor in Pennsylvania, which offers passengers a choice of 14 daily trains in each direction, to the new Amtrak Virginia service to Lynchburg, which was introduced in 2009. Usually operated with state support, short distance corridors are generally less than 500 miles in length, which allows for service that is trip-time competitive with other modes. Many of these trains have enjoyed very significant success; California's *Pacific Surfliner*, for example, often carries more passengers than *Acela* during the late summer months, and the new Lynchburg service has been very popular, producing more than double the anticipated ridership and revenues in 2010, the first full year of operation.

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For a variety of reasons, the pricing for services to states has varied, and PRIIA addresses this issue through a section that will ensure uniform cost allocation and pricing for short-distance corridors. Section 209 requires Amtrak and relevant states to “develop and implement a single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak” of short-distance intercity passenger rail services. This provision is intended to address discrepancies in the levels of compensation that states provide to Amtrak for service in short-distance corridors which result in a varying level of federal financial participation from corridor to corridor. In some cases, the federal government supports the full costs of providing service, while on other routes states already fund most costs not covered by farebox revenues. Implementing a uniform cost allocation methodology will result in states paying like amounts for like services.

While state-supported routes are currently only one component of the larger Amtrak system, they are an important component. Roughly twenty percent of Amtrak’s system is served exclusively by trains that enjoy some level of state support, and 203 of Amtrak’s 528 stations are served only by state-supported routes. While not every departure on these routes is state-supported, currently, 14 percent of the system is served solely by trains that depend upon state funding. One hundred sixty-eight of Amtrak’s 220 daily scheduled short distance corridor service trains are operated with state financial support; these trains comprise over half of Amtrak’s daily train service.

American Recovery and Reinvestment Act (ARRA)

ARRA funding, the most significant of the recent rounds of Amtrak capital investment, invested nearly \$1.3 billion in our system – about half of it in the Northeast Corridor. This investment provided employment for more than 2,800 people and brought some much-needed improvements to our fleet and infrastructure. Foremost among those improvements were the rehabilitation of 81 stored or wreck-damaged cars and 15 locomotives, which were rehabilitated at Amtrak’s shops in Beech Grove, Indiana and Bear, Delaware. That additional equipment will provide much-needed seating capacity across the system, and the first of the rehabbed cars was rolled out just five months after ARRA became law. To ensure the progress that Amtrak is making is visible to the public, we have been publishing financial and job creation information associated with these projects every month; these reports are submitted to both the House Transportation and Infrastructure (T&I) Committee, and the Federal Railroad Administration (FRA) and are published on our website. While the bulk of the work will be complete by the statutory deadline of February 17, 2011, we have received waivers for some projects that will allow us additional time to complete them, in some cases, by September 30, 2011.

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The ARRA-funded investments in the infrastructure of the NEC are significant, and will be with us for decades to come. A top priority has been the aging electric infrastructure on the South End of the NEC. ARRA funding has supported replacement of a frequency converter and a vital transmission system, but major system components such as substations and frequency converters date from the late 1920s or the early 1930s. Amtrak has replaced eight fixed bridges, and is in the process of replacing the Niantic River drawbridge at East Lyme, Connecticut, which was built in 1907 and is past its design life. The Niantic project is typical of types of capital investments needed for the Northeast Corridor, and would not have been feasible without ARRA funding.

Positive Train Control (PTC)

In addition to infrastructure improvement initiatives, Amtrak is also responsible for compliance with major safety and security initiatives. Under the terms of the Rail Safety Improvement Act of 2008, both freight and passenger railroads are required to install PTC systems which are designed to reduce the hazard of derailment or collision on designated main lines that are used by regularly scheduled passenger trains or freight trains carrying poisonous or toxic inhalant cargoes. The law sets an implementation date of December 31, 2015.

Amtrak plans to complete installation of PTC on Amtrak-owned lines by the end of FY2012, provided the capital budget is funded at the level requested. Amtrak was an early user of PTC and operates two systems – the Advanced Civil Speed Enforcement System (ACSES) on the NEC (the most advanced signal system in North America) and the Incremental Train Control System on our Michigan Line. We have received a \$10 million grant to ensure interoperability with freight systems on the NEC, and will work with our freight partners to integrate our systems. Off Amtrak's railroad, the situation is considerably more complicated and challenging, particularly where funding is concerned, and Amtrak is assisting some of our state partners, such as California, with the PTC implementation process.

In some cases, the presence of Amtrak trains triggers the requirement for PTC installation on certain freight railroad lines, and this has led to demands that Amtrak pay for such installation. PTC will be a major financial cost, and while Amtrak has budgeted for PTC installation on its system, it does not have the funding to support installation on other owners' infrastructure.

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FY 2012 Funding Needs

To sustain our operations and maintain our infrastructure, Amtrak requires an annual appropriation for operating funding and capital investment. These levels of investment were set in 2008 by PRIIA, passed with strong bipartisan support and signed by President George W. Bush. The PRIIA-authorized levels and Amtrak funding request for FY 2012 are enumerated in Table 1 (see next page).

This funding will be vital to the continued operation of Amtrak. While Federal funding is required to cover 15 percent of operating costs and nearly all capital costs, it must be remembered that Amtrak provides many services out of its own budget that the government provides for other transportation modes. On Amtrak-owned lines, the company provides the dispatching and communications functions that the Federal Aviation Administration provides for airlines, and on the NEC and in certain other places, Amtrak maintains the signal system, the track, right-of-way, and other infrastructure such as bridges and tunnels. Where Amtrak does not own and maintain the track, the company pays for access on the freight railroads, at negotiated rates. Amtrak maintains many of our own stations, and we maintain a police force to carry out the specialized police and security functions associated with railroad operations. Requiring a subsidy of only 15 percent of operating costs plus all capital costs is a strong performance, the best of any domestic passenger railroad, and is a record that compares to the government subsidies enjoyed by other modes.

In the forty years of Amtrak's existence, the Federal government has invested a total of \$36 billion in the Amtrak system – a figure that represents both operating and capital funding. Between 1971 and 2008, by contrast, the Federal government has invested more than \$421 billion in aviation and over a trillion dollars in the nation's highways. In spite of the limited funding, Amtrak has become an ever more desirable and opted for travel choice in many regions of the country, offering travelers a frequent, fast, reliable, efficient and environmentally sound alternative to airports and congested highways.

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Table 1: Amtrak FY 2012 Funding Needs

Amtrak Funding Needs (\$millions) excluding Amtrak OIG	PRIIA Authority	Authorized Funding Level (FY 2012)	FY2010 Appropriation	FY2011 Budget	FY 2012 Grant Request /Budget
Operating Grant	101(a)	616	563	592	616
General Federal Capital⁽¹⁾	101(c)		574	1,016	1,100
Americans with Disabilities Act Investment	219 (b)	1,275 Such sums as may be necessary	144	281	175
Plus amount Retained by FRA from Capital & DS for Oversight and funding the NEC Commission ⁽²⁾	103		10	9	10
Subtotal DOT Capital Grant			728	1,306	1,285
Other Capital Requests					
NEC Gateway Project Capital Funds					50
Debt Service ⁽³⁾	102(a)	290	264	277	271
Early Buyout Options ⁽⁴⁾		Such sums as may be necessary		28	
Subtotal DOT Debt Service Grant			264	305	271
Total Amtrak Funding Requirement			1,555	2,203	2,212
Total Appropriation Requirement			1,555	2,203	2,222

⁽¹⁾This FY2011 budget amount does not include \$446 million requested last year for Fleet acquisition costs.

⁽²⁾Appropriations allow for FRA to deduct .5% for oversight of capital programs and .5% to fund expenses associated with implementing PRIIA Section 212 (NEC Infrastructure and Improvements)

⁽³⁾ This is a not to exceed amount for scheduled principal and interest payments. The amount authorized by PRIIA in FY2012 is \$290 million.

⁽⁴⁾ Beginning in FY2011, the Department of Treasury will fund Early Buyout Options.

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Compliance with the Americans with Disabilities Act (ADA)

Section 219 of PRIIA required Amtrak to evaluate the condition of the intercity stations that it serves and to report to Congress on the improvements needed to make these facilities compliant with ADA, the potential barriers to achievement of such compliance, the parties responsible for compliance, the costs associated with compliance, and the dates when such improvements could be made. Amtrak submitted this report to Congress on February 1, 2009, and submitted a subsequent report detailing progress with the compliance program on October 27, 2010.

As the 2010 report noted, Amtrak continues to make progress toward compliance, and this progress has been materially assisted by ARRA funding. Amtrak does not, however, have full ownership or control over many of its stations, and the complexities of ownership not only of stations, but of parts of stations and of resulting ADA compliance responsibility are obstacles to progress. While Amtrak expects to fulfill its ADA obligations at more than 100 stations by the end of 2011, the attainment of full compliance by the target date of September 30, 2015 at the 482 stations that must be made ADA-compliant will require aggressive work and continued capital support if Amtrak is to achieve compliance at the remaining stations. We have kept the relevant committees in Congress informed of our plans, progress, and obstacles. We also meet regularly with representatives of the disability community. To maintain the planned pace of progress in FY 2012, Amtrak will require \$175 million in capital funding (out of the total allocated capital request of \$1.275 billion).

High-Speed Intercity Passenger Rail Program

We strongly support the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail (HSIPR) grant program and recommend that it be continued at a minimum funding level of \$1 billion for Fiscal Year 2012. This amount is consistent with the funding plan outlined in the President's April 2009 *Vision for High-Speed Rail in America*.

The HSIPR program, authorized by PRIIA and accelerated by ARRA's funding investment, represents a significant shift in national transportation policy. For six decades, the federal government sponsored aggressive investment in highway and aviation infrastructure for intercity passenger travel, while rail needs were largely overlooked. This disparity naturally skewed the investment decisions and planning focus of states. Until recently, states that recognized the value of intercity passenger rail service lacked an investment partner in the Federal government, which offered them funding for up to 90 percent of the cost of building highways but generally nothing for intercity passenger rail projects.

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The huge oversubscription of the HSIPR grants is irrefutable proof of the level of interest in developing intercity passenger rail corridors, and the U.S. Department of Transportation reports that more than 30 rail manufacturers and suppliers are committed to establishing or expanding operations in the United States if selected to perform grant-funded work. While rail investment is still modest relative to highways and aviation, the HSIPR program is beginning to balance federal transportation investment policy, increasing options for intercity travelers and improving the economic competitiveness of the United States as a result.

As with any new program, there are important lessons to be learned from its initial implementation, and adjusting the program in response to these lessons will be critical to ensuring its long-term success. Underpinning the necessary adjustments is the fundamental reality that the program's statutory construct is not aligned with the magnitude and scope of the need and challenge before the FRA and the HSIPR stakeholder community. PRIIA authorized a total of \$3.4 billion over five fiscal years and gave states the primary responsibility for planning and developing intercity passenger rail corridors, thus broadening the pool of stakeholders vested in a system that was traditionally the responsibility of the Federal government and Amtrak. This framework was designed to preserve and improve the existing network, as well as incrementally develop new and improved corridors. It was not designed to construct the type of national-scale, interstate network envisioned by the President, or to strategically and efficiently allocate the \$10.5 billion appropriated for HSIPR grants in 2009 alone.

As a result, a mismatch exists between expectations for transformational growth and a statutory construct designed for incremental and more localized improvements. The ready fix to this mismatch - tempering the scope or timing of the HSIPR effort to fit the current policy architecture - is, however, not at all sufficient to the need and the opportunity. The United States urgently needs an efficient and well-integrated high-speed and intercity passenger rail network as a component of a modern national transportation system capable of meeting the challenges facing 21st Century America. Extending deployment of the current program over a longer timeframe will only serve to increase costs, both due to the time value of money and the opportunity costs of foregone benefits, not to mention falling further behind our global competitors in high-speed rail development. The appropriate solution is to restructure the program in a way that can accommodate an aggressive deployment of high-speed and conventional intercity passenger rail corridors. As America's intercity passenger railroad and its only current operator of high-speed service, we offer the following recommendations to better align the HSIPR program for growth.

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National Investment Strategy

FRA currently selects corridors for funding based on the applications it receives from states, which understandably view the HSIPR program as an opportunity and resource to address the travel needs of their residents and priorities within their borders. State and national priorities are not necessarily inconsistent, but the Federal government has limited ability to independently advance national and interstate interests and actively guide corridor design because under the program, it may only choose from among the applications it receives. So in effect, a program to build a national network is bound by the vision and priorities of individual state applicants. This bottom-up approach does not offer sufficient assurance that projects awarded funding, at an 80 percent federal cost, are the most efficient or even in the nation's strategic interest.

HSIPR investments should adhere to a national strategy for corridor development, which should be articulated in the National Rail Plan that FRA is required to produce under Section 307 of PRIIA. The strategy should establish a map of intercity corridors in which high-speed and conventional passenger rail service advance key national priorities such as congestion relief, transportation safety, economic competitiveness, energy-efficient travel, environmental protection, and sustainable development.

The corridors should be selected based on an objective analysis of intercity travel market conditions and factors that drive ridership, including:

- The availability of and connectivity to well-developed local transit;
- Current and projected population and population density; and
- Employment and economic activity (including the economic interdependence of metropolitan areas within a corridor).

The investment strategy should guide both the submission and review of HSIPR applications, but projects not on the map could still be eligible for grant funds at a lower Federal share. For example, an interstate corridor included on the map could follow the Interstate Highway System model and be funded at a 90 percent Federal share, while a discrete intrastate project within such a corridor could receive 80 percent, and a corridor or project not on the map could be offered 50 percent Federal funding. Although the program would still be driven by competitive state applications, such a strategy would give the federal government greater ability to align federal support with truly national and interstate priorities and interests.

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Additionally, the entire map and each individual corridor should have a delivery schedule, an estimated capital cost, and performance standards linked to strategic national outcomes. This level of specificity increases the future likelihood of securing dedicated public revenue needed to complete such a system.

Coordinated Corridor Planning and Project Execution

While a national investment strategy would prioritize key corridor-level city pairs, that alone is not enough to ensure the development of a well connected and highly integrated network capable of meeting strategic national objectives. A more detailed level of coordination in planning and project execution among FRA, states, Amtrak and host railroads will be required to ensure that corridors are integrated with existing passenger rail and other transportation systems in a way that maximizes network benefits and economies of scale.

As the national passenger railroad, Amtrak's role is critical. We operate the existing system, which is a foundation upon which an expanded network of high-speed and conventional rail services can grow. Amtrak's significant ridership growth over the past decade demonstrates the system's value and the importance of connecting it to future high-speed and conventional rail corridors. Additionally, Amtrak has four decades of experience, unique assets, and exclusive legislated powers that make it singularly equipped to unite state and regional corridor plans into a seamless national network.

Because of our comprehensive experience with the U.S. system, we are also well-positioned to facilitate multi-state partnerships, which are critical to the success of the HSIPR program. Issues such as congestion, vehicle emissions and mega-regional agglomeration do not honor state boundaries, and solutions designed to address these phenomena must similarly be managed across state lines. Yet multi-state corridor planning is a complex task, particularly for state rail departments that are still building capacity and developing resources. Marshaling the expertise of FRA and Amtrak can help overcome these challenges. The Northeast Corridor Infrastructure Master Plan, developed at Amtrak's instigation by twelve states, the District of Columbia, Amtrak, FRA, eight commuter and three freight railroads, exemplifies the type of integrated, coordinated planning effort that should be replicated in other high-priority corridors across the nation.

HSIPR-funded projects should also adhere to certain protocols. Design and construction standards, for instance, would ensure that technologies, equipment, and systems are interchangeable across the network. Furthermore, a uniform structure in negotiating agreement terms and performance standards with host railroads, with project-specific amendments, would give the public more negotiating leverage and increase timeliness, accountability, and value in the negotiating process. There are significant efficiencies

to be gained from a unified approach, as opposed to having separate entities negotiating distinct agreements for multiple projects. No other nation has pursued development of a high-speed/intercity passenger rail network in such a fragmented manner.

The purpose of increasing the federal role in planning is to ensure that the program results in creation of a national network. It should not discourage the states from performing their own planning functions, including working with Amtrak to:

- Select the precise routing and alignment of any new track;
- Plan frequencies based on the availability of non-federal operating support;
- Determine schedules, travel times, and top speed requirements based on the travel market; and
- Address station design, location, and access issues.

Northeast Corridor Vision and Planning

One of the highest priority corridors in a national HSIPR investment strategy should be the Northeast Corridor (NEC) from Washington, D.C. to Boston.

With 50 million people now and an additional 20 million expected by 2040, the Northeast is the world's second largest mega region and one of its best markets for high-speed passenger rail service. It also represents 20 percent of U.S. gross domestic product and has a population density per route mile that exceeds that of successful European high-speed rail markets such as Paris-Lyon in France or Madrid-Barcelona in Spain.

While capital investments to date have enabled Amtrak to capture a majority share of the Northeast air-rail travel market, the corridor still faces a backlog of infrastructure investment needs. Moreover, many segments of the corridor are operating at capacity due to a doubling of total train miles operated by Amtrak, commuter, and freight railroads over the past 30 years. To begin to address these issues, Amtrak initiated a collaborative planning effort to consider the plans and infrastructure needs of all NEC users. The three-year effort culminated with the release of the Northeast Corridor Infrastructure Master Plan (Master Plan) in May 2010, which defined at a 2030 planning horizon the capital investments necessary to increase capacity, improve reliability, and lower trip times largely through incremental improvements to the existing right of way.

The Master Plan process concluded that, even with those improvements, the NEC would still be capacity constrained in 2030, meaning that Amtrak would have limited future ability to increase service, reduce travel times, and attract new riders. Considering that intercity travel demand in the Northeast is expected to double by 2050, and other modes have limited growth potential, this conclusion suggested a need to analyze the feasibility of a dedicated high-speed rail line in the Northeast.

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To explore that possibility, Amtrak developed “A Vision for High-Speed Rail in the Northeast Corridor” in September 2010. This concept plan demonstrates that next-generation high-speed rail service could be implemented in the Northeast on a new two-track corridor capable of supporting 220 mph top speeds and facilitating major reductions in travel time.

The future of high-speed rail service in the Northeast Corridor will be the subject of considerably more planning and refinement, including through the recently convened Northeast Corridor Infrastructure and Operations Advisory Commission. As plans continue to take shape, it is critical that the NEC be included in the HSIPR program. Immediate investments that could advance higher-speed rail service in the Northeast include pursuit of the NEC Gateway project, additional funding for Corridor environmental studies and installation of constant tension catenary to support higher speeds between New York and Washington.

Program Flexibility and Grant Distinctions

Clear expectations should be set about the various types of service to be funded by HSIPR grants. Public discourse regarding the program often focuses on high-speed rail, when in fact HSIPR is based on three distinct grant programs that seek to establish or improve both conventional and high-speed services.

The grants authorized by Section 301 of PRIIA (codified at 49 U.S.C. § 24402) are the broadest of the three programs and can be used generally for capital expenditures necessary to improve or provide intercity passenger rail transportation regardless of speed. Grants authorized by section 302 (49 U.S.C. § 24105) are intended for more targeted capital improvements necessary to reduce congestion or facilitate ridership growth. And Section 501 grants (49 U.S.C. § 26106) are intended to cover capital costs associated with providing high-speed rail service reasonably expected to reach speeds of at least 110 miles per hour in high-speed rail corridors designated by the U.S. Secretary of Transportation.

The three distinct PRIIA grant programs reflect the fact that not all travel markets suited for intercity passenger rail require the same level of service. In some, high-speed, high-frequency service may be necessary to create a viable alternative to existing travel options, while conventional rail service may be more appropriate for other corridors where the market is smaller. Still other markets may not need an entire corridor development program, but could benefit from a targeted improvement.

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FRA has recognized the flexibility granted to it by Congress in administering HSIPR funds. For example, it selected projects to establish high-speed service on dedicated rights-of-way in California and Florida, extend conventional service in Maine, and provide targeted congestion relief in Iowa. The grant authorities established by PRIIA and incorporated in HSIPR are intended to support just such a wide array of intercity passenger rail transportation improvements, but public discourse does not seem to acknowledge distinctions between the three grant authorities that constitute the program. This in turn leads to questioning or criticism of grants directed at establishing or improving conventional services. To be clear about what these programs are intended to accomplish, we recommend that amounts be specifically appropriated to each of Sections 301, 302, and 501.

PRIIA Section 209 Capital Payments

Amtrak recommends that a specific amount of funds appropriated to HSIPR be reserved for grants to states to cover the introduction of capital costs called for by Section 209 of PRIIA. Section 209 requires Amtrak and relevant states to “develop and implement a single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak” of short-distance intercity passenger rail services. This provision is intended to address discrepancies in the levels of compensation that states provide to Amtrak for service in short-distance corridors.

To assist states in implementing this provision, PRIIA provides that grants made to states under Section 301 can be used to pay for capital costs allocated to them under Section 209. However, state grant applications submitted to cover the capital costs of existing corridor service may be at a competitive disadvantage against applications for new or improved services. Reserving a specific amount of funds for this purpose will help states meet their share of the capital costs of providing service in existing and future short-distance corridors.

While agreement on the new costing methodology required by Section 209 has not yet been reached, because its full implementation is not required until October 2013, Amtrak anticipates that state capital payments in fiscal year 2012 will be relatively small, if any.

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Surface Transportation Authorization

Long-term Legislation

Amtrak outlined its position on surface transportation authorization legislation in its Fiscal Year 2011 transmittal. We reiterate our recommendation that the long-term authorization bill:

- Establish a strong federal vision that articulates a clear national surface transportation policy and the strategic objectives the system and the programs that guide it are designed to pursue;
- Set performance-based criteria in federal investment decisions so that programs are aligned with and accountable to the policies, objectives and goals established at the national level;
- Provide for a comprehensive and robust planning process that accounts for greenhouse gas emissions and ensures consistency between national objectives and state and local planning criteria;
- Transition to a mode-neutral framework characterized by purpose rather than mode, and establish broad eligibility across programs so that investment decisions can be responsive to policy goals and promote transportation options;
- Undertake modest streamlining in the environmental process to eliminate redundancies and improve project delivery without adversely affecting the quality or integrity of the process;
- Recognize the present need for a dedicated, multi-year source of funding for intercity passenger rail development for both Amtrak and states among a set of functionally-based, multi-modal programs of federal interest;
- Raise substantial and sustainable amounts of new revenue to meet the needs of existing and emerging systems, supported by a unified surface transportation trust fund; and
- Consider a diverse portfolio of revenue and financing options to support dedicated funding for intercity passenger rail, including: general revenues; fuel taxes, airport and airway user fees; a national infrastructure bank; tax-exempt and tax-credit bonds; highway tolling and congestion pricing; carbon taxes; and impact and mobility fees.

Short-term Extensions

Restrictions on using Highway Trust Fund (HTF) revenues for intercity passenger rail investments have historically been justified on the grounds that the HTF is exclusively financed by highway users. However, that is no longer the case.

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From fiscal years 2008 to 2010, Congress earmarked \$34.5 billion in general revenues – nearly as much funding as has been provided to Amtrak in its 40 year history – to fund the HTF and subsidize highway users (nearly \$30 billion went to the Highway Account of the HTF), who are no longer paying anywhere near the amount that is spent on highways annually, let alone the actual costs of a highway-dependent transportation system.

Federal-aid highway programs should therefore not be limited to financing only highway investments. When Congress appropriated general revenues in ARRA to support highway investments, it also made passenger rail, freight rail and port infrastructure projects eligible for assistance. Any future legislation to extend current surface transportation programs should follow this precedent and make the portion of Highway Trust Fund revenues supplied by the General Fund eligible for investment in intercity passenger rail.

Liability and Insurance

Federal law and DOT regulations require even the smallest companies that provide trucking and bus service in interstate commerce to be licensed and to maintain minimum levels of insurance. However, there are no comparable requirements for entities that wish to operate passenger rail service over the national rail network. Except for Amtrak, which is required by law to maintain at least \$200 million in liability insurance coverage, there is no requirement that operators of passenger rail service maintain any insurance coverage. Moreover, sovereign immunity laws in some states allow minimal or no compensation to be paid for injuries or deaths caused by the negligent operation of state-operated or funded commuter rail services. These inequities can prevent innocent victims of railroad accidents from receiving just compensation, and, where Amtrak is involved, shift to Amtrak, and thus to the taxpayer, liability exposure that should be borne by other entities. The gaps in current federal law that allow uninsured, unlicensed and uninsured or significantly under-insured operators to provide passenger train service over the national rail network need to be closed.

Conclusion

In reviewing the year that has passed, and considering the year to come, I am convinced that we stand at a moment of real opportunity. America needs to reduce its dependence on foreign oil supplies, and the development of rail – freight and passenger - does just that. America faces challenges of all kinds; longstanding assumptions about not only energy policy and national security, but congestion, growth, and development are under review. Federal spending is a subject of serious review, and concerns about the national debt presage a period of financial austerity. Balancing this is the need for economic recovery,

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job creation, and a corresponding demand for investment in the infrastructure that will support recovery, reverse the deterioration of the nation's supporting transportation networks, and fuel the next generation of growth, while addressing pervasive and worsening problems such as airport and highway congestion and environmental conditions. There is a very real demand for creative and novel solutions to our problems, and the new Congress will have a unique opportunity to bring a fresh perspective to these and related issues. There is universal agreement on the need for infrastructure investment and economic growth, and passenger rail has to be an important component of any serious plan.

To this end, I would ask Congress to consider the plan I have proposed for investment in our NEC Gateway Project. It is a tremendous opportunity to invest in a proven asset with a track record of delivering important and proven transportation benefits to the region it serves. This investment will not only provide for the capacity and security requirements the system will need to sustain projected traffic levels in coming years – it will be the cornerstone of a proposed high speed rail system, capable of handling a century's worth of growth. For an initial FY 2012 investment that's less than one percent of the 2008 Federal outlays on transportation, we could begin the construction of a terminal facility that would serve New York City and the entire NEC region for a century, and greatly improve the Amtrak and commuter rail services offerings in the Northeast.

I look forward to working with the Congress in coming months as you work to forge a new consensus on these issues. I know the men and women of Amtrak well, and I can promise you that there's nobody out there who knows more about building, running, and maintaining a passenger railroad in the United States under our national, regional and local conditions than they do. They've done tremendous work building the Northeast Corridor into America's first 150 mph railroad, and I hope that in the year to come we can work closely with you and your staffs so that everyone can see the tremendous operation we have – and the real potential it has for the development I have described in this report.

Sincerely,

A handwritten signature in black ink, reading "Joseph H. Boardman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Joseph H. Boardman

President and Chief Executive Officer

Attachment