U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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December 7, 2012

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SUMMARY OF SUBJECT MATTER

To: **Members of the Committee on Transportation and Infrastructure**

From: **Majority Staff on the Subcommittee on Railroads, Pipelines, and Hazardous Materials**

Subject: **Hearing on "Northeast Corridor Future: Options for High-Speed Rail Development and Opportunities for Private Sector Participation"**

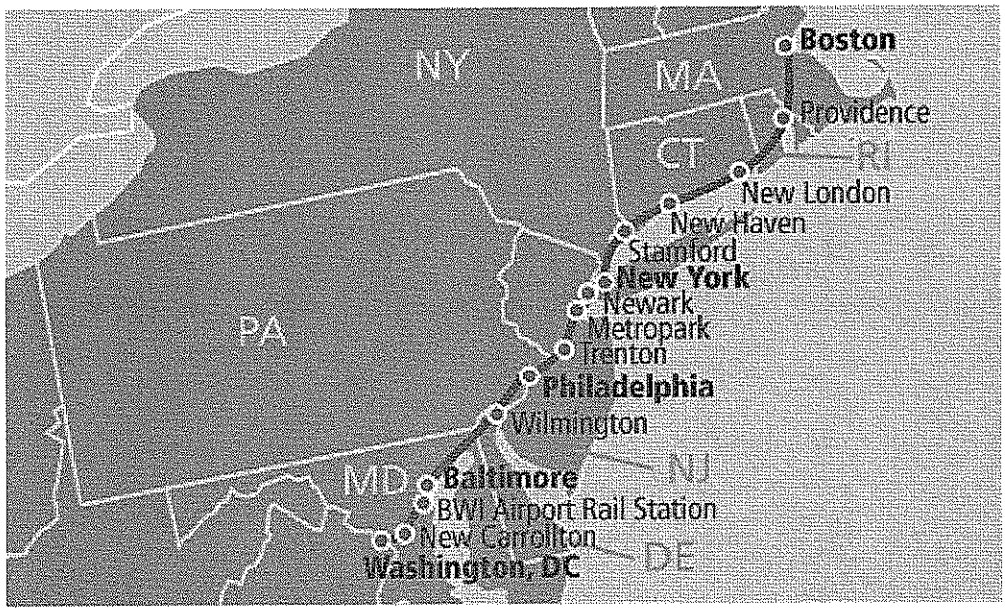
PURPOSE

On Thursday, December 13, 2012, at 10:00 a.m. in 2167 Rayburn House Office Building, the Committee on Transportation and Infrastructure will receive testimony regarding the future of the Northeast Corridor (NEC) and the options for private sector participation. Throughout the 112th Congress, the Committee and the Subcommittee on Railroads, Pipelines, and Hazardous Materials has held several hearings on private sector involvement in passenger rail, high-speed rail in the NEC, and how best to utilize this valuable asset. This hearing will bring stakeholders together to examine the developments regarding high-speed rail in the NEC during this Congress and the options for private sector participation going forward.

HISTORY

The Northeast Corridor

The NEC is one of the most valuable transportation assets in the United States, providing a continuous link between the major population centers of Washington, D.C., Baltimore, Philadelphia, New York City, and Boston. Without question, the NEC represents the best opportunity for true high-speed rail in the United States. The region itself has all the requirements for a successful high-speed rail system, due to its regional population, regional economy, interconnectivity, and congestion concerns. In general, the highest demand for high speed rail occurs in city pairs that are located 100 – 500 miles apart with large populations and economies, along with the presence of regional and local transit networks to provide connectivity for intercity passengers.



The NEC region is home to four of the ten most populous metro regions in the nation – New York, Philadelphia, Washington, D.C., and Boston – and 18 percent of the nation's population living in just 2 percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of $2.59 trillion, and a population equal to the United Kingdom. Furthermore, congestion at airports and on highways is becoming a severe problem in the region. The I-95 Corridor Coalition estimates that over 60% of the urban road miles of Interstate 95 are heavily congested. Additionally, the airspace above New York is the most complex and congested in the nation with approximately 75% of the nation's chronically delayed flights flying through the New York airspace bottleneck.

The NEC is host to intercity passenger rail, commuter rail, and freight rail operations. Of the 437 total miles of the NEC, Amtrak owns and controls 363 miles, with states controlling portions of the route north of New York City. Over the last three decades, Amtrak and the FRA have managed two major NEC capital improvement projects at a total cost to taxpayers of nearly $6 billion. However, despite these improvements, the NEC still falls far short of international high-speed standards. The Acela, Amtrak's high speed service, averages only 83 miles per hour between D.C. and New York and only 72 miles per hour between New York and Boston. Internationally, high-speed trains can average 150 mph and many nations are upgrading systems to achieve top speeds of 220 mph. All the factors that point to a successful high-speed rail system, be it regional population, regional economy, interconnectivity, or congestion concerns, exist on the NEC.

NEC Infrastructure and Operations Advisory Commission

Recognizing the value of the NEC, section 212 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) created the NEC Infrastructure and Operations Advisory Commission (Advisory Commission) to create and implement a long-term, regional investment strategy for the NEC; advance near-term improvement projects; coordinate regional planning and

communication; and educate stakeholders and public about the NEC's investment needs and role in economic growth and development. The Advisory Commission is made up of members from each of the NEC States (including the District of Columbia), Amtrak, and the U.S. Department of Transportation (DOT), along with non-voting members from the freight railroads that use the NEC. While the Advisory Commission was just getting organized and set up at the beginning of this Congress, it is now fully established and advancing its mission, as discussed further below, with its first annual set of recommendations expected in January 2013.

RECENT DEVELOPMENTS

NEC FUTURE

Recognizing the need for a corridor-wide planning and environmental document, FRA was appropriated $10 million in fiscal year 2010 for the project. In February 2012, the FRA began the comprehensive planning effort to define, evaluate, and prioritize future investments for the NEC through 2040 that it dubbed the NEC FUTURE. The NEC FUTURE project includes two parts: (1) a Tier I environmental impact statement (EIS), which is a corridor-wide environmental analysis necessary for most future federal investment; and (2) a service development plan, which is a detailed plan for rail service of all types on the corridor. The NEC FUTURE process is expected to take a total of three years, assuming continued appropriations, and is divided into three phases, as set forth below:

NEC FUTURE PHASES

Phase	Timeframe	Goal
Phase I	1 year: Feb. 2012 – Feb. 2013	Develop Purpose & Need; Scoping Process; Begin Alternatives Development
Phase II	18 mos.: Feb. 2013 – Aug. 2014	Complete Alternatives Development; Complete Draft EIS; Complete Draft Service Development Plan
Phase III	8 mos.: Aug. 2014 – May 2015	Final EIS; Final Service Development Plan
Complete	Before end of 2015	Record of Decision

Specifically, the Tier I EIS will assess the broad corridor-wide impacts of proposed improvements and service levels pursuant to the National Environmental Policy Act (NEPA), and will document the planning process and describe the proposed improvements, potential impacts, and proposed mitigation strategies. More detailed Tier II environmental reviews (i.e., categorical exclusion, environmental assessment, or EIS) would then be needed to examine the potential impacts of the site-specific projects identified in the Tier I EIS. Specific projects cannot move forward or be federally funded without first undergoing the appropriate environmental review. The tiered process of environmental review is intended to speed-up the overall NEPA process.

While the NEC FUTURE is ongoing, there are still NEC-related projects that are being undertaken (see chart in Appendix). The projects total over $1.8 billion in various Federal funds, and over $2 billion in total funding. These projects are intended to, among other things, bring the NEC into a state-of-good-repair, upgrade track and structures, and allow for capacity improvements.

Advisory Commission Actions

Over the last two years, the Advisory Commission has undertaken a number of efforts to advance its mission. First, pursuant to Section 212(c) of PRIIA, then Advisory Commission is developing its cost allocation formula for use of the NEC by intercity passenger rail, commuter rail, and freight rail. The formula is intended to ensure there is no cross-subsidization among the users. Second, the Advisory Commission is developing its first annual recommendations, pursuant to section 212(d) of PRIIA, for submission to Congress in early 2013. The recommendations will consist primarily of a report on the critical infrastructure needs of the NEC; essentially, a list of projects that jointly benefit all users of the NEC.

Finally, the Advisory Commission is in the process of developing several other reports that will help to inform its future recommendations and the ongoing NEC FUTURE project. One is a report on the state of the NEC transportation systems that will establish the baseline usage of the NEC region's highway, aviation, and rail networks, while also looking at the challenges the networks will face in the future. The study area of the report is intended to parallel that used in the NEC FUTURE and help to inform that project. Similarly, the Advisory Commission is also planning a highway intercept survey that will help to identify highway usage between various origins and destinations to also help inform NEC FUTURE.

As to rail usage, the Advisory Commission is in the process of developing a NEC operations and performance report that will help identify exactly where usage by commuter, passenger, and freight rail exists, how performance is measured by each entity (i.e., on-time performance), and what causes delays. All of this information will help inform where best to make infrastructure investments. In addition to transportation usage, the Advisory Commission is beginning an economic development report that will identify the value of the NEC to the economy of the region and the prospects for enhancing future economic development. Each these reports are expected to be completed at differing times next year.

Amtrak's Vision for the NEC

In September 2010, Amtrak released its "Vision for High-Speed Rail in the Northeast Corridor" with an estimated cost of $117 billion and timeline of 30 years. This proposal laid out a true high-speed rail alternative for the Northeast Corridor utilizing a dedicated right-of-way for 220-mph service, with 96 minute trip time from Washington, DC to New York, and 93 minute trip time from New York to Boston. On July 9, 2012, Amtrak updated that plan, releasing "The Amtrak Vision for the Northeast Corridor: 2012 Update Report" (2012 Vision) with a revised cost of $151 billion over 30 years. While the cost is higher than the 2010 Vision, the 2012 Vision includes updates to the 2010 Vision ($117B) and the Master Plan for the NEC ($52B), along with the introduction of the Gateway Program for new tunnels and station improvement ($14.7B). Those three items together would have cost $183.7 billion, so Amtrak's updated costs did lower the overall cost. Amtrak notes that 50-80% of the total cost ($72--$120 billion) may need to come from the government.

As to timeframe, the 2012 Vision envisions high-speed rail by 2040 and implements a "Stair-Step" approach dividing the process into two parts. First, the NEC Upgrade Program

(NEC UP), which is planned from 2015-2025, will allow for maximum speeds of 160 mph and achieve a state-of-good-repair and capacity upgrades. The 2012 Vision next includes the Next-Generation High Speed Rail Program (NextGen HSR) from 2025-2040 to build new and to upgrade existing alignment for two-track HSR to accommodate speeds of 220 mph. Amtrak's Vision is separate from the NEC FUTURE, and may be one of several alternatives evaluated in through NEC FUTURE process.

Private Sector Involvement

The private sector can become involved in the NEC's development in a number of ways, be it through station development, operations, or public-private partnerships. Each of the involved entities listed above understands the economic value of developing high-speed rail in general and on the NEC. The value of this development should be captured to help provide revenue to the corridor. As noted above, the Advisory Commission is undertaking an economic development report that will identify prospects for further enhancement of economic development along the NEC. While the scoping of the NEC FUTURE project is not yet completed, the FRA has issued station planning guidance that specifically notes planners should "[c]onsider value capture opportunities such as business improvement districts that could provide revenue to the rail agency."[1] Amtrak, in 2011, also announced its plans to aggressively pursue private sector investment to support its plans on the NEC. Indeed, its 2012 Vision explained that early private sector involvement can help reduce potential risks in delivering the program in the near term through a design-build structure, but noted that private sector funding may not be available until the first high-speed rail segment is completed in 2030.

In today's current fiscal climate, the Federal government cannot continue to support the full financial burden of major infrastructure projects. Treasury estimates note that the investment community has hundreds of billions in available uncommitted capital. Private sector capital has been leveraged around the world to develop high-speed rail and has the opportunity to do so in the NEC. In general, successful public-private partnerships share financing between the public and private partners. The private sector is incentivized to participate in financing a project when risk is minimized and there is a consistent federal or state partner. Private sector financing could then allow high-speed rail projects to be developed and constructed with less reliance on public funds, which can speed up the process and result in lower-cost projects. In these arrangements, the public partner retains some control and management of the overall rail program to ensure that public requirements and governments standards are met. The Committee will explore these arrangements, along with other opportunities for private sector involvement.

[1] FRA, "Station Area Planning for High-Speed and Intercity Passenger Rail", p. 12.

INVITED WITNESSES

The Honorable Karen J. Hedlund
Deputy Administrator
Federal Railroad Administration

The Honorable Joseph Boardman
President and CEO
Amtrak

The Honorable Joan McDonald
Chair, Northeast Corridor Infrastructure and Operations Advisory Commission
Commissioner, New York State Department of Transportation

Dr. Richard Geddes
Adjunct Scholar
American Enterprise Institute

Mr. Perry Offutt
Managing Director
Morgan Stanley

Dennis Pierce
President
Brotherhood of Locomotive Engineers and Trainmen and Teamsters Rail Conference

Appendix

Northeast Corridor Projects*, FY09-Present ($M)				
Project Name	**Program**	**Federal**	**Non-Federal**	**Total**
Corridor-wide Investments				
Northeast Corridor FUTURE	n/a	$10	NA	$10
Electric Locomotive Purchase and Maintenance Upgrades	RRIF	$563	NA	$563
Targeted Investments				
Boston South Station Expansion Project (PE/NEPA)	HSIPR	$33	$11	$43
Providence Improvements (PE/NEPA)	HSIPR	$3	$1	$4
Kingston Track Capacity and Platform Improvements	HSIPR	$26	NA	$26
Stamford Intermodal Access	TIGER	$11	$28	$39
Harold Interlocking	HSIPR	$295	$74	$368
New York Moynihan Station Phase I	Multiple	$274	$50	$323
Newark, NJ Portal Bridge	HSIPR	$39	$17	$55
Trenton-New Brunswick Signal, Track, Catenary Improvements	HSIPR	$450	NA	$450
Delaware Third Track	HSIPR	$13	$3	$17
Newark Regional Transportation Center	TIGER	$10	$16	$26
Newark Train Station Improvement Plan	TIGER	$2	$1	$3
Susquehanna River Bridge Replacement (PE/NEPA)	HSIPR	$22	NA	$22
Baltimore and Potomac Tunnels (PE/NEPA)	HSIPR	$60	NA	$60
BWI Airport Station (PE/NEPA)	HSIPR	$9	NA	$9
Washington Union Station Escalators	HSIPR	$4	$4	$9
TOTAL		**$1,823**	**$204**	**$2,027**

*Does not include projects funded through Amtrak's annual capital or Recovery Act grants