PRRIA

PASSENGER RAIL REFORM AND INVESTMENT ACT OF 2014

TRANSPORTATION & INFRASTRUCTURE COMMITTEE

The Importance of Reforming and Improving Our Intercity Passenger Rail

For nearly 100 years, America was the unquestioned global leader in passenger rail. During that time, trains were the primary – and in many cases the only – mode of transportation available for medium- and long-distance travel. However, the advent of commercial aviation and the Interstate Highway System provided legitimate transportation alternatives and changed the equation. In the face of this stiff competition, our Nation's passenger rail system faded into disuse and disrepair.

Today, however, passenger rail presents one of the best hopes for relieving our congested highways and airspace. In 2006, the Unites States population reached 300 million people, and by 2039 we are expected to break the 400 million mark. The population concentration in our urban areas is increasing, in particular on the eastern seaboard and the Northeast Corridor between Washington, DC, New York City, and Boston. Congestion costs also continue to rise. Crippling congestion and poor roads cost businesses and commuters almost $115 billion each year in wasted time and fuel – up from $24 billion in 1982. In addition, Americans spend more than 4 billion hours annually stuck in traffic.

It is clear the time for reforming and improving our intercity passenger rail system is now. To achieve success, we must build on the improvements we accomplished in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and focus on those areas most in need of additional reform.

Passenger Rail Reform and Investment Act of 2014 Highlights

Passenger Rail plays an important role in our Nation's transportation network. There is simply no better way to move large numbers of people from city-center to city-center than on passenger rail. PRRIA 2014 improves our rail infrastructure, reduces costs, leverages private sector resources, creates greater accountability and transparency for Amtrak, and accelerates project delivery.

Reforms Amtrak to Increase Transparency, Reduce Costs, and Operate More Like a Business

- Reduces Amtrak's authorized funding levels by 40 percent
- Eliminates Amtrak's losses in food and beverage service
- Mandates Amtrak carry out a business case analysis for all major procurements
- Eliminates Amtrak's black-box accounting and requires transparent bookkeeping aligned with core service functions

Leverages Resources and Encourages Non-Federal Participation

- Creates station development opportunities for the private sector
- Opens new revenue streams through right-of-way development
- Unlocks an underutilized federal railroad loan program
- Assists with advancing large infrastructure projects through partnerships with states

Targets Investments Where There is the Greatest Potential for Success

- Keeps Northeast Corridor profits on the Northeast Corridor
- Improves management of the Northeast Corridor
- Incentivizes increased Northeast Corridor investments

Empowers States to Have a Greater Role in Managing Routes

- Ensures states are equal partners, giving them a greater say in decision making to ensure passengers get the best service
- Strengthens transparency to give states and Congress greater insight into Amtrak's accounting to identify areas for improvement
- Requires Amtrak to evaluate long-distance routes, improve services, and lower costs

Streamlines Environmental Reviews and Accelerates Project Delivery

- Sets hard deadlines to reasonably limit review times
- Requires reviews to occur concurrently rather than consecutively
- Improves coordination among federal, state, and local agencies involved in the reviews

Reforms Amtrak to Increase Transparency, Reduce Costs, and Operate More Like a Business

Over the years, Amtrak has operated under unrealistic fiscal expectations, and without a sufficient level of transparency. While PRIIA 2008 has taken some initial steps to improve Amtrak's financial condition, much more is required to achieve greater cost efficiencies and savings in passenger rail service, provide greater transparency at Amtrak, and ensure that the service operates like a true business. Specifically, PRRIA 2014:

Reduces Amtrak's authorized funding levels by 40 percent: Fiscal responsibility is a top priority. For decades, authorization bills have included unrealistic funding levels. PRRIA 2014 breaks this cycle by authorizing Amtrak at fiscally responsible, recently appropriated funding levels. This requires Amtrak to plan based on real, constrained funding levels — not overly optimistic targets that will never materialize.

Eliminates Amtrak's losses in food and beverage service: For years, Amtrak has operated its food and beverage service at a loss, ignoring mandates that this service must break even. PRRIA 2014 finally tackles this problem head-on by requiring that Amtrak implement a series of reforms that will reduce losses and grow revenue to eliminate this loss in five years. The bill will accomplish this by requiring:

- Improved product and supply chain efficiencies
- Strengthened training and accountability for staff
- Improving scheduling of food and beverage staff
- Ticket revenue enhancements

Mandates that Amtrak carry out a business case analysis for all major procurements: Amtrak has a checkered history with procurements, including problems with the Acela fleet procurement and lack of funding to complete an ongoing purchase of sleeping and baggage cars. While the company has made progress on planning, it has been inconsistent with carrying out business cases for major procurements. This is particularly problematic when Amtrak relies on annual federal appropriations to fund its capital budget. PRRIA 2014 addresses this problem by mandating that Amtrak conduct a business case prior to entering into any large capital acquisition.

Eliminates Amtrak's black-box accounting and requires transparent bookkeeping aligned with core service functions: While Amtrak is one company, it is a collection of many different functions. Currently federal appropriations are provided to only two broad accounts: a grant for operating subsidies and a grant for capital and debt service. Amtrak uses these broad accounts as a "black box," making it difficult to conduct oversight and for the company to operate efficiently. Amtrak's core service functions are operating the Northeast Corridor between Washington and Boston, and operating short- and long-distance services across the Nation. PRRIA 2014 breaks up the Amtrak black box by appropriating funding to the Northeast Corridor and the National Network. This will add transparency for Amtrak, the states, and Congress, and will match a reorganization Amtrak has been undertaking to more appropriately align people, processes, and budgets along those core services.

Leverages Resources and Encourages Non-Federal Participation

Current law limits the ability to partner with the private sector. These roadblocks hold back the development of our rail infrastructure. PRRIA 2014 breaks down barriers to unlock opportunities for increased non-federal investments and partnerships with the private sector. Specifically, PRRIA 2014:

Creates station development opportunities for the private sector: Rail stations are often located in desirable downtown locations and can become focal points for significant residential, commercial, and retail development. Amtrak owns many of these stations, but leveraging their potential for real estate development has been a low priority. PRRIA 2014 requires Amtrak to study the development opportunity of its stations, and then seek private sector partners to unlock their potential, thereby generating revenue to support passenger rail operations.

Opens new revenue streams through railroad corridor development: Amtrak owns the majority of the Northeast Corridor, which passes through some of the most densely populated areas of the country. The company also controls several other rail lines around the Nation. These railroad rights-of-way represent an untapped opportunity to partner with the private sector to generate additional non-passenger rail service revenue. Additional revenue would help reduce the need of federal subsidies and allow more private investment for passenger rail. PRRIA 2014 requires Amtrak to seek proposals from the private sector to utilize this valuable land, thereby delivering benefits to both parties.

Unlocks an underutilized federal railroad loan program: The Federal Railroad Administration (FRA) administers the Railroad Rehabilitation and Improvement Financing (RRIF) program, which provides long-term, low-interest loans for railroad-related improvements. While this program is authorized to provide up to $35 billion in lending, nearly all of it remains unused. Part of the lack of uptake stems from FRA's slow, cumbersome approval process. PRRIA 2014 addresses these long-standing concerns by adding process improvements like approval deadlines to add clarity and reliability for potential borrowers.

Assists with advancing large infrastructure projects through partnerships with states: The RRIF program is one way the federal government can partner with the states and Amtrak to advance large infrastructure projects that are difficult to carry out with annual appropriations. In particular, the Northeast Corridor, with its proven passenger rail and commuter rail ridership, is an ideal area to use innovative finance to address needed improvements. PRRIA 2014 dedicates a significant portion of the RRIF program to the NEC to incentivize states and localities to come to the table and seek loans to advance projects of national and regional significance.

Targets Investments Where There Is the Greatest Potential for Success

The Northeast Corridor (NEC) represents just two percent of the Nation's land area, but it accounts for 18 percent of the total U.S. population and 20 percent of the Nation's GDP. The NEC is also home to crippling congestion. Approximately 70 percent of chronically delayed flights in the U.S. emanate from the New York area airspace, and over 60 percent of NEC urban road miles are considered to be heavily congested. Amtrak owns most of the NEC rail corridor – the most highly trafficked rail corridor in the country with over 200 million riders per year. The NEC also acts as a valuable resource for states along the corridor. Of the nearly 2,000 daily trains per day that traverse the corridor, roughly 1,800 are non-Amtrak. This joint use highlights the need for greater reliability and efficiency, and presents opportunities for partnerships with states to improve this asset for all users.

Capital improvements are necessary to bring this incredibly valuable asset into a state of good repair and increase service reliability. However, Amtrak's profits from the NEC currently are not invested back into the corridor. PRRIA 2014 targets investment by keeping Amtrak's NEC profits on the NEC, improves management of the NEC by increasing partnerships with states, and incentivizes increased NEC investments. Specifically, the bill:

Keeps Northeast Corridor profits on the Northeast Corridor: Over the past decade, Amtrak has broken ridership and revenue records nearly every year along the NEC. In fact, Amtrak's NEC service is the only part of the system that makes a profit. In 2013, this profit was nearly $400 million, yet because Amtrak is currently structured and budgeted like a black box, those profits are not reinvested in the NEC. PRRIA 2014 dedicates all profits earned on the NEC to reinvestment on the corridor. This common sense approach ensures users of the corridor – the source of the profits – benefit from those revenues. This will allow Amtrak to begin to tackle their backlog of capital upgrades, and allow those revenues to be leveraged for innovative financing solutions.

Improves management of the Northeast Corridor: The NEC is one of the world's most complicated railroad corridors, with roughly 200 daily Amtrak trains and nearly 1,800 daily commuter trains. The last rail reauthorization created the Northeast Corridor Commission to act as the regional body to coordinate activities, and also required states to start contributing funds toward maintaining the corridor. PRRIA 2014 significantly advances these efforts by empowering the NEC Commission to act as a true planner and convener of the states, commuter railroads, and Amtrak. This enhanced governance structure will allow states to have an equal voice in the management of the corridor, and will ensure that all investments are coordinated.

Incentivizes increased Northeast Corridor investments: PRRIA 2014 includes two important incentives to encourage additional state and local contributions to improve Northeast Corridor infrastructure:

- A federal-state partnership grant program that authorizes $600 million over four years in federal grants, contingent on the NEC states contributing an equal amount in dedicated state and local funding. This funding will go towards a specific set of projects that would improve the performance and reliability of the Northeast Corridor.
- A dedicated loan fund for the NEC to jump-start large capital improvement projects that would never get funded through regular appropriations. This fund, within the existing RRIF program, will incentivize states and localities to identify dedicated revenue sources to leverage for long-term loans.

Empowers States to Have a Greater Role in Managing Routes

Amtrak continues to see significant ridership increases on its state-supported routes, which connect metropolitan areas less than 750 miles apart. However, an inconsistent financial structure for these routes and Amtrak's black-box accounting system hamper states' ability to help manage the routes and understand what exactly it is they're paying Amtrak for. To provide a greater decision-making role for states and provide greater accountability for Amtrak, PRRIA 2014:

Ensures states are equal partners, giving them a greater say in decision making to ensure passengers get the best service: Currently, Amtrak operates 21 state-supported routes in 19 states connecting metropolitan areas. State-supported routes account for nearly half of Amtrak's total ridership. While ridership has been successful, a patchwork of financial arrangements had developed between Amtrak and the states with varying levels of support. Section 209 of PRIIA 2008, however, required Amtrak to work with the states to develop and implement a single, nationwide standardized methodology for establishing and allocating the costs of providing intercity rail service on state-supported routes. Unfortunately, as states have begun to work with Amtrak to understand their financial books, states have realized that while they must pay for the service, they don't always know exactly what the underlying costs are for. PRRIA 2014 requires Amtrak to provide accurate, updated costs and service information to the states, including projections, to ensure states can properly manage the services for which they pay.

Strengthens transparency to give states and Congress greater insight into Amtrak's accounting to identify areas for improvement: Over the last forty years, Congress has continuously subsidized Amtrak with little opportunity to understand its black-box accounting. PRRIA 2014 requires Amtrak to open its books with detailed reporting to states on costs for their services. Furthermore, Amtrak is required to complete detailed five-year capital and financial plans, with annual explanations of how it met its prior year's goals. This will help Congress, states, and the taxpayer better understand and evaluate its return-on-investment in Amtrak.

Requires Amtrak to evaluate long-distance routes, improve services, and lower costs: Amtrak operates 15 long-distance trains over an 18,500 mile network serving 39 states, utilizing privately owned freight rail track. These trains, some of which only run once per week, are the worst performers in terms of ridership, cost-recovery, and on-time performance. PRIIA 2008 included several provisions to try to reduce the costs of these services, but no action on these provisions has been taken by the Administration. PRRIA 2014 makes it a condition of receiving federal subsidies that Amtrak have an independent entity evaluate its routes and develop methodologies to improve its services and reduce costs. Furthermore, the legislation introduces the opportunity for a substitute passenger rail provider to compete for Amtrak services and reduce the need for federal subsidies.

Streamlines Environmental Reviews and Accelerates Project Delivery

Unwieldy review processes cost us time and money and prevent action. Unnecessary delays can slow down the delivery of major projects and are triggered whenever federal money is involved in rail projects. Federal highway and transit projects have benefitted greatly from streamlined procedures, but rail programs remain mired in red tape. PRRIA 2014 streamlines environmental reviews to accelerate project delivery. Specifically, PRRIA 2014:

Requires concurrent reviews: As with any transportation project, rail projects can require participation by federal, state, local, and tribal entities, in addition to the public. Often participation in reviewing and permitting projects is done sequentially, such that a delay with one agency has cascading dilatory effects upon the entire process, costing time and money. PRRIA 2014 ensures that any agencies or entities with the responsibility to review or permit a rail project do so concurrently, eliminating the current practice of sequential reviews.

Sets hard deadlines for action: Often times in government, as in life, action is best spurred by deadlines. PRRIA 2014 requires the Secretary of Transportation to establish procedures for deadlines to be set in rail-related environmental reviews to ensure documentation is not languishing in an inbox awaiting bureaucratic action. Because time is money in infrastructure projects, doing so will lead to savings and create certainty for rail project sponsors.

Improves coordination: Upfront planning and coordination among the entities involved in rail project reviews, including simply knowing who must be involved, can be invaluable to the delivery of a project on-time and on-budget. PRRIA 2014 requires the Secretary of Transportation to identify early in the project review process exactly who must be involved and establish a coordination plan and schedule. This will enhance transparency in the process and improve coordination among all participants, including governmental entities, the private sector, and the public.