MATTHEW KELLY
Principal Officer, Legislative & Regulatory Policy
Amtrak

Mr. Kelly currently serves in Amtrak's Policy and Development Department as Principal Officer, Legislative & Regulatory Policy. Appointed to this role in 2009, Kelly is responsible for developing policy and legislative proposals to advance Amtrak's mission and corporate goals. Kelly also works with internal and external stakeholders to identify and develop analytic support for proposals to develop passenger rail corridors.

Prior to this position, Kelly served as Legislative Assistant for Transportation and Infrastructure issues to U.S. Senator Arlen Specter of Pennsylvania. In this capacity, he played a role in crafting each of the major transportation policy initiatives and funding decisions enacted by Congress in recent years.

Kelly, a native of Cumberland County, PA, received his B.A. in political science from Dickinson College in Carlisle, PA, and is currently pursuing a Master's degree in Transportation Policy, Operations and Logistics from George Mason University in Arlington, VA.

STATEMENT

OF

MATTHEW A. KELLY
PRINCIPAL OFFICER, LEGISLATIVE & REGULATORY POLICY
NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

BEFORE THE

PENNSYLVANIA HOUSE OF REPRESENTATIVES
TRANSPORTATION COMMITTEE

WEDNESDAY, MARCH 3, 2010
9:30AM

JVH AUDITORIUM, POINT PARK UNIVERSITY
201 WOOD STREET, PITTSBURGH, PENNSYLVANIA

Good morning, Chairman Markosek, Minority Chairman Geist, and members of the committee. Thank you for the invitation to testify today and for your interest in the future of intercity passenger rail in Pennsylvania. I want to begin by saying that these are exciting times for Amtrak. While some of the other intercity transportation modes are seeing declines in their overall ridership, we have just posted a record first quarter ridership figure. There is a strong and growing demand for intercity passenger rail service, and at the federal level, Congress and the Administration have wisely acknowledged that public demand by passing several pieces of landmark legislation designed to promote and further develop intercity passenger rail service. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and the American Recovery and Reinvestment Act of 2009 (ARRA) represent positive steps toward a more balanced national transportation policy that recognizes the value of intercity passenger rail, and we at Amtrak regard this as an important development, because there are certainly circumstances and markets in which intercity passenger rail is not only a good transportation choice, but the best transportation choice. Pennsylvania is one such marketplace.

Amtrak operates 120 daily trains in Pennsylvania. This represents the second-highest number of daily Amtrak services offered in the country – exceeded only by New York – and encompasses almost every type of equipment and service we offer. The fastest and most frequent services are, however, overwhelmingly concentrated on the Northeast Corridor, which links Philadelphia with New York, Boston, and Washington, and the Keystone Corridor, which currently links Harrisburg with Philadelphia. Other services link Philadelphia and New York with Pittsburgh; Philadelphia with Florida, the

Carolinas and New Orleans; and connect Western Pennsylvania with Chicago and Washington, DC. Our services in Pennsylvania have significant capital requirements, and our engineering department will be investing approximately $41 million in the state in Federal Fiscal Year (FFY) 2010. Additionally, ARRA, which funds a $1.3 billion investment in the Amtrak system nationwide, will supply another $143 million which is targeted for investment in Pennsylvania through February 2011. These investments will help support and sustain the nearly 2,648 Pennsylvania residents that were employed by Amtrak at the end of FFY 2009, and have the potential to create even more jobs as the projects get underway.

These investments support a longstanding partnership between Amtrak and the Commonwealth to sustain and improve our services. Pennsylvania has made significant capital investments in Amtrak infrastructure, and since 1980 has also provided some level of funding to support operations west of Philadelphia. The most notable capital investment was the recent and highly successful joint investment with Amtrak to improve the Keystone Corridor. In 2004 and 2005, Amtrak and the Commonwealth jointly invested more than $145 million into the corridor to improve track and signaling and restore electrified service. As a result of the Keystone Corridor Improvement Project, Amtrak introduced 110 mph electrified service on October 30, 2006. We were able to reduce the trip time by 15 or more minutes, and that allowed us to expand the number of daily trips from 11 to 14. Ridership subsequently grew by 20 percent in FFY 2007, and we added another 19.8 percent in FFY 2008. This is a major achievement, and represents the type of collaboration we would like to replicate not only in Pennsylvania, but around the country. It is therefore important that we discuss the recent legislation that will make similar partnerships possible.

The most important piece of legislation is PRIIA, which sets national intercity passenger rail policy. PRIIA establishes a framework for partnership between states, the federal government and Amtrak for the development and operation of intercity passenger rail. It authorizes both direct Federal funding for Amtrak as well as a capital matching program designed to support state investment. Under the PRIIA framework, the states plan and provide both operating funds as well as at least 20 percent of the capital costs associated with new or improved service; the Federal Government provides up to 80 percent of such capital funding; and Amtrak operates the national network and helps design and operate new corridor services. This new vision for a Federal-State partnership in intercity passenger rail development was given a jump-start by ARRA, which combined with prior-year pilot program appropriations to make over $8 billion available to states for an initial round of grants under the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail program (HSIPR), and an additional $2.5 billion was appropriated in FFY 2010 to support future grant rounds.

A total of $7.92 billion in grant announcements for the initial round of this program were made on January 28, 2009, including $3.5 billion for "greenfield" high-speed rail projects in California and Florida and roughly $4.5 billion for improvements to conventional services across the nation. It is important to note that these awards are being offered to states and are separate and distinct from both the $1.3 billion provided directly to Amtrak as a result of ARRA as well the capital grant we receive through the annual federal appropriations process. Nevertheless, at least 13 Amtrak routes across the nation stand to benefit from the announced HSIPR grants to states.

With respect to Pennsylvania, PennDOT received a $27 million capital grant in the initial round to eliminate the remaining three grade crossings on the Keystone Corridor, an important preliminary step to raising speeds on this route from 110 mph to 125 mph. Another $750,000 grant for PennDOT will provide the federal share of a planning study related to service from Harrisburg to Pittsburgh, which will build on a feasibility study recently completed by Amtrak.

Section 224 of PRIIA required Amtrak to study, among other things, the feasibility of increased frequencies between Harrisburg and Pittsburgh. It also required Amtrak to furnish feasibility studies on increasing frequencies between Cornwells Heights and New York or reducing commuter ticket prices along that route, expanding service between Philadelphia and Princeton Junction, NJ, and reinstating a station stop at Rockwood for the *Capitol Limited* route. Amtrak did so, and provided that report to Congress on October 16, 2009, as required by the legislation. The report, which is available on Amtrak's website, concluded that it would not be desirable to stop additional trains on the Northeast Corridor at Cornwells Heights nor Princeton Junction, given the operating constraints, relatively small ridership gains, negative impacts on existing ridership and equipment needs associated with those scenarios. However, additional frequencies along the route or segments of the route from Harrisburg to Pittsburgh were deemed worthy of further consideration, as was stopping the *Capitol Limited* at Rockwood.

The Rockwood portion of the report concluded that adding a station stop is operationally feasible and has the potential to both increase ridership and benefit the local community. However, it would also involve an estimated capital investment of $2.2 million to construct a platform as well as parking and station waiting areas in addition to ongoing maintenance costs. Adding a station at Rockwood would also require that Amtrak reach an agreement with CSX Transportation on station plans, construction and train operations.

The chapter of the report dealing with service along the route from Harrisburg to Pittsburgh identified two options for expanded service: Adding a second daily *Pennsylvanian* from Pittsburgh to New York; and adding a round trip frequency between Harrisburg and Altoona. Norfolk Southern, which owns the track extending from Harrisburg to Pittsburgh, will be central to any discussion on adding passenger service along this route. The report includes the estimated operating and capital costs associated with the service improvement along with ridership and revenue projections and potential schedules for each. Finally, the report notes that any additional service in the Harrisburg-Pittsburgh corridor would have to be state-supported, in accordance with PRIIA and in light of constraints on Amtrak's federal appropriation.

This underscores an important aspect of the new Federal-State partnership established by PRIIA. While the Federal government makes funding available for capital costs, PRIIA and the HSIPR program guidance from the FRA require state applicants to commit to funding the operating and maintenance costs of projects receiving capital funds. Specifically, PRIIA requires that funding recipients have "the legal, financial and technical capacity to carry out the project, satisfactory continuing control over the use of the equipment or facilities, and the capability and willingness to maintain the equipment and facilities" associated with a federal grant. The FRA guidance for the initial round of funding further specified that applicants must develop a Financial Plan that details the sources and uses of both capital and operating funding, and specifically prohibits the use of Federal funds for operating expenses. Pennsylvania currently contributes roughly $8 million toward the operating costs of the Keystone Corridor service, but does not provide support for the once-daily *Pennsylvanian*. Additionally, the guidance stipulates that grant recipients will be required to ensure the maintenance of assets receiving funding for a period of at least 20 years from the date the asset was placed into service.

These requirements place significant demands on states and will be an important consideration in coming years, not only for the sustainment of new and improved services, but for the availability of capital funding, as any evaluation of the potential for success of a proposed capital grant will depend on a state's willingness to fund the required operating and maintenance support. Any program of capital investment will require an ongoing state commitment to funding support for operating and maintenance costs beyond merely the non-Federal capital match for the initial grant. This is an important point, and I would recommend that any assessment of transportation investment funding needs take these expenses into account.

That being said, I think the opportunities before the Commonwealth are particularly bright. Pennsylvania has played a leadership role by investing in the 110 mph Keystone Corridor, and the route's resulting ridership growth illustrates the wisdom of that decision. There are enormous opportunities for the expansion or improvement of what is already a considerably high level of service in Pennsylvania, and Amtrak is very interested in continuing and building on our successful partnership. We enjoy an excellent relationship, and the passage of PRIIA and subsequent appropriations have provided states with a new and historic opportunity to access Federal capital funding for intercity passenger rail development in a manner that is similar to what is available for other modes. These are important advantages and incentives, and we look forward to leveraging them in the coming years as we work to build a relationship and a railroad that will provide the people of Pennsylvania with the service they desire and need. Thank you and I would be glad to take any questions you might have.