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November 10, 2008

The Honorable James Oberstar
Chair, House Committee on Transportation and Infrastructure
2365 Rayburn House Office Building
Washington D.C. 20515

The Honorable John Mica
Ranking Member, House Committee on Transportation and Infrastructure
2313 Rayburn House Office Building
Washington D.C. 20515

Dear Chairman Oberstar and Ranking Member Mica:

I am pleased to submit this written testimony to the record of your Committee's hearing on "Investing in Infrastructure: The Road to Recovery" held October 28, 2008. As this testimony on behalf of the States for Passenger Rail Coalition details, we believe that any economic stimulus legislation should include significant funding for state intercity passenger rail projects. A recent survey of our 31 member-states documents over \$1.4 billion in ready-to-go, state-sponsored, intercity passenger rail projects.

Thank you for the opportunity to submit testimony on this critically important topic.

Sincerely,

Frank J. Busalacchi
Chair States for Passenger Rail Coalition
Secretary Wisconsin Department of Transportation

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Testimony on
“Investing in Infrastructure: The Road to Recovery”

Before the
House Committee on Transportation and
Infrastructure

by
Frank J. Busalacchi

Secretary, Wisconsin Department of Transportation
Chair, States for Passenger Rail Coalition

Written Testimony
November 10, 2008

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Thank you for holding the recent public hearing, “Investing in Infrastructure: The Road to Recovery.” The States for Passenger Rail Coalition (SPRC) strongly believes that federal financial investment in transportation infrastructure should include funding for our intercity passenger rail network. While the proposed economic stimulus package appropriately includes funding for Amtrak, we believe it should also include funding for states to invest in intercity passenger rail corridors. Our coalition of 31 states has surveyed our members, who have identified over \$1.4 billion in ready-to-go rail projects.

From an economic development perspective, at least five specific and critical aspects of intercity passenger rail investment are worthy of consideration:

1. Intercity passenger rail investment will lead to rail-oriented development around stations and increase the demand for retail services in stations and nearby.
2. The job creation power of intercity passenger rail investment is strong, with \$1 billion in investment creating 30,000 jobs. This estimate is confirmed in studies of the nine-state Midwest Regional Rail System and the Hub Corridor in Ohio.
3. As railroading is essentially a fixed asset, rail investments overwhelmingly lead to job creation here at home as most jobs cannot be exported.
4. Swings in commodity prices, particularly in the price of motor fuels, make the cost of auto driving a hardship for some citizens. Intercity passenger rail investment will provide a critical mobility option.
5. Substantial rail investment has the potential to revitalize the nation’s industrial base as plants gear up to produce rail supplies and equipment.

Investment in rail infrastructure produces a positive return on investment. The *Wall Street Journal* of November 4, 2008, reports that every \$60 of investment in infrastructure produces a \$95 return in growth of the gross domestic product (GDP). Further, the 2008 Nobel Prize-winning economist, Dr. Paul Krugman, predicts that the current economic situation is likely to continue for a significant period of time. Professor Krugman wrote:

“The usual argument against public works as economic stimulus is that they take too long: by the time you get around to repairing that bridge and upgrading that rail line, the slump is over and the stimulus isn’t needed. Well, that argument has no force now, since the chances that this slump will be over anytime soon are virtually nil. So let’s get those projects rolling.”¹

Investment in intercity passenger rail is consistent with the recommendations of the National Surface Transportation Policy and Revenue Study Commission and the American Association of State Highway and Transportation Officials (AASHTO). The Commission recommended an annual investment of \$5 billion in its December 2007 report to Congress, *Transportation for Tomorrow*. More recently, AASHTO adopted a policy calling for an average annual intercity passenger rail investment of \$5.75 billion or \$34.5 billion over six years.

¹ Paul Krugman, “Lets Get Fiscal,” New York Times, October 17, 2008.

Over the past year, passenger rail ridership increases have exceeded all growth expectations. Here is a brief summation of ridership growth and continued demand for intercity passenger rail services across the country.

- The Keystone Service, which operates between Harrisburg, Philadelphia, and New York City, had a 19.8 percent increase in ridership, surpassing one million passengers in 2008. Ticket revenue increased by 20 percent, to \$24.7 million.
- New York's Empire Service, which operates daily between New York City, Albany/Rensselaer and other upstate New York destinations, carried 994,293 passengers in the past year, a four percent increase over the same period last year. Ticket revenue topped \$41 million, a 6.5 percent hike over the previous year.
- On the Downeaster, operating several times daily between Portland, Maine, and Boston, Massachusetts, ridership grew 31 percent, reaching 474,492. The Downeaster also earned \$5.8 million, a 36.7 percent increase in ticket revenue from a year ago.
- Steep growth in ridership is also reported from the Amtrak hub in Chicago, with Hiawatha Service ridership up nearly 26 percent on the trains sponsored by the Wisconsin and Illinois state transportation departments. Nearly 750,000 passengers rode the seven daily round-trips between Milwaukee and Chicago last year, an increase of more than 150,000 passengers.
- The Illinois DOT also supports service between Chicago and Downstate Illinois, with more than one million passengers riding the routes, the first time that milestone has been reached. Ridership on the Chicago-St. Louis Lincoln Service corridor, via Bloomington-Normal and Springfield, is up 14 percent.; the Illini and Saluki route to Carbondale, via Champaign and Mattoon, ridership is up 15 percent. On the Illinois Zephyr and Carl Sandburg to Quincy via Galesburg and Macomb route, ridership is up 19 percent and totals 231,701, including local travel on the Southwest Chief and California Zephyr between Chicago and Galesburg.
- Elsewhere in the Central U.S., Kansas City to St. Louis ridership is up by more than 30 percent on the two daily round-trips sponsored by the Missouri Department of Transportation. The Heartland Flyer ridership between Fort Worth and Oklahoma City increased by 18.5 percent on the daily round-trip supported by the Texas and Oklahoma state departments of transportation.
- In Southern California, Amtrak Pacific Surfliner service operating between San Diego and San Luis Obispo, carried more than 2.89 million passengers, a seven percent increase. Ticket revenue was more than \$51 million, an increase of nine percent.
- In the Central Valley, the San Joaquins service, Oakland/Sacramento to Bakersfield, carried nearly a million passengers (949, 611) an 18 percent increase with \$2.9 million in ticket revenue, a 21.6 percent increase. July 2008 ridership topped 100,000 passengers for the first time in the history of this service, a 32 percent increase over July 2007.

- In Northern California, more than 1.69 million passengers rode the Capitol Corridor service, Auburn to San Jose, a 16.8 increase over the same period last year. Ticket revenue was up 23 percent, reaching \$22 million.
- In the Pacific Northwest, ridership on the Amtrak Cascades service, Eugene, Ore. to Vancouver, B.C. was up more than 12 percent (760,323). Ticket revenue exceeded \$20 million, an increase of 15 percent. This service has seen double digit increases for the past nine months (January - September 2008).²
- Collectively, the North Carolina state-supported *Carolinian* and *Piedmont* services carried 361,368 passengers and brought in more than \$17 million in ticket revenue. Offering daily service between Charlotte and New York, the *Carolinian* increased ridership by 15.3 percent, totaling 295,427 passengers. The *Piedmont*, which operates daily between Raleigh and Charlotte, NC, carried a total of 65,941 passengers, which represents an unprecedented 30.4 percent increase. Ticket revenue on this route also saw a significant increase of 29.8 percent.

The point of providing this detailed update on our nation's passenger rail corridors is to clearly explain the depth of the surge in passenger rail ridership that is occurring across the country. Citizens want this mobility option. However, states are working to overcome serious deficiencies in rail equipment and expansion of frequencies. In addition, we continue to work with our freight rail partners on the issue of on-time service.

States are ready to invest the funds. For example, in September 2008, US DOT Secretary Mary Peters released \$30 million to twelve states for intercity passenger rail improvement projects. Another ten states and \$93 million worth of ready-to-go projects went unfunded because the fiscal year 2008 appropriation for the state grants program was only \$30 million. Under HR-2095, the Amtrak/rail safety bill signed into law this month, the state grants program is authorized at \$100 million for 2009, increasing to an average of \$380 million per year.

As the Coalition's just-completed survey demonstrates, the states are ready to proceed now with over \$1.4 billion in additional state sponsored stimulus projects. These projects can be initiated quickly – \$1.3 billion can be obligated within 90 days and an additional \$159 million can be obligated within 120 to 180 days. States have completed preliminary engineering, conducted environmental work, and developed relations with freight railroad partners to develop projects that can be rapidly delivered.

However, as was noted by members and witnesses, 100 percent federal funding is essential to move many of the projects forward during a 90 to 120-day obligation window. While there are meritorious projects that have a portion of their funding available from state funds, many do not. Further, as has been noted at both the Committee's hearing and other recent hearings, state budgets throughout the country are strained, making any local match requirement difficult to achieve.

I appreciate this opportunity to share my views on the needs of the passenger rail community. States stand ready to invest federal funds from a stimulus bill into the

² Amtrak, "Annual Amtrak Ridership Sets All-Time Record; Sixth Straight Year of Increases," October 10, 2008.

nation's passenger rail network. We believe this investment will create American jobs, improve our surface transportation system network, and put passenger rail on a path to becoming an integral part of how our nation addresses the mobility needs of its citizens.