Thank you Bill Vantuono and Railway Age, for the opportunity to make this presentation and thanks to all of you from the railroad industry for attending this always interesting conference.

My theme today is to talk about creating an American High Performance Integrated Intercity Passenger Rail System. A system based on the American economic model of competition. A system based on the private sector and cooperation with the pre-eminent American freight railroads who own the most important rights-of-way. A system developed by a broad public-private partnership with the states and the federal government. A system that strives for continuously improved performance and the reduction of travel time, a system that has excellent connectivity to the urban transport systems it serves.

I am speaking from my personal perspective, but, informed by my roles as Secretary Treasurer of the Association of Independent Passenger Railroad Operators - AIPRO and co-chair of the APTA Commuter Rail and High Speed and Intercity Passenger Rail Subcommittee.

Public transport generally has had to work hard to secure funding after a decade’s long policy framework which favored highway and aviation investment. The intercity passenger rail mode has been the step child of public transport investment in the US. That must change. The projected population increase in America between 2000 and 2030 is 30%. Some 120 million more people are expected into the nation’s mega regions in the coming decades. We cannot build enough highway or airport capacity to meet the new intercity travel demands. We must have an integrated public transportation option that connects our mega regions. That would be an American High Performance Integrated Intercity Passenger Rail System. Not doing this may prove catastrophic.

An opportunity now exists to create a major public private partnership that will rebuild and improve America’s rail infrastructure to create a third intercity transportation option.

When PRIIA was passed in 2008 there was a bipartisan consensus on the need for a passenger rail system. In the 2009 stimulus program, the President offered $8 billion in the name of High Speed Rail and it became his signature transportation
program. But we have tripped up on the title and the program name. Although the States requested over $54 billion for projects and programs which defined an Intercity Passenger Rail Program; it was attacked as not being truly High Speed and being too scattered. This is a shame because the States used the opportunity and the invitation to apply for funds to begin building a solid foundation for the future.

As a result, we need to get away from some of the confusing labels we have used, because the American High Performance Integrated Intercity Passenger Rail System will not have one single performance criteria. It will not be a national high speed rail system. Rather it will be continually evolving, moving from our heritage system now operated as well as possible by Amtrak, to something better in all cases. Yes, some of this network will be in the 200 miles per hour range, but, much of it will be between 79 and 150 miles per hour.

Let’s define some terms:

By Integrated, I mean great attention to linkages with the urban transportation systems in the all of the major activity centers served, connectivity to provide passengers with convenient transfers, good information and a means to move through the local urban and intercity system conveniently.

By High Performance, as opposed to High Speed Rail, I mean providing an adequate level of service to meet current demand and also to significantly penetrate the existing market between urban areas so that passenger rail makes a difference in the modal split along its corridors. This means travel time differences that are becoming competitive with air and automobile travel times. This could mean moving from 79 mph towards 110 mph, or in some cases on dedicated corridors moving up to 150 mph and in other cases also on dedicated corridors towards 200-220 mph. No single standard of speed is required. What is required is a commitment to improving the corridors and reducing travel time between major urban areas.

By American, I mean focusing on the major American urban areas, the mega-regions that contain most of our national economic activity and for which this system will make a great difference. The system needs to be focused on the corridors that link our mega-regions, and the service improvements needed between them, not on serving everywhere.
By Competition, I mean creating procurement opportunities for well qualified private-sector passenger rail operators who can compete for contracts being procured by States and regional agencies. Such competition among potential contractors will drive innovation, permit private investment, improve efficiency, expand and improve the services, increase market share and ridership, create the best jobs at the lowest cost, increase rail labor nation-wide, create a “race to quality”, reduce travel time and increase revenue while reducing public subsidies. Competition is the foundation of the American economic system and for the rest of the world, the standard way passenger rail services are being produced, improved and operated.

I will continue to define this proposal and explain its importance to the Nation.

Establishing an American High Performance Integrated Intercity Passenger Rail System:

Will be an integral part of resetting our economy, with competition as a foundation focused on the classic engine of change in America--the States and partnering with the freight railroads.

We seem to be at a cross roads in the United States, coming out slowly from a Great Recession with an opportunity, in the words of Dr. Richard Florida, a speaker at the APTA Annual Meeting, for a Great Reset to our economy driven, in part, by improving the linkages between the great mega regions that are the heart of the US economy.

Dr. Florida believes one of the most important elements of the Great Reset must be the kind of transformative transportation that will help make us more efficient, more mobile and more productive. Researchers tell us that Americans are choosing quality of life, walkable urban centers, healthier living and an alternative to the suburban life style that resulted from the last economic dislocation in the 1930’s and World War 2. As our urban centers are transformed slowly by consumer choices, the connection between them becomes more and more important and, perhaps, most important to transforming the US economy, renewing its vigor and accelerating growth.

We must acknowledge there are physical, environmental, economic, and fiscal constraints to rapid expansion of our intercity transportation system unless we
adopt best worldwide practices to fit local conditions here in the US on a state by state or regional basis. Most important is the effective and proper use of competition when corridor and long distance trains operate over our fine freight railroad network.

It is time we realized that linking our great economic centers by a high performance passenger rail network will have a profound impact on economic development, the creation of jobs, the overall quality of life, and the level of overall energy produced by these great American urban centers and mega-regions.

The linkages between these centers must be accomplished by an **American High Performance Integrated Intercity Passenger Rail System** connecting the Southern California Region to Northern California, connecting the Northwestern Centers of commerce and industry, connecting the Chicago hub with the great urban centers of the mid-west, connecting Southern Florida, connecting the Southeast from Houston to Charlotte, connecting the New England urban centers and connecting the great Northeastern megalopolis.

Creating an **American High Performance Integrated Intercity Passenger Railroad System** in these great corridors will transform regional economies and our national multimodal transportation system. With improved connections in each urban center, we will re-energize our national transportation system and reshape our economic competiveness with the rest of the world.

And as speeds increase, time differences will begin the transformation. As travel times are reduced more and more people will be attracted to a better product and intercity passenger rail ridership will increase, perhaps in startling ways.

**Building on the Existing Framework.** The framework for this system is the existing network of state supported intercity corridors integrated into the urban commuter routes. The States and commuter authorities are putting money into these routes and planning for the future. Now that the states are defining the system improvements we need to establish the national system. For an idea of how extensive the planning is one only has to look at the fact that there were over $54 billion in applications for the $8 billion available in stimulus ARRA funds. While the naysayers are out there, this is not a process that should be stopped.
I should point out that the American Commuter Railroad Industry is in its fourth decade of Renaissance. There were but 9 commuter railroad services in 1980 and today there are 29 with more on the way!

There are a few important issues to discuss as we map how to reach this objective:

**Competition**
The first is competition. After the Staggers Act in 1980, America’s freight railroads, unfettered by intense regulation, entered into an era of growth and revitalization which was shaped by competition. This quintessential American economic attribute, competition, is responsible for continuous innovation, efficiency, and growth in most of the American economy (the present situation excepted!). I believe competition for operations of an American High Performance Integrated Intercity Passenger Rail system is a necessary attribute to move towards continuous improvement and growth. This seemingly simple strategy seems to be very controversial, however, all over the world, competition has been used to reinvent passenger rail services and bring the ingenuity and dynamic drive of the private sector to this industry.

In the United States, we only need to look at the rest of the railroad industry for proof of its efficacy and ability to transform. The freight railroad industry is the best in the world, because of competition and the energy and economic drivers of the private sector. Our commuter railroads for the most part have been open to competition helping to dramatically grow their services and numbers, manage costs and improve services to the public. The most recent competition for Caltrain in California included five competitors and provided a private sector solution to Caltrain.

We have established a small independent advocacy organization, the Association of Independent Passenger Railroad Operators, AIPRO, to explain the benefits of a competitive environment and to illuminate the success of competition which is already in place for commuter and other services.

In the United States, once the Caltrain transition is complete, AIPRO members will be operating ten commuter railroads and over 325 trains per day with almost 80 million annual riders. These numbers are expanding not contracting!
Role of the States

The states are the key to the establishment of an American High Performance Integrated Intercity Passenger Railroad System. Through their support and establishment of intercity services, the States have demonstrated the political and technical conviction that the system is essential to their well being. The fifteen states supporting 27 intercity corridor routes have provided financial and technical support and the wisdom to commit to service improvements and travel time reductions. They have worked on urban connectivity and helped to improve urban transportation connections. The States must be ultimately the sponsors of the new system as they were for the creation, construction and operation of the Interstate Highway System.

The American Intercity Passenger system should be state centered under a program of national standards and national solutions to the issues that will face the system. We believe there needs to be an organization within the federal government to set standards, to insure interoperability, safety and operator quality that will provide connectivity across the corridors and with the great urban transit systems. The federal role should also be to help fund the development of this system, in the same way it was a central force in development of the interstate highway system. The States will carry out a program, conceptualized nationally, but assigned to them for implementation, as they successfully did for the Interstate Highway Program.

The States have led the way in requesting $54 billion for the ARRA program and worked without pause to finalize agreements with the FRA and their freight railroad right-of-way owners to carry out over $7.8 billion of intercity projects across the United States. Further, under Section 209 of PRIIA, the states will be responsible for substantially the entire operating subsidy on each route. Under the formulas now being worked out, this could add as much as $100 million to State costs within the next few years.

This state centered program should have strong bipartisan support as it did when it was first put forward in PRIIA. Unfortunately, because of partisan differences over the ARRA program generally, and over many most other initiatives proposed by either side in current day Washington, the intercity passenger rail program received no funding in the House appropriation for 2012. The Senate adopted an amendment in full committee that provides $100 million to the states for 2012. It
is very important that the $100 million be approved as the states make the transition to cover full operating costs of their corridor routes.

**Freight Railroads**

Our freight railroads are the gold standard to which the rest of the world aspires. The new American passenger railroad system must be wholly cooperative with that freight network. As we build an American High Performance Integrated Intercity Passenger Railroad System the freight network must not be degraded but expanded. This in turn creates the potential for an exciting future for passenger railroading, as a partner with freight railroads in America.

The relationship to the freight railroads must be fundamentally a partnership. The system and its proponents must adhere to the principles of crafting mutually beneficial investments that will protect the interests of the freight railroads and insure the capacity they need. As the recent agreements among the Class I railroads, the FRA and the ARRA project sponsors prove, with good will, and mutually acceptable objectives, the parties can reach agreements about the future of an American High Performance Integrated Intercity Passenger Railroad System. Over 70 projects have been obligated through these agreements. A landmark step toward establishing the system.

Looking forward, a mutually beneficial partnership will evolve in a variety of ways. With the necessary capital improvements, some lines will be able to accommodate the desired freight and passenger operations. In other cases, these services can be accommodated within the same right-of-way, but not necessarily on the same tracks. In corridors where passenger services are likely to be the predominant mode, ownership of certain rights-of-way may be sold from private to public ownership. The objective should be to embrace each of these options in a win-win strategy.

We need to recognize that America’s passenger railroad system is already hosted by freight railroads, which provide essential functions including right-of-way maintenance, signaling systems, dispatching and control, safety, etc.

Although much work needs to be done, we have come a long way to recognize that freight railroads and improved passenger services can together help secure the future of American railroading.
Liability and Insurance
We need to recognize that there is work to be done to deal with allocating liability and the provision of insurance for that liability. The existing Statutory Cap covers all private and public operators of passenger railroad services. It should be retained and tightened so that it is recognized that it applies to all claims. However, more needs to be done. We can look for solutions in other industries (the pooling used by the Nuclear Power Industry for example) or find a solution particular to this industry to assure continuity of coverage and the growth we believe in. We can certainly look at the arrangements made in the Commuter Railroad industry for examples that work. And of course, involve the States in arranging for a solution.

Rolling Stock
We are working towards standard setting and the first new purchases of a national fleet of passenger rolling stock. However, we have not addressed adequately the issues of ownership and clearly set up a system which will allow States and regional sponsors to acquire and control the fleets they need to provide the services they finance and encourage. It may not be appropriate to have the ownership vested in Amtrak. One solution we may look at is the establishment of special purpose rolling stock companies (ROSCO’s) to purchase and lease rolling stock across the United States. Another is to convey ownership or pooled ownership to the individual states which are responsible for state-supported corridor services rather than in a single national fleet controlled by another entity. The establishment of standard specifications would continue, but the ownership of the resulting fleet would be placed in the hands of the users or a separate national pool not associated with all of the specific arrangements operators need.

Access
Access rights are in law for intercity passenger operations provided by Amtrak. I want to be clear that I am not advocating an expansion of these rights. I believe competition will work. The model is the Commuter Rail industry where there is no mandatory right of access. My premise is that the growth of freight rail traffic and the growth of passenger rail service need not be an antagonistic proposition and can be resolved in the interests of both freight customers and intercity passengers. I believe,, in a more business like model, free negotiations which provides a way for the freight railroad right-of-way owners to deal with public passenger sponsors and potential competitive providers to establish a fair allocation of expense taking into account the mutually beneficial capital investments made by the public sponsor. We believe such a business model will provide freight operators with a fair agreed
upon rate to accommodate passenger operations with financial consideration for the investment benefits provided. In this way States and the competitors for passenger service operations will be able to reach agreements with freight railroads and be able to control costs, performance, service quality and the travel time they seek. I am not specifying a specific method or forum for negotiating these arrangements, but, believe the parties can work together to define a process that works.

**Long Distance Trains**

Although this category of railroad transportation lies outside the system of corridors linking the nations mega-regions there are public policy arguments to continue these services. They certainly benefit rural areas that may not have alternative public transportation options. Clearly there is a political will to continue these services. For these services we may also consider creating a competitive environment where supporting organizations can be given the current subsidy level and determine if there are private sector companies willing to take over the services and drive costs down and efficiencies up.

**Conclusion**

As we deal with these issues we need to maintain focus on the objective, a national system connecting our major urban mega-regions, integrated with urban transport systems, providing continuous improvements, reducing travel time, and providing high performance. The first $7.8 billion steps have been taken. The next steps must include a Rail Title in the Transportation Authorization implementing a funding mechanism to continue the investments we have started and complete the system over time, segment by segment. The American Public Transit Association has a draft rail title and I am sure they will share their ideas with all of you.

Let’s work together for a passenger rail renaissance in the United States, let’s agree to build an **American High Performance Integrated Intercity Passenger Railroad System** and let’s take this issue out of the partisan politics that has encumbered it.

Thank you.