DEPARTMENTS OF TRANSPORTATION, TREASURY, THE JUDICIARY, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2007

THURSDAY, MARCH 16, 2006

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Bennett, Cochran, Murray, Durbin, Dorgan, and Leahy.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

STATEMENT OF HON. NORMAN Y. MINETA, SECRETARY

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Mr. Secretary, if you are ready, we will welcome you. I didn't want to start until you got organized, but Senator Murray and I have some words, we hope, of wisdom, at least of concern, that we would like to share with you to begin.

The Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary, HUD and Related Agencies will come to order. It is a pleasure to welcome our good friend, Secretary Mineta, and thank him for appearing today to testify on the Department's 2007 budget. This is the first of two hearings we have scheduled for the review of the budget request, especially Amtrak and FAA, both of which are facing significant policy decisions over the next several years.

Our hearing today will focus on the overall budget request for the Department of Transportation and then we will have a second panel that will take a closer look at the state of Amtrak in the 2007 budget. In April, we are planning to have our second DOT-related hearing, where we will focus on the FAA and labor issues facing FAA.

Mr. Secretary, we look forward to your comments on the overall budget picture for all modes of transportation and we will welcome now the second panel on Amtrak, FRA Administrator Joe

Boardman, David Hughes, President and CEO of Amtrak, Mr. David Laney, Chairman of the Board, and Mr. Mark Dayton, Senior Economist, Department of Transportation for the OIG.

The 2007 budget for DOT would provide $65.64 billion in gross budgetary resources, basically, a flat budget from last year's 2006 $65.51 billion budget. The budget, I regret to tell you, is deceiving because not all modes are treated equally. There are bright spots in the budget for some modes within the Department, like FHWA and the Federal Transit Administration, FTA. Unfortunately, there are significant shortfalls for other modes, like FAA and Amtrak.

Since we will be holding a separate hearing on FAA, I am not going to focus significantly on the FAA. Our April hearing will include issues related to the resolution of a labor contract with the air traffic controllers, a significant reduction to the Airport Improvement Program, and the proposed open skies aviation treaty.

First, having worked for better than 2½ years as chairman of the Senate Subcommittee on Transportation and Infrastructure to pass SAFETEA, I am pleased to see that this year, the administration has fully embraced the historic funding levels achieved under the law. Although I regret some things that those crazy authorizers did, we will now try to clean up the mess in our appropriations process.

This year marks the 50th anniversary of the Dwight D. Eisenhower System of Interstate and Defense Highways, a landmark commitment to the transportation and commercial needs of the Nation. Our interstate highway system has had a profound impact on our Nation's economy, keeping communities and families connected to one another and serving as the primary system for moving goods and products that are the life blood of our economy. The 2007 budget would provide $3.4 billion, a boost in needed investment funding for our Nation's highways and bridges. Over $2 billion of this funding increase was called for by SAFETEA.

An additional $842 million is also made available by the Bond-Chafee Revenue Aligned Budget Authority, or RABA, begun under TEA21 and continued in SAFETEA. Some people in Washington call it the Chafee-Bond proposal, since Senator Chafee was chairman of the committee, but I am taking the liberty of changing the alignment of names. These additional funds will allow an increased investment in key highway and transportation projects which will complement and assist the continuing growth of the U.S. economy.

I commend the administration for its commitment to increasing important highway spending when receipts into the Highway Trust Fund are higher than projected. Unfortunately, this is where the good news ends, and permit me to explain our subcommittee's unmet budgetary needs in the current budget.

As I stated in our March 2 hearing on HUD, this year's budget request is lacking for many of the programs under our jurisdiction. Many widely supported programs within HUD, such as CDBG, public housing capital funding, HOPE VI, Section 202 elderly, Section 811 housing for the disabled have been slashed in the 2007 budget. Even more troubling, the 2007 HUD budget includes a $2 billion rescission of excess Section 8 funds, which I don't think are available. They also assume, without any justification whatsoever, a wide range of fees that the Congress will not approve and rescissions which Congress will not approve. This makes the decisions posed by the 2007 budget especially troubling.

The subcommittee will also have to face substantial shortfalls in many other accounts, for example, a shortfall of some $400 million in proposed Amtrak funding level for fiscal year 2007 and some $1.557 billion for AIP and F&E. The proposed Amtrak funding of $900 million is clearly not enough to support Amtrak's funding needs, and I am not even sure that flat funding will meet the anticipated expenses in 2007.

Last year, to avoid a veto which the administration proposed, we added reform language with necessary funding to support Amtrak's need for 2006. Consistent with this reform legislation, I expected the administration to have a vision for reform and be prepared to implement this vision. That was an empty hope. Nothing has happened. Reducing the budget for Amtrak makes no sense unless and until the administration is prepared to implement a reform strategy which can be supported by the budget request.

Let me be clear. As many people here know, when I was Governor of Missouri, I supported and signed into law annually millions of dollars in subsidies to keep Amtrak running in our State. But let me be equally frank that we cannot continue to see costs rising beyond the available revenues with many areas of expenditure apparently unjustified. Consequently, Mr. Secretary, I expect you and our second panel to justify the Amtrak budget and I expect the Amtrak panel to explain where we are, where we are going, and what it is going to cost. Anything less would be a big disappointment for us and the people who depend upon Amtrak.

In particular, I am troubled that while the administration seems to press for Amtrak reforms and accountability in its budget submissions, it has yet to exercise the substantial authority it has sought and received from Congress to maintain greater control over the Federal funds provided to Amtrak.

Mr. Secretary, we provided you with sole authority to approve or disapprove Amtrak's requests for funds to cover capital needs and operating losses. To date, I am not aware of a single instance in which you have denied funding to Amtrak. In particular, DOT and Amtrak must be able to account for its expenditures in budget submissions with long-term plans for individual capital improvements similar to State TIPS or Transportation Improvement Plans. If detailed Transportation Improvement Plans were provided by Amtrak, we would be better able to understand what unmet needs are out there and we could then decide whether or not we agree with providing additional funds for passenger rail service.

I am concerned the budget submission does not include any funds for Amtrak for debt service payments. These payments are necessary and will have to be paid, whether through a line item for debt service added by this subcommittee or through the $500 million provided in the capital costs budget for Amtrak included in your budget submission. One cannot ignore the fact that the debt is there and that there is an immediate and legal obligation to repay it, even if you do not agree with the manner in which the sizeable debt was incurred. Until a reform bill is enacted, we would expect the Amtrak Board to step up to the plate, make such reforms that are needed and necessary consistent with the current budget and the budget request.

Finally, among other issues, the 2007 budget requests a total of $13.8 billion for FAA, a $500 million decrease from the current year. While the FAA's operational activities in the budget would see a 5 percent increase over the amount provided last year, the budget would impose a dramatic cut in airport construction and investment.

This subcommittee is once again left to fill in the gaps of underfunded Federal responsibilities for our Nation's airports, including a reduction of some $765 million for AIP from what was provided for this year. As the administration should know, this program is critical to the future of commercial aviation in the Nation. Nevertheless, this cut would be used to increase funding for salaries and expenses and the hiring of air traffic controllers and safety inspectors at the expense of funding needed for airport investment improvements under AIP. If the administration were to follow the blueprint of Vision 100, the authorizing legislation for aviation, in the same manner in which they funded needed highway improvements under SAFETEA, the AIP number for 2007 would be $3.7 billion rather than the $2.7 billion provided.

Let us be clear. Over the next 15 years, passenger boardings on airplanes are expected to grow by some 15 percent and include a 30 percent growth in air transport and commercial operations. At the 35 busiest airports in the Nation, total operations are expected to grow by more than 34 percent by 2020. While I know the administration is expected to propose new ways to fund the Aviation Trust Fund, we cannot afford to shortchange our commercial air needs in the meantime.

We need answers to all these issues, but more importantly, we need adequate funding. We need to protect the future of commercial aviation, and absent a substantive explanation of the budget, I consider the proposed funding level a failure of leadership. In other words, we need to understand the justification for this funding and how the administration intends to maintain a world class, indeed a world first commercial aviation industry.

PREPARED STATEMENT

Mr. Secretary, we appreciate your willingness to work with us in being here today and it is my pleasure to turn to my ranking member and partner on the subcommittee, Senator Murray.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

The Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary, HUD and Related Agencies will come to order.

We welcome Secretary Mineta and thank him for appearing before us today to testify on the Department of Transportation's budget submission for fiscal year 2007. This is the first of two hearings that we have planned to review the fiscal year 2007 DOT budget submission.

Our hearing today will focus on the overall budget submission for the Department of Transportation, followed by a second panel that will take a closer look at the state of Amtrak in the fiscal year 2007 budget. In April, we are planning to have our second DOT related hearing where we will focus in on the Federal Aviation Administration and labor issues facing the FAA.

Mr. Secretary, I look forward to your comments on the overall budget picture for all of the modes of transportation within the Department. I also welcome our second panel witnesses on Amtrak: FRA Administrator Joseph Boardman; Mr. David Hughes, President and CEO, Amtrak; Mr. David M. Laney, Chairman of the Board of Amtrak and Mr. Mark Dayton, Senior Economist, Department of Transportation Office of the Inspector General.

The proposed fiscal year 2007 budget for DOT would give the department $65.64 billion in gross budgetary resources. This is basically a flat line from last year's fiscal year 2006 $65.51 billion appropriation for the Department of Transportation. The fact that this is a flat line budget is deceiving because all modes are not treated equally. There are bright spots in this budget for some modes within the Department, like the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA), and unfortunately there are black holes for other modes like the FAA and Amtrak.

Having worked for over 2½ years as the Chairman of the Senate Subcommittee on Transportation and Infrastructure to pass SAFETEA–LU, I am pleased to see that this year the administration has fully embraced the historic funding levels achieved under the law. This year marks the 50th anniversary of the Dwight D. Eisenhower System of Interstate and Defense Highway. No one can deny that our interstate system has had a profound impact on our Nation's economy, keeping communities and families connected to one another and serving as the primary system for moving goods and products that are the lifeblood of our economy.

The fiscal year 2007 budget will provide a $3.4 billion boost in needed investment for our Nation's highways and bridges. While over $2 billion of this funding increase was called for by SAFETEA, an additional $842 million is also made available by what I call the Bond-Chafee Revenue Aligned Budget Authority (RABA) begun under TEA–21 and continued in SAFETEA. I commend the administration for continuing its commitment to allowing spending to increase when receipts into the highway trust fund are higher than had been projected.

Unfortunately, this is where my good news report ends, and I begin with our subcommittee's unmet budgetary needs provided under the fiscal year 2007 budget speech.

As I stated at our March 2 hearing on HUD, this year's budget request for HUD proposes some $33.65 for fiscal year 2007, a decrease of some $621 million, or some 2 percent from the fiscal year 2006 funding level of $34.27 billion.

This request does not reflect the true extent to which many other important housing and community development programs are compromised. In particular, because of needed increases to section 8 funding, funding for many widely supported programs, such as CDBG, Public Housing Capital funding, HOPE VI, Section 202 Elderly and Section 811 housing for the disabled, has been slashed. The fiscal year 2007 HUD budget also includes a $2 billion rescission of excess section 8 funds which are unlikely to be available.

In addition to the very difficult decisions posed by the HUD fiscal year 2007 budget, this subcommittee will also have to face substantial shortfalls in many other accounts including, for example, a shortfall of some $400 million in the proposed Amtrak funding level for fiscal year 2007. This proposed level is clearly not enough to support Amtrak's funding needs and I am not sure that even flat funding will meet Amtrak's anticipated expenses in fiscal year 2007. Why was $900 million chosen instead of the approximately $1.315 billion provided for Amtrak in fiscal year 2006? Is $900 million really sufficient to keep Amtrak afloat?

If the administration wants Congress to be serious in its efforts to pass reform legislation, the administration must be more serious in its budget submissions. I am troubled that, while the administration seems to press for Amtrak reform and accountability in its budget submissions, it has yet to exercise the substantial authority that it has sought and received from Congress to maintain greater controls over the Federal funds provided to Amtrak. The Secretary of Transportation now has sole authority to approve or disapprove Amtrak's request for funds to cover capital needs and operating losses. To date, I am not aware of a single instance in which the Secretary has denied funding to Amtrak because Amtrak's grant request would not be the most efficient use of Federal funds.

As we all know, this year's budget proposal of $900 million is better than the black hole provided for Amtrak in fiscal year 2006, however the $900 million reflected in the budget does not come with sufficient budgetary justification to draw any conclusions as to what $900 million will get us? I think that Amtrak should have to account for its expenditures and budget submissions with long term plans for individual capital improvements, similar to state TIPs, or transportation improvement plans. If detailed transportation improvement plans were provided by Amtrak, we would be better able to understand what unmet needs are out there, and we could then decide whether or not we agree with providing additional funding for passenger rail service.

I am concerned that the budget submission we have before us for Amtrak does not include any funds for debt service payments. These payments are necessary and will be paid, whether through a line item for debt service added by this subcommittee, or through the $500 million provided in the capital costs budget for Amtrak provided in your budget submission. One can not ignore the fact that the debt is there and that there is an immediate and a legal obligation to repay it, even if you do not agree with the manner in which this sizeable debt was incurred.

Finally, the budget requests a total of $13.8 billion for FAA, a $500 million decrease from fiscal year 2006. While the FAA's operational activities under the budget would see a 5 percent increase over the amount provided last year, the budget would impose a dramatic cut in airport construction investment.

This subcommittee is left once again to fill in the gaps of under-funded Federal responsibilities for our Nation's airports to the tune of $765 million for AIP below what was provided in fiscal year 2006. This cut would be used to increase funding for salaries and expenses and hiring of air traffic controllers and safety inspectors at the expense of funding needed airport investment improvements under the AIP program. If the administration were to follow the blueprint of VISION–100, the authorizing legislation for aviation in the same manner in which they funded needed highway improvements under SAFETEA, the AIP number for fiscal year 2007 would be $3.7 billion, rather than the $2.75 billion provided.

Mr. Secretary, I appreciate your time today. I now turn to my ranking member and partner on this subcommittee, Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you very much, Mr. Chairman.

Just a few months ago, Congress passed the SAFETEA–LU highway, transit and safety authorization bill. That law settled many of the major questions about transportation policy and funding for the next few years. Normally, this would be a relatively quiet period on transportation policy, but instead, this year is going to be anything but quiet when it comes to the challenges facing us in transportation.

We already hear voices of concern that the revenues to the Highway Trust Fund will not be adequate to actually fund the SAFETEA–LU bill through 2009, and we will be presented with proposals this year to dramatically restructure the way we finance our national aviation enterprise, including the operations of the FAA.

One of the biggest cost drivers in the FAA's budget is the need to pay for our hard working and highly capable air traffic controllers. Yet there are many rumors floating around that the Bush administration would rather let Congress settle the contract dispute with air traffic controllers than settle the issue at the bargaining table. I hope that is not the case. Last night, I received word that the FAA has asked the mediator to extend the negotiations in the hope that more progress can be made, and I take that as a positive sign. I hope Secretary Mineta will instruct his team to get back to the bargaining table and stay there until a contract is negotiated. This is not something that should be thrown in the laps of Congress.

Now, as I review the Department of Transportation's budget for the coming fiscal year, it is clear that there are three huge and controversial funding holes in the President's budget. One is the 30 percent funding cut proposed for Amtrak. Another is the proposal to cut in half the essential air service subsidies necessary to maintain air service to our rural communities. The last is the administration's proposal to cut more than $750 million from our capital investments in our Nation's airports.

I am pleased that Chairman Bond has agreed to have special hearings so we can review those issues in detail. Following our discussion with Secretary Mineta this morning, we will have a panel that will specifically address Amtrak, and we also have a hearing with the FAA Administrator on May 4.

Another challenge we face is the need to adequately fund the transportation needs of the gulf coast recovery. Last year, this subcommittee provided $2.75 billion for emergency relief for highways. Now, it is becoming clear that several of the major highway and bridge replacement projects in Louisiana and Mississippi will be more expensive than anticipated. This is an issue I hope we address in the supplemental, Mr. Chairman, if we are to ensure that the Gulf region has the kind of infrastructure that will allow its economy to rebound, and we must not ignore the other emergency relief projects from other disasters that have been awaiting reimbursement for many months or, in some cases, years.

So, as I said, these will not be quiet times for transportation policy and this subcommittee will be right in the middle of the debate.

Other than the three large funding holds that I cited, the Department of Transportation is clearly one of the winners in the administration's budget proposal. Secretary Mineta, you did quite well with funding for the Transportation Department, which is rising almost 5 percent, and I am sure that didn't come without a fight. And I am sure there will be more funding fights as this year continues.

The budget resolution currently being debated on the floor endorses the President's overall funding for discretionary spending. While funding for the DOT in the President's budget may be increased by 5 percent, funding for the Department of Housing and Urban Development is cut by almost 2 percent. Funding for the Department of Health and Human Services is down 2.3 percent. And funding for education is cut almost 4 percent. That is the universe in which transportation programs will have to do battle this year.

Since I often spend time during these statements complaining about what is not included in the agency's budget, I do want to take a minute to commend the Secretary for some initiatives that are included in this budget.

Most notably, within the FAA, $80 million is included for the ADS–B program and $24 million is requested for the SWIM program. I will spare my colleagues an explanation of those acronyms, but those two programs really hold the promise of allowing us to break away from an air traffic control system that is dependent on dated radar technology. Those are the kinds of investments that we should have been making over the last several years, and instead, those initiatives were crowded out of the budget because the administration had insisted on cutting the funding for air traffic control modernization for each of the last 2 years. These technologies will allow us to get greater productivity out of our limited airspace with an even greater margin of safety. So I want to commend Secretary Mineta and Administrator Blakey, as well, for insisting that these initiatives be funded in the budget this year.

Our second panel today will be on Amtrak, and we want to welcome our new Federal Railroad Administrator, Joe Boardman, as a witness today. During the time that Mr. Boardman's position was vacant, the DOT General Counsel served as the Secretary's lead on passenger rail policy. Those were not the responsibilities for which the Senate confirmed the General Counsel, so I am glad Mr. Boardman is now prepared to take over. We hope and expect that he will shortly be serving as the Secretary's designee on the Amtrak Board of Directors.

During our discussions this morning with Mr. Boardman and our witnesses from Amtrak and the Inspector General's office, I hope to pursue precisely what choices would face us if we are forced to live within the President's proposed 30 percent cut in funding. I expect that we will find, as we have in prior years, that with Amtrak's existing debt levels and its statutory responsibility to its employees, there is no way the railroad will be able to shed roughly $400 million in costs during the fiscal year starting this coming fall without lapsing into bankruptcy.

That is why I expect the Amtrak Board of Directors has submitted a budget to us seeking $1.6 billion for 2007. Despite the fact that every member of Amtrak's Board of Directors has now been appointed by the Bush administration, that Board is seeking an appropriation that is some $700 million more than the Bush administration is supporting. Apparently, those Bush appointees know something about Amtrak's costs and the national rail network that the ideologues at OMB and DOT do not.

As part of our discussion with the second panel, I want us to have an honest dialogue about Amtrak's real costs. For too long, the Amtrak trains that serve the vast majority of States in this country, the States outside of the Northeast, have been castigated as Amtrak's main budget problem while the trains operating in the Northeast Corridor are held up as the flagship of efficiency.

When you look into the realities of where Amtrak's annual subsidies are going, however, you find that this is far from the whole truth. Due to the extraordinary capital needs of the Northeast Corridor and the debt service costs associated with that corridor, the fact is that a vast amount of Amtrak's annual appropriation must go straight into that corridor. Those subsidies are needed not just to continue Amtrak's service, but also to ensure the continuation of all the community railroads that operate over that corridor every day.

Over the last 4 years, Amtrak's appropriation has increased by $244 million, and over the same time, Amtrak's annual investment in the Northeast Corridor has increased by roughly the same amount. So put another way, the Northeast Corridor has absorbed just about every dollar of the increased appropriation this subcommittee has provided over the last few years.

Now, I am not saying that those investments are not necessary. In fact, they are long overdue. What I am saying is that the service in the Northeast Corridor, including the local commuter services that operate on the corridor, are no less dependent on annual subsidies from this subcommittee as Amtrak services across the rest of the country.

Amtrak just reached a record number of riders for its third consecutive year. It is noteworthy that ridership over the Northeast Corridor grew by only 1 percent, while trains around the rest of the country grew at faster rates. Let us just look at the trains that are serving my State and Chairman Bond's State.

The Empire Builder is a train that provides service between Seattle and Spokane in my State, and that train continues on to serve the States of several other subcommittee members, including Senator Burns, Dorgan, Kohl, and Durbin. Ridership on the Empire Builder grew by 9 percent last year. Ridership on the Cascades service that runs from Vancouver, B.C. all the way to Eugene, Oregon, grew by almost 6 percent. In the chairman's State, service between Kansas City and St. Louis grew by almost 7 percent, while service between St. Louis and Chicago grew by almost 14 percent just last year.

PREPARED STATEMENT

My point here is that while there is a growing level of pressure on the railroad to eliminate or terminate these services, their popularity among the traveling public is rising. I, for one, am not going to support a policy where we leave thousands of passengers across the entire country without rail service solely because the capital needs of the Northeast Corridor have gotten too expensive.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATTY MURRAY

Thank you, Mr. Chairman.

Just a few months ago, Congress passed the SAFETEA–LU highway, transit and safety authorization bill. That law settled many of the major questions about transportation policy and funding for the next few years.

Normally, this would be a relatively quiet period on transportation policy. But instead, this year is going to be anything but quiet when it comes to the challenges facing us in transportation.

We already hear voices of concern that the revenues to the Highway Trust Fund will not be adequate to actually fund the SAFETEA–LU bill through 2009.

And we will be presented with proposals this year to dramatically restructure the way we finance our national aviation enterprise including the operations of the FAA.

One of the biggest cost drivers in the FAA's budget is the need to pay for our hard working and highly capable air traffic controllers. Yet there are many rumors floating around that the Bush Administration would rather let Congress settle the contract dispute with air traffic controllers than settle the issue at the bargaining table.

THREE FUNDING HOLES

As I review Department of Transportation's budget for the coming fiscal year, it is clear that there are three huge and controversial funding holes in the President's budget.

—One is the 30 percent funding cut proposed for Amtrak.

—Another is the proposal to cut in half the Essential Air Service subsidies necessary to maintain air service to our rural communities.

—The last is the administration's proposal to cut more than $750 million from our capital investments in our Nation's airports.

I'm pleased that Chairman Bond has agreed to have special hearings so we can review these issues in detail.

Following our discussion with Secretary Mineta this morning, we will have a panel that will specifically address Amtrak. We also have a hearing with the FAA Administrator on May 4th.

GULF COAST

Another challenge we face is the need to adequately fund the transportation needs of the Gulf Coast recovery. Last year, this subcommittee provided $2.75 billion for Emergency Relief Highways.

Now it's becoming clear that several of the major highway and bridge replacement projects in Louisiana and Mississippi will be more expensive than anticipated.

This is an issue we must address in the Supplemental, Mr. Chairman, if we are to ensure that the Gulf region has the kind of infrastructure that will allow its economy to rebound.

And we must not ignore the other emergency relief projects from other disasters that have been awaiting reimbursement for many months or, in some cases, years.

So, as I said, these will not be quiet times for transportation policy, and this subcommittee will be right in the middle of the debate.

DOT'S BUDGET

Other than the three large funding holes that I cited earlier, the Department of Transportation is clearly one of the winners in the administration's budget proposal. Secretary Mineta did quite well with funding for the Transportation Department rising almost 5 percent. I'm sure it did not come without a fight.

And there will be more funding fights as the year continues. The Budget Resolution currently being debated on the Floor endorses the President's overall funding for discretionary spending.

While funding for the DOT in the President's budget may be increased by 5 percent—

—funding for the Department of Housing and Urban Development is cut by 2 almost percent;

—funding for the Department of Health and Human Services is down 2.3 percent;

—and funding for Education is cut by almost 4 percent.

That is the universe in which transportation programs will have to do battle this year.

AIR TRAFFIC CONTROL MODERNIZATION

Since I often spend time during these statements complaining about what is not included in the agency's budget, I want to take a minute to commend the Secretary for some initiatives that are included in the budget.

Most notably, within the FAA, $80 million is included for the ADS–B program and the $24 million is requested for the SWIM program. I will spare my colleagues an explanation of these acronyms. But these two programs hold the promise of allowing us to break away from an air traffic control system dependent on dated radar technology.

These are the kind of investments that we should have been making over the last several years. Instead, initiatives like these were crowded out of the budget because the administration insisted on cutting the funding for air traffic control modernization for each of the last 2 years.

These technologies will allow us to get greater productivity out of our limited air space with an even greater margin of safety. So, I want to commend Secretary Mineta and Administrator Blakey for insisting that these initiatives be funded in the budget this year.

AMTRAK

Our second panel at today's hearing will be on Amtrak. We welcome our new Federal Railroad Administrator, Joe Boardman, as a witness.

During the time that Mr. Boardman's position was vacant, the DOT General Counsel served as the Secretary's lead on passenger rail policy.

Those were not the responsibilities for which the Senate confirmed the General Counsel, so I am glad Mr. Boardman is now prepared to take over.

We hope and expect that he will shortly be serving as the Secretary's designee on the Amtrak Board of Directors.

During our discussions this morning with Mr. Boardman and our witnesses from Amtrak and the Inspector General's office, I hope to pursue precisely what choices Amtrak would face if it is forced to live within the President's proposed 30 percent cut in funding.

I expect that we will find, as we have in prior years, that with Amtrak's existing debt levels and its statutory responsibilities to its employees, there is no way that the railroad would be able to shed roughly $400 million in costs during the fiscal year starting this coming fall without lapsing into bankruptcy.

That is why, I expect, the Amtrak Board of Directors has submitted a budget to us seeking $1.6 billion for 2007.

Despite the fact that every member of Amtrak's Board of Directors has been appointed by the Bush Administration, that Board is seeking an appropriation that is some $700 million more than the Bush Administration is supporting.

Apparently, these Bush appointees know something about Amtrak's costs and the national rail network that the ideologues at OMB and DOT do not.

AMTRAK'S REAL COSTS

As part of our discussion with the second panel, I want us to have an honest dialogue about Amtrak's real costs.

For too long, the Amtrak trains that serve the vast majority of States in this country—the States outside of the Northeast—have been castigated as Amtrak's main budget problem while the trains operating in the Northeast Corridor are held up as the flagship of efficiency.

When you look into the realities of where Amtrak's annual subsidies are going, however, you find that this is far from the whole truth.

Due to the extraordinary capital needs of the Northeast Corridor and the debt service costs associated with that corridor, the fact is that a vast amount of Amtrak's annual appropriation must go straight into that corridor.

Those subsidies are needed not just to continue Amtrak service, but also to ensure the continuation of all the commuter railroads that operate over that corridor every day.

Over the last 4 years, Amtrak's appropriation has increased by $244 million. And over the same time, Amtrak's annual investment in the Northeast Corridor has increased by roughly the same amount.

Put another way, the Northeast Corridor has absorbed just about every dollar of the increased appropriations this subcommittee has provided over the last few years. I am not saying that those investments are not necessary. In fact, they are long overdue.

What I am saying is that the service in the Northeast Corridor—including the local commuter services that operate on the Corridor—are no less dependent on annual subsidies from this subcommittee as Amtrak's services across the rest of the country.

AMTRAK'S RISING RIDERSHIP

Amtrak just reached a record number of riders for its third consecutive year.

It is noteworthy that ridership over the Northeast Corridor grew by only 1 percent while trains around the rest of the country grew at far faster rates.

Let's just look at the trains serving my State and Chairman Bond's State. The Empire Builder is a train that provides service between Seattle and Spokane in my State. The train continues on to serve the States of several other subcommittee members including Senator Burns, Dorgan, Kohl and Durbin.

—Ridership on the Empire Builder grew by 9 percent last year.

—Ridership on the Cascades Service that runs from Vancouver, BC all the way to Eugene, Oregon grew by almost 6 percent.

In Chairman Bond's State, service between Kansas City and St. Louis grew by almost 7 percent while service between St. Louis and Chicago grew by almost 14 percent just last year.

My point is that, while there is a growing level of pressure on the railroad to eliminate or terminate these services, their popularity among the traveling public is rising.

I, for one, am not going to support a policy where we leave thousands of passengers across the entire country without rail service solely because the capital needs of the Northeast Corridor have gotten too expensive.

Thank you, Mr. Chairman.

PREPARED STATEMENT

Senator BOND. Thank you very much, Senator Murray. Senator Leahy has also submitted a statement which will be included in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Thank you, Mr. Chairman, for holding this important hearing today. On the heels of last year's passage of the transportation reauthorization bill and significant managerial changes at Amtrak, it is very timely to hold this hearing on the budget requests for the Department of Transportation and Amtrak.

I am very concerned that Congress will not be able to fund our Nation's multifaceted transportation system adequately if Congress accepts the President's budget request. The President shortchanges Amtrak and public transit programs, and he drastically cuts funding for the Essential Air Service program that brings air service to small communities, like Rutland, Vermont. Without this program, air passenger service to dozens of small communities across the country will end.

I look forward to hearing the testimony from today's witnesses about the future direction of the Transportation Department and Amtrak. Thank you.

Senator BOND. Now, Mr. Secretary, your statement, please.

STATEMENT OF SECRETARY NORMAN Y. MINETA

Secretary MINETA. Mr. Chairman and members of the subcommittee, thank you again for this opportunity to appear before you today to discuss the President's fiscal year 2007 budget for the Department of Transportation.

Our transportation network is the backbone of the strongest and most dynamic economy in the world, and President Bush is proposing a $65.6 billion plan to keep America moving safely, reliably, and efficiently.

I will touch on a few highlights, and at this time, I request unanimous consent that my full written statement be made a part of the record.

Senator BOND. Without objection.

SURFACE TRANSPORTATION PROGRAMS

Secretary MINETA. The President's 2007 budget request, Mr. Chairman, reflects the funding level authorized in SAFETEA–LU, which provides a record investment of $286 billion through fiscal year 2009. Now, this investment reflects a strong commitment to transportation in what we all recognize is a very tight budget environment. However, we have reached a juncture where our focus must be on modernizing financing as well as infrastructure.

I know that this committee is aware that the balances in the Highway Trust Fund are on a downward slope and there is a growing consensus that we will need to look beyond traditional gasoline taxes to finance 21st century transportation needs. So the President's budget sets aside $100 million for States that want to test alternatives to the gasoline fuel tax on a broad scale.

The Open Roads Financing Pilot Program will allow us to see how the public accepts fees, tolls, and other approaches and how well they raise revenue, and whether they are, indeed, more effective in reducing traffic congestion. The lessons that we learn through these demonstrations, as well as the work done by the congressionally-created Commission on the Future of the Highway Trust Fund, will help form future decisions on surface transportation policies.

FEDERAL AVIATION PROGRAMS

Aviation financing also is in need of modernization, and after consultation with the stakeholder community, we are developing a forward-looking plan which we expect to submit shortly. In the meantime, the President's 2007 budget provides $13.7 billion for the Federal Aviation Administration from a combination of trust fund revenues as well as general fund revenues. Of the requested amount, $8.4 billion will address the FAA's operational needs and support hiring the needed safety inspectors and air traffic controllers per the Congressional plan.

An additional $2.75 billion is provided for the Airport Improvement Program, otherwise known as AIP. The airport construction grant request for 2007 is sufficient to address the construction needs for all currently planned runways and to meet our goal for improving runway safety.

Looking to the future, the Department's budget provides $122 million for the next generation Air Transportation System Initiative. Early progress in this multi-agency effort is encouraging and our fiscal year 2007 budget invests in key building blocks for transforming the way that America flies, including the ADS–B, the Automatic Dependent Surveillance-Broadcast program, which ultimately will move us from the ground-based to a satellite-based air traffic control system.

INTERCITY PASSENGER RAIL

The budget also promotes continued transformation of intercity passenger rail. First, I want to express my appreciation to Chairman Bond and Senator Murray and this committee for delivering a clear message to Amtrak that it must address its money-losing services. We are confident that management and the Board are committed to turning the company around, and we will use the oversight authority that you gave us to ensure that this happens.

In recognition of the progress to date, and with the expectation that we will see much more by the end of fiscal year 2006, the President requests $900 million to help Amtrak make the transition to a new and better model of intercity passenger rail. Five-hundred million dollars of that request is for capital needs and maintenance. The remaining $400 million would be available as Efficiency Incentive Grants tied directly to continued activities that support reformed railroad operations.

SAFETY INITIATIVES

Now, over the past 5 years, we have also gained important momentum when it comes to safety, and roughly one-fourth of the Department's total resources in the 2007 budget will pay for safety initiatives. As fiscal year 2007 approaches, we face the twin challenges of modernizing our transportation infrastructure and bringing financing mechanisms that support them into the 21st century.

I look forward to working closely with all of you and with the entire Congress as we make sure that America continues to have a transportation system that is the envy of the world.

PREPARED STATEMENT

Thank you again for this opportunity to testify today and I will be pleased to respond to any questions that you may have.

Senator BOND. Thank you very much, Mr. Secretary.

[The statement follows:]

PREPARED STATEMENT OF NORMAN Y. MINETA

Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before you today to discuss the administration's fiscal year 2007 budget request for the U.S. Department of Transportation. The President's request totals $65.6 billion in budgetary resources, which will support major investments in transportation nationwide that are vital to the health of our economy and the American way of life.

Nearly $16 billion, or more than 24 percent, of the total request for the Department will support transportation safety—my top priority. Statistics show our past safety efforts are paying off. Our early estimates show in 2005 the highway fatality rate reached an historic low of 1.43 fatalities per 100 million vehicle-miles traveled. Still, annual highway deaths continue to hover around 43,000—a number that is still too high.

Our transportation network is the backbone of the strongest and most dynamic economy in the world. The President's budget request continues record investments in our Nation's transportation infrastructure, as well as supporting research and technology. At the same time, the budget reflects the recognition that our funding mechanisms are outdated. There is a growing consensus that traditional gasoline taxes and airline ticket taxes are not adequate to the task of supporting 21st century transportation needs. We must explore new and innovative ways to provide more reliable transportation services while focusing on costs. Consequently, the 2007 budget introduces alternative financing ideas that may provide possible funding options for our resource needs in the future.

SURFACE TRANSPORTATION PROGRAMS

Last summer, the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA–LU) reauthorized our surface transportation programs through fiscal year 2009, providing a record $286 billion investment and a continued focus on improvements in highway safety. The President's 2007 budget plan for the Federal Highway Administration, the Federal Transit Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration reflects the funding envisioned in SAFETEA–LU. The budget provides $815 million for the National Highway Traffic Safety Administration, along with $521 million for the Federal Motor Carrier Safety Administration, to improve safety on our Nation's highways. The budget also proposes a record $8.9 billion Federal investment in public transportation. This funding for the Federal Transit Administration will help achieve common-sense transit solutions, especially for the elderly, persons with disabilities, and in rural areas where 40 percent of counties have no public transportation.

Even though SAFETEA–LU has just recently passed, we are already thinking about new ways to fund surface transportation programs in the future. That is why the 2007 budget plan proposes a $100 million pilot program to evaluate innovative ways to finance and manage major portions of highway systems. Grants under this pilot program will allow the Federal Government to partner with up to five States that want to test fees, tolls, and other approaches on a broad scale—either statewide or across an urban area and its suburbs. We will see how the public accepts these approaches, how well they raise revenue, and whether they are indeed more effective in reducing traffic congestion. The lessons learned from this pilot program, as well as the work done by the Congressionally created commissions on the future of the Highway Trust Fund, will help inform future decisions on financing surface transportation needs. The timing is important. By the end of the 2007 budget year, only 2 years will remain before SAFETEA–LU expires.

FEDERAL AVIATION PROGRAMS

Approaching even more quickly is reauthorization of the Federal Aviation Administration (FAA) and the taxes that finance the Aviation Trust Fund, which expire at the end of fiscal year 2007. Currently, our primary funding source for the FAA is tied to the price of an airline ticket. But there is general consensus that our growing aviation system needs a more stable and predictable revenue stream—one that creates a more direct relationship between revenues collected and services provided. Soon, the Bush Administration will propose a reauthorization plan that will include a solid, forward-looking financing proposal for the Aviation Trust Fund.

The President's 2007 budget plan provides $13.7 billion to fund aviation. Of this request, $8.4 billion will address the FAA's operational needs and support hiring needed safety inspectors and air traffic controllers. The President's budget also includes nearly $2.8 billion for Airport Improvement Program (AIP) grants, which were instrumental in helping restore service last year to several Gulf Coast airports shut down by Hurricanes Katrina and Rita. The 2007 AIP request is sufficient to address construction needs for all currently planned runways.

The demand for air transportation continues to rise, placing more burdens on our current systems. To address future needs, the FAA is partnering with other Federal agencies in planning for the Next Generation Air Transportation System (NGATS). This multi-agency effort is exploring new ways to manage air transportation through the use of modern technology. As a first step, the 2007 budget provides funding for this effort, including $80 million to support FAA's deployment of Automatic Dependent Surveillance-Broadcast (ADS–B). ADS–B will replace current radar systems and provide more accurate surveillance coverage. In addition, the budget provides $24 million for System Wide Information Management, which will make a network-enabled air traffic system possible, improving safety, efficiency, and security. These are the building blocks of the Next Generation initiative, which will transform the way that America flies.

INTERCITY PASSENGER RAIL

The budget also promotes continued transformation of intercity passenger rail in America. In last year's budget, the administration demanded reform. America needs a sustainable framework for convenient, high-quality passenger rail service, and over the past year both Amtrak and the Congress have responded. Amtrak developed a strategic reform plan that seeks to restructure the company and introduce route competition. Through the fiscal year 2006 appropriation, Congress included measures to address Amtrak's money-losing sleeper car and food and beverage services, among other efficiency measures. Together, these reforms will help Amtrak realize meaningful savings this year, and therefore reduce its need for Federal subsidies.

In recognition of this progress—and with the expectation that we will see much more by the end of fiscal year 2006—the President's fiscal year 2007 budget requests $900 million to help Amtrak make the transition to a new and better model of intercity passenger rail. Of this amount, $500 million will provide for capital needs and maintenance of existing infrastructure, including the Northeast Corridor. The remaining $400 million will fund new "Efficiency Incentive Grants" tied directly to continued progress toward reform. In addition, our plan assumes continuation of the legislative initiative begun in 2006 that would assess fees for capital investment and maintenance costs by transit agencies for their use of the Northeast Corridor. We recognize that this budget will require Amtrak to accelerate its efforts to address its costs, but we believe the recommendations recently made by the Government Accountability Office and the Department of Transportation Inspector General, as well as the company's own strategic plan, provide a roadmap for success. While much work remains to address Amtrak's serious and well-documented problems, we believe the fiscal year 2007 budget will encourage progress and promote efforts to move to a more sustainable system.

MARITIME PROGRAMS

The President's plan includes $154 million to fully fund the Maritime Administration's Maritime Security Program. This fleet of 60 active, militarily useful vessels manned by U.S. mariners is critical to the support of our troops abroad. The President's budget also includes $62 million for the U.S. Merchant Marine Academy, of which $15 million is for capital investment improvements at the Academy.

RESEARCH, PIPELINES, AND HAZARDOUS MATERIALS SAFETY

Approximately 15 months ago, Congress enacted the Department of Transportation's reorganization proposal to create the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Research and Innovative Technology Administration (RITA).

PHMSA is responsible for the safety of almost one-third of all products shipped each year and two-thirds of all energy products consumed. This includes the packaging, shipment, and handling of all hazardous materials by highway, rail, water, and air, as well as the movement of energy products by pipeline. The 2007 budget provides $149 million for PHMSA's operations, including $75.7 million for pipeline safety, $27.2 million for hazardous materials safety, and $28.2 million for emergency preparedness grants.

RITA has brought new energy and a focus on the Department's research efforts, and is working to expedite the implementation of cross-cutting, innovative transportation technologies. The President's 2007 budget request includes $8.2 million in direct funding, plus an additional $27 million from the Highway Trust Fund for the Bureau of Transportation Statistics, to continue these efforts. In addition, RITA will undertake over $300 million in transportation-related research, education, and technology application on a reimbursable basis.

DEPARTMENT OF TRANSPORTATION HEADQUARTERS BUILDING

Finally, I want to highlight the fiscal year 2007 President's budget request of $59.4 million for the new Department of Transportation headquarters building project. The goal is to complete the consolidation of the Department's headquarters' operating functions, excluding the FAA, into a facility at the Southeast Federal Center in fiscal year 2007. The requested funds will cover DOT's tenant-related costs, including security and telecommunications equipment and the infrastructure to support it. The end result will be a facility that provides modern office technology, enhanced communications, a quality work environment, and updated security systems for more than 5,000 Federal workers.

The President's budget request reflects a fiscally responsible plan for the Department of Transportation to help America meet its 21st century transportation needs. To ensure that the Department is exercising sound stewardship over the financial resources entrusted to us, we continue to focus on program performance to maximize efficiency and create a results-oriented Government. Together with the Congress, and with our public- and private-sector partners, we are revolutionizing transportation to keep America moving.

Thank you again for the opportunity to testify today. I look forward to working closely with all of you, and with the entire Congress, as you consider the fiscal year 2007 President's budget request. I will be pleased to respond to any questions you may have.

FREIGHT TRANSPORTATION

Senator BOND. We are going to have to do a quick round and move on to the FRA, but one of the first things I have is a growing concern about freight transportation capacity. Your Bureau of Transportation Statistics estimates freight volumes in tons will increase by 70 percent by 2020. We have roughly the same highway miles and we have 40 percent fewer rail miles. We are watching our inland water infrastructure become obsolete, inefficient, and outdated. How much concern do you have that in the decades ahead, if we don't plan and do something more for transportation, there will be a straightjacket on our economy, frustrating competitiveness, growth, and job creation?

Secretary MINETA. There is no question that the increase in trade in the next 20 years is going to be a very large impact on the transportation system, and that is why the Safe, Accountable, Flexible, Efficient, Transportation Equity Act; A Legacy for Users (SAFETEA–LU) legislation is so important. It brings back what we started in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), and that was the I, intermodal. Today, we know that given the large inflow of transport into the country through maritime trade, loads go onto rail and onto the highway. What we are trying to do through SAFETEA–LU is make sure that the intermodal freight gateway connection is coordinated.

Given limited financial resources, SAFETEA–LU includes financing mechanisms other than the traditional Highway Trust Fund that we rely on, such as the Transportation Infrastructure and Innovation Act (TIFIA), State Infrastructure Banks (SIBs), private activity bonds, and other financing mechanisms where we want more people to come to the table with public-private partnership programs.

Senator BOND. As more intermodal freight becomes available and increases that burden, you are looking at taking the overseas shipments and putting them on rail and highways, which are overcrowded. Given the fact that one single medium-size barge tow can carry the freight of 870 trucks, shouldn't we be looking at the increasingly important option to maintain the efficiency, relieve congestion, conserve fuel, and reduce air emissions by bringing our inland waterways up to speed?

Secretary MINETA. Absolutely, and that was one of the first things I undertook when I became Secretary of Transportation in 2001. We already had the Wendell H. Ford Aviation Investment and Reform Act (AIR–21) to take care of aviation. We had the Transportation Equity Act for the 21st Century (TEA21) as it related to surface transportation needs. One of the things we proposed was a SEA–21 program to deal with short-sea shipping on the east, west, gulf coasts and the inland waterway system. That program is now before the Office of Management and Budget (OMB) and we are hoping that we will be able to get that out, because it is part of our total marine transportation system.

INTERCITY PASSENGER RAIL SYSTEM

Senator BOND. I would hope, Mr. Secretary, with your broad understanding of transportation that we can mark you down as a supporter of the Water Resources Development Act, which OMB treats like an illegitimate child at a family reunion.

I wish to address one Amtrak question. I would like to know how you see your responsibility for Amtrak. I am concerned about the debt. I am concerned about reforms that will require elimination or cut-back. What do you see as your role and what do you expect to achieve in your position as the Secretary of Transportation with overall responsibility for the area?

Secretary MINETA. First of all, there is a need for an intercity passenger rail system. What the administration and I are trying to do is give a long-term, sustainable future to intercity passenger rail. The present model can't do it. You recognize that when you see first-class sleeper service being subsidized to the extent that it is, and in terms of some passenger rail services where the subsidy may be $450 to $500 per passenger. There are areas like food services, first class sleeper services, and other areas where they do need change.

What we are trying to do is bring reform that will give long-term financial sustainability to an intercity passenger rail system. Last year, we requested no funding for Amtrak. We submitted our reform measure in 2003, 2004, and 2005, but no action was taken on the reform measure. So OMB said, okay, let us get their attention. We will request zero funding for fiscal year 2006 until we get reform. We got Congress' attention.

We attempted a three-prong approach: the authorizing committees; the Appropriations Committee; and the Board of Directors. The House authorizing committee provided a $2 billion a year, 6-year program, but no reforms. In the Senate, we got an $8 billion package over 5 years, or $1.6 billion per year for 5 years; it had some reforms in it. The proposal went on the budget reconciliation bill, but then it got pulled in conference and that reform effort failed.

So then we were dependent on the Appropriations Committees. You folks did come back with reforms, plus the actions of the Board brought about sufficient reform. OMB recognized this effort and we included $900 million in this year's budget. We are looking for further reforms, and for that there will be additional monies forthcoming.

Senator BOND. Mr. Secretary, thank you very much. You may have had a black and blue spot on your jaw, but we lost a pound of flesh in this subcommittee, and so to follow up on these questions, I believe that Senator Murray may have some questions to ask.

Senator MURRAY. I certainly will, and unfortunately, our time is limited, but I know well that the Secretary, as a former member, knows that the authorization committee has to make those rules, not the Appropriations Committee, and I think the Secretary has a pretty strong history in the House of ensuring that that occurred, so I hope that is where you are leaning, Mr. Secretary.

Secretary MINETA. Well, you are right, absolutely right. We will keep trying.

FEDERAL AVIATION ADMINISTRATION

Senator MURRAY. Let me ask you about the FAA because the FAA expects 73 percent of its air traffic controllers to retire over the next 10 years, and as part of last year's appropriations bill, we fully funded your request to hire an additional 595 air traffic controllers and we provided an extra $12 million that you did not request to try to fill some of those vacancies in the ranks of the aviation safety inspectors. These are perhaps the most critical safety positions in the entire FAA, and unfortunately, as you know, the across-the-board cut was imposed in the defense appropriations bill that impacted that funding somewhat.

But it is now the middle of March. We are almost halfway through this fiscal year, and ever since the new year began, our subcommittee has been trying to find out how many new air traffic controllers and safety inspectors you will actually be hiring this year. Your Department has not been able to give us a straight answer to address that issue and I can't help but be concerned that if your Department doesn't have a plan yet halfway through this year for dealing with this critical safety question, that we are either endangering safety or you are incapable of managing your people.

So, Mr. Secretary, can you tell this committee precisely how many air traffic controllers and how many air safety inspectors you will be hiring this year?

Secretary MINETA. We are adhering to the congressional plan. As I recall, the plan was for 1,129 air traffic controllers.

Ms. SCHEINBERG. I believe it was originally 1,249.

Secretary MINETA. I am sorry, the plan was originally for 1,249 air traffic controllers, and there is no plan for inspectors. But in any event, we are geared toward the congressional plan.

Senator MURRAY. Well, how many——

Secretary MINETA. The 1 percent across-the-board rescission has impacted the FAA, plus the fact that we have to absorb pay raises from within the budget. In fiscal year 2006, as I recall, we have to absorb close to 1 percent of the pay raise.

Senator MURRAY. We actually gave you 12——

Secretary MINETA [continuing]. Two-point-two——

Senator MURRAY. We gave you $12 million more than you requested——

Secretary MINETA. It was a 3.1 percent pay raise——

Senator MURRAY [continuing]. So even with the across-the-board cut and with the other factors that you put in place, we should be on a road to do this? I am deeply concerned that we have not yet been able to get from your office the workforce plan. You have to hire these critical safety inspectors that we need on the ground, so when our public flies, they know their planes have been inspected, and air traffic controllers, who, as you know, are retiring at a much higher rate than you are now hiring.

Secretary MINETA. Well, our plan on air traffic controllers was 1,249 and the number of inspection for flight standards and aircraft certification personnel Congress funded to be hired is 238. That is the congressional plan that was——

Senator MURRAY. If you could get back to us within the next week here how many you have actually hired and exactly, over the course of the next few months, how many you are in the process of hiring——

Secretary MINETA. Absolutely.

Senator MURRAY [continuing]. I think it is important for us to know.

Secretary MINETA. We will do that for the record.

[The information follows:]

With regard to air traffic controllers, in December 2004, the FAA published "A Plan for the Future: The Federal Aviation Administration's 10-Year Strategy for the Air Traffic Control Workforce." This document outlined the agency's plans to hire and train controllers based on actual results and changes in traffic forecasts since 2004. In the December 2004 report, FAA estimated the need to hire 1,249 controllers in fiscal year 2006 with estimated losses of 654 controllers for a net gain of 595 controllers. This estimate was based on traffic forecasts produced in March of 2004. Based on the March 2005 forecasts, FAA reduced the number of planned hires in fiscal year 2006 from 1,249 to 1,129. Since that time, in March 2006 new aviation forecasts were released resulting in further reductions to the number of planned hires in fiscal year 2006 from 1,129 to 930 controllers with losses of 800 for a net increase of 130 controllers in fiscal year 2006.

Unlike the air traffic controllers, there is no FAA staffing plan for hiring safety personnel. For fiscal year 2006, FAA requested funding for 97 additional safety personnel in flight standards and aircraft certification. Congress increased funding for FAA safety personnel to a total of 238 in fiscal year 2006, or a net increase of 141 personnel from the FAA request. As a result of the 1 percent rescission and unfunded pay raise in fiscal year 2006 ($13.9 million), FAA planned to hire only 87 additional safety personnel. However, in keeping with the Congressional desires to increase safety personnel above the FAA requested level, the Department submitted a reprogramming request to Congress to use lapsed funds in fiscal year 2005, in addition to transfers from other lines of business, to fund an additional 84 staff in safety surveillance oversight in fiscal year 2006. FAA anticipates hiring a net increase of 171 safety personnel in fiscal year 2006, or 67 less than the level requested by Congress.

FAA REAUTHORIZATION

Senator MURRAY. All right. The authorization of the Aviation Trust Fund, as you know, expires at the end of fiscal year 2007 and we have not yet heard the administration's views on the future of aviation financing. The Air Transport Association supports a plan that would charge a fee to every user of the air traffic control system. The general aviation community responded quickly opposing user fees. We were told to expect the administration's plan to be released sometime this month, in March, and as I said, this month is half over. Can you tell us when we are going to see the administration's new proposal for aviation financing?

Secretary MINETA. We have submitted it to OMB. I don't think it will be out by the end of this month. I would say within a month, it will be completed.

Senator MURRAY. Well, what is your——

Secretary MINETA. So I would say by the—I am sorry.

Senator MURRAY. Since you have submitted it to OMB, can you give us your general response to the proposals that have been put forward by the Air Transport Association?

Secretary MINETA. Until OMB approves the plan, I am not able to say where we are going on it.

Ms. SCHEINBERG. Senator Murray, our proposal has significant changes to the current financing of the FAA, and as a result, OMB has put the proposal through interagency clearance. There are significant issues that the Department of Treasury and other agencies are contemplating. This is not a single-agency review; we have been talking with these other agencies and trying to iron out the plan.

Senator MURRAY. Okay. Well, let me ask you one very specific question. The proposal of the Air Transport Association appears to eliminate the role of this committee in overseeing the FAA as well as directing Federal funds for the operation and modernization of the FAA.

Secretary MINETA. I am sorry, the ATA——

Senator MURRAY. The ATA proposal appears to eliminate this committee's oversight of the FAA and I want to know whether your proposal is going to change the role of this committee.

Secretary MINETA. No, not at all.

Senator BOND. Thank you very much, Senator Murray. This committee goes by the FIFO rule, but since we have been joined by the distinguished chairman of the full committee, I might ask, since he has multiple responsibilities, if he would like to go next.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you. I appreciate the opportunity to join you and the other members of the subcommittee in welcoming the distinguished Secretary of Transportation and his Chief Financial Officer to our committee hearing. We appreciate your good assistance as you carry out your duties. Over the last 5 years, you have demonstrated a great amount of competence and you have devoted an enormous amount of effort to helping to protect and expand our Nation's transportation assets. We appreciate your very outstanding work.

Secretary MINETA. Thank you.

Senator COCHRAN. I might add, too, we thank you for your timely assistance to the airports in the gulf coast region, which suffered enormous damages as a result of Hurricanes Katrina and Rita. We are recovering. We are rebuilding. But it wouldn't be possible without the strong support of you personally and the other members of this administration. We appreciate that help very much.

Secretary MINETA. Thank you very much, sir.

Senator COCHRAN. Thanks, Mr. Chairman.

Senator BOND. Thank you very much, Chairman Cochran.

Senator Bennett.

STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Secretary, I would be remiss if I did not once again thank you and commend your Department for all of the support you have given to public transportation in the State of Utah. I sit on the Banking Committee, which authorizes public transportation and mass transit, and it is always fun, as the Senator from a State perceived to be a rural State—actually, we are one of the most urbanized States in the Nation—to hear Senators on the Banking Committee from Eastern States always talk about urban transit and say, why can't we do it as well everywhere as we are doing it in Salt Lake City?

That always makes me feel good and it is because of the partnership that has been built with the people in Utah and the staff at FTA. I need to continually thank you and them for the cooperative way in which we have worked on that. We like being the example that people point to.

My favorite story, Mr. Chairman, there is still a hard-core group in Utah that opposes mass transit and they held a rally in downtown Salt Lake City, and in the notice for the rally, they said, this will take place during rush hour, so if you want to be sure to get there on time, take mass transit in order to be there.

INTERCITY PASSENGER RAIL

Mr. Secretary, do you really think we have got a shot at making Amtrak finally work? It has been around for so long. I have heard so many stories over the years about, well, this is the year that we are going to get Amtrak under control. This is the year that Amtrak is going to finally deal with its debt burden. It is going to finally get its service where it ought to be. I hear your optimistic statements and I read them. I have been reading through the material that is available to us. It all sounds good. Just give me your gut reaction as to where we are in Amtrak.

Secretary MINETA. Amtrak reform is not going to be done in a short period of time. As an example, in our reform measure we asked that the Northeast Corridor assets be turned over to the Department of Transportation. We would then take 6 or 7 years to bring it up to a good state of affairs. In the meantime, we would form a consortium of the Northeast Corridor States to which we would then be able to turn back those assets. The other part of the program would be 50 percent capital partnership with the States on capital improvements.

It is a journey that starts at some point. That point is going to be when we get the reform measures in place on the structure of Amtrak, based on the principles in our reform measure. It requires those principles to be embraced in legislation, or in terms of Board practices, and laid out over a number of years to transform Amtrak into a sustainable, well-functioning intercity passenger rail system.

Senator BENNETT. I agree absolutely that we have to have a functioning intercity rail passenger system in those parts of the country where it makes sense. Every year at these hearings, I say this, and every year at these hearings, or after these hearings, there are nasty letters to the editor about me in the Salt Lake papers.

The Northeast Corridor Amtrak rail passenger service, absolutely essential. We could not sustain the impact of dumping that many passengers on the highway or trying to cram them into airplanes. I think the total number of people who debark Amtrak in Salt Lake City is less than a dozen a week. Now, I may be off by an order of magnitude. It may be 120 a week. But the cost of maintaining that kind of service over those kinds of distances simply doesn't make sense to me.

I see the Senator from Illinois is here. It may make sense from New York to Chicago. That is outside of the Northeast Corridor. It may make sense from Los Angeles to San Francisco. But I hope as we look at the Amtrak long-term, we recognize that in order to have, paraphrase it just a little, in order to have mass transit make sense, you have to have the mass that needs to be transited.

Given the distances we have in this country, intercity passenger service in the Northeast Corridor or perhaps between New York and Chicago, you do have the mass that needs to be transited, but the mass coming from, let us say, Denver to Salt Lake City that is currently handled by train is not enough to justify the kinds of expenditure that the taxpayers are being called upon to provide.

Thank you, Mr. Chairman.

Secretary MINETA. You are absolutely correct, Senator, and the No. 1 principle, as I recall, in our reform proposal is to make economic sense and congestion sense. Yes, sir.

Senator BOND. Thank you very much, Senator Bennett.

Senator Durbin.

INTERCITY PASSENGER RAIL

Senator DURBIN. Thank you, Mr. Chairman.

Secretary Mineta, thank you for being here. You have given a lifetime to public service as a mayor and Member of the House of Representatives and in the President's Cabinet and I thank you for that.

Secretary MINETA. Thank you.

Senator DURBIN. I am happy to count you as a friend. But I want to ask you some questions following up on Senator Bennett's questions.

I can't figure out where this administration is when it comes to Amtrak. Last year, you zeroed it. Congress came back and said, no. We passed an authorization bill for Amtrak in the Senate by a vote of 93 to 6 and an appropriation bill of $1.3 billion, which we felt might be adequate to keep Amtrak functioning.

Six days after we passed the authorization bill, Mr. Gunn was dismissed as the head of Amtrak. I think that was a serious mistake. I think he has been one of the most level-headed administrators in the history of that operation. He was totally apolitical, as I saw it, and maybe that is what cost him his job. He has not been replaced, as I understand it, as of today, which is a sad commentary on Amtrak's administration and management. If the administration is clearly dedicated to reforming Amtrak, then you need an engineer in that locomotive and you don't have one at this moment.

Secondly, the budget request this year just leaves me cold. It is as if someone is drowning 50 feet offshore and you throw them a 25-foot rope. That is what has happened this year with this $700 million request. We know, I think reliably so—I am sorry, $900 million request. We know, reliably so, that Amtrak needs about $1.6 billion to maintain operations and to make critical investment, to conform with the Americans with Disabilities Act and other legal requirements. Absent that kind of basic capital investment, there is no way they can maintain schedules and ridership.

In my State, it is personal. We are deeply committed to Amtrak. The State of Illinois has made a commitment of $12 million-plus to Amtrak on an annual basis because we value it so much. So it isn't as if we are begging from the Federal Government or asking without coming up with something locally. It is essential to us in terms of the passengers that are served when we have, I think, 2.5 million passengers in the course—yes, 2.5 million passengers ticketed through Chicago on Amtrak in the year 2005.

So my basic question to you, Mr. Secretary, is this. Is it the administration's intent before they leave office to let Amtrak slowly wither and die on the vine, or are you willing to work with people of good faith and good will who are trying to make the necessary investments so that Amtrak has a future? I can't argue for Senator Bennett's situation in Utah because I don't know it, but I do know the situation in Illinois. Amtrak is essential to down-State residents as well as those in the Chicagoland region, and we are fearful that the administration's goal is to close down Amtrak as we see it, or to diminish the investment in Amtrak that is necessary for its future. I would like to ask you to comment, please.

Senator BENNETT. Senator, I have been trying to give our Amtrak dollars to you for years.

Senator DURBIN. We are still willing to take them, too.

Secretary MINETA. We are very committed to an intercity passenger rail system, but the present structure isn't going to give us a long-term, viable intercity passenger system that is sustainable. That is why people say, "Mineta, why are you trying to kill Amtrak?" Frankly, if I wanted to kill Amtrak, I would do nothing. But we are working to formulate a financial and public policy to deal with Amtrak in the long-term.

I wish we could get over the hump of other people saying we are trying to kill Amtrak. Rather, we are trying to build Amtrak, or some kind of an intercity passenger rail system, for the future. That is why in our proposal, we commit to a 50 percent capital improvement program partnership with the States. As examples, there are Oregon and Washington with service to British Columbia, the California system, and the Northeast Corridor. There are also the States themselves, as former Governor Kit Bond talked about his commitment to rail in the State of Missouri.

Today, there is a Midwest Railroad Initiative made up of Michigan, Illinois, Wisconsin, Minnesota, Iowa, Indiana, Ohio, Missouri, and Kansas. Those States are putting into their rail operation, as I recall, somewhere around $30 million. They are doing that totally with State money. We are willing to work with the States and come up with a 50–50 partnership for their capital programs.

In our reform package, we are trying to follow the model currently used to finance transit, highway and airport capital projects. Those are all partnership programs.

Senator DURBIN. Mr. Secretary, if I could just—I know my time is up, and I don't want to prevail on the committee any longer other than to suggest that Illinois has already invested $250 million in upgrading Amtrak. We have made a commitment. We are not just there with our hands up to the Federal Government. And a $12 million annual commitment to the operating expenses of Amtrak in our State. We believe it is essential for our economy.

I don't believe we can have a realistic and cogent energy policy in America that does not include mass transit and rail transit, including Amtrak, in circumstances like Illinois. To put more cars on the road is not going to in any way reduce our addiction to oil in this country. So I hope that the administration will work with us in Congress to try to find the right funding level so that Amtrak doesn't just survive another year, but starts to build for a more successful future.

Secretary MINETA. Well, I think——

Senator BOND. Thank you very much, Senator Durbin, and regrettably, since we do want to get this next panel up and have them testify, because our votes are starting, I am going to stay here as long as I can, I want to hear what the Amtrak panel has and I will submit a whole bunch of questions on AIP, why you took the $100 million out of existing funds, what are the other options that States may pursue on Amtrak and Open Skies.

But thank you very much, Mr. Secretary, and we will be continuing our dialogue with you and now we would like to invite the second panel.

ADDITIONAL COMMITTEE QUESTIONS

Secretary MINETA. We will submit for the record responses to the questions sent by the members. Thank you very much, Chairman Bond and members of the committee.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE DEPARTMENT OF TRANSPORTATION

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

TRANSIT SMALL STARTS

Question. Mr. Secretary, in light of the Advanced Notice of Proposed Rulemaking issued by FTA last month regarding Small Starts, how will you ensure that the Small Starts program has the right balance between oversight and flexibility of funds? This program could be a great resource for small transit authorities or those that are lacking the financial resources to devote to large scale mass transit projects. However, my concern is that if the Department creates too much bureaucratic red tape, it may defeat the purpose of providing a grant program for smaller transit projects.

Answer. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU) provides Small Starts funding to projects with total costs not exceeding $250 million and New Starts funding of less than $75 million. Each project must conduct an alternatives analysis and be approved to enter project development based on requirements in a reduced set of criteria for Small Starts project justification compared to traditional New Starts projects.

The Advanced Notice of Proposed Rule Making (ANPRM) issued January 30, 2006, addresses both reduced requirements on grantees and the need for projects to be well justified. The requirements are scaled to the size and complexity of the project so that simple projects at lower cost require less effort to demonstrate their worthiness for funding while larger projects are required to perform more analysis. To highlight these differences in justification the Federal Transit Administration (FTA) has proposed a category of projects that are justified for funding by virtue of their physical characteristics, cost limitations and existing ridership. This category is called "Very Small Starts." Projects that qualify for this category also rate well for each of the project justification criteria in SAFETEA–LU; therefore, no detailed assessment of transportation benefits is necessary, saving project sponsors significant time and costs for analysis. The specific project characteristics for Very Small Starts have been defined in FTA's proposed interim guidance for Small Starts that was issued on June 9, 2006.

Additional reductions in requirements for Small Starts funding are for alternatives analysis studies and for effort to produce information for evaluation. It is anticipated that alternatives analysis studies will be simpler than those for traditional New Starts because areas considering smaller projects will have a limited number of alternatives that need to be examined and the settings for the projects could involve less analysis. The tools needed to forecast transportation benefits could also be simpler to develop and apply as described in the ANPRM. These efforts are aimed at reducing Federal "red tape" while ensuring project benefits and financial capacity can be met so that only meritorious projects go forward.

BUS RAPID TRANSIT

Question. Mr. Secretary, in terms of providing more cost-effective solutions to traffic congestion, Bus Rapid Transit appears to be a great alternative to the expensive capital costs associated with building or expanding light and heavy rail mass transit systems. Are there any new ideas coming from the Department to make Bus Rapid Transit more efficient in terms of operating? Is anything being done to make BRT more attractive to transit authorities throughout the country?

Answer. While each transit mode has its place, Bus Rapid Transit (BRT) generally offers an attractive solution where there are dedicated or segregated travel lanes, well-designed bus stations with level boarding, multiple doors for entry and egress onto large platforms, and less frequent stops as opposed to minimally equipped and frequent bus stops, off-board fare collection, transit signal priority and queue jumping at intersections, timely and appropriate customer service information, and large comfortable buses that project a unique identity of the service.

The new Small Starts program makes available an additional source of funding for BRT projects, both with and without fixed guideways. Under the Small Starts category, certain "corridor-based bus capital projects" are eligible for funding. Projects are limited to those with proposed Capital Program funds of less than $75,000,000 and a total project cost of less than $250,000,000. The Proposed Interim Guidance and Instructions for Small Starts has been released recently for public comment. The project justification criteria are simplified, focusing on three criteria: cost-effectiveness, public transportation that is supportive of land use policies, and the effect on local economic development. The criteria for local financial commitment have been simplified to focus only on a shorter term financial plan. The project development process for Small Starts is a three-step process: alternatives analysis, project development, and construction, rather than the four steps for the more elaborate New Starts projects.

In cooperation with the National Bus Rapid Transit Institute, FTA has launched several information-gathering and outreach activities to promote BRT as a cost-effective alternative. FTA has been conducting several public outreach seminars and workshops to inform both transit agencies and the public on the attributes and benefits of BRT. FTA has also launched a program to update the document "Characteristics of Bus Rapid Transit for Decision Making" that was released in 2004 to add advances made in BRT systems. The update is slated for release in late 2007. FTA has initiated cooperative working relationships with the U.S. Conference of Mayors and several non-profit organizations that are promoting BRT to share data and to extend the reach to more organizations, thereby resulting in greater interaction with the public in finding solutions for congestion mitigation in metropolitan areas.

FMCSA PARTNERSHIP WITH THE STATES IN IMPLEMENTING SAFETEA–LU PROVISIONS

Question. Mr. Secretary, as you well know, as a result of SAFETEA–LU, the modal Administrations in your Department that oversee surface transportation have a considerable job to do in implementing many of the provisions in that legislation in both a regulatory and grant framework.

In many cases, this requires a close working relationship and partnership with existing organizations representing State and local governments. It also requires the leveraging of resources and meeting venues with these groups. For example, this is accomplished in FHWA through its partnership with AASHTO. In public transit, it is FTA's partnership with groups such as APTA. In automobile safety, it is NHTSA's partnership with groups such as the Governor's Highway Safety Association.

With respect to motor carrier safety, it is my understanding that one group that the Federal Motor Carrier Safety Administration (FMCSA) should be working closely with is the Commercial Vehicle Safety Alliance (CVSA) whose membership consists of State motor carrier safety enforcement agencies and those in Canada and Mexico.

I have learned that FMCSA has chosen not to participate in one of the two international meetings that CVSA holds each year and that it has decided not to allow States to use MCSAP funds to attend CVSA meetings. This is troubling since FMCSA has a huge task in implementing SAFETEA–LU State motor carrier safety grant programs as well as the constant need to deal with safety and security issues at both our Northern and Southern borders. It is critical that FMCSA continue to maintain a consistent motor carrier safety and security policy throughout North America and involve the States in helping to make critical decisions since they are delivering the bulk of the motor carrier safety programs.

In light of this, Mr. Secretary, can you tell me why FMCSA is not better leveraging taxpayer dollars and meetings with those of CVSA?

Answer. The Federal Motor Carrier Safety Administration (FMCSA) and the Commercial Vehicle Safety Alliance (CVSA) have always worked closely and cooperatively to advance motor carrier safety on the Nation's highways. Through its Annual Spring Conference and the Fall Workshop, CVSA has provided a regular forum for State and Federal enforcement personnel and industry representatives to address critical issues confronting motor carrier safety. FMCSA values this relationship and will continue to participate in these forums. FMCSA leadership and staff will continue to work with State and industry members on CVSA's committees and will continue to participate on CVSA's Executive Committee at the Associate Administrator level. FMCSA is also meeting with CVSA's executive staff monthly to address immediate safety concerns and define issues for scheduled CVSA membership meetings.

Over the past few years, DOT has focused increasingly on being an effective steward Federal grant funds. As a result, FMCSA has taken a more direct leadership role with its State partners to ensure grant funds are being applied with the highest safety benefit. On February 1, 2006, FMCSA sent a letter to each State outlining the use of Motor Carrier Safety Assistance Program (MCSAP) funds for CVSA meetings. The letter stated fiscal responsibility dictates that grant funds could be used for two national meetings with our State partners each year—a CVSA conference and an FMCSA Annual MCSAP Conference. The effective date of the new policy was delayed until fiscal year 2007 to provide CVSA with an adequate planning period. In May 2006, FMCSA conducted its MCSAP Conference. Invitations were issued to the director of each State's lead agency in order to build a more effective working relationship with policy-level decision-makers. During the 2-day meeting, presentations focused on SAFETEA–LU provisions and guidance to the States on implementation of the new congressional requirements. The feedback received from that meeting indicates an overwhelmingly favorable response for continuance which FMCSA intends to do annually.

Nearly half of FMCSA's budget is dedicated to grant programs to fund vital State enforcement and educational efforts. For that reason, FMCSA also works with other critical groups such as the American Association of Motor Vehicle Administrators (AAMVA), the International Association of Chiefs of Police (IACP), and the American Association of State Highway and Transportation Officials (AASHTO) to advance commercial motor vehicle safety.

OPEN ROADS FINANCING PILOT PROGRAM

Question. I am glad to see the administration's fiscal year 2007 budget adheres to the guaranteed highway funding levels called for in SAFETEA–LU. I feel strongly that we need to adhere to the commitments made to our States in that bill.

Along those lines, I am intrigued by your proposed Open Roads Financing Pilot Program. First of all, I am wondering why the administration did not suggest this concept while we were in negotiations on last year's highway bill. More fundamentally, I am concerned that you are in effect proposing to divert $100 million that has been dedicated to surface transportation improvements to fund a series of initiatives that will not focus on infrastructure. I fully agree that we must begin to prepare for the transportation financing challenges of the future, and I look forward to seeing what the administration proposes in the way of revenue proposals for the aviation trust fund sometime this year.

If the Open Roads Financing Pilot Program is such a priority for the administration, then why aren't you proposing an additional $100 million for this initiative rather than suggesting cuts elsewhere?

Answer. During the preparation of the fiscal year 2007 budget, the concept of the Open Roads Financing Pilot Program was developed to allow States to better leverage the resources provided in SAFETEA–LU and to inform the next reauthorization debate. The $100 million in funding proposed for the program will assist up to five States in evaluating innovative ways and to demonstrate the benefits of more efficient methods of charging for the use of major portions of their highway systems. Successful alternatives will include innovative mechanisms that can augment existing sources of State (not Federal) highway funding, enhance highway performance, and reduce congestion. The administration believes the activities for this program should be funded within the guaranteed levels enacted in SAFETEA–LU.

AIRPORT IMPROVEMENT PROGRAM

Question. The administration's budget proposes a $765 million reduction in funding for the Airport Improvement Program. I recall that you requested a $500 million AIP cut in last year's budget, which this subcommittee rejected. While I am concerned that we are going down this road again, I have a more substantive question about this proposal.

You have previously stated that your $2.75 billion AIP recommendation would be sufficient to fund all currently planned airport construction projects. At the same time, your agency is forecasting passenger air travel will increase 45 percent from 738.6 million enplanements in 2005 to almost 1.1 billion in 2017. Given this dramatic growth in estimated travel, doesn't it make sense to begin expanding aviation infrastructure capacity right now to prepare for the future, rather than simply attempting to cover the minimum amount of investment needed today?

Answer. The decision to request an Airport Improvement Program (AIP) funding level of $2.75 billion reflects the tough realities of the present budgetary climate. We took a hard look at the level of AIP funding that would be needed to meet our highest priorities and to keep the national airport system safe, secure and efficient.

At the proposed $2.75 billion funding level, the Federal Aviation Administration (FAA) will be able to fund all high priority safety, capacity, and security projects. The FAA will be able to: fund all of its current and anticipated letter of intent commitments; improve runway safety areas; help airports meet their Part 1542 security requirements; and, continue work on phased projects.

For the longer term, the FAA is reviewing the current and future structure and level of AIP in the context of reauthorization. AIP provides 20–25 percent of airport capital funding needs nationally. Therefore, the FAA is working to develop an AIP funding proposal that assures sufficient Federal funds to meet high priority airport capital funding needs that cannot be met through other sources.

RULEMAKING ON SINGLE OCCUPANCY HYBRID ELECTRIC VEHICLE ACCESS TO HOV FACILITIES

Question. What is the status of DOT's rulemaking on single occupancy hybrid electric vehicle access to HOV facilities? Has DOT consulted with EPA to determine vehicle criteria and requirements for single occupancy hybrid electric vehicle access on High Occupancy Vehicle lanes? Has EPA provided DOT vehicle certification, and guidelines and procedures for vehicle comparison and performance calculations, as required by the law? How is DOT enforcing State compliance with the HOV facility provisions in the new Federal highway law? What is DOT advising States like California and New York that have established HOV lane single occupancy vehicle exemptions in violation with Federal law?

Answer. Section 1121 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU) adds section 166 to title 23 of the United States Code. Section 166(e) requires the Environmental Protection Agency (EPA) to issue regulations concerning the certification and labeling requirements for low emission and energy-efficient vehicles and to establish guidelines and procedures for making the fuel efficiency comparisons and performance calculations described in new section 166(f). Section 166(f) establishes the minimum percentage gains in fuel efficiency that vehicles must achieve in order for States to be able to allow them to use an HOV facility. EPA certifies the percentage gain in fuel economy that qualifies vehicles under this subsection. A State may require a higher percentage gain in fuel economy than the Federal minimum. The Federal Highway Administration (FHWA) is working with EPA on this rulemaking.

The statute is effective immediately, but the EPA rulemaking is not expected to be completed until the end of 2006. Thus, FHWA has granted conditional approval to States that demonstrate reasonable compliance with the SAFETEA–LU requirements. To date, conditional approvals have been provided to New York and California. FHWA recently clarified that both California and New York must ensure that more stringent fuel economy standards are based on a percentage gain in fuel efficiency and that these States must work toward correcting any inconsistencies with this requirement. Other States that wish to allow low emission and energy-efficient vehicles to use HOV facilities now may request a conditional approval on a similar basis. The programs that are conditionally approved may have to be changed to comply with the EPA final rule when that rule is issued.

NPRM AND OPEN SKIES

Question. Secretary Mineta, one contentious issue that has emerged in a number of areas of late is the question of ownership and foreign control. Can you please explain for me the relationship between the notice of proposed rulemaking (NPRM) on "actual control" and the status of the Open Skies agreement between the United States and the EU?

Answer. The goal of the NPRM proceeding is to realize the commercial and public benefits obtained by providing the airline industry with greater access to global capital markets, while ensuring that U.S. citizens remain in actual control of U.S. airlines. We are proposing to modify our interpretation of "actual control" because a change in the historic interpretation appears to be long overdue and in the best interests of the U.S. airline industry and the American public. The European Union has made it clear that it will not move forward on the agreement until it has the opportunity to assess the final outcome in DOT's "actual control" proceeding. However, this rulemaking was initiated, and is being pursued, based on its own merit.

AMTRAK

Question. Why does Amtrak not have a detailed multi-year financial plan? Wouldn't this planning document, similar to a TIP, or transportation improvement plan, help Amtrak identify year-to-year, what priorities for improvements are necessary to be made and help in the budget process?

Answer. Amtrak has regularly developed multi-year investment plans in the past. The problem is that these plans have been developed in isolation, without involvement from the States, who are key drivers in planning for other modes of transportation. In addition, these plans have been built on unrealistic assumptions, not the least of which is that the Federal Government would fund whatever Amtrak asked for regardless of efficiency and/or effectiveness of Amtrak's proposed investments. In recognition of the need for meaningful plans, the Federal Railroad Administration (FRA) has made as a condition of its grant agreement with Amtrak the development of an infrastructure investment plan with substantial involvement of the States and other users of the infrastructure. FRA has also directed Amtrak to develop plans for improving the financial performance of long-distance trains and for identifying its equipment needs. If these requirements are satisfied, they can become a major part of the foundation for the detailed multi-year financial plan that is needed.

Question. Realizing that Amtrak needs approximately $295 million to address its mandatory debt service, and zero is provided in this year's budget proposal, how would you propose to address the debt?

Answer. The Federal Government does not guarantee the repayment of any of Amtrak's current debt. In this, Amtrak is the same as any other private company. Amtrak needs to look to its own resources, including the repayment of mandatory debt service.

Questions Submitted by Senator Mike DeWine

AIR TRAFFIC CONTROLLERS

Question. In 1999, the FAA cut the number of Air Traffic Control Supervisors by 700 positions. Since this reduction in supervisor staffing, the number of operational errors and runway incursions has increased, prompting safety concerns documented by the Department of Transportation (DOT) Inspector General in reports in 2000 and in 2003.

Reports accompanying the fiscal year 2004 and fiscal year 2005 transportation appropriations measures directed the FAA to increase supervisory staffing levels by 120 positions per year to a floor of 1,846 on September 30, 2005. Unfortunately, recent reports indicate that the FAA has not hired enough permanent supervisors to meet this floor. Finally, and most importantly, there appears to be a strong correlation between the number of supervisors and operational errors. The FAA's own fact book shows that as the FAA began to hire more supervisors in fiscal year 2004 and fiscal year 2005 in response to the committee's directions, the increase in the number of errors dropped significantly. The FAA Fact Book shows there were only 1,710 supervisors on April 1, 2005. Moreover, it is my understanding that when the FAA made efforts to reach the 1,846 floor by the end of the fiscal year 2005, it did so with temporary promotions of controllers into supervisory ranks rather than permanent hires.

Secretary Mineta, I have long been concerned about adequate supervisory staff for our air traffic control system, and the impact a lack of full-time supervisors has had on the safety of the flying public. In the past, this subcommittee has noted that as numbers of supervisors decreased serious operational errors and runway incursions have increased. We addressed this issue via committee reports in fiscal years 2002, 2003, 2004 and 2005. To fix the problem, Congress has mandated that the FAA have at least 1,846 supervisors on hand by September 30, 2005. What was the exact number of air traffic control supervisors on that date? Of this number how many were air traffic controllers temporarily appointed to supervisory positions? How many supervisors were in place on March 1, 2006? Were any of these supervisors temporary appointments? If so, how many?

Answer. The FAA believes the need to hire supervisors should be based on organizational requirements tied to the operation. FAA is facing several years of anticipated controller retirements and its source of hires for supervisors comes from existing controller ranks. FAA calculates the number of controllers it needs based on traffic volumes and other criteria. The number of supervisors is tied to the number of controllers, and traffic volumes, which have been down for the past few years. FAA's Controller to Supervisory Ratio on September 30, 2005 was 8.07:1 and is consistent with industry best practices.

On September 30, 2005, the FAA had 1,801 Operations Supervisors on board. Of this total, 72 air traffic controllers were temporarily appointed to supervisory positions during that month. On March 1, 2006, there were 1,749 Operations Supervisors on board. There were 9 temporary appointments to supervisor position in February 2006. On April 25, 2006 the FAA had 1,794 Operations Supervisors, an increase of 45 over the March 1st total. The controller-to-supervisor ratio on April 25th was 8.1:1.

Question. Secretary Mineta, the Department of Transportation's Inspector General Mead has repeatedly said that lack of adequate numbers of air traffic control supervisors has resulted in a dangerous rate of increase in controller operational errors and runway incursions. What is the FAA doing to fix this problem? Has the Department instituted a freeze on hiring/promoting new air traffic control supervisors, and if so, what has prompted this decision?

Answer. There has not been any decision to freeze hiring or promoting of new air traffic control supervisors. The FAA is continuing to monitor all causal effects of operational errors and runway incursions in its facilities.

Questions Submitted by Senator Richard J. Durbin

FAA'S TELECOMMUNICATIONS INFRASTRUCTURE

Question. I understand that the FAA's Telecommunications Infrastructure (FTI) management of the Air Traffic Controller communications system has been plagued with significant problems. For example, there have been three outages at O'Hare on 11 telecommunications lines between O'Hare and Elgin, two of which occurred in March of 2006.

The DOT Inspector General will soon release a report on the FAA's management of the FTI contract. To help put the findings and recommendations of that report in the proper context, please answer the following questions regarding the Air Traffic Control elements of that contract.

The current "Leased Interfacility NAS Communication System" (LINCS) uses TDM technology. Will FTI create a new network for Air Traffic Control to replace LINCS using modern packet-based technology? Will the Air Traffic Control part of the FTI system be more reliable than the existing LINCS system? If not, why spend more than $300 million on a new system?

Answer. FTI implements a multi-services platform that provides a wide range of service offerings and enables the FAA to meet a range of challenges. FTI uses Time-Division Multiplexing (TDM) technology for services supporting critical Air Traffic Control operations. FTI uses packet-based technologies for non-critical Air Traffic Management applications to support the broad distribution of data required by those applications. Packet-based technologies provide a highly cost-effective means for enterprise-wide distribution of data because they are based on "postalized" pricing that is not distance sensitive. This type of capability is not available through the LINCS network.

FAA requirements for the FTI network call for six levels of service availability in contrast to the two levels of service availability provided by LINCS. The highest service availability level provided by the FTI network exceeds the highest specified availability level for the LINCS network.

Finally, it should be noted that the basis for the $300 million capital investment is not solely to improve service availability, rather, it is to replace services provided by: (1) leased service contracts (e.g., LINCS) that are expiring; and (2) FAA-owned networks that are reaching the end of their economic lifetimes.

Question. Does the FTI contractor get paid when it installs FTI system elements, or when those elements have been tested and actually go into service?

Answer. The FTI contractor can bill for network infrastructure once it has been successfully tested and demonstrated its readiness to support the implementation of telecommunications services. There is a separate billing for individual services that takes place after they have been successfully tested and demonstrated as ready for FAA use. It is an FAA responsibility to cutover the service to actual use.

Question. Are the Department of Defense and Department of Homeland Security satisfied that the FTI currently meets the security and reliability standards for the DOD and DHS portions of the ATC communications network?

Answer. Yes. The FTI network complies with all current certification standards to include the latest versions of Federal Information Processing Standards (FIPS) 199 standards and National Institute of Standards and Technology (NIST) guidelines. When the FAA establishes a memorandum of understanding with other government agencies to provide telecommunications services, the specific guidelines and standards are identified by name to ensure a common security posture on the interfaces with those agencies. The FAA is already providing FTI services to DOD facilities and there have not been any issues with information security.

Question. An effective way to measure progress under the contract is by the number of LINCS switches and circuits which have been disconnected. From the beginning of the contract through February, 2006, what is the average number of disconnects per month? What is the highest number of disconnects in a given month? The FAA is still saying that the FTI transition will be completed by December 2007. From March, 2006 forward, how many disconnects per month need to occur in the LINCS system to finish the contract before the FAA's stated completion date?

Answer. The transition of services did not begin immediately upon contract award; rather, it began after the FAA achieved the In-Service Decision (ISD) milestone for the program in December 2003. In addition, it should be noted that the FAA's transition approach called for the program to trial run its procedures at two pathfinder sites. As a result, transition activities did not begin in earnest until the first quarter of fiscal year 2005. From that point to February 2006, there were an average of 78 disconnect orders issued per month. The highest number of disconnects in a given month occurred in the most recently completed month (March 2006) when 255 disconnect orders were issued. The number of disconnect orders per month has increased by more than 60 per month over the past 3 months. As of the end of March 2006, there were a total of approximately 1,550 legacy service disconnect orders issued since the FTI transition began.

While the number of legacy service disconnects is one measure of progress, it does not capture the full scope of the work effort. For example, while the transition of legacy services has proceeded, the FAA has also implemented over 800 new services directly onto the FTI network thereby avoiding additional investments in the legacy network infrastructure.

Finally, it should be noted that service disconnects are rate-limited by the number of legacy services transitioned to the FTI network and the number of service cutovers completed by the FAA. In recent months, the FTI contractor (Harris) has increased monthly service implementation rates by nearly 250 percent since the start of fiscal year 2006. In addition, the FAA has implemented a number of process improvements that resulted in an increase of 100 more service cutovers for each of the past 3 months.

As of the beginning of March 2006, there were approximately 13,000 LINCS circuits remaining in operation. Based on this quantity, an average of approximately 590 services would have to be disconnected per month over the remaining 22-month period to achieve the planned completion of December 2007.

Question. When will the expected savings from the FTI contract recoup all the transition costs and first show net savings? Is that date before or after the end of the original 10-year contract in 2012? What will be the total net savings, after factoring in all the transition costs, over the first 10 years of the FTI contract, through mid-2012?

Answer. To clarify, there has been no change to the duration of the FTI contract. When the FAA first released the Screening Information Request to initiate the FTI procurement, the contract duration was set at 15 years. It has not been changed. With respect to the expected savings, the FAA projects that it will recoup all of the transition costs and reach the breakeven point by 2012. However, by as early as fiscal year 2008, it is projected that the FAA's total telecommunications service costs will be less than they would have been if the FAA had not implemented the FTI network.

Because the breakeven point occurs roughly in mid-2012, the total net cost savings will essentially be zero at that point. However, it should be noted that the FTI business case projects that FAA operating costs for telecommunications services will be $129 million less in fiscal year 2012 than they would have been if the FAA had not implemented the FTI network.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

AMTRAK

Question. The most recent grant request from Amtrak indicates that the struggling railroad needs $1.5 billion next year for capital and operational expenses. The President's budget request, though, only seeks $900 million in total funding. Since we have heard the administration proclaim that it is dedicated to passenger rail nationwide, how does this budget request add up to that commitment?

Answer. It is important to separate the form of transportation—intercity passenger rail—from the provider of that service. The administration supports intercity passenger rail service as a component of this Nation's transportation system where it has the potential to enhance the mobility of our citizens. Unfortunately, the business model we use today to provide that service—Amtrak—is so flawed that that potential has not been realized. The administration is willing to invest in passenger rail service but not in an unreformed Amtrak. The $900 million request reflects the administration's view that there has been progress in reforming intercity passenger rail service but much more progress is needed.

Question. My small State of Vermont has two State-sponsored trains—the Vermonter and the Ethan Allen Express. The State of Vermont paid $2.65 million to cover the operating losses this year and is slated to pay $4 million next year as Amtrak ramps up the share paid by the States. The Department of Transportation and Amtrak have said that they intend to develop public-private partnerships for the corridor service. How closely are you working with the individual States to improve equipment and service on these trains?

Answer. As part of this year's grant agreement, Amtrak was required to initiate a pilot through which a State, or States, could assume the responsibility for parts of the service they deem important to help assure that such service was provided with the highest quality and in the most cost-effective manner as possible. The Federal Railroad Administration (FRA) has been in contact with Vermont as it developed its response to this request for proposals which will result in improved service over the route of the Vermonter. Specifically, FRA anticipates that Vermont will soon apply for a loan under the Railroad Rehabilitation and Improvement Financing program to acquire new equipment that will provide more cost effective and frequent service. But this is just a pilot. For the long-term, the U.S. Department of Transportation (DOT) believes that a reformed system of intercity passenger rail service would work best if it is modeled after the successful partnerships between the USDOT and the State DOTs that implement the highway and transit programs. In these programs, the States assume the lead for the planning and implementation of transportation projects they believe are most important. USDOT is a partner in these efforts, providing support for capital investments.

Question. I am also concerned about the lack of presidential nominations to the Amtrak Board of Directors. With three open seats on the seven-member Board and with the current Board members all holding the same party affiliation, what is the status of the President's process in filling the empty slots? I do not think any of us want to see a repeat of the secretive action that the partisan Board took last September to authorize splitting off the Northeast Corridor from the rest of Amtrak's operations.

Answer. The President has attempted to fill the vacant seats on the Amtrak Board. However, the Senate has not chosen to act on his nominations. In 2004, the President nominated four highly qualified persons to the Board including two who do not share his political affiliation, yet the Senate chose not to vote on the confirmation of any of these four. Currently, the President has nominated four highly qualified persons for the five existing vacancies on the Amtrak Board. Of these one does not share the President's political affiliation. I hope that the Senate will act timely on these nominations.

Also, to clarify, the Amtrak Board's vote last September did not authorize splitting off of the Northeast Corridor (NEC) from the rest of Amtrak's operations. Rather, the Board authorized an evaluation of structural options to segment the finances of the NEC so that Amtrak could better understand the revenues and expenses associated with those operations, which are significantly different than the rest of Amtrak's operations.

ESSENTIAL AIR SERVICE

Question. The President's budget requests only $50 million for the Essential Air Service program—less than half of the $110 million that was appropriated to the program by Congress last year. Since over 60 of the communities currently receiving EAS funding would be dropped from the program under the administration's proposal, the $50 million funding level is clearly insufficient to meet EAS communities' needs. How do you believe that the Essential Air Service program can survive with only $50 million in direct funding? How do you expect small communities around the country, like Rutland, Vermont, to be able to meet the 10–15 percent match you envision?

Answer. We are proposing a fundamental change in the way the government supports transportation services to rural America. The EAS program subsidizes scheduled air service to communities that received scheduled service at the time of deregulation in 1978. There have been tremendous changes in the industry since then, but the program has remained static. Many communities benefiting from this program have done little to help make the service successful. Requiring a modest contribution from these communities may energize civic officials and business leaders at the local and State levels to encourage use of the service.

For the most isolated communities, those more than 210 driving miles from the nearest large or medium hub airport, we propose to continue to subsidize air service to the extent of 90 percent of the total subsidy required. The least isolated communities, quantified as those that are within: (a) 100 driving miles of a large or medium hub airport; (b) 75 miles of a small hub; or (c) 50 miles of a non-hub with jet service would not qualify for subsidy for air service; however, they would qualify for a Federal subsidy of 50 percent of the total cost for surface transportation. At all other subsidized EAS communities, we would offer an array of options, including paying for 75 percent of the cost of the traditional EAS-type scheduled service.

In addition, we would work with the communities and State transportation departments to procure charter service, single-engine, single-pilot service, regionalized service, or ground transportation in cases where those options seem to be more responsive to communities' needs. Finally, our experience with the Small Community Air Service Development Program has been that small communities have been able to raise matching funds. In that regard, we note that the funds do not have to come from the city budget. Rather, the funds can come from the chamber of commerce, individual businesses, or even from the State. With these reforms, the Department's $50 million budget request would keep the most isolated communities connected to the national air transportation system.

QUESTIONS SUBMITTED TO THE OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Question. Why does Amtrak not have a detailed multi-year financial plan now? Wouldn't this planning document, similar to a TIP, or transportation improvement plan, help Amtrak identify year-to-year, what priorities for improvement are necessary to be made and help in the budget process?

Answer. We have previously indicated that Amtrak needs to do a better job setting priorities for its capital dollars. For example, in our Assessment of Amtrak's 2003 and 2004 Financial Performance and Requirements, issued November 18, 2004, we made this point and stated further, "For instance, programming millions of scarce capital dollars for fixing long-distance sleeper cars when bridges that Amtrak owns are beyond their functional and economic lives and must be refurbished or replaced is unacceptable."

Amtrak does produce lists of planned capital projects both for the upcoming year and for a 5-year period. The relative priorities among the projects on the lists are not clearly and explicitly stated. We believe it would be beneficial for Amtrak to publicly release a prioritized list of its capital projects, similar to a TIP, and, thereby, explicitly consider the tradeoffs among and competing demands for its limited capital resources.

Question. Realizing that Amtrak needs approximately $295 million to address its mandatory debt service, and zero is provided in this year's budget proposal, how do you propose to address the debt?

Answer. The Department of Transportation is best able to provide the rationale underlying its budget proposal.

Question. What are you doing in terms of renegotiating your debt service rates?

Answer. Amtrak is best able to describe its activities in this area.

Question. The Inspector General's Office within the Department of Transportation has indicated that Amtrak's operating subsidy baseline is $586 million. Amtrak's fiscal year 2006 operating appropriation is $490 million. What specific savings has Amtrak identified to live within this amount?

Answer. Our third quarterly assessment of Amtrak's savings from operational reforms, dated July 13, 2006, provides a detailed description of Amtrak's planned operational reforms, their progress to date in implementing those reforms, and their progress to date in closing the gap between Amtrak's operating subsidy baseline and its fiscal year 2006 appropriation. (A copy of that report is enclosed.)

Amtrak has identified 15 operational reforms aimed at reducing its long-term operating losses. Amtrak has begun to implement five of these 15 reforms in the areas of food and beverage service, train operations, corporate overhead, long-distance train service and Northeast Corridor operations. Amtrak has saved $46.3 million from these reforms through May 2006.

Amtrak has realized another $52.7 million in savings from revenue increases, lower labor costs and other expense reductions.

Question. What options, if any, are available for Amtrak to outsource its first class services? Under what scenario would Amtrak consider outsourcing its first class service on its long-distance routes?

Answer. In our July 2005 report, "Analysis of Cost Savings on Amtrak's Long-Distance Services", we identified the cost of providing food service as a major driver of Amtrak's losses on its long-distance service, including first class sleeper service. Under current law and its existing labor contracts, Amtrak can outsource food and beverage services. Employee protections written into law limit the practicality of outsourcing other services associated with long-distance trains. We would encourage Amtrak to evaluate and pursue options for outsourcing its food and beverage service as a possible means of reducing costs on long-distance trains. Outsourcing these services could reduce the cost of both coach and first class sleeper service on long-distance trains.

Question. Amtrak has indicated that it will update labor contracts to enhance customer service and provide greater efficiencies. I understand that currently, more than 80 percent of Amtrak's passenger revenues are consumed by labor and benefit costs alone. What are Amtrak's specific goals as it looks to update its labor contracts?

Answer. Amtrak is best able to describe its goals in its labor negotiations.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. The most recent grant request from Amtrak indicates that the struggling railroad needs $1.5 billion next year for capital and operating expenses. The President's budget request, though, only seeks $900 million in total funding. Since we have heard the administration proclaim that it is dedicated to passenger rail nationwide, how does this budget request add up to that commitment?

Answer. The Department of Transportation is best able to provide the rationale underlying its budget proposal.

Question. My small State of Vermont has two State-sponsored trains—the Vermonter and the Ethan Allen Express. The State of Vermont paid $2.65 million to cover the operating losses this year and is slated to pay $4 million next year as Amtrak ramps up the share paid by the States. The Department of Transportation and Amtrak have said that they intend to develop public-private partnerships for the corridor service. How close are you working with the individual States to improve equipment and service on these trains?

Answer. The Department of Transportation and Amtrak are best able to describe their activities in this area.

AMTRAK

Senator BOND. My apologies to the witnesses. I would ask that you all make your statements very briefly. We will accept the full statements for the record. Senator Murray and I will have a couple of questions before we have to race for a vote that should be starting now.

Mr. Laney, welcome.

STATEMENT OF DAVID M. LANEY, CHAIRMAN, AMTRAK BOARD OF DIRECTORS

Mr. LANEY. Thank you, Mr. Chairman and members of the subcommittee. I appreciate the opportunity to appear before you today to discuss Amtrak fiscal year 2007 funding needs and I will make it very brief.

First of all, before I summarize the 2007 request, I would ask that the grant and legislative request to Congress and the full statement be included in the record of this hearing.

Senator BOND. Without objection.

Mr. LANEY. Thank you. In short, I will make it very brief. Amtrak's Board and management are aggressively ushering in significant change at Amtrak. Every organization likes to consider itself an agent of change and progress, and I know you have heard it before from earlier incarnations of Amtrak, that there would be a new and improved railroad at hand. There have even been past projections or predictions of profitability.

What I want to outline today is a step in the direction of material, tangible progress at Amtrak, and I will be the first to say that the jury is still out, but I have very good and reliable reasons to be optimistic. The indications are very encouraging and early results are already reflected in our operating budget.

For Amtrak, change, as far as the Board is concerned, cannot come quickly enough. This year and next year are absolutely pivotal years for Amtrak in its implementation of strategic reform, but to continue and ultimately finish the job we started, we will need your continued support, especially in 2007.

The 2007 grant request is essentially a first installment on our promise to deliver on these goals. We have made progress in simplifying and reducing the cost of food and beverage service. We are pursuing efficiencies in our mechanical operations, as well as our stations and call center functions that could include the closing or consolidation of some facilities. We are reevaluating our fleet management practices. We are aggressively pursuing revenue growth through a top-to-bottom focus on improving customer service. We will look at ways to improve our service reliability where we can control the infrastructure and work with our railroad partners to the extent possible where we don't control it.

We have also begun a long overdue and comprehensive review of our long-distance trains that includes establishing a set of metrics to measure, rank, and improve performance. This year, we will also reevaluate our entire long-distance route network with an eye to possible restructuring and reconfiguration.

And ultimately, we have to reach agreement with our labor unions, some of which have been without new contracts for 6 years. The key to that success is changes in work rules, some of which date to the steam engine era.

As we said in our grant and legislative request, Amtrak has never in its history instituted so pervasive a reform effort so aggressively. The strategic reform initiatives are detailed in the legislative request and we will continue to update you on our progress, but let me make a couple of statements about the levels without going into detail as to capital, operating and debt service. To the extent you have questions, either I will answer them here or will be glad to respond to questions.

As a point of reference, our fiscal year 2006 appropriation is about $1.3 billion. Amtrak's fiscal year 2007 grant request is $1.598, or rounded to 6. This amount would fund basic capital, operating and debt service needs. Our 2007 request for operating support is essentially flat to the 2006 appropriation and over $40 million less than last year's request. Our 2007 capital request has increased, however, principally because of investments we consider essential to our strategic reform program, large and critical infrastructure projects, legal mandates, and compliance, a first installment, in effect, with ADA requirements.

We have also requested minimal working capital for critical liquidity needs throughout the year, and without these large capital projects, or strategic reform funding requests, or working capital requests, our fiscal year 2007 grant request would be essentially flat to our 2006 appropriation. And again, I won't go into detail with respect to the various elements.

What I would say, though, that what shapes the urgency and the direction of our reform efforts is our strategic plan, not the budget, not reports from the GAO or DOT or DOT IG, and I should say that I think for the first time since I have been on the Board, we have the most constructive, complementary partnership with the DOT, the FRA, and the DOT IG office that I think we have ever had.

But to concentrate our energy and resources on the reform efforts, adequate funding will be essential so that we are not fighting a rear guard action to fend off liquidity crises or even insolvency.

PREPARED STATEMENT

So in closing, let me just say that adequate funding for 2007 is critical in terms of our continuing to be effective at implementing our strategic reform initiatives, and I would add how important it is, and I think you have heard it from Secretary Mineta, how important it is for Congress to pass a reauthorization for Amtrak that contains a capital match program which will bring States to the table with financial support for passenger rail, and I am sure it will.

Thank you, Mr. Chairman.

Senator BOND. Thank you very much, Mr. Laney. We look forward to seeing your strategic plan.

[The statement follows:]

PREPARED STATEMENT OF DAVID M. LANEY

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today to discuss both the current and future state of Amtrak and our fiscal year 2007 funding needs.

While I will briefly summarize our fiscal year 2007 request in a few moments, I would ask that our Grant and Legislative Request to Congress be included in the record of this hearing.

In short, Amtrak's Board and management are aggressively ushering in change at Amtrak. Every organization, of course, likes to consider itself an agent of change and progress. I know you have even heard it before from earlier incarnations of Amtrak that a "new and improved" railroad would soon become more efficient, that service would improve, and that expenses would fall. Someone in the not too distant past, I believe, even predicted profitability. What I briefly want to outline for you today is a step in the direction of material, tangible progress at Amtrak. I'll be the first to tell you that the jury is out; and until the results are in I am not about to assume a successful outcome. But I am optimistic. The indications are very encouraging—early results are already reflected in our operating budget.

In its long history, the railroad industry has developed its own culture, uniquely resistant to change in many ways. As a result, changing settled practices is neither simple nor quick. But change has to come, and for Amtrak it cannot come quickly enough to satisfy our Board. You may recall in 2002 Amtrak survived its closest brush with insolvency. Since then the company has reorganized, begun to rebuild the plant and equipment and stabilized to a point where I believe we can now begin to address fundamental change aggressively in a number of areas. This year and next are truly pivotal years for Amtrak in its implementation of strategic reform.

The fiscal year 2007 Grant Request is essentially the first installment on our promise to deliver on these goals.

—We have made progress in simplifying and reducing the costs of the delivery of food and beverage service on our trains.
—We are now exploring outsourcing options and looking at the delivery of food and beverage from every angle.
—We are also pursuing efficiencies in our mechanical, stations and call center functions through a number of initiatives that could include the closing and consolidation of some facilities and outsourcing functions similar to what is being done in the industry.
—We have begun the reevaluation of our fleet management practices and fleet utilization efficiencies; I expect significant improvement in that area.
—We are aggressively pursuing ridership and revenue growth through a top-to-bottom focus on improving customer service.
—We will look at ways to improve our service reliability where we control the infrastructure, and work with our railroad partners where we don't.
—We have also begun a long overdue, comprehensive review of our long-distance trains, establishing a set of metrics by which we will measure, rank and improve performance, and a reevaluation of our entire long distance route network, with an eye to possible restructuring and reconfiguration.
—Finally, we hope to reach agreement with our labor unions, some of which have been without new contracts for almost 6 years. Key to the success of our labor negotiations must be changes to work rules, some of which date to the steam engine era.

Let me emphasize that our goal is to improve our customer service, to become more efficient at what we do, to reduce our unit operating costs while growing revenue, and to prepare ourselves for what we hope is a more competitive future environment for passenger rail.

The initiatives I have described are discussed in more detail in the Grant and Legislative Request. Through our regular reports to Congress, the Federal Railroad Administration, the Department of Transportation's Inspector General and the Government Accounting Office, we will continue to update you on the progress we are making on each of these initiatives. It is the Board's intention to help lead and guide management in this process and to make certain that we do not slacken the pace of reform.

One final comment, Mr. Chairman before I move to the grant request. Some of the challenges confronting Amtrak and passenger rail ultimately may be more in your court than ours. We are basically hemmed in on three sides: (1) I have mentioned labor—our current cost structure will impede the development of a competitive passenger rail industry and forestall any prospects for growth; (2) without a Federal capital matching grant program, States will remain very reluctant to invest in passenger rail—with such a program States will invest in passenger rail in areas where it is most needed; and finally, (3) capacity: outside the NEC we operate on the increasingly limited capacity of private freight lines—port and highway efficiency is dependent on adequate freight rail capacity; so is Amtrak.

Now, let me turn to our grant request. As a point of reference, our fiscal year 2006 appropriation is about $1.3 billion. Our fiscal year 2007 Grant Request for operating support is essentially flat to the fiscal year 2006 appropriation, and over $40 million less than last year's request. Our fiscal year 2007 capital request has increased, however, principally because of investments we consider essential to our strategic reform program, large and critical infrastructure projects, legal mandates, and compliance with Americans with Disabilities Act requirements. We have also requested minimal working capital support for critical liquidity needs throughout the year. Without such capital projects or working capital requirements, our fiscal year 2007 Grant Request would be essentially flat to our fiscal year 2006 appropriation.

This year, Amtrak's Grant Request is $1.598 billion. This amount would fund basic capital, operating, and debt service needs as well as minimal working capital. As I mentioned, also included in this amount are the capital investment funds needed to accelerate implementation of our reform initiatives.

In addition, the grant request includes a discussion on other investment options that would bring benefits well beyond Amtrak—options related to station accessibility issues mandated by the American's with Disabilities Act, network reliability improvements, the beginning of a modest Federal-State corridor development matching fund, and initial restructuring of Amtrak's debt. The inclusion of these items highlights the urgent need for Congress to complete work on an Amtrak reauthorization, which expired 3½ years ago.

CAPITAL PROGRAM

The fiscal year 2007 capital grant request of $730 million continues Amtrak's investment in rolling stock and infrastructure, along with high-return strategic business initiative investments. While this request represents an increase in funding from the current fiscal year 2006 level of $495 million, it includes investment in our reform initiatives—all with near-term payoffs in operating efficiency—as well as investment in long deferred and now critical infrastructure projects. For example, the fiscal year 2007 request includes, in addition to ongoing state-of-good-repair needs, funding for the replacement of the nearly 100-year-old Thames River Bridge lift span and the upgrade of traffic control and signal systems.

Infrastructure

Amtrak owns or maintains 730 route miles of passenger rail right of way nationwide, including 400 miles of high-speed main line between Boston and Washington. Critical areas that must continue to be addressed include:

—Wood ties on main tracks and through switches and interlockings are costly to maintain in a high-traffic environment and must be replaced with more durable concrete ties;

—The catenary system dating from the early part of the last century must be fully rehabilitated or replaced; and

—Major portions of the power supply systems are reaching the end of their useful lives and must be replaced to avoid outages and address increased power demand.

Rolling Stock

Amtrak's passenger fleet ranges in age from 5 to over 50 years old. Because of financial constraints in the late 1990's through 2002, investment in major overhaul work on much of Amtrak's 1,700 car passenger fleet was deferred. Predictably, the reliability of Amtrak services declined as en-route failures mounted due to deferred investment.

While much work has been done to improve fleet reliability, Amtrak's goal for fiscal year 2007 is to continue the major fleet overhauls that we initiated in 2003 to improve train comfort and reliability.

OPERATING BUDGET

Amtrak's request for operating support in fiscal year 2007 is $498 million, which represents less than one-fifth of our total operating budget. By achieving efficiencies and increasing revenues we have first contained, then reduced our operating loss. It is important to note that Amtrak's operating requests have decreased over the past 3 years from $768 million in fiscal year 2004, to $570 million in fiscal year 2005, to a projected $540 million in fiscal year 2006.

The fiscal year 2007 estimated operating budget will embody the first full year of benefits of revenue enhancement and cost reduction associated with a variety of the strategic initiatives. In total, these initiatives are expected to reduce total annual operating needs by over $40 million next year, and increasing amounts in subsequent years.

This request of $498 million is an aggressive goal for us, leaves little room for error and heightens the acute importance of our working capital request. However, we are mindful that one measure of success in our reform efforts is a continued reduction of the need for Federal operating support.

WORKING CAPITAL

Included in our grant request is $75 million for working capital, which amounts to about 2.5 percent of the company's annual operating budget. Seventy-five million dollars also represents about 7 days of cash requirements. No company the size or complexity of Amtrak would responsibly allow its cash balances to decline below that level without assured prospects of new funding. As I am sure you recognize, too little liquidity poses high-risks for all Amtrak stakeholders. Last year's operating problem with the Acela braking system, for instance, jeopardized the company's cash position, and we certainly know from that and other experiences that Amtrak should have at least a minimal level of working capital for unanticipated business risks. Amtrak's need for cash reserves is in part dictated by the fact that the company has no access to a working line of credit to cover unexpected short term costs.

DEBT SERVICE

The amount requested for debt service, $295 million, is needed for fiscal year 2007 debt service payments, including some contractually required lease buyouts. In addition, we have proposed an optional restructuring program for certain long-term equipment leases which, if you choose to fund it, would reduce future debt payments. While we carry a sizeable amount of debt, it is worth noting that we have reduced it by about $300 million during the last 3 years, and since 2002 there has been no new borrowing.

That, in summary, is our Grant and Legislative Request. In closing, let me say that all of us at Amtrak believe that the service we provide is increasingly valuable to the many regions and communities we serve. Our job is to continue to build Amtrak's credibility from your standpoint and Amtrak's attractiveness as a transportation option from our passengers' perspective. We will continue to press forward with our strategic initiatives, but we will absolutely need your continued support to finish the job.

Finally, I cannot emphasize enough how important it is for Congress to pass a reauthorization for Amtrak this year that contains a capital match program which brings States to the table with financial support for passenger rail.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF JOSEPH H. BOARDMAN, ADMINISTRATOR

Senator BOND. Now, Mr. Boardman, the FRA Administrator.

Mr. BOARDMAN. Mr. Chairman, Ranking Member Murray, Senator Bennett, I won't repeat the numbers that the Secretary put on the table, but the Department has been and continues to be consistent in believing that Amtrak's business model is flawed and must be reformed.

Amtrak does not yet have effective budget discipline. They are not subject to the rigors of the need to turn a profit and they do not prepare a public budget in the tradition of a city, a county, or even a transportation authority. By falling into a unique in-between category of existence, Amtrak has managed to avoid discipline that normally governs either public or private corporations.

While the present Board of Directors—and I like David—has made the first tentative steps in developing discipline, much more needs to be done. Improvements to date have only occurred because the demand for reform by this administration and support for that reform by this committee. We need to be steadfast in fiscal year 2007 and following years if a true change in the Amtrak culture is to be achieved. There have been too many false starts and empty promises. Amtrak must do better and we should be partners in making sure that they do.

This committee embraced the spirit of that reform last year with its provision that the Secretary shall determine and assess fees on commuter railroads operating in the Northeast Corridor. They would cover the capital and maintenance costs attributable to those same commuter railroads. This idea would promote fair and equitable access for all operators. The committee's leadership in reforming this aspect of a very complex Amtrak picture has been accepted and embraced by the administration as a significant opportunity to develop a key principle of the administration's approach to reforming intercity passenger rail service.

With the assessment of the commuter fees, the States should have a strong incentive to partner with the Federal Government in establishing both policy standards and service warrants, along with investment policies, that would maintain the infrastructure at a maintenance level that meets the needs of business travelers, commuters, tourists, and freight operators. This kind of policy-level attention will help to strengthen and extend the economic opportunities provided by the mobility and reliability of rail service in the Northeast Corridor and continue to enhance the region's globally competitive advantages in the financial, insurance, and real estate industry.

By combining those levies with the Department's proposed $500 million capital budget for Amtrak and including State and Federal policy and planning goals for infrastructure investment in the Northeast Corridor, this new partnership will benefit intercity passenger rail for all interested stakeholders. This then opens up opportunities, as have been expressed by Secretary Mineta, that with the right Amtrak reforms, this administration will not only support infrastructure improvements in the Northeast Corridor, but could assist State partners that are ready to improve intercity passenger rail services in other areas.

We are at a point in this administration, together with Congress, that we can demonstrate both a significant progress in reforming Amtrak and a major progress in advancing goals for improved intercity passenger rail, even in Utah.

Amtrak must find new ways to operate competitively. Even from the earliest times of discussion and debate over several administrations and several congressional periods, there have been both general and specific suggestions made to improve Amtrak's operational performance. Amtrak's core business is to provide a safe, clean, efficient transportation service that is on time and placed in the appropriate market at the right time to provide a connected and reliable service to fair-paying customers.

With that clear focus, Amtrak can be successful and competitive. Amtrak's internal reform must progress quickly to allow a clear operating focus with effective financial discipline. The Department and the States must progress quickly to find success in forming a partnership in the Northeast Corridor infrastructure and operation and this committee has opened that opportunity for us to do that.

PREPARED STATEMENT

The public demands real accomplishment in this partnership, not only in the Northeast, but in the South, Midwest, and far West. Intercity passenger rail, when delivered in partnership and focused on being effective and seamless, has the potential to improve our environment and strengthen our economy. As Federal Railroad Administrator, I will work with this committee, other committees, Amtrak, the States, and stakeholders to make that happen. Thank you very much.

Senator BOND. Thank you very much, Mr. Boardman.

[The statement follows:]

PREPARED STATEMENT OF JOSEPH H. BOARDMAN

Chairman Bond, Ranking Member Murray and other members of the subcommittee, it is my pleasure today to represent Secretary of Transportation Norman Y. Mineta to discuss the Bush Administration's budget request for fiscal year 2007 as it relates to subsidies for the National Railroad Passenger Corporation, better known as Amtrak.

As Secretary Mineta has already stated, the budget promotes continued transformation of intercity passenger rail. The President requests $900 million to help Amtrak make the transition to a new and better model of intercity passenger rail. Five hundred million dollars of that request is for capital needs and maintenance. The remaining $400 million would be available as Efficiency Incentives tied directly to continued reform.

The Department has been and continues to be consistent in believing that Amtrak's business model is flawed and must be reformed. Amtrak does not yet have effective budget discipline. They are not subject to the rigors of the need to turn a profit, and they do not prepare a public budget in the tradition of a city or a county, or even a transportation authority. By falling into a unique in-between category of existence, Amtrak has managed to avoid the discipline that normally governs either private or public corporations. While the present Board of Directors has made the first tentative steps in developing discipline, much more must be done. Improvements to date have only occurred because of the demand for reform by this administration and support for that reform by this committee. We need to be steadfast in fiscal year 2007 and following years if a true change in the Amtrak culture is to be achieved. There have been too many false starts and empty promises. Amtrak must do better, and we should be partners in making sure that they do.

This committee embraced the spirit of that reform last year, with its provision that the Secretary shall determine and assess fees on commuter railroads operating on the Northeast Corridor (NEC) that would cover the capital and maintenance costs attributable to those same commuter railroads. This idea would promote fair and equitable access for all operators. The committee's leadership in reforming this aspect of the very complex Amtrak picture has been accepted and embraced by the administration as a significant opportunity to develop a key principle of the administration's proposed approach to reform of intercity passenger rail service.

With the assessment of the commuter fees, the States should have a strong incentive to partner with the Federal Government in establishing both policy standards and service warrants, along with investment policies that would maintain the infrastructure at a maintenance level that meets the needs of business travelers; commuters; tourists; and freight operators. This kind of policy level attention will help to strengthen and extend the economic opportunities provided by the mobility and reliability of rail service on the NEC, and continue to enhance the region's globally competitive advantages in the financial, insurance and real estate industry. By combining those levies with the Department's proposed $500 million capital budget for Amtrak, and including State and Federal policy and planning goals for infrastructure investment on the NEC this new partnership will benefit intercity passenger rail for all interested stakeholders. This then opens up opportunities as have been expressed by Secretary Mineta that with the right Amtrak reforms, this administration will not only support infrastructure improvement on the NEC, but could assist State partners that are ready to improve intercity passenger rail services.

We are at a point where this administration, together with Congress can demonstrate both significant progress in reforming Amtrak, and major progress in advancing goals for improved intercity passenger rail. Amtrak must find new ways to operate competitively. Even from the earliest times of discussion and debate over several administrations, and several Congressional periods, there have been both general and specific suggestions made to improve upon Amtrak's operational performance. Amtrak's core business is to provide a safe, clean, efficient transportation service that is on-time and placed in the appropriate market at the right time to provide a connected and reliable service to fare paying customers. With that clear focus Amtrak can be successful and competitive.

Amtrak's internal reform must progress quickly to allow a clear operating focus with effective financial discipline. The Department and the States must progress quickly to find success in forming a partnership on the NEC infrastructure and operation this committee has opened an opportunity for us to do that. The public demands real accomplishment in this partnership, not only in the Northeast, but in the South, and Midwest and far West. Intercity passenger rail—when delivered in partnership and focused on being effective and seamless—has the potential to improve our environment and strengthen our economy. As Federal Railroad Administrator I will work with this committee; other committees; Amtrak; States; and Stakeholders to make that happen.

Mr. Chairman, thank you for this opportunity. I would be happy to answer any questions at this time.

Office of Inspector General

STATEMENT OF MARK R. DAYTON, SENIOR ECONOMIST

Senator BOND. Mr. Dayton, we are going to call on you for the rest of the story and then we will have opportunities for one question each. I turn to my colleague, Senator Murray, for the first one after Mr. Dayton.

Mr. DAYTON. Thank you, Mr. Chairman and members of the subcommittee.

Senator MURRAY. They have called, so we are in a very short time frame here.

Mr. DAYTON. Once again, as with last year, the work of this subcommittee and your colleagues in the House will be the key to maintaining fiscal discipline at Amtrak. In fact, the provisions established by this committee this year are having an impact. Amtrak's Board and management seem committed to reform and Amtrak is beginning to realize some reductions in the need for operating subsidies.

But the heavy lifting has just begun. Commitment to these reforms will need to be sustained for many years. Indeed, it will be several years before we see most of the financial benefits from current initiatives.

Without a fundamental restructuring of the company through reauthorization, the Appropriations Committees will need to continue to pressure Amtrak for reform, specifically by limiting the funds made available to subsidize its operating losses, and by making Federal support contingent upon further restructuring.

The bottom line is this. Just to maintain the system as it is currently configured, in a steady state of repair, and assuming that current reform efforts will begin to pay off, Amtrak would need an appropriation in fiscal year 2007 of about $1.4 billion. This would include $485 million for operating losses, $600 million for capital spending, and $295 million for debt service. These amounts would continue the pressure for reform but would not yield any significant improvement in the overall state of good repair.

This 2007 appropriation would be nearly 7 percent over what was enacted last year, but would be a very tight budget that leaves little or no margin for error in either operations or investment. If an operating problem were to arise that affected revenue or expenses—like the Acela brake problem; or an unexpected capital expense—like a bridge failure on the Northeast Corridor, Amtrak could face insolvency.

Private companies of Amtrak's size generally have access to lines of credit or maintain sufficient cash reserves to reduce the risk associated with such events. Amtrak has no such safety net.

A separate working capital appropriation of $125 million would help address these risks, but if Congress were to provide such support, the funds should be subject to controls that prevent Amtrak from using them for ordinary business activities. One approach would be to use a constraint similar to that in this year's Efficiency Incentive Grants that would require approval by the Secretary before the year-end level of working capital could fall below $125 million.

This 2007 funding picture depicts the fundamental dysfunction we face with Amtrak: just to maintain the current state of repair, without addressing the backlog of infrastructure needs, without investing in short-distance corridors that have been discussed today, and without recapitalizing the equipment fleet, would require nearly a $100 million increase in Amtrak funding in fiscal year 2007. And to avoid an increased risk of insolvency would require more than a $200 million increase in that funding.

So what are the solutions? As we have testified before, the current system needs to be fundamentally restructured. This will require new authorizing language for Amtrak programs. We see three key goals for successful reform of intercity passenger rail. First, continuous improvements in the cost effectiveness of services provided. Second, devolution of the power to determine those services to the States. And third, adequate and stable sources of Federal and State funding.

Absent reauthorization, the appropriations process can provide necessary fiscal discipline over Amtrak's operating losses. In 2006, the Appropriations Committee established a process to achieve operational reforms. We believe this process is of considerable value and strongly encourage you to continue it in 2007.

Specifically, the 2006 bill directed Amtrak to achieve savings through operating efficiencies, including changes to its food and beverage service. The bill also reduced Amtrak's operating subsidy, applying further pressure to cut its costs. The committee also required our office to report quarterly on Amtrak's progress to this end.

As part of our oversight effort, we have seen that Amtrak is beginning to show improvement. For example, the company has made strides in reforming its food and beverage service, which could become a break-even or even marginally profitable in the next 5 to 6 years.

Much work remains, however, to eliminate the losses on first class sleeper service. I would emphasize, we continue to find any Federal subsidy for first class passengers unacceptable and have yet to see plans for even pilot programs aimed at restructuring these services. Outsourcing of reservation and maintenance services has become widespread in the transportation sector and Amtrak has only begun to scratch the surface on assessing their potential.

PREPARED STATEMENT

Congress should mandate accelerated efforts in these areas as a condition to taxpayer support in any fiscal year 2007 appropriation, particularly if the funding approaches this $1.5 billion level. Such a requirement——

Senator BOND. Thank you, Mr. Dayton.

Mr. DAYTON. Okay.

Senator BOND. Your statements will be included in full in the record.

[The statement follows:]

PREPARED STATEMENT OF MARK R. DAYTON

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to present the views of the Office of Inspector General on Federal funding for Amtrak in fiscal year 2007.

Once again, as with last year, the key to maintaining fiscal discipline at Amtrak will be the work of this subcommittee and your colleagues in the House. We can report today that the provisions the committee put in place for this fiscal year are having an impact: the Amtrak Board of Directors and current management seem committed to reform, efficiency improvements are beginning to be implemented, and some reductions in required operating subsidies are being realized. But the heavy lifting has just begun and current reform efforts will require many years of sustained commitment. Indeed, much of the financial benefits in the form of significant operating loss savings will not occur for several years.

Absent a fundamental restructuring of the company through reauthorization, it will fall to the Appropriations Committees to continue the pressure for reform, specifically by limiting the funds made available to subsidize operating losses and by making Federal support conditional upon further operational restructuring.

The Bottom Line.—To maintain the currently configured system in a steady state of repair and after accounting for the reform efforts already underway, the fiscal year 2007 appropriation for Amtrak would need to be about $1.4 billion. This includes $485 million for cash operating losses, $600 million for capital spending, and $295 million for debt service. The operating subsidy amount would continue the pressure on Amtrak for reform put in place by Congress last year, the capital amount would simply keep the system from falling into further disrepair, and the debt service amount is Amtrak's fixed costs for repayment of principal and interest.

Despite this being almost a 7 percent increase over the fiscal year 2006 enacted level, it is a tight budget that would leave little or no margin for error in neither operations nor investment. If an operating problem arose that affected revenue or expenses, such as the Acela brake problem, or if an unexpected capital expense arose, such as a bridge failure on the Northeast Corridor (NEC), Amtrak could face insolvency, particularly if the problem were to occur late in the fiscal year after the majority of funds had been spent or committed. Private companies of Amtrak's size often have access to lines of credit to reduce the risk associated with these unforeseeable events or maintain cash reserves in an order of magnitude larger than that typically held by Amtrak.

Working capital of $125 million would help address the risks Amtrak faces from these unforeseeable events. To ensure these funds are used to cover fluctuations in operations and not for ordinary course expenditures, appropriate controls should be established. One approach for dealing with this problem is to impose the same constraints on use of these funds as those in this year's Efficiency Incentive Grants whereby approval of the Secretary would be required before the year-end level of working capital could fall below $125 million. Alternatively, a unanimous vote of the Board of Directors could be required in the same event. In either case, if Congress were to provide these funds, additional funds would not be needed for this purpose in future years.

These funding requirements illustrate the fundamental dysfunction that we face with Amtrak: just to maintain the current state of repair—not to address the backlog of infrastructure needs, not to invest in short-distance corridors around the country, not to recapitalize the equipment fleet—requires an $86 million increase in Amtrak funding in fiscal year 2007 and an increase of over $200 million to avoid increased risks of insolvency, should Congress decide to provide $125 million for working capital.

How Did We Get Here?.—Amtrak's funding requirements actually have not changed appreciably over the past 9 years—only the source of those funds has changed. External funding to Amtrak (in addition to revenue and State support) totaled $11.6 billion from 1998 through 2006 or almost $1.3 billion per year.[1] Therefore, the current $1.4 billion estimate of requirements is in line with past years. It differs, however, in that now all of it must come from direct appropriations, whereas in past years some came from borrowing and some from the Taxpayer Relief Act of 1997. Because debt service increased significantly during this same time period, the $1.4 billion actually provides less funding for operations and investment than prior year average subsidies.

What Are the Solutions?.—As we testified previously, the current system needs to be fundamentally restructured. Such a restructuring requires new authorizing language for Amtrak programs and funding support. We have enumerated three key goals for successful reform of intercity passenger rail service: (1) continuous improvements in the cost-effectiveness of services provided, (2) devolution of the power to determine those services to the States, and (3) adequate and stable sources of Federal and State funding.

These goals can be achieved through six programmatic changes: formula grants to States for capital and operating costs of intercity passenger services, restoration of the forward-going system to a state of good repair, capital matching grants to States for corridor development, establishment of adequate Federal and State funding, resolution of the legacy debt issues, and resolution of NEC ownership and control.

Until a reauthorization is forthcoming, there is much that Amtrak management and its Board can do to achieve these goals and program changes, assisted by this committee. The company has made strides in reforming its food service provision and may have in place process that will achieve break-even or marginally profitable provision of food service on its trains in the next 4 to 5 years, if it follows through on these initial steps.

Much work remains, however, to eliminate the losses on first class sleeper service. We continue to find unacceptable any Federal subsidy for first class passengers and have yet to see plans for pilot programs to restructure these services. Outsourcing of reservation and maintenance services has become widespread in the transportation sector, but Amtrak has only begun to scratch the surface on assessing its potential. As a condition to taxpayer support in any fiscal year 2007 appropriation, particularly at levels approaching $1.5 billion, accelerated efforts in these areas should be mandated. Such requirements for fiscal discipline from this committee and the Congress will keep Amtrak moving in the right direction so that when a reauthorization is finally enacted, the company will be poised to provide better, more efficient services for the country.

I will now discuss these issues in greater detail.

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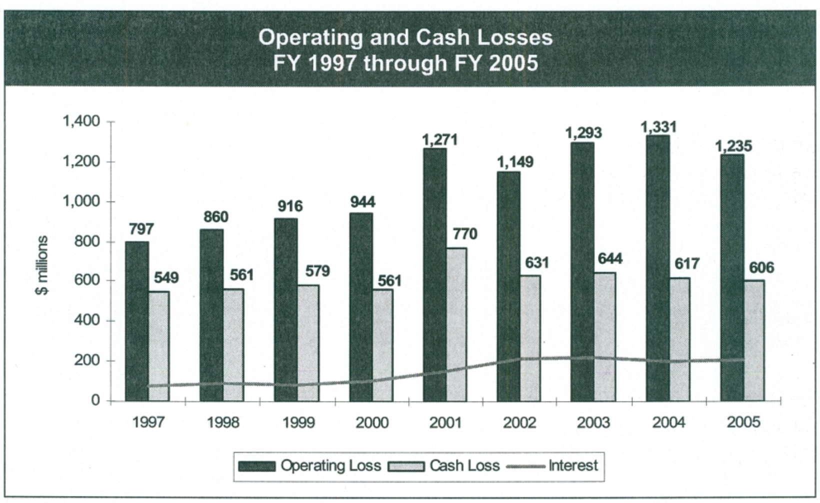
[1] This consists of $7.7 billion in Federal appropriations; $2.2 billion in capital funds from the Taxpayer Relief Act of 1997; and $1.7 billion in net, non-defeased (that is, not pre-funded) borrowing.

AMTRAK'S FINANCIAL CONDITION REMAINS PRECARIOUS BECAUSE IT HAS NOT STRUCTURED ITS SERVICES TO MATCH AVAILABLE FUNDING

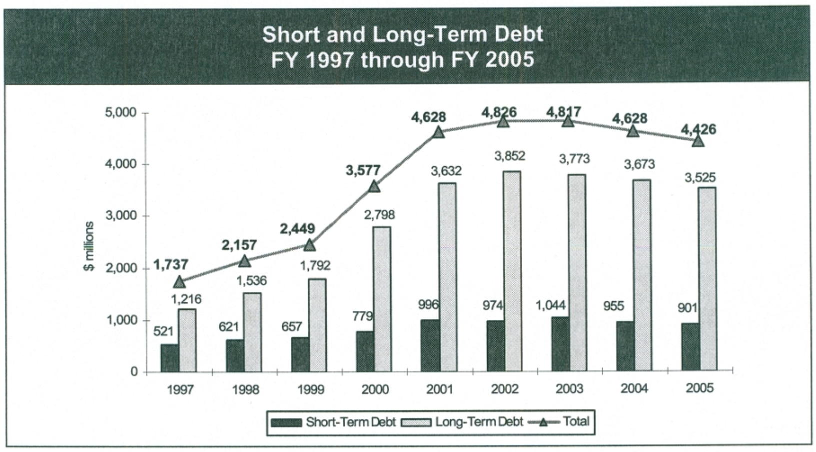
The current model for providing intercity passenger service continues to produce financial instability and poor service quality. Despite multiple efforts over the years to change Amtrak's structure and funding, we have a system that limps along, is never in a state-of-good-repair, awash in debt, and perpetually on the edge of collapse. In the end, Amtrak has been tasked to be all things to all people, but the model under which it operates leaves many unsatisfied.

Operating Losses.—Amtrak continues to incur substantial operating losses. It ended fiscal year 2005 with an operating loss of $1.235 billion. On the positive side, during the first 4 months of fiscal year 2006, Amtrak's net operating loss was $49 million less than last year and its cash operating loss, excluding interest and depreciation, was $74 million less than the same period last year. It remains to be seen if these improved financial results can be sustained for all of fiscal year 2006. In fact, Amtrak has indicated that operating within the $485 million operating subsidy for this year will likely require some one-time actions in spite of its performance to date.

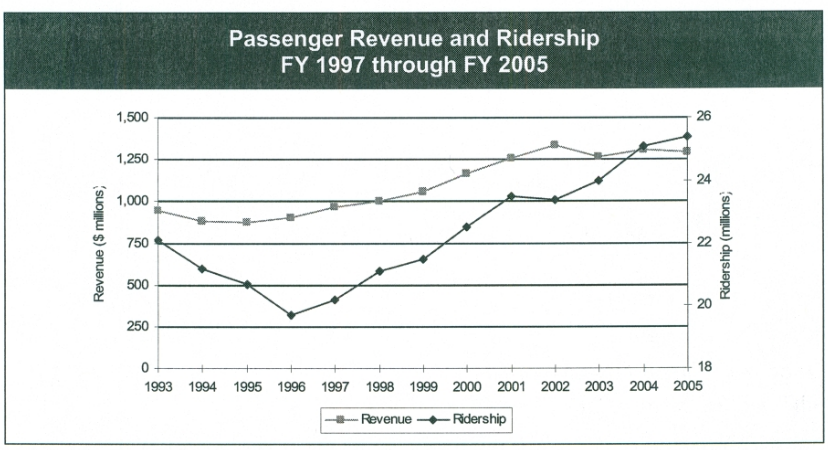
Putting these results in perspective, the system continues to suffer operating losses on all but a handful of routes. Operating losses on long-distance trains, excluding interest and depreciation, were $529 million in fiscal year 2005. Losses on some long-distance trains (excluding depreciation and interest) exceed $400 per passenger. For the last 5 years, annual cash losses have exceeded $600 million, though their persistence at this level primarily is attributable to increased interest expense. Amtrak has made some progress in controlling its cash operating loss, excluding interest.



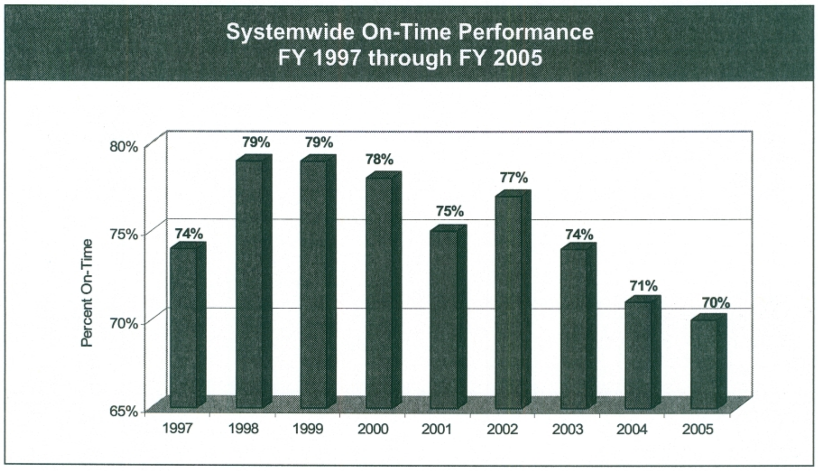
Debt Burden.—Amtrak is carrying a large debt burden. Its total debt peaked at $4.8 billion in fiscal year 2002 and has declined only slightly in the past 2 years. For the foreseeable future, Amtrak's annual debt service will approach $300 million.



Revenue and Ridership.—While ridership increased to 25.4 million in fiscal year 2005, passenger revenues declined to $1.292 billion, and remain below the $1.340 billion achieved in 2002. For the first 4 months of fiscal year 2006, passenger revenues were $31 million higher than the same period in fiscal year 2005, mainly due to fare increases. Ridership growth during this period was less than 1 percent.



On-Time Performance.—On-time performance fell from 74 percent in fiscal year 2003 to 70 percent in fiscal year 2005, with even Amtrak's premier service—Acela Express—achieving on-time performance of only 76 percent. On-time performance for long-distance trains averaged 41.4 percent last year, with the poorest performing train, the Sunset Limited, having an on-time performance of only 7 percent. System-wide on-time performance through January 2006 was 66 percent, compared to 72 percent for the first 4 months of fiscal year 2005.



ABSENT REAUTHORIZATION, THE APPROPRIATIONS PROCESS CAN PROVIDE NEEDED FISCAL DISCIPLINE OVER AMTRAK'S OPERATING LOSSES

The system needs to be fundamentally restructured through a reauthorization. In the absence of a reauthorization last year, the Appropriations Committee established a process in fiscal year 2006 to achieve meaningful, but incremental, operational reforms. We believe this process is not a substitute for reauthorization, but it is of considerable value nonetheless; and we strongly encourage Congress to continue it in fiscal year 2007.

The fiscal year 2006 Appropriations bill specifically directs Amtrak to achieve savings through operating efficiencies, including, but not limited to, modifications to food and beverage service and first-class service. The bill also exerts pressure on Amtrak to reform by reducing Amtrak's operating subsidy from the fiscal year 2005 level of $570 million to $495 million. (A 1 percent rescission, $4.95 million, and a designation of $5 million for the development of a managerial cost accounting system, combined to reduce the funds available to subsidize ongoing operations to $485 million.) In addition, $31.7 million was made available for an efficiency grant program aimed at providing additional capital investments if Amtrak reduces operating costs to live within its fiscal year 2006 Federal operating subsidy.

The fiscal year 2006 Appropriation bill also requires our office to report quarterly to this committee and its counterpart in the House on whether or not and to what extent Amtrak has achieved savings as a result of operational reforms. We must certify whether or not Amtrak has achieved such savings by July 1, 2006 if Amtrak is to continue its use of fiscal year 2006 appropriated funds to subsidize the net losses from food, beverage, and sleeper car service on any Amtrak route.

In our January 5, 2006 report to this committee, we set Amtrak's overall operating subsidy baseline at $586 million. This baseline represents Amtrak's fiscal year 2006 projected operating loss after accounting for anticipated costs and revenue adjustments. It also reflects the savings resulting from initiatives implemented in fiscal year 2005 and fiscal year 2006 prior to our issuing the report.

This fiscal year, Amtrak will need to achieve $101 million in savings from the $586 million operating loss baseline to operate within its Federal subsidy. In addition to sustainable operational reforms, Amtrak plans to rely on one-time actions, and revenue increases to meet its end of year budget goals. One-time actions will not be considered as part of our July certification process. It is our opinion that Congress intended us to consider only those savings from sustainable, structural reforms when we decide in July whether or not Amtrak has achieved enough savings from operational reforms to warrant certification.

AMTRAK NEEDS TO RESPOND AGGRESSIVELY TO THE APPROPRIATIONS BILL REQUIREMENTS AND SEE THESE INITIATIVES THROUGH TO COMPLETION

To address needed savings from operational reform, Amtrak has developed an implementation plan for 15 new initiatives. These include a plan for restructuring its food and beverage service and dining and lounge car operations over several years; adopting a reliability-centered maintenance approach to increase fleet maintenance efficiencies; consolidating maintenance facilities and reducing maintenance overtime; outsourcing and reducing staff at stations; improving fuel efficiency; renegotiating labor agreements to eliminate outsourcing and work rule restrictions; and reducing outside legal fees. Other initiatives such as restructuring long-distance train services, improving financial management systems, and improving service reliability on the Northeast Corridor are only in the beginning planning stage. Our Quarterly Reports will examine Amtrak's reform efforts to determine whether Amtrak is fully addressing potential reform opportunities and whether planned initiatives are meeting their stated goals and are sustainable over the long-term.

The initial focus of Amtrak's reform efforts is its food and beverage service. The company has made strides in reforming its food service provision and may have in place a process that will achieve break-even or marginally profitable provision of food service on its trains. Amtrak plans to implement its strategic initiatives, including food and beverage service, over a 6-year period, with some not fully implemented until fiscal year 2012. Once fully implemented, Amtrak projects savings of $190 million a year from these initiatives.

Our preliminary analysis of Amtrak's operating savings for the first 4 months of fiscal year 2006 indicate that only about $20 million in such savings can be expected this fiscal year. These savings amount to only 20 percent of the savings Amtrak must achieve to live within its fiscal year 2006 Federal operating subsidy. Amtrak plans to close the remaining gap with one-time actions and budget adjustments, spending the remaining fiscal year 2005 year-end cash reserves, and better-than-projected revenue performance.

These short-term gap-closing actions will not reduce Amtrak's need for subsidies in fiscal year 2007 or beyond. In addition, Amtrak initially planned to rely on the $31.7 million Efficiency Incentive Grant to make ends meet in fiscal year 2006 and reduce the need for further operational savings. As we stated in our January Quarterly Report, we do not believe it would be appropriate to anticipatorily count these discretionary grants toward achieving the required savings. Congress should require a business plan from Amtrak that does not rely on these savings and specifically identifies all the savings required to operate within its fiscal year 2006 resources. Congress should also continue the pressure on Amtrak to be expansive and aggressive in the scope and pace of implementing long-term, structural operating reforms.

As mentioned earlier, Amtrak needs to address the cost of providing long-distance service, and, in particular, first-class sleeper service. In July 2005, we reported that Amtrak could save between $75 million and $158 million in annual operating costs by eliminating sleeper car service, outsourcing food and beverage service, and eliminating other amenities on long-distance trains. The plan Amtrak is preparing on how to improve the operational and financial performance of these trains needs to fully address these areas for potential significant savings.

REAUTHORIZATION IS A BETTER COURSE FOR REFORMING INTERCITY PASSENGER RAIL SERVICE

Incremental operating savings over the next 5 or 6 years will not be sufficient to fund the significant increases in capital investment required to return the system to a state-of-good-repair and promote corridor development. This mismatch of funding sources and needs requires a long-term solution that can be achieved only by changing the model for intercity passenger rail.

To create a new model for intercity passenger rail, a comprehensive reauthorization that provides new direction and adequate funding is needed. The problem with the current model extends beyond funding—there are inadequate incentives for Amtrak to provide cost-effective service; state-of-good-repair needs are not being adequately addressed; and States have insufficient leverage in determining service delivery options, in part because Amtrak receives Federal rail funds, not the States.

Reauthorization should establish meaningful reforms that ensure greater cost-effectiveness, responsiveness, and reliability in the delivery of passenger rail transportation. Three central themes will drive successful reform.

—*Improvements in Cost-Effectiveness*.—Amtrak, as the sole provider of intercity passenger rail service has few incentives, other than the threat of budget cuts or elimination, for cost control or delivery of services in a cost-effective way. Amtrak has not achieved significant costs savings since its last reauthorization.

—*States Need a Larger Voice in Determining Service Requirements.*.—The current model for providing intercity passenger service does not put States in a position to decide upon the best mix of service for their needs—what cities are served, schedules and frequency of service, and what amenities should be provided.

Those decisions are made by Amtrak, and they are not always in the best interests of the States served. Intercity passenger rail would be better served with State-led initiatives as to where and how intercity passenger rail service is developed. States are best able to determine the level of passenger rail service required to meet their strategic transportation needs and State sponsorship will become increasingly important as they will be asked to provide increased operating and investment support. Capital funding decisions, as with mass transit, should ultimately reside with the Department of Transportation, based on congressional direction and in partnership with the States.

—*Adequate and Stable Federal Funding is Essential*.—None of the corridors around the country, including the Northeast Corridor, can provide the type of mobility needed without significant capital investment. In the NEC, this means bringing the existing facilities to a state-of-good-repair with no match requirement. In other corridors around the country, it means creating the infrastructure for high-frequency services in partnership with freight railroads and commuter authorities. A robust Federal program of capital matching grants will be essential if these corridors are to be developed. In addition, long-distance services that provide connections between corridors require recapitalization if they are to be run efficiently and are to provide the high quality services their passengers deserve. None of this, however, implies giving more money directly to Amtrak, especially under the current model.

In our view, a framework for reauthorization requires the incorporation of six core elements.

Formula Grants to States for Capital and Operating Costs.—This program would address the needs of areas served by long-distance routes that have little corridor development potential, while simultaneously creating incentives for States to encourage operating efficiencies from the service operator. Formula funds can be used for operating expenses, capital maintenance, and/or capital improvements at the discretion of the States and have no match requirement.

Restoration of the Forward-Going System to a State-of-Good-Repair.—This program would provide Federal funds, with no match required, to address the accumulated backlog of deferred investment and maintenance on the NEC and in fleet and facilities outside the NEC. After a state-of-good-repair has been achieved, capital funds with a reasonable State match would be available for capital maintenance.

Capital Matching Grants to States for Development of Corridor Services.—This program would give States the ability to improve and expand routes and service on their supported corridor routes through a Federal capital funding program with a reasonable State match requirement.

Setting Federal and State Funding of These Programs at Adequate Levels.—Federal funding levels, along with State contributions have not been sufficient to subsidize operations, address deferred capital needs, and significantly improve service along the existing rail network. It will require minimum Federal funding of $2.0 billion a year to restore the system to a state-of-good-repair and provide funding for new corridor development.

Resolution of the Legacy Debt Issue.—This element would give the Secretary the authority to evaluate Amtrak's debt and to take action in the best interest of intercity passenger rail that is economically advantageous to the United States Government.

Resolution of Northeast Corridor Ownership.—The NEC is of considerable interest in reauthorization. Unlike the rest of the passenger rail system, Amtrak owns the infrastructure between Boston and Washington, DC. The Federal Government may decide to take on the responsibility of restoring the NEC to a state-of-good-repair, and its debt—if it is determined to be in the public's interest to do so. Once the NEC is returned to a state-of-good-repair, the States can take a larger responsibility in directing and managing ongoing operations and maintenance. In return for fully funding the corridor, the Federal Government may decide to take title to Amtrak's assets. Although Amtrak may very likely remain the operator for NEC, we will be in a better position to decide what is the best use and ownership structure of NEC assets by the end of the reauthorization period.

This framework would require cost efficiencies as Federal funds available to cover operating losses would decline over the 5-year reauthorization period. Specifically, it would give States greater responsibility for passenger rail investments with oversight of capital investment vested in the Department. Additionally, it would focus Federal funding on stable and robust capital investment programs that would bring the system to a state-of-good-repair, maintain it in that condition, and provide for the development of corridors throughout the country.

Mr. Chairman, that concludes my statement. I would be happy to answer any questions at this time.

Senator BOND. My sincere apologies, but this is the way the Senate functions. I turn to Senator Murray for her questions.

Senator MURRAY. I would just say that this presents us a great dilemma because Mr. Laney has said we need a $300 million increase in order to enact reforms. Mr. Boardman has said we need to cut it by $400 million to make reforms happen. And Mr. Dayton says that we are in a tight budget with no margin for error at $1.4 billion. So in writing, I would like back from each one of you how you explain your thesis on this, because we need to understand that and it is clear it is very controversial.

But I would like to ask the one question I have for Mr. Dayton. Your testimony appears to be advocating different treatments for States depending on whether those States are in the Northeast Corridor or in other regions of the country. The taxpayers of my State provide a lot of revenue to maintain the Cascadia service, and in fact, on a per passenger basis, provide the highest State subsidies of any in the country. There are plans to improve the rail corridor between Vancouver and Eugene that will even add to that.

You say that capital contributions from the Federal Government to improve rail corridors should require a State match, but your testimony says that billions of dollars are needed to bring the investment in the Northeast Corridor up to a good state of repair, but the States along the Northeast Corridor should not be required to put up a match. Well, the people I represent are asking why we should be required to have a Federal match and the Northeast Corridor should not. I would like a short answer from you and a longer one in writing on whether or not the States in the Northeast Corridor should be required to make some kind of contribution, considering the fact that 46 percent of the train miles used on that corridor are used by commuter rail agencies of the States and not by Amtrak.

Mr. DAYTON. Clearly, all States should be contributing to the capital portion of their services. I would say that the Northeast Corridor actually does produce an operating profit and that profit does go to cover some of the losses on the short-distance corridors around the country and the long-distance corridors. And so to the extent that Amtrak reduces or eliminates those losses through, as we have said, eliminating sleeper service and reforming food and beverage service. The reason that we advocate those is to free up funds that can be put into capital.

Senator MURRAY. I am sorry, you say they have an operating profit, but I know that they have millions of dollars in capital costs and that they are in deficit. So how do you say that?

Mr. DAYTON. There is an operating profit in terms of just the cost of operations, but you are right, the capital investment in the Northeast Corridor is greater than that operating profit. That is true. If that operating profit were not covering losses elsewhere, it could be reinvested in the corridor itself, so that the passengers in those States that are using the corridor would, in fact, be supporting the capital investment.

Senator MURRAY. I know my time is short. That wouldn't even come close to dealing with the dilemma that I think we need to understand, and I would appreciate a long answer from you since we are unfortunately short on time.

Mr. DAYTON. We will provide it.

Senator BOND. Thank you very much, Senator Murray.

I understand that the IG in November 2005 reported that the Amtrak Board of Directors indicated in writing that they would be launching a number of pilot projects, including reforms to first class service on its long-distance routes that would enable Amtrak to achieve savings. I gather that has not been—no pilot projects have come forward. I would like to ask Amtrak where those pilot projects are. What do you contemplate in this area?

Mr. LANEY. Senator, we have pilot projects in the works, I think, on a State basis and I believe they are scheduled for presentation to the Board in our April Board meeting, which is the first week of April, unrelated to the first class service.

First class service is a little more difficult. It is an essential piece of the puzzle for overnight travelers, and a lot of our trains are overnight trains. But we, at least I share with the IG the concern about any Federal dollars subsidizing first class passengers, because there are losses, significant losses, involved in that. We have looked at some opportunities and been a little frustrated by some labor cost structure difficulties in bringing in alternatives to Amtrak's providing that service. But we have got a ways to go and we have not wrestled that to the ground.

Senator BOND. Mr. Laney, Mr. Boardman, Mr. Hughes, Mr. Dayton, our sincere apologies. We would invite your further comments in writing. We will look forward to continuing these discussions. I may even have some options that, while they may be distasteful, they may be effective and I would like to discuss those with you.

We thank our witnesses.

ADDITIONAL COMMITTEE QUESTIONS

Senator LEAHY. I just wanted to submit a couple of questions for the record.

Senator BOND. Senator Leahy will be submitting questions for the record, and obviously, we would like you to take those questions, as well. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to Amtrak for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO AMTRAK

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Question. Why does Amtrak not have a detailed multi-year financial plan now? Wouldn't this planning document, similar to a TIP, or transportation improvement plan, help Amtrak identify year-to-year, what priorities for improvements are necessary to be made and help in the budget process?

Answer. Amtrak has a multi-year plan for capital improvements and also a multi-year projection of funds required for debt service. In connection with the company's "Strategic Reform Initiatives and Fiscal Year 2006 Grant" request, the company also provided its first 5-year projection of operating funds required. This document did describe the yearly priorities for improvement, as well as the legislative changes required, to achieve the target numbers.

Question. Realizing that Amtrak needs approximately $295 million to address its mandatory debt service, and zero is provided in this year's budget proposal, how would you propose to address the debt?

Answer. Debt service must be honored each year to avoid default. Accordingly, the company would have to curtail its capital expenditures and/or reduce its net operating loss by $295 million. To reduce capital expenditures by this magnitude will jeopardize the system state of good repair: to reduce the net operating loss by this magnitude will likely require significant curtailment of existing services.

Question. What are you doing in terms of renegotiating your debt service rates?

Answer. Some small debt obligations have provisions for early repayment and, if the penalties are not onerous, the company is exercising these early payment options (when cash is available). However, there is no opportunity to renegotiate the interest rates on existing debt without (1) a "stick" that threatens the lenders unless they co-operate and reduce rates or (2) a "carrot" that gives lenders some incentive to reduce rates. We have been unsuccessful in urging Congress to selectively grant Amtrak debt a "full faith and credit" guarantee (a meaningful carrot) in return for financial concessions from lenders.

Question. The Inspector General's Office within the Department of Transportation has indicated that Amtrak's operating subsidy baseline is $586 million. Amtrak's fiscal year 2006 operating subsidy baseline is $586. Amtrak's fiscal year 2006 operating appropriation is $490 million. What specific savings has Amtrak identified to live within this amount?

Answer. We believe we will be able to fully fund operations with the $490 million appropriation because of: (1) better than expected ridership that is the result of increases in automobile gasoline prices, (2) lower wages, salaries and benefits expense that is the result of slower rates of hiring for replacements (i.e. working with higher vacancy rates and lower actual headcount), (3) realized improvements in the financial results of our food and beverage business activity, (4) lower than expected professional fees and (4) lower FELA and liability claims costs.

Question. What options, if any, are available for Amtrak to outsource its first class services? Under what scenario would Amtrak consider outsourcing its first class services on its long-distance routes?

Answer. Under current law, Amtrak may outsource food and beverage services. Outsourcing of other services, such as sleeping car services on long-distance trains, requires negotiations with Amtrak's labor unions under the Railway Labor Act if the outsourcing would result in the layoff of Amtrak employees. See Public Law No. 105–134, sec. 121.

Subject to applicable law, Amtrak will consider outsourcing services if it appears that outsourcing will reduce the cost and/or improve the quality of the services without adversely impacting safety or customer service.

Question. Amtrak has indicated that it will update labor contracts to enhance customer service and provide greater efficiencies. I understand that currently, more than 80 percent of Amtrak's passenger revenues are consumed by labor and benefit costs alone.

What are Amtrak's specific goals as it looks to update it labor contracts?

Answer. Amtrak's specific goals with every union that has not had an agreement through December 31, 2004 are to achieve health care cost containment and premium contribution, work rule changes to improve productivity and lower costs and, in return, a fair increase if the those goals are met. Three unions representing approximately 35 percent of the employees represented at Amtrak have entered such agreements with the company.

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

Question. Mr. Laney, a lot of attention has been focused recently on the improvements and upgrades to long-distance trains, in order to increase ridership. We have seen the benefits of those commitments on the Empire Builder, and I wonder if you could discuss what steps you plan to take to continue this process.

Answer. In August 2005, the Empire Builder was relaunched with upgraded equipment, enhanced on board amenities, improved customer service and a renewed marketing focus. The improvements have been well received by passengers, who are paying the planned higher fares for a perceived better valued product. As a result, ticket revenues (October through May) are up 18 percent versus last year, and sleeping car revenues are up 28 percent. Year-to-date ticket revenues are favorable to the budget by $1.8 million. With just 10 months' experience, the project is on track to improve the train's bottom line by about $4.8 million by the end of fiscal year 2007. In conjunction with the restructuring of its long-distance services, Amtrak is looking for additional opportunities to provide enhanced services on other long-distance routes where there is the potential for a positive financial contribution.

Question. As you know, I was very disappointed in the decision to fire David Gunn. I am sure the Board had its reasons, but I am concerned that part of the impetus to push him out the door was his understanding that long-distance trains are an essential part of the Amtrak network. Can you give me a sense of the Board's commitment to preserving long-distance trains, especially in communities where public transportation options are so limited?

Answer. The Board has stated publicly its commitment to a responsible and systematic evaluation of Amtrak's long-distance network, focusing on all facets of long-distance service, including service quality, function, optimal network configuration and economics. The fact that long-distance train operations are valued by many communities in which transportation options are more limited will invariably be factored into the Board's evaluation process. Mr. Gunn's departure was unrelated to his positions regarding long-distance trains.

Question. You mention in your testimony a concern about freight rail capacity issues. I share those concerns. Do you believe that capacity issues require more rail to be laid down, or can improved technology and better management accomplish those goals?

Answer. Increased rail line capacity can come from many sources other than laying more rail. Some examples:

—Additional locomotives;
—Additional crews;
—Additional yard capacity to keep trains from backing up on main lines;
—Signal and operating rule changes allowing running both directions on existing multiple track lines, allowing trains to operate closer together (shortening signal spacing), or allowing greater dispatcher control (Centralized Traffic Control);
—Improved dispatching systems, possibly broken into regions rather than large centralized systems;
—Changed dispatching practices, including less turnover among dispatchers and more dispatcher training trips to create familiarity with physical territory;
—Positive train control systems;
—Directional running on parallel lines;
—More frequent crossovers or sidings, or reconfigured crossovers and signals allowing movements at higher speeds;
—Better maintenance of existing lines reducing slow orders;
—Better maintenance of existing signal systems reducing signal failure delays;
—Better maintenance of locomotives and cars to avoid failures;
—Better train handling practices to avoid failures; and,
—Realignment of existing lines or curvature elevation to increase speeds or make speeds more uniform.

Generally, a railroad will choose adding more rail lines as the least desirable, last resort to add capacity, since new rail lines are expensive and cannot be easily redeployed if traffic patterns shift.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. The most recent grant request from Amtrak indicates that the struggling railroad needs $1.5 billion next year for capital and operational expenses. The President's budget request, though, only seeks $900 million in total funding. Since we have heard the administration proclaim that it is dedicated to passenger rail nationwide, how does this budget request add up to that commitment?

Answer. If the actual grant to Amtrak were reduced to $900 million, it would inevitably require a reduction in capital expenditures, a curtailment of existing services or both. From any appropriation, Amtrak's first legal obligation is to make debt service (principal and interest) payments amounting to almost $300 million. If only $600 million in Federal funds remained, they would be insufficient to fund the necessary capital maintenance program and support the existing level of services: each of these activities will require almost $500 million during the current fiscal year.

Question. My small State of Vermont has two State-sponsored trains—the Vermonter and the Ethan Allen Express. The State of Vermont paid $2.65 million to cover the operating losses this year and is slated to pay $4 million next year as Amtrak ramps up the share paid by the States. The Department of Transportation and Amtrak have said that they intend to develop public-private partnerships for the corridor service. How closely are you working with the individual States to improve equipment and service on these trains?

Answer. Amtrak works closely with the 13 States that provide funding for State-supported services operated by Amtrak. For example, Amtrak is currently working with Vermont on an initiative to improve food service quality and reduce food service costs borne by the State.

In May, Amtrak solicited proposals from States that fund Amtrak services for a pilot trial of State and/or private participation in the provision of some of the services required for the operation of their State-supported services. Federal funding in the amount of $2.48 million is available for a pilot project that can be demonstrated to reduce the cost of providing the services at issue. Amtrak received responsive proposals from a number of States that fund State-supported services, including Vermont. Amtrak expects to make selection(s) from among these proposals for the pilot project by the end of July.

SUBCOMMITTEE RECESS

Senator BOND. The hearing is recessed.

[Whereupon, at 10:54 a.m., Thursday, March 16, the subcommittee was recessed, to reconvene subject to the call of the Chair.]