



Regional Plan Association

TESTIMONY OF

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REGARDING

THE ECONOMIC BENEFITS OF THE NORTHEAST CORRIDOR

BEFORE THE

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES**

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Field Hearing on

THE IMPORTANCE NORTHEAST CORRIDOR

Chairman Shuster and Members of the Committee,

Good morning, I'm Bob Yaro, President and CEO of Regional Plan Association and Professor of Practice at the University of Pennsylvania. For nearly a century, RPA has been an indispensable source of plans and policies that aim to improve the infrastructure, prosperity, sustainability and quality of life across the New York metropolitan region. Since 2006, RPA has worked with leading business and civic groups in the Northeast to encourage investment in the NEC because of the essential role it plays in the regional economy. I'd like to begin by thanking the Committee for giving me the opportunity to speak on the important subject of how to accelerate the modernization of the NEC. The rail bill is a critically important piece of legislation that expires this year, and the NEC is the busiest corridor in the Western Hemisphere and perhaps *the* most complex corridor in the world. You have a tough job ahead of you and we are eager to work with you as you develop the next federal rail bill.

I'm here to inform you, Mr. Chairman, Subcommittee Chairman and members of the Committee, of RPA's strong support for improving NEC infrastructure and passenger rail service because of the game-changing economic benefits it would generate. Specifically, RPA supports the long-term goal of building two new dedicated tracks for high-speed rail service from Boston to Washington, and creating a suite of new affordable and integrated world-class rail services to meet the needs of the Northeast economy. In the shorter-term, we ask that you authorize enough funding in the next rail bill to completely eliminate the corridor's \$9 billion backlog of deferred maintenance, fully fund Amtrak's normal capital program so it has sufficient resources to keep its infrastructure in safe, working order. This will be necessary, but not sufficient to meet the growing economic and mobility needs of the Northeast Megaregion, which for more than two centuries has been America's economic engine.

In my presentation today, I will outline the main components of the NEC improvement program, which we recommends be authorized in the upcoming rail reauthorization bill. RPA calls this program, "NEC Now." The NEC Now proposal addresses the corridor's highest-priority infrastructure needs: to remove bottlenecks, increase capacity, improve reliability and reduce travel times along the entire corridor. It also proposes funding for the construction of an initial high-speed rail segment which, along with new high-speed trainsets, would cut trip times between New York and Philadelphia to well under an hour. This proposal has been distributed to the Committee and we look forward to discussing it with you in more detail.

To achieve a bold initiative of this kind, three main things are needed:

- **Strong leadership** from the President, Congress and States;
- A **project delivery mechanism** with the capabilities to deliver the NEC Now infrastructure program within a decade; and
- A **financing strategy** that allocates the cost of both capital expenses and routine maintenance fairly among the federal government, states and users, and facilitates the maximum private sector investment in the long-term upgrade of the corridor.

Background

But first, a bit of history to underscore why it is so important to deliver NEC Now. Half a century ago, Senator Claiborne Pell called for a national commitment to create the world's first high-speed rail service in the NEC. At virtually the same time, President John F. Kennedy called for a national commitment to put a man on the moon in a decade. The good news is we achieved Kennedy's vision. The bad news is Pell's vision has gone unfulfilled... so far. Today, more than 14 nations have high-speed rail systems and another dozen or so are planning for them. The first of these, Japan's Tokyo-Osaka bullet train opened in 1964. We're now 50 years behind all of our global economic competitors. Why have all of these countries built high-speed rail systems? Because high-speed rail and quality inter-city rail make good economic sense and are a critical piece of any balanced national transportation system.

High-speed rail is also the key to unlocking the economic potential of America's "megaregions," like the Northeast. All of our European and Asian competitors have a head start in unlocking this potential. There is also considerable empirical evidence from our competitors that improved inter-city and high-speed rail service is transforming the economy of megaregions like the Northeast, and of their component cities. Here in the Northeast, strong market cities like New York, Boston and Washington would benefit from the expanded labor and housing markets high-speed rail and improved inter-city rail provides. Weaker market cities like Philadelphia and Baltimore could be strengthened by their improved connectivity to New York and Washington. And dozens of second-tier cities like Harrisburg, New Haven, Wilmington, Albany and others could be pulled into the economic orbit of the Northeast's powerhouse cities, making possible their economic transformation.

Today we have the opportunity to learn from our competitors' successes, and to create the improvements in the NEC's capacity and reliability and travel time reductions needed to underpin the Northeast's economic success for decades to come.

The Time to Act is Now

The NEC moves three-quarters of a million people per day to their jobs or between the major downtown commercial hubs of the Northeast, and also serves passengers coming from feeder services from Harrisburg, Richmond, Portland, Albany and Hartford. These movements are critical to the Northeast's \$3 trillion economy, which accounts for one-fifth of U.S. GDP. Imagine if these 750,000 additional daily passengers were suddenly dumped onto I-95 and the Northeast's major airports, already the most congested in the nation. If this were to happen, our transportation networks would come to a standstill, as they regularly do already, because of their inadequate capacity and failure to meet existing demand.

The Northeast's airports and airspace are already maxed out. By 2025, flight delays could cost the Northeast \$7 billion annually. By 2030, New York alone will forfeit \$6 billion in wages, \$16 million in sales, and 125,000 jobs because of limited air capacity. Congestion on highways costs the Northeast billions of dollars in lost productivity and getting worse.

The Northeast is home to four of the ten most congested highways in the nation. Our rail network has enormous untapped potential and RPA's research has shown that shifting travel to rail provides the greatest benefit in regions like ours where road and air capacity is constrained.

However, improving existing services or creating new services in the NEC to serve new travel markets, let alone keeping up with rising demand, is constrained by two things: 1) congestion and 2) aging infrastructure. Every day, more than 2,200 passenger trains and 70 freight trains use the corridor and major pieces of infrastructure built over a century ago are still in use today. As Amtrak has already noted, the corridor is facing a crisis of success. The NEC can no longer survive by living off of the legacy investments made by past generations. The corridor needs a multi-year, multi-billion-dollar rail infrastructure program to fix its broken assets, *and at the same time*, begin upgrading the NEC to create the capacity to support the next generation of growth. If critical investments are not made now, growth in the Northeast will be capped and rail service will continue to deteriorate.

The NEC Now Infrastructure Program

RPA's NEC Now proposal recommends that the next federal rail bill authorize funding to completely eliminate the \$9 billion backlog of major state of good repair problems, cover routine maintenance to prevent infrastructure from falling into disrepair, improve travel times and reliability by fixing the worst bottlenecks, upgrade train stations to provide world-class gateways and construct an initial segment of a Northeast high-speed rail system between New York and Philadelphia that cuts trip times to 45 minutes.

The immediate and urgent challenge is to maintain existing rail infrastructure, but that will not be sufficient to meet the Northeast's growing inter-city travel demand. For this reason, RPA proposes bold improvements that are needed to accommodate the growth of the Northeast economy in the long run. We support the long-term goals of building two new dedicated tracks for high-speed service along the length of the NEC to significantly reduce travel times, and increase capacity, convenience and reliability for riders, while dramatically enhancing the Northeast's global competitiveness. We should begin this process now with investments in critical projects identified by the NEC Commission as the corridor's worst bottlenecks and which, because of their old age and deterioration, cause frequent service delays or disruptions, and occasionally worse – failures, derailments or crashes. Most of these could be considered exempt from lengthy environmental reviews because of their location in an existing rail corridor.

NEC Now calls for investing \$26.7 billion by 2020 to begin reconstruction and transformation of these segments of the corridor. The largest single component of this program is Amtrak's proposed Gateway Tunnels, which would provide new capacity and resiliency for the entire NEC. When Superstorm Sandy swept through the Northeast last year and flooded these tunnels, the entire NEC was shut down for more than a week, paralyzing a large portion of the Northeast's economy. The Gateway tunnels will provide a flood-proof alternative to the existing century-old tunnels, and also allow the existing tunnels to be restored to a state of good repair.

In addition to Gateway and the other important investments, NEC Now would also invest \$4 billion to build a new New York Penn Station. The City of New York recently began the process of relocating Madison Square Garden so that Penn Station – probably along with the Hudson River Tunnels, the corridor's biggest bottleneck – can be rebuilt down to the track and platform level. A New Penn Station would provide a two-thirds increase in capacity over the existing substandard facility and eliminate the extreme fire and public health safety hazards inherent in the current station, which threaten the lives of several hundred thousand daily users.

This project would incorporate Moynihan Station into the new station complex, playing both a critical staging area during Penn Station's reconstruction, and serving as the station's western gateway once the new Penn Station is completed. The new expanded station would also become the catalyst for redevelopment of the surrounding area and for development of an emerging Midtown West - Hudson Yards innovation district, which promises to become one of the Northeast's largest economic engines.

In addition, NEC Now would invest \$9 billion to build a high-speed rail demonstration project between New York and Philadelphia, which would also provide the foundation for improved New York – Washington, D.C. rail service. When RPA studied potential market pairs for high-speed rail, New York – Washington was the highest ranked corridor in the nation, scoring a 20.2 out of a possible 21, and the New York – Philadelphia corridor scored 19.9. These scores measured the market pairs' ability to attract ridership, *the key to success of any high-speed rail system.*

To summarize, the NEC Now proposes a \$39.7 billion infrastructure program be authorized in the next federal rail bill.

A Financing Strategy

RPA believes that this NEC Now infrastructure program can be achieved through a partnership between the federal government, Amtrak, state and municipal governments and the private sector. However, new federal funding and changes in federal programs are required to incentivize state, local and private contributions, and to create the financial tools and project delivery mechanisms needed to build it.

RPA's top priority is securing funding to return the NEC to a state of good repair. We see this as a federal responsibility given the disinvestment that has occurred since the federal government assumed control of the corridor decades ago as well as the critical role the NEC plays in the economies of twelve states, the nation's capital, and indeed the national economy. We also believe that there is enormous potential for private-sector investment in the corridor. However, experience in the United Kingdom and other countries has proven that the government must first bring rail corridors to a state of good repair before private investment can be secured to finance further improvements of these corridors.

For these reasons, RPA recommends that the next federal rail bill create a new NEC Now grant program authorized to award \$10 billion to NEC improvement projects, in addition to Amtrak's normal capital funding. The grants could be used for planning, engineering,

design, procurement, construction or financing costs. Federal loans from the Railroad Rehabilitation & Improvement Financing (RRIF) program could be used to finance the rest of the \$30 billion improvement budget, and repaid using existing or potential future revenue streams from Amtrak, the states or other partners. In addition, user fees paid by the corridor's current 260 million annual passengers, payments from ground leases from development around train stations or other value capture mechanisms could be used to help finance the debt service on the RRIF loans. However, to build political support for this strategy, states and municipalities that benefit from these investments must have a voice in project selection and funding decisions.

Governance & Project Delivery

To secure the necessary political and financial support from state and municipal governments, as well as the private sector, it will be essential to create a new governance structure for project selection, management and finance in the corridor. This structure can build upon the recent successes in NEC governance, planning and project delivery: The Northeast Corridor Infrastructure & Operations Advisory Commission has already begun to demonstrate its ability to bring together the states to prioritize investment projects and is working with them to create an equitable cost-allocation structure for maintenance of the corridor. The Federal Railroad Administration has undertaken NEC Future, a long-range master plan and tier 1 environmental impact study of the corridor. And Amtrak's new Northeast Corridor Infrastructure & Investment Development Division has already demonstrated its capacity to expedite improvement projects in the corridor.

The role of Amtrak's NEC Division could be strengthened to deliver the expanded investment program called for by NEC Now, in partnership with the NEC Commission and the states. And Amtrak's new budgeting system should ensure that revenues collected in the NEC are also invested there. This Division should be authorized to utilize design-build, public-private partnerships, station development corporations and collaborations with existing state or bi-state authorities to deliver specific implementation projects.

Conclusion

This Committee and this Congress can and should begin the transformation of the NEC into the world class inter-city and high-speed rail corridor it must become if the Northeast is to remain an engine of the national economy and a strong competitor in global markets.

The proposed NEC Now initiative would build on significant progress already being made by Amtrak, the NEC Commission, Federal Railroad Administration and states in returning the corridor to a state of good repair and creating a long-range master plan for the corridor. But, the investments called for in NEC Now are needed... now. Congress should authorize key investments required to eliminate the corridor's worst bottlenecks, create new capacity and reliability, and create the nation's first high-speed rail service. In doing so, we can finally begin to realize Senator Pell's half-century old vision for this indispensable transportation corridor.

I urge you to make this program and these investments a keystone of the upcoming rail reauthorization bill.