

REMARKS FOR
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DEPUTY ADMINISTRATOR
FEDERAL RAILROAD ADMINISTRATION
BEFORE THE
RAILWAY SUPPLY INSTITUTE
“FREIGHT, INTERCITY AND HIGH-SPEED RAIL DEVELOPMENT – HOW
STIMULUS FUNDS WILL BE SPENT ON RAIL”

WASHINGTON, DC

May 7, 2009

- Good morning, and thank you, Tom (Tom Simpson), for your kind introduction.
- When President Obama signed the American Recovery and Reinvestment Act the challenges posed to FRA were great and immediate.
- We have gone from less than a billion in grant-making authority to almost \$10 billion now.
- We had to create a Strategic Plan within 60 days, which we accomplished ahead of schedule. This is in addition to the National Rail Plan we have to develop as a requirement of Passenger Rail Investment and Improvement Act of 2008, which is due in October.
- Plus, we have to manage additional transparency and reporting requirements, more meetings with Congressional leaders and key stakeholders like you here, a whole new grant-making process, and more than you probably care to hear about.
- I'm proud to say that the experience, professionalism, hard work and long hours by our staff have allowed us to meet all these challenges. And within DOT, we have been the driver in recovery act website development and processes developed by the Tiger Team.
- As never before, FRA is in the spotlight, and we know the pressure is on to get this done correctly right out of the box.
- And not only is FRA in the spotlight, the whole rail transportation industry has received an unprecedented amount of attention which in the coming years will

only grow as high-speed rail corridors utilizing a network of intermodal urban stations connect cities and people across America.

- We have an opportunity to help create something that will last for generations, which certainly makes it an exciting and historic time for all of us.
- Historic not only in terms that we are taking a major step forward in the development of high-speed rail, but historic in the sense that President Obama has taken such a keen interest in creating a system that will revolutionize the way we travel in America.
- You all know what past Presidents have tried to do...or maybe I should say didn't do...with Amtrak and commuter rail.
- There is no doubt that in President Obama, RSI and its members have an engaged ally with a vision for the real potential of passenger rail. His commitment is perhaps the most significant since Abraham Lincoln pushed for the completion of the transcontinental railroad during the Civil War.
- The \$8 billion in the Recovery Act and the \$5 billion in the President's budget signal a new chapter in American public transportation, and will provide a significant shot in the arm for the railroad supply industry.
- For the first time, we're going to integrate passenger rail corridors of 100 to 600 miles with the rest of our transportation network -- and bring rail into the 21st century.
- Moving ahead, we will build these corridors on a regional basis so that one day, millions of Americans will have seamless access to a network of airports, light rail stations, and busy urban centers, creating livable cities and inspiring new development.
- Plus, we will continue to upgrade the reliability and service on existing intercity routes. The first installment for this effort already came in the form of \$1.3 billion in Recovery Act funds to Amtrak...and there will be more to come.
- We will work closely with Congress to be sure this type of funding continues, and that passenger rail is included in our plans for making our communities more livable and sustainable.
- We know America has the knowledge, expertise, resources and wherewithal to accomplish this grand vision.
- Just look at our interstate highway system.
- Our interstate highway system has long been the envy of the world. But when it comes to modern high-speed rail – we've had to look elsewhere for success.

- It's time to turn that around.
- It's time to give more Americans the chance to enjoy the convenience and connections provided by high-speed and inter-city passenger rail.
- These systems reduce highway and airport congestion, save energy, and help to revitalize urban areas.
- Those are the public benefits of high-speed rail, but right now, everyone involved with rail -- including the media -- wants to know more details about our selection process, plans, and who will be granted funds.
- Let me reiterate the President's statement that projects will be selected based on merit. As the competition has not yet opened, we cannot indicate in advance what type of projects might be favored.
- Obviously, we will be looking for projects that address the President's and DOT's strategic goals of:
 - **Ensuring** safe and efficient transportation choices.
 - **Building** a foundation for economic competitiveness.
 - **Promoting** energy efficiency and environmental quality, and
 - **Supporting** interconnected, livable communities.
- Furthermore, in order to meet the goals of the Recovery Act while initiating a transformational new program, we propose to advance three funding "tracks":
 - 1) **Individual Projects.** We will provide grants to complete individual projects that are "ready to go" with preliminary engineering and environmental work completed. These projects could be pulled from a corridor program, but is not intended to be for an entire corridor or segment of a corridor. Projects could include bridge and track upgrades, improved interlockings, new sidings, and the like.
 - Unlike the other funding tracks, the Northeast Corridor will be eligible for project funding. And, President Obama has asked us issue the first individual project grants by the end of the summer.
 - 2) **Corridor programs.** FRA will enter into cooperative agreements to develop entire phases or geographic sections of corridor programs that have completed corridor plans and environmental review, and have a prioritized list of projects to meet the corridor objectives. These corridor programs will involve extensive federal oversight and support, which we are in the process of developing.

- 3) **Planning.** We will enter into cooperative agreements for planning activities using non-ARRA appropriations funds in order to continue the corridor program and project pipeline needed to fully develop a high-speed rail network. President Obama's budget proposal calls for \$1 billion for the next five years for high-speed rail planning and development.
- The \$8 billion from the Recovery Act is the first downpayment in achieving these goals and funding the first two tracks. It's crucial to understand that if the first projects stemming from this downpayment are not successful, the future of the entire program is at risk.
- This is why we have a merit-based system for choosing projects. We need projects that will advance the development of high-speed rail, not projects that play political or regional favorites.
- Although we will be issuing interim guidance by mid-June, there are two overriding criteria we will consider:
 - **Public Benefits.** We will look for projects or corridor programs that provide specific, measurable, achievable public benefits in a timely and cost-effective manner. This includes: (1) contributions to the economic recovery efforts, (2) advancing the strategic transportation goals I previously mentioned, and
 - (3) furthering other passenger rail goals articulated in the Recovery Act.
- **Risk Mitigation.** The second criteria we will look at is the extent to which a project or corridor program addresses critical success factors, including: (1) fiscal and institutional capacity to carry out projects, (2) realistic financial plans for covering capital and operating costs, (3) formal commitments from key stakeholders, such as railroads and neighboring States, and (4) adequate project management oversight experience and procedures.
- Our interim guidance will cover the grant terms, conditions, procedures and other prerequisites applicants will need to satisfy. The interim guidance will also detail the evaluation criteria, as well as the deadlines and timeframes for submission and selection. It will also cover the FY 2009 Capital Assistance to States – Intercity Passenger Rail Service program, and outline the program's relationship and role with the Recovery Act-funded programs.
- For railroad suppliers, the Recovery Act holds great potential. For example, positive train control is eligible for Recovery Act funds, plus track rehabilitation and construction up to Class 9, new and refurbished railcars and locomotives, and extensive signal improvements.
- And, the Recovery Act comes with a Buy American requirement. The Act in general comes with a Buy America provision, but the section of the Act that concerns high-speed rail corridor development, intercity passenger rail corridor

capital assistance, and congestion grants programs has somewhat stricter Buy American provisions.

- We will provide further guidance on reconciling these two requirements in the interim guidance that will be issued by June 17, 2009.
- I know you are waiting with bated breath for our interim guidance, submission of applications and finally grant awards. My suggestion to you is to work closely with your state partners, for they are the ones who are developing plans and awarding contracts. FRA will provide rigorous oversight, but the states hold the key to implementing their plans.
- I know you have a lot of questions and unfortunately we may not be able to answer all of them today, but as RSI companies touch every aspect of the rail industry, I think you can appreciate the bottom line of President Obama's commitment and grand vision.
- To quote the President: "Imagine boarding a train in the center of a city. No racing to an airport and across a terminal, no delays, no sitting on the tarmac, no lost luggage, no taking off your shoes. Imagine whisking through towns at speeds over 100 miles an hour, walking only a few steps to public transportation, and ending up just blocks from your destination. Imagine what a great project that would be to rebuild America."
- I know you are anxious to rebuild America, and FRA looks forward to working with you.
- Thank you. I'll now take your questions.