



**Statement of  
The Honorable Scott L. King  
Mayor of Gary  
on behalf of The United States Conference of Mayors  
before the House Transportation and Infrastructure Committee  
Subcommittee on Railroads  
Hearings on "RIDE-21"  
October 2, 2001**

Mr. Chairman and Members of the Subcommittee, I am Scott L. King, Mayor of Gary, Indiana.

I appear today on behalf of The United States Conference of Mayors where I serve on the organization's Advisory Board. The Conference is a bipartisan organization that represents mayors of the more than 1,200 cities with a population of 30,000 or more.

Mr. Chairman, I want to thank you and other Members of this Subcommittee for holding this hearing today to examine pending legislation that provides for increased investment in the nation's rail infrastructure, particularly high-speed rail.

**Opening Comments**

Mr. Chairman, let me begin my comments today by expressing the appreciation of the mayors to you and Members of this Committee for your many efforts to respond to the tragic events of September 11. Since that day, all of us in government have been challenged in many different ways. Each day, it seems we confront the potential for new threats of terrorism in our communities. It has forced us to examine basic assumptions on how we work and live, particularly in the design and operation of our many public and private systems.

Today, we are considering new directions in transportation investment, emphasizing the need to move this nation forward through new commitments to high-speed rail infrastructure. The nation's mayors strongly support your efforts to increase federal commitments to the development of high-speed rail services throughout the U.S.

Mr. Chairman, since September 11, the mayors have been focusing on a number of policy initiatives. Increased rail investment, both intercity and local and regional rail transit, is very high on the mayors' agenda, as it has been for several years. Last month's terrorist attacks only increase the urgency of addressing this critical infrastructure need.

Mayors have also been focusing on airport security and stability issues, concerns that are immediately before this Committee. Mr. Chairman, I want to emphasize here that the nation's mayors, led by Conference President and New Orleans Mayor Marc H. Morial, have been very vocal in calling for the "full federalization" of airport security screening for passenger and baggage. We have expressed our support for the Administration's planned aircraft and airport security improvements, calling the plan a strong, short term response. However, we are continuing to call for the full federalization of these screening functions and a number of other measures to strengthen the financial position of our nation's airports. We urge this Committee to consider these recommendations as you move forward on airport security legislation over the next several days.

Mr. Chairman, cognizant of the immediacy of these issues, I have attached to my testimony a copy of the "Mayors' Principles for Improvements in Airport Security and Economic Viability." These recommendations were approved yesterday by the Conference's Task Force on Airport Security, a mayors' panel that is chaired by Los Angeles Mayor James Hahn.

Increasing investment in the nation's rail infrastructure and tackling critical security and financial needs at our nation's airports are just two of the issues, though very substantial in their importance, that mayors have been considering in the aftermath of September 11.

## **Perspectives on Transportation Infrastructure**

What stands out in many recent critiques of the nation's transportation capacities, following last month's terrorist attacks, is the economic vulnerability of our nation's transportation systems, particularly when we rely too extensively on a single mode to carry a substantial share of our needs.

Let me explain further. We have known for a long time that this nation is too reliant on the personal automobile in meeting our daily transportation needs. This reality was brought home during the oil shortfalls and price spikes of the 1970s. While the fundamentals of this over-reliance on single occupancy auto use have not changed substantially, we have recently seen movement toward the increased use of public transportation, particularly in rail transit use. It is notable that over the last five years, the growth in public transit use has outpaced the rate of growth in automobile use and air travel.

What we didn't comprehend until last month is the relative economic instability of our nation's dependency on inter-city air travel. We also didn't anticipate the societal and economic dislocation that occurs when there is little or no redundancy in our transport systems for inter-city travel. Again, like surface transportation where auto use is often the only generally available mode for local trips, we now know that our economy relies substantially on the aviation sector to meet our inter-city travel needs. And, we are now just starting to tally the economic effects of this reality.

This reality also explains why all of us as public leaders are urging the public to return to the skies, because the truth is we don't have other available options. It also suggests that there may be further federal actions beyond last week's airline relief package to stabilize our airline system, if only to keep these assets in place. And, we also know that until higher levels of air travel resume, our economy is likely to remain stalled or grow slowly at best. This formulation of current conditions simply underscores the importance of the discussion here today before this Committee.

An analysis of our aviation use patterns show that about 50 percent of all domestic flights are for trips of 400 miles or less, with 25 percent of flights of 200 miles or less. These distances, particularly trips of 300 miles or less, are the niche that European nations have so successfully addressed with their broad network of high-speed trains.

Mr. Chairman, if there is one overriding theme that I would emphasize today on behalf of the nation's mayors, it is the need for a broader federal transportation partnership. We must expand federal efforts to help our nation achieve more balance and choice for our citizens. We need to look critically at the need for more redundancy in our transportation systems, within local markets and in city-to-city connections. We need to begin by aggressively investing in alternatives, like high-speed, that have been ignored for far too long. Recent events have provided the impetus to act in new ways and to seek out new directions. If we act now, the mayors believe that high-speed trains and other investments can deliver greater stability for our economy over the longer term, a critical and particularly timely consideration along with the many other benefits of this opportunity for redirection in federal transportation policy.

While September 11 revealed operational vulnerabilities of our nation's transportation systems, particularly our aviation system, it also displayed some of the tangible benefits of more diversified transportation investments.

Following the attacks on the World Trade Center, Members from this chamber and from the Senate moved directly to lower Manhattan via Amtrak's Northeast Corridor, the same system that moved blood and plasma, firefighters and other critical assets to this area, in addition to moving stranded travelers after the nation's aviation system shut down. Local MTA rail lines, PATH and other transit operations continue to move workers and others in and out of the nation's largest metropolitan economy, helping restore some normalcy and vitality to this crucial region of the nation. Intercity links, be it Amtrak's high-speed rail or its regular direct service, with the region's expansive network of rail transit and bus services, are continuing to carry the load, as auto and truck movements into the city are constrained and as our commercial aviation system continues to struggle.

Another example can be found in a weekend article in *The Washington Post*. It reported on the transit operator's decision to keep METRO's regional rail system running to aid in the evacuation of downtown workers, despite urgings to the contrary. METRO, as I understand, has continued to operate without interruption since the attack on the Pentagon.

It is clear that a more dire economic fallout from the attacks on the World Trade Center and the Pentagon has been mitigated to some extent by the presence of more diversified transportation networks, particularly rail

capacities, in these regions. It is noteworthy that New York's MTA ranks number one in the nation in rail transit use, followed by Washington's METRO system, the nation's second largest rail system. Both markets are connected together by Acela Express, North America's only high-speed rail service.

In Conference reports on the output of the nation's metropolitan economies, the New York urbanized area always ranks first in the nation, with a Gross Metropolitan Product (GMP) last year of \$438 billion. The Washington area economy is fifth overall, producing goods and services last year that totaled \$217 billion. This represents more than \$655 billion in total economic output, two metropolitan economic engines that, combined, produced more last year than Mexico, nearly equaled that of Brazil, and are closing in on Canada's total economic output.

The importance of these metropolitan engines to national economic growth underpinned the efforts of Conference Past President and Boise Mayor H. Brent Coles and Conference President and New Orleans Mayor Marc H. Morial in their call earlier this year for the development of a "National Rail Policy for the 21<sup>st</sup> Century." As a first step in this new policy thrust, our leaders and the mayors have been urging increased federal investment to link the nation's metropolitan economies via high-speed rail networks, in addition to capacities that now exist with the Interstates, air service and telecommunications networks. The mayors are anxious to work with this Committee to begin this process of investing in high-speed rail capacities.

I also wanted to discuss some of the connections between expanded rail investment and energy use patterns. It is useful to view some of these issues through the lens of energy consumption, particularly our use of petroleum in the transportation sector. We know, for example, that more than 50 percent of our oil is imported, with about a quarter of this supply originating in the Persian Gulf. Of all the oil this nation consumes, about two-thirds is used in the U.S. transportation sector, which is almost totally dependent (i.e. about 98 percent) upon petroleum. In broader terms, energy use in the U.S. transportation sector accounts for nearly 10 percent of the world's total energy use.

So, obviously, there are clear strategic implications with our patterns of energy use, particularly our dependency on supplies from challenged regions

of the world. And, there are risks for our economy and for our citizens if we continue with this pattern of consumption in our transportation sector.

Linking energy use and rail investment, we know, for example, that the Northeast Corridor's high-speed rail system was dependent upon completing the electrification from Washington to Boston. Now, this service, linking several of the nation's largest metropolitan areas, shows how we can substitute other energy sources for liquid fuels. A similar example can be drawn from this area where the METRO system uses electricity as a substitute for petroleum fuels at an ever-increasing rate. METRO ridership, for example, grew 11 percent from July 2000 to July 2001, adding about 60,000 new riders to the grid and subtracting a commensurate amount from liquid fuel use, largely from displaced private auto use. The ability to substitute U.S. energy supplies for highly-coveted petroleum fuels has strategic implications over the longer term.

As we look at the broader debate on high-speed rail and the potential for the deployment of diesel turbine technologies, these substitutions may take different forms. Lower grade fuels can be used more efficiently per passenger mile, while substituting for higher-grade jet fuels and gasoline.

And, we know that, overall, there are air quality improvements, development efficiencies and other benefits that follow with increased investment in intercity and regional rail transit.

Finally, let me say that there is much all of us have learned in these three short weeks. We are just starting to understand the implications for our economy and what this means for our policy choices. As political leaders, we are also challenged to grasp the degree to which the public's views on transportation and other issues may be shifting.

Prior to September 11, we had already been examining public attitudes toward rail investment, including high-speed rail, and other transportation-related issues. In a January poll, for example, we sampled public opinion on rail investment issues in ten metropolitan markets, all of which were outside the Northeast Corridor and the West Coast, where higher speed trains are now in service. We found that 69 percent of those polled favored the creation of high-speed train to serve their area and to provide connections between major population areas. Only one in twenty of those we surveyed doubted the ability of the United States to assemble the resources to build a

high-speed rail system. I suspect that public views on these issues are shifting even more favorably toward rail systems in the wake of September 11, prompting all of us to move forward more aggressively and make new resources available for investment in these systems.

### **Comments on RIDE-21**

With that discussion of some of the mayors' broader perspectives on these issues, I want to address some issues related to the pending legislation, RIDE-21.

First, on behalf of the nation's mayors, I want to commend you and the sponsors of the proposed legislation, RIDE-21, for your broader allocation of federal resources to the development of high-speed rail as well as for improvements to commuter and freight rail infrastructure. Your proposed commitment of \$71 billion to the nation's rail infrastructure is significant and of historic proportion.

Mr. Chairman, I want to emphasize that the mayors' efforts to promote the development of high-speed rail have focused on pressing Congress to enact pending legislation, the "High-Speed Rail Investment Act," where this legislation in both chambers now enjoys substantial support. We have been strong proponents of this approach since it was first introduced in the 106<sup>th</sup> Congress.

The mayors have particularly embraced the tax credit bond approach given the level of federal support that it delivers. We know that these investments are of a significant scale, and we believe it is the level of commitment by the federal government that will make the difference in moving these state investments forward. States are particularly challenged in their efforts to secure funding streams for investments that are multi-year, large scale projects, particularly where there are no project revenues to support the financing. High-speed rail authorities are not yet operating agencies, like airports or local water or sewer systems.

It is the federal subsidy support that is provided by the tax credit-backed bonds that we believe offers a much more realistic incentive in reaching our goal of stimulating the more rapid deployment of high speed rail networks. In fact, when you examine the cash flow requirements of undertaking these projects with tax credit-backed bonds, you find that the federal share of these

rail projects is roughly equivalent to what this Committee provides for highway and transit capital needs, a 80/20 partnership. This parity with other transportation capital programs is one of the strong features of the tax credit bond approach.

Under your legislation, tax-exempt bond authority totaling \$35 billion is provided to assist the states in investing in the rail infrastructure to support train speeds of 125 mph. While cash requirements in the first year are lower, it is a recurring annual cost that is substantial over time, particularly given that there are currently no operating revenues from any existing rail services to support the debt service. This is one of the particularly difficult challenges for government in launching new services, which in this case is high-speed rail.

The tax credit bonds are much more attractive to the states at this time, and mayors believe this approach is much more likely to stimulate more investment in the short term. As I discussed in my testimony, it is particularly crucial that we find a way to jumpstart the rapid deployment of high-speed rail services. We do not believe that the availability of tax-exempt financing is a powerful enough incentive to move investment forward.

In preparing my testimony, I have been taking note of the deteriorating financial outlook for the states. This weekend, it was reported that state revenues in the Commonwealth of Massachusetts last month are running about 13 percent below last year. My own State of Indiana, along with many others in my region, is reporting significant revenue shortfalls. This is a difficult climate for capturing substantial new funding commitments.

Mr. Chairman, your State of New York, following the terrorist attacks, pledged \$1 billion in state resources to respond to the aftermath and help rebuild the World Trade Center. This revenue is expected to displace other spending, and most certainly will make it more difficult to take on new debt for high speed rail investments within the State.

When you look at financing for high speed rail investment in Europe, for example, the national governments make substantial commitments to the capital needs of these projects, allowing the revenues from service to carry most of the operating costs. If states must absorb substantial debt service just to put the rail infrastructure in place, where will the resources come

from for the rolling stock, stations, personnel and others needs of an operating high speed rail service.

In my own region, we have been working to launch the Midwest High Speed Rail Initiative, an effort that is already underway and one that puts our multi-state area ahead of other regional efforts. We have been strongly supporting the tax credit bonds as the approach that we believe will accelerate our efforts to undertake this major project. I would note that our goal initially is to secure higher speeds on intercity service because the economics are there to support it. In order to achieve the threshold of 125 mph as RIDE-21 envisions, this would require an even larger commitment of capital.

Let me just provide an example of a \$1.2 billion investment in high-speed rail infrastructure under RIDE-21, as compared to the "High Speed Rail Investment Act." Using tax-exempt debt, a state or group of states issuing \$1.2 billion in high-speed rail infrastructure bonds would pay debt service of roughly \$80 million each year over 30 years.

The financial requirements for participating states under the tax credit-backed bond approach are quite different and more attractive. This same state or group of states would match \$1 billion in tax credit-backed bonds with \$200 million. It would be a one-time cash commitment of \$200 million from participating states. If the non-federal match were financed through debt, annual debt service would be roughly \$13 - 16 million annually over 30 years, depending on the tax status of the bond.

This example makes the point that the tax credit approach set forth in S. 250 and H.R. 2329 is much more preferable if this nation is really serious about moving forward with increased investment in high speed rail infrastructure.

### **Closing Remarks**

Mr. Chairman, in closing, I want to thank you for your leadership on this issue. The level of funding commitment -- \$71 billion overall -- that you have set forth is much realistic given what we know about the nation's rail infrastructure needs. We are committed to working with you to achieve this level of investment in high-speed rail and commuter and freight rail needs. But we don't believe that the level of federal support that is provided will result in the accelerated state investment in high-speed rail services that we are all seeking.

We have to find ways to increase our commitments to high-speed rail, remaining open to new and different methods for achieving this outcome. Mr. Chairman, to this end, the mayors look forward to working with you and Members of this Committee to expand the federal partnership commitment investment in our nation's rail infrastructure, both intercity and regional and local rail transit. On behalf of the nation's mayors, I thank you for this opportunity to present the views of the Conference and its members on these important issues.