

NATIONAL PRESS CLUB HEADLINERS LUNCHEON WITH
AMTRAK CEO CHARLES W. "WICK" MOORMAN

SUBJECT: CHALLENGES AND CHANGES TO AMERICA'S PASSENGER RAIL SYSTEM

MODERATOR: JEFF BALLOU OF THE NATIONAL PRESS CLUB

LOCATION: NATIONAL PRESS CLUB BALLROOM, WASHINGTON, D.C.

TIME: 1:00 P.M.

DATE: WEDNESDAY, JULY 12, 2017

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JEFF BALLOU: [sounds gavel] Good afternoon, ladies and gentlemen. Welcome to the National Press Club. Show time.

My name is Jeff Ballou, news editor for the Americas with Al Jazeera Media Network, and the 110th president of the National Press Club.

Today we are pleased to have our luncheon speaker, Charles "Wick" Moorman, the president and chief executive officer of Amtrak. Before we get started, I want to remind our in-house audience of a couple of ground rules, for those of you who may have come a little late as the luncheon got started. If you have a mobile device, now is the time to silence it, please. We're not asking you to put it away because we encourage you to tweet. We are a modern club, even though we've been around since 1908. We do believe in social media.

In fact, you can follow the proceedings today on Twitter *@PressClubDC*, using the hashtag, #NPCLive. My Twitter handle is *@NPCPresident*. So if you have anything bad to say, use that.

Also, I want to, in line with the theme of today, try to think of it as the quiet car. [laughter] Try to keep your conversations at a minimum. And please, if you have to use your phone, please step outside the Ballroom. Nobody else really wants to hear your conversations. But we want to hear this conversation with Mr. Moorman.

For our television and public radio audiences, I want to remind you that if you do hear applause and other symbols of approval or disapproval, that is because members of the public are invited to our luncheons, and not necessarily those coming from the working press

that are in the room. So we do have a mixed crowd, and we welcome everybody to our luncheons, but those of us who are journalists have a certain decorum about applauding or other expressions of approval or disapproval.

A couple of events, before I get to our head table, upcoming Headliners events: One, our Headliners Luncheon with US House of Representatives Freedom Caucus Chairman Mark Meadows of North Carolina, coming up on July 24th. Headliners Newsmaker on July 25th with the recently resigned US Census Director John Thompson; Headliners Luncheon on July 27th – yes, we have a busy July – with US Army Chief of Staff General Mark Milley. I guess we can pick up the conversation that I was having with General Dunford. And our annual National Press Club Journalism Awards Dinner, here in the Ballroom, on July 28th, where we will do what we do best, and that is honor the best in the profession, the future of our profession through scholarships, and also salute those who have gone above and beyond the call in terms of being brave in covering great stories.

Now, I'd like to introduce our head table. Please hold your applause until everybody here has been introduced. Zach Everson, freelance journalist contributing to Condé Nast Traveler and Fox News; Scot Naparstek, executive vice president, chief operating officer of Amtrak, and a guest of our speaker; Herb Jackson, Washington correspondent for the *Bergen Record* and USA Today Network, and a member of the National Press Club; Malini Wilkes of Fox News Radio, and a member of the National Press Club; Ed Hamberger, president and CEO of the Association of American Railroads, and a guest of our speaker; Kevin Wensing, Captain, US Navy-Retired, a member of the National Press Club, and the member who organized today's luncheon, thank you, Kevin.

Speaking over our speaker momentarily, Jonathan Salant, Washington correspondent for New Jersey Advance Media and the *Star Ledger*, and a past president of the National Press Club; Cheriss May, principal and lead photographer for Ndemay Media Group, and a relatively new member of the National Press Club, welcome; Maria Pena, Washington correspondent for La Opinion/Impremedia; Steven Gardner, executive vice president for planning, technology and public affairs for Amtrak, and a guest of our speaker; and Alan Schlaifer, a member of the National Press Club and the president of the Wharton Club.

Thank you all. You may applaud the head table. [applause]

I want to also acknowledge some members of the Headliners team responsible for organizing today's event. I talked about Kevin already. I want to acknowledge Lori Russo, Heather Forsgren Weaver, Aprill Turner, Tamara Hinton and Mike Smith. Our Headliners chairs are Lisa Matthews and Betsy Fischer Martin. We have great staff support from Laura Coker who manages the office of the National President Club president and is part of our member engagement team.

Now to our Headliner of today. Wick Moorman became president and chief executive officer of the government-backed National Railroad Passenger Corporation. Most people don't say that; they say Amtrak. He is the tenth executive to lead Amtrak since the company began operations in 1971.

Prior to taking the helm as a transitional CEO at Amtrak, Mr. Moorman spent approximately four decades at Norfolk Southern Corporation and its predecessor Southern Railway. A native of New Orleans, Mr. Moorman primarily grew up in Hattiesburg, Mississippi, and educated at the Georgia Institute of Technology and Harvard University.

Last month, Mr. Moorman announced plans to step down from his current role. He served about a year-and-a-half when he completes his time at Amtrak at the end of the year. He says that's even longer than he originally planned.

Before he leaves, however, we've invited him here to talk about Amtrak's continuing budget woes, derailments, customer complaints about service, the famous tape of the stampede at Penn Station where 16 people were injured, repair plans for what some commuters are calling the Summer of Hell in New York City, and the needed infrastructure that the rail industry requires to keep itself open and running smoothly.

As of today, his announced successor, Richard Anderson, a former airline executive with Delta Airline –, which is a new thing, somebody from a very different vein coming in, onboarding as an executive – where they're now co-CEOs until the end of the year where Wick will quietly roll off and Richard will have to put his wings down and put his railcars on.

In the meantime, we're going to have plenty of great questions and answers from our head table and from all of you. Don't forget, you have cards on your tables. You can also use social media, so if you want to tweet your questions, you can do that, too. And we will try to get to as many as time allows. Kevin will help me sort them out. Mike Smith will help me sort of them out. And I have many questions, because we are in the 21st century, on my iPad. So you can actually email them to me if you want to at *president@Press.org*. If you think of one, you can quietly whip out your cell phone and do that.

Without further ado, I want to bring to the stage Wick Moorman, CEO of Amtrak.
[applause]

WICK MOORMAN: Thank you so much. Thanks for the gracious introduction. It's great to see all of you. I will say that I've had a lot of great experiences in my life and in my career, but when I walk down the hall out there and see some of the other people who have been up at the podium, this certainly ranks up with all of the highlights. So I'm delighted to be here.

I don't tweet, so I won't be stopping occasionally to put something really smart that I said out. [laughter] Not that I'm going to say anything smart.

And the other thing I would say is that it's really, really not that much more expensive to upgrade from that quiet car into first class. [laughter] Think about it. We need the money.
[laughter]

Well, good afternoon, all. I thought I'd do three things today very quickly, and try to be aware of time so there's plenty of time to really talk about what you'd like to talk about:

The first is I'll give you kind of a brief description why I'm here and why I'm doing this. This is primarily so that my wife, who may be listening, can hear it again, although I have no hope of really convincing her that it was a good idea.

The second is to talk a little bit about Amtrak and how it came to be, and what it is; and equally importantly, what it isn't. Because I think there are some number of misconceptions about what Amtrak is.

And then the third is to kind of bleed into, then, a little bit of conversation about infrastructure, which I believe is kind of the critical issue that faces not only our company, but our country in the future. So that's the plan. Let me try to do that in a minimum amount of time.

I'll give you a slightly different version of the introduction. I was a kid who loved trains. A lot of kids love trains; a few never grow out of it. I always say that my mother dropped me fairly early and I hit my head and this was the effect. But nonetheless, that's the way I was built, and so I've had a remarkably great life, blessed life in every respect. And a wonderful career, including my time at Amtrak.

I was fortunate enough, as you heard, to get a job with the Southern Railway, a Norfolk Southern predecessor, back in 1970. For those of you who are young, that was in the late Paleozoic Era. [laughter] And then had just a great career, which culminated in being CEO for about ten years.

I stepped down as CEO in mid-2015. We moved to Charlottesville, Virginia, which is a great place. We have our children and grandchildren all within 20 minutes. It's idyllic. It was idyllic for about a year, and I was extraordinarily happy. So why on earth did I end up doing this?

Well, it became known that my predecessor, Joe Boardman, was going to be retiring, and my name was being thrown around in the trade presses, kind of an ideal successor, if you will. And I was approached by the chairman of the Amtrak board, a fellow name Tony Coscia who was up from the New York/New Jersey area, and is terrific, and they asked me about doing it and I said no. And then I made a mistake. I said, "But I'd be happy to help."

So they ran a search, which didn't really work very well. And Tony came back to me and finally convinced me, to my wife's utter disgust, to do it for "a little while." A little while was defined as a fairly short period of time. And as Tony put it so eloquently the other day, I have not adhered to my contract; I am now overrunning my allotted time. Fortunately, contract adherence doesn't really matter to me because I'm not drawing any salary. So there's very little to claw back. [laughter]

Why did I do it? Three reasons. As you heard, I've been in this industry a long time, and I've been remarkably blessed by the industry. And it's an industry that I care a lot about. The second reason – and I'm giving you the noble reasons first – is that I really do believe this is a form of public service. Amtrak is important to our country, and it needs to be well led and well managed, and I thought I could make a difference. And that, by the way, is exactly why Richard Anderson's doing the job. And in fact, I can tell you that in spite of my begging and pleading, he did no better in his contract negotiations for salary than I did.

So the unhealthy reason, of course, is pure ego. It's okay when people start saying, "He's the ideal candidate for the job," but when you start believing it, it's a bad thing. [laughter] Nonetheless, here I am.

So let's start with a history lesson about Amtrak. It originated in 1970. It began operations in 1971. To put it in perspective– and I was trying to remember the year Penn Central bankruptcy, '68; couldn't remember '68 or '69. And the railroad industry was in a state of disrepair. Most companies, not Southern Railway and a few others, were really in very bad condition – infrastructure-wise, finance-wise, everything else. And in fact, the common question back then was, should the railroads be nationalized, because they were important and in total disarray.

So decline, disarray, particularly here in the Northeast and out in the Midwest. Railroad passenger service was in freefall. The interstate highway system had come along. Long distance aviation had become an important mode of transportation. And the railroad companies already weak financially were just hemorrhaging cash running passenger trains and trying as hard as they could to get out of that business. But they were impeded to a large extent because there were a lot of public utility commissions and other people who thought, "No, this is an essential service; you need to keep running it."

So it was not a good situation. And Amtrak was conceived as this kind of grand bargain, that the government would create an organization – and I'll talk about what kind of organization it is in a minute – that would preserve what I'd call a rudimentary national passenger network. And it was only long distance trains when it began. It relieved the private companies, the rail carriers, of their obligations, which they were happy to do; and in return, they gave equipment and, more importantly, they gave Amtrak, now Amtrak, the right to run their trains– run our trains, I should say, on their railroads for really marginal, very marginal cost.

And that deal still exists today. It's a deal that – I can tell you after a long career in the freight industry – the current freight railroads aren't that particularly happy with. And some of them tend to forget that it was the bargain that was struck.

So why did I tell you this? There are a couple of key ideas. By the way, we then took over commuters, the corridor, Penn Station, where we're having a great summer [laughter], in the mid-'70s, because after Penn Central went bankrupt they formed a company called Conrail, which many of you will remember. But it continued to struggle mightily, and the

next step was to relieve them of what really were money losers, and that was the commuter operations. And then with that, came Chicago Metra and some other things.

The first lesson is one that's fairly simple. When people talk about bringing private companies in to run passenger trains, and gee, wouldn't that be a lot better, history has already told us they couldn't do it. So it's not a question of ability to run a good organization – and I'll touch on that – it's really a question of the fact that in particular the long distance, but in general rail passenger transportation is not a particularly good business model – asset-intensive, relatively high labor costs, and you don't turn equipment that well, and you maintain your own infrastructure, which is quite expensive. That's lesson one.

But lesson two, and the thing I really want to touch on is that Amtrak was created – and this is absolutely essential in my mind – as a corporation. In fact, it was chartered and created as a for-profit corporation. Now, the people who built it up, created the idea, always knew; they knew – not a good business model, this thing'll probably never make money. But it was sold at the time to the President and the Congress as a concept where, yes, just create this and it will, in fact, become profitable.

It hasn't yet. And in some ways, particularly if you look at it on a gap basis, it never will. But it's a corporation, it's a company. And since I have been, starting last September, my mantra to everyone – to the outside world and more particularly inside the company – is, we're going to run it like a great company. We're going to benchmark ourselves against the best private corporations – the Norfolk Southerns of the world, the Deltas of the world. Because we can do that. And if we do that, then we'll deliver great service, and we'll minimize the amount of money that we require from the government, which does, by the way, two things: one, subsidize our operating loss, and then pay for our capital expenditures.

So what does that mean in terms of running a great company? Well, when I came in, there was a good amount to do, and I started off with what I thought of as the four tier-one issues to deal with. By the way, there are tier two issues, there are tier three issues. I've identified a couple of tier sevens. I'm not really losing any sleep on anything below about two right now.

But what did we need to do? We needed to organize appropriately so that we had a functional organization with people responsible and accountable for things in a way that made the most sense from running the railroad and running a passenger-focused organization. And once we organized, get the right people in the right jobs. Just business sense.

Second, really critical, focus on creating a strong safety culture. Amtrak is reasonably good at safety. And I'm talking primarily about safety of employees, but also safety of the traveling public and the safety of our communities. But we can do a lot better. I've been around great safety cultures and seen them, and that's where we need to take the company. And under the very capable leadership of Scot Naparstek down here, our chief operating officer, we're starting to take very meaningful steps to create that culture. But culture change takes a while. And you never stop in order to do it.

Third, on top of that, create a strong focus on what I like to call operational excellence – delivering what we do efficiently and effectively. And a strong safety culture enables you to build a strong operational excellence culture. So that's number three, and we're driving that way, I think, now. Again, a lot of work to do. But this is something obviously that I've seen, and Richard Anderson has seen, and he will be great at doing this.

And then, fourth, and you referred to a couple of these issues, get back to focusing on customer and the customer experience. And customer experience defined is ticketing, stations, our employee interactions, be they with an onboard attendant, be they with a conductor or assistant conductor, be they with a station agent, whomever.

And then last, our equipment. Those of you who ride the train may have looked around on our equipment and said, It looks a little stale. We can do better than that, and we've started some activities that will in fact start to make our equipment a lot better. It's old, but old doesn't mean it can't be good.

More of you have flown on 40-year-old airplanes than you realize. Because when you walk in, you don't say to yourself, Man, this thing looks like it's 40 years old; in some cases you say, This looks like a new airplane. And we can do that. It's not that expensive, it's not that hard. But it just requires that mindset of think about our customers. And that's what great companies do.

In a very real sense, Amtrak is a government contractor, just with a different business model. We're just like a defense contractor, we're just like a highway building. The only problem we have is that unlike those companies who can build a government directly and build them enough to have a profit margin, pay their shareholders, do all of those great things, we rely on, in effect, what are user fees, passenger fares. And because the marketplace doesn't sustain the passenger fares we need to make that profit, we ask the government to make up the difference.

Having said that, we need to understand, as I keep saying, that we are a company. So the point I drive home is that a problematic business model is absolutely no excuse for not being great. And that's where we're trying to take Amtrak.

Let me very briefly tell you what Amtrak is today in addition to– and this is my ask of all of you: next time somebody says, Well, Amtrak's a government agency, just say, No, no, no, it's not. It's a very different animal.

So let me tell you about our businesses. Let me look at each one of them. I'll start with the long distance. And most of you have seen the Trump administration's proposal, which is to defund the long distance business. And the long distance business is what people think of when they think of Amtrak. It's why we were created.

But if you look at the numbers, it's about 15% of our ridership. It's only about 23% of our revenue, and that's typically because people ride a little bit farther. And it is what defines

our company to most of the nation. In the very real sense, it's also the political glue that holds us together because it turns out that we get a lot of support from a lot of members of the House and members of the Senate on both sides of the aisle in places where we run passenger trains. Their constituents like it. It is the big money loser.

But you have to understand Amtrak accounting. And this is the other thing we're up on the Hill talking about all the time. We're like any other company with a network cost. We have direct expenses, which are paying for crews, paying for fuel; how much does it cost to really get that train from A to B.

And the new have various layers of allocated cost. If you look at the direct cost to run the long distance network, it's about \$500-some million in revenue and a little less than that in expenses. Most of the loss is all allocated cost. The problem with allocated cost, of course, is if that funding gets cut on the long distance side, we lose that \$500 million in revenue, we still have labor protection for a few years, which is substantial, and all those allocated costs just get dumped over on the other two businesses.

So the net result of cutting financial support to the long distance business is, we need more money from Congress. Not a good outcome.

I believe there's a mission for the long distance trains. We serve a lot of underserved parts of this country in terms of public transportation. But I always say, you can have an argument about whether or not the government should be in that business. But defunding it in the way that's proposed would be extraordinary problematic for the company.

Next business, state-supported trains, 18, I think it is, state-supported trains directly. Depends on how you count direct support. But it's a growing business. Fifty percent of our ridership ride on state-supported trains. So it's a good business. And it's only 22% of our revenue because most of it's short haul and we don't always control the fares. Now, the states make up a good bit of the operating loss, but by design we subsidize the states, to some extent. So while it doesn't lose as much money as long distance, it does lose some money. But it's where the growth opportunities are, and where I think passenger rail goes. I ride the train from Charlottesville to Washington most days because I would rather ride the train, in fact I'd rather have a root canal than get on I95 and come up here in the mornings. And those trains are full because a lot of people feel like I do.

And the last piece is the corridor, the Northeast corridor. It is 38% of our ridership, 55% of our revenue. And that's because we have a market in which we can charge adequate fares, and we have a first class product in the Acela, which does very well. And the corridor, even after allocated costs, generates cash. It would not be profitable on a standalone gap basis, but it is the cash generator for us.

And I should mention, by the way, last year the operating loss at Amtrak was \$230 million. We covered 94% of our operating cost. You look around the world, that's a remarkable number. So it's not like we don't know how to run a railroad.

The corridor's great, but it leads me to the last thing, infrastructure. And if I worry about one thing at Amtrak, it's infrastructure and it's the Northeast corridor. On the long distance network, we run on the freights, on the host railroads, what Ed so ably represents. I've known him too long. That creates problems for us sometimes in terms of freight train interference and things like that.

Here's the good news, putting my freight hat on: the one piece of infrastructure in this country that's in great shape is the freight railroads. There's been enormous investment. I will tell you, at all of them, freight railroad infrastructure is in the best shape it's been in in 70 or 80 years, which is a very positive thing. The corridor, not so. The track's okay. Ride quality needs to improve. The signal system is old. The overhead wiring, the catenary, we have some 80-year-old catenary infrastructure out there. And you don't want to look below the railroad, because we have eight major bridges, only one is less than 100 years old.

The B&P tunnel, south of Baltimore, 30-mile-an-hour, with curves in them, 127 years old. A little past their sell-by date.

And then the microcosm of this is the Gateway programs. It's the railroad from Newark to Penn Station. A lot of it's still double track, it's the busiest part of the railroad. We run 450 trains a day over two tracks in the weekdays. We run 24 trains an hour in each direction through the two tunnels under the Hudson River. So we have huge capacity limitations. We have 200-year-old bridges in that eight-and-a-half miles. And then we have two tunnels on the Hudson and two of the four on the East River that were flooded by Sandy. And the deterioration of these tunnels, which were opened in 1910, has just started to accelerate.

So as a result, we have what we call the Gateway programs. And it's a series of projects – bridges, track expansion, two more tunnels under the Hudson so we can fix the two that we have before they go out of service, and ultimately an expansion of Penn Station. And as I was saying earlier, you look at Penn Station today, for eight hours a day it is doing things that it was never, ever designed to do. So it's our essential must-do work.

The good news is that we've been talking a lot about it, including the fact that that area is 10% of the nation's GDP, and in the latest House-proposed budget, with lots of thanks to Chairman Diaz-Balart and Chairman Frelinghuysen, there's some money for Gateway. There's some substantial money. It's a long way to go, but it's an indication that people have started to realize how important it is. And I should say, we have strong bipartisan support in the House, and we have great support in the Senate as well. Not only from Senator Schumer and Senator Booker, and all of the folks from the Northeast, but even out West and other places. So I'm optimistic that we'll do Gateway.

But the long-term prospects for Amtrak mean that some day or another, we have to have a secure funding source to run the company, rather than, year by year, wondering what it is we're going to get.

And in the same way, and I'll close on this, I firmly believe that our country needs to step up on all of its infrastructure – on our highway system and its bridges, on some of the waterway system and the ports. Everywhere you look, there are huge needs. And if we don't address that, at Amtrak and everywhere else, my great concern is that in 20 years' time, what has been the great competitive advantage that's driven our country forward, really since the Second World War, becomes the great competitive disadvantage that holds us back.

So I've rambled. I didn't go too long, so hopefully I've left time for a few questions. Make them easy. [applause]

MR. BALLOU: Thank you. Appreciate it. Several questions that came in before today's luncheon, and some that are coming in fast and furious via the cards, and of course via Twitter. So that's why all these devices are going on up here.

You talked about Congressional support. There seems to be a pretty pitched battle going on. The President of the United States campaigned on infrastructure, you talked about in your remarks. Yet, members of the Freedom Caucus, I'm sure we'll ask Chairman Meadows when he's here in a few days, are trying to cut a lot of that funding. And yet, there are people that are trying to reduce your rural service, the air service. Cuts are coming in left, right and center. You want all these things to improve, yet they're not yet necessarily being delivered. How are you compensating for those competing forces going on on the Hill and in the White House?

MR. MOORMAN: It's a great question, and of course I have to give an apolitical answer.

MR. BALLOU: It's just about money.

MR. MOORMAN: Yeah, it's always about money. If you look at the history of Amtrak, this is nothing new. If you look at the Trump proposal, 20 years ago the proposals coming out of the administrations were "shut down Amtrak." So the Trump proposal is, "Gee, we've got this one thing that we don't think makes sense, let's not spend money on it." The other things they actually support. And I am actually an optimist about the administration in terms of our conversations with Secretary Chao and DoT about Gateway. Because I think the President comes from New York, he understands the situation up there.

It's a long, long process. We'll work our way through it. We'll make our case. And I'm an optimist. I think we'll continue to be funded to do what we do.

Let me say this though. The better we run Amtrak, the better we deliver on projects, the more people understand how good our company is, the easier every funding conversation gets.

MR. BALLOU: You got into this a bit, but what steps is Amtrak taking to ensure that there are no more Summers of Hell; and that is beyond trying to push for a different name when major updates are required.

MR. MOORMAN: That's a start. This is a big outage. We're addressing *the* most difficult place to renew, in Penn. I think that we have to continue to educate people about the necessity of renewing these assets and the fact that at times assets— people have to do a lot of work. The interesting thing is that the new chairman of the MTA, which controls subways, Long Island and Metro North, as you all know, Joe Lhota, just came out, because the subways in New York are having a bad time these days, and said, "We're just going to have to take longer outages to fix them." And we thought, boy, what an idea.

So I think the public understands if you explain it and you don't use rhetoric that might be viewed as inflammatory, that these kinds of projects are essential. And Amtrak will continue to work to make sure we have a great railroad in terms of its infrastructure so we can deliver reliable service.

What people hate, what commuters hate is when you have an unplanned disruption. This summer, while there are disruptions, they've known about it a month in advance. Long Island and New Jersey transit have done a great job of saying "here are alternatives." And knock on wood, we're two days in, but by and large the commuters, they've figured it out. People figure it out if they know what's going on.

MR. BALLOU: To put a micro focus on the Penn project, is it going to be on time? I know it just started this week, but do you have a sense of the timetable, when it's going to be all done, when things are going to be back to normal?

MR. MOORMAN: Well, we've told everyone we'll be back at Labor Day. And there are three reasons why I'm very confident that will happen. The first is, we've done an exceptional and extraordinary amount of planning on the engineering side. We know we have all the material. We know it all fits. We have everything planned out.

Second, we have a lot of skilled people who do very difficult work down in the bowels of the station, and do it very well. We have the staff, we have the resources, we have the people who can do it.

And the third is, we do, if things start to, for some reason, look like they're running behind towards the end, we have the ability to step in at the end and button things up, and then finish out whatever we don't get to in subsequent weekend outages.

So Labor Day is it.

MR. BALLOU: So if it's late, we can call you back here?

MR. MOORMAN: Absolutely, absolutely. Call Richard. [laughter]

MR. BALLOU: Derailments. In terms of the broader safety picture, there's a lot of questions about rail safety. What are you doing to prevent what happened in Philadelphia a couple of years ago and other derailments. You hear about them almost locally; they're

unfortunate, where either it was a derailment or somebody is unfortunately hit by a train. What specific steps are you doing to address the safety culture?

MR. MOORMAN: What we've started with in the safety culture itself, to go there, is to kind of recalibrate our entire safety program to introduce serious new elements of responsibility and accountability for all of our employees, an element that I think had not been strong enough. We are in the process of doing the very first round of training for our operating supervision. And I think we have the right program in hand. I will tell you, the former chief operating officer of Norfolk Southern has come down to assist us to put all those programs together, as well as some other people.

In terms of the incidents you mentioned, the tragic accident up in Philadelphia, we now have the technology on the entire Northeast corridor that would prevent an accident like that.

Derailments, we have relatively few derailments. We just need to stay focused on the infrastructure, and in particular the infrastructure in our terminals, which is where you're more likely to have one of those derailments. Those are typically at low speed, but nonetheless they're disruptive, and so we have to stay focused on getting those locations, like Penn, fixed.

MR. BALLOU: They say all politics are local. I remember when I walked out of my newsroom, some of my colleagues and I heard this from some other members in emails. What are you doing to get the prices down? Sometimes the fees feel like plane fares.

MR. MOORMAN: That's good. [laughter]

MR. BALLOU: Meaning, too high. People are saying in the questions, hey, the fares are too high. Can we get them down or at least keep them steady, because at that point I might as well just hop a plane.

MR. MOORMAN: Let me answer that. Of course, an airline guy is coming in, and I think he would give exactly the same answer. We compete in a transportation marketplace. And so, if you look at New York to Washington, and New York to Boston kind of the same, although it's a slightly slower trip. All of you know this. Downtown DC, Union Station, to Penn Station in two-and-a-half hours, something like that, we compete very well with the airlines.

Hands up, how many people really enjoy being at LaGuardia Airport? [laughter]

MR. BALLOU: That's not fair, you're a train guy.

MR. MOORMAN: That's what I'm saying. We say this all the time. We're talking about no middle seat. We have a lot of competitive advantages, and it's incumbent upon us as a good company, and as a good steward of the taxpayers' money, to compete effectively in that marketplace, and that means price so that we realize the maximum amount of revenue

for the service we offer. We have 70-plus-percent market share of commercial transportation between New York and Washington.

So I do understand that. And by the way, let me say this. We are looking at doing some creative things in terms of creating an economy class, if you will. But the seat pitch will look more like, pick an airline, and there'll be some other things that just don't make it quite as comfortable.

And the other thing I would say in terms of value for money, isn't it relaxing, being on that train? Look out, see the country go by. It is, go ahead. [laughter]

MR. BALLOU: I happen to like both. Just getting back to some other things about infrastructure. Actually, more back to money. You said early on in your remarks that you would love to have more money. But every good manager should be looking for ways to improve efficiency in cutting things. A lot of your predecessors have been expanding and retracting service, expanding or retracting. Where do you cut and not have customers cry foul?

MR. MOORMAN: Let me say, that is a great question. I would tell you that I think, because— without it being anybody's fault, Amtrak, particularly in the '90s and the 2000s, was under enormous economic pressure because we went through a series of administrations that wanted to cut all of the money. And there's still a lot of economic pressure today.

I think that the company in some of its cost lost sight of the passenger, lost sight of the customer. And I'll give you an example. Someone some years ago made a decision, we just won't shampoo the carpets as often, and it saved a million dollars. But, boy, you get on and you say, wow, that carpet hasn't been cleaned in a while, and that's not the experience we want to create for our customers.

So where we're focused right now, and where all our conversations are, is, yes, we want to be like any other great company; we want to be efficient and effective, we always want to be looking at ways to reduce cost, but we want to do it in the places that don't have that direct customer impact. And that's the mindset I think that we all have, certainly the senior team has. And those are the processes we're going through.

MR. BALLOU: This is a bit Northeast corridor-focused. Would the problems getting in and out of New York this summer be less severe if Governor Christie had not canceled the tunnel project in 2010? [laughter] That's not political.

MR. MOORMAN: I've answered a lot of questions recently by saying, I understand the Governor's frustration. I can't quite wrap that one in. Look, that was before my time. And the so-called ARC tunnels, it was a plan that would have certainly given us two more tubes under the Hudson. The plan, in its final incarnation though, would not have gone into Penn Station. It was a separate new station just to the north of Penn. So in that way, it was flawed because it would not have allowed us to shut down the other two tunnels, one at a time, and rehabilitate them.

The original ARC tunnel alignment went into the new station and Penn. If that had happened, we would not be where we are today.

MR. BALLOU: More Northeast corridor questions. I promise there are others.

MR. MOORMAN: I'm so used to these. [laughter]

MR. BALLOU: The high-speed rail improvement project between New Brunswick, New Jersey, and Trenton, New Jersey, was supposed to be complete by last month. But the project's delayed and the Amtrak inspector general found the project was plagued by, quote/unquote, gross mismanagement of funds and resources. When will the high-speed rail upgrade be complete on the Northeast corridor? And should commuters be concerned that Penn Station could be plagued by the same delays and mismanagement?

MR. MOORMAN: Here's the deal on the high-speed rail project. There are a lot of issues that happened with that. It was a project that was conceived some years ago – and I'm giving you all history; I wasn't there – in haste. And it was difficult to understand exactly what was going to be accomplished. As the IG says, it was not particularly well managed. It will be a few months more. It's very close to completion

But the important thing to understand is, we have completely redone all of our program management infrastructure. We have now an executive program management team that dictates program management standards – and there are standards, and there are tools – to make sure that we're managing everything consistently, and that we have good people managing those programs. And I feel much more confident about our ability to deliver projects on time and on budget as a result.

The second thing, as I said, no, I don't think that what happened with New Jersey high-speed rail has any correlation at all to what we're doing at Penn.

MR. BALLOU: When will an order be executed by Amtrak to purchase new long distance passenger locomotives and cars to replace the current long distance passenger train fleet that is, as you indicated earlier, seen better days and can't run forever? Because the current fleet looks just about worn out.

MR. MOORMAN: It's going to look a lot better soon.

MR. BALLOU: How soon?

MR. MOORMAN: Two years for the Northeast regionals, for the refresh. These are old assets, but, I'll go back to the airline business and the freight railroad business. We at Norfolk Southern started a process of rebuilding a lot of our diesel locomotives; it's been very successful. And we're looking at the same thing at Amtrak. What did we decide earlier? It's all about the money? It's just when can we get the funding to start ordering new equipment.

But I am a great believer in self-help. I'm a great believer that we can take our existing assets and extend the lives and make them more reliable and more customer-friendly without having to wait around for someone to write a check to us for a whole bunch of new locomotives. And that's the path we're going down

So that day will come. Until that day, we will use our capabilities, and we have considerable capabilities, to keep our equipment performing well for our customers.

MR. BALLOU: Time to move to the Midwest and beyond. Your predecessor, Joe Boardman, spoke here about the need for a key railway intersection around Chicago. What's the status of that effort?

MR. MOORMAN: Ed Hamberger can answer that as well as I can.

MR. BALLOU: We can bring him up.

MR. MOORMAN: No, no, no.

MR. BALLOU: He's turning red over here.

MR. MOORMAN: It's the CREATE project. And there's been a substantial amount of work done on CREATE. And it's been a partnership between the railroads, including Amtrak, the state and city, and then with some federal government money as well. The federal government money, for example, in my old life at Norfolk Southern, built a flyover, which got 80-some Metra trains out of the way of 60-some Norfolk Southern trains every day. So there's been substantial improvement.

There's a great big project out there that's left called the 81st Street CIP. What's the price tag? 75th Street CIP. It does include 81st. What's the price tag? 1.4 billion. But a lot of great work has been done. It's a great project. And Chicago is much better from a railroad standpoint as a result. And you've seen that in the interchange times for freight cars at Chicago come down, the average interchange time.

MR. BALLOU: Quite a few questions about comparing the US rail system to those elsewhere in the world. Why does the US seem to be behind Asia and Western Europe with respect to high-speed rail transportation? And that goes into autonomous trains. There's three or four questions that get into the whole notion of why can't we just be like the Eurostar or something like that?

MR. MOORMAN: I get that a lot. And the most frustrating thing is, then it's usually tied to, gee, if we just didn't have Amtrak, we could be like Western Europe. No. If we spent \$100 billion on new rail infrastructure, then we could be like Europe. One of the key kind of simpleminded lessons of railroading is that when you look for high-speed operations, which the Europeans and the Asians have committed to, and some others, what it's all about is two things: one is the geometry of the railroad, because the Japanese— and it's the 50th anniversary

of the Shinkansen; it's the 50th anniversary of Amtrak in four years. They figured out that with motor technology, you could pump enough horsepower into a train so that hills didn't matter. You could go up just as fast up a hill as down hill. And that was a change.

Curves slow trains down. So everyone over there that runs high-speed trains has built brand new alignments that are, for the most part, dead straight. And then they keep— there are no commuters on them, there are no freight trains. There's no nothing else. If the US had made a decision to go in that direction, rather than invest what it has in the interstate highway system, we'd have a lot of high-speed trains. It's a government priority to invest in the railroads in other places where it's not here. It's just that simple.

MR. BALLOU: Do you see private sector or public/private partnerships, do you see anything that begins to push us in that direction? Or is Congress too entrenched to go there?

MR. MOORMAN: I think there's some opportunity for some private investment. In my mind, the most likely true high-speed operation in this country may well be what's planned in Texas between Houston and Dallas because you can get out, you can go straight, it's flat. There's a lot of farmland in there, although I think they're running into the fact that farmers don't want to sell their land necessarily. And the Japanese are sponsoring it. Now, there's a lot of question about how much real private money goes into that versus public in some way or another.

The difficulty, and people ask this about Gateway all the time – what about public/private partnerships? Because as you know, that's what the administration talks about. It's difficult to toll a tunnel. We can do some things. And I welcome private investment. I think private investment brings all kinds of good things, including discipline, to projects. But it's just difficult to see how you make the numbers work.

MR. BALLOU: Cyber security and terrorism have come up. Admiral Mike Rogers, who's been here to the Club – we like to talk about folks that visit here a lot—

MR. MOORMAN: Will you talk about me?

MR. BALLOU: We will.

MR. MOORMAN: In a good way?

MR. BALLOU: In a good way. Not so much if you're late with Penn Station. Kidding. Cyber attacks, Admiral Rogers talked about here, happen almost every day. And he said at this podium to my predecessor, Thomas Burr, it's not a matter of if, but when. What does that mean for Amtrak? How are you preparing for it? How are you coping with it? To the degree that you can talk about it.

MR. MOORMAN: I think we can talk about it a fair amount. We're very aware of cyber threats. We have taken substantial initiatives with our IT group in terms of the commonplace things – the 24-hour monitoring of everything that's coming at the company

electronically, whatever the percentage is, discarding 98% of the inbound emails and trying to sniff others. We have a lot more to be done there.

I think if you look at Amtrak – and this is where we're focused – I think the threats to us come in a couple of different directions. One is just the ordinary kind of theft factor, getting credit cards. And there, Amtrak, for a while now, has done a very good job of being absolutely in compliance with all of the credit card handling standards that are out there in terms of keeping those safe. And in fact, we're now moving to a new technology where we don't even keep credit cards. We keep a code that's not translatable into a credit card number.

The other is, and this is a big thing for industrial companies, the so-called industrial control systems. So we're talking about dispatching and we're talking about the power management, and things like that. We have a lot of work under way.

The other thing I'll just say in terms of kinds of those threats is the other question we get all the time, about terrorism on the trains. When I got here, I was very impressed to see there is a multilevel system that's constantly watching out for that. You will see it, and have seen it. If you go to Union Station, the first thing you'll notice, there's a large uniformed presence there, of primarily Amtrak police, but there are a lot of other people in there, many of whom you won't notice, who are watching everything that goes on. We are very tied in to all of the security agencies, and constantly monitoring the threat levels.

Nothing keeps you absolutely safe, that's the unfortunate fact of life for all of us. But we're doing a lot of, I think, good work to protect the traveling public.

MR. BALLOU: Do you see a time when Americans are going to embrace rail transportation like their European counterparts?

MR. MOORMAN: The way I put it is, there are a lot of great people at Amtrak, and for 46 years, for a large part of the 46 years, a lot of people were there trying to kind of, what I would describe as keep the flame alive. Understanding that some day the world would come to the point where people started to say, We really need to have passenger rail as an option for transportation. I think that that day has come.

I think it takes a while. I don't think it necessarily ever means high-speed trains between Washington and New Orleans or Chicago. That may be a while. But what we're going to continue to see is things like I mentioned – more and more corridors in particular where people want to travel from an urban environment, to an urban environment, or into an urban environment where all of the other problems with our infrastructure, particularly the highway system, make that a painful experience.

That's a sweet spot for us, and that's a place where all of the states want to hear more about what we can do.

MR. BALLOU: Some public service announcements before we get to your last question. For those of you who may have joined us later in the telecast, the radiocast, on the

Internet and here in the Ballroom, some things coming up: We talked about House Freedom Caucus Chairman Mark Meadows; he'll be here on July 24th for a Headliners Luncheon. Headliners Newsmaker on July 25th the recently resigned US Census Director John Thompson; Headliners Luncheon on July 27th with US Army Chief of Staff General Mark Milley. And our annual National Press Club Journalism Awards Dinner on July 28th.

And before I give you the last question, I'm going to give you our customary National President Club mug.

MR. MOORMAN: Thank you. Very nice.

MR. BALLOU: You take that with you, and we in return will keep that lovely picture of you that you signed earlier before the luncheon. It'll go on the wall with the rest of the speakers so people can admire you along with everybody else outside.

There are lot of fun movies about trains: *Strangers on a Train*; *Silver Streak*; *North by Northwest*; *Unstoppable*; *Throw Momma from the Train*. [laughter]

MR. MOORMAN: That's not an Amtrak recommendation. [laughter]

MR. BALLOU: *The Taking of Pelham 123*. What is your favorite train movie?

MR. MOORMAN: Oh, my gosh. The John Candy– *Trains, Planes and Automobiles*. I thought that was a very good movie.

Let me just, by the way, since I'm constantly selling Amtrak, go back, because it is a great movie, and watch *North by Northwest*, because you can recreate that experience today [laughter] on our Empire State service. Give it a try. [applause]

MR. BALLOU: For transcripts and other information about our National Press Club Headliners activities, you can go on www.Press.org. Thank you very much. We are adjourned. [sounds gavel] [applause]

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