

ASLRRA President Discusses 2018 Initiatives RTA Members Can Help Move Industry Forward

By Linda Bauer Darr, ASLRRA President

In the Q&A article below, American Short Line and Regional Railroad Association (ASLRRA) President Linda Bauer Darr offered Railway Tie Association members (RTA) insight on the performance of the nation's short line and regional railroads as well as challenges and opportunities that lie ahead for 2018.



Please provide a little background about the importance of the short line and regional freight rail companies to the U.S. economy.

The short line rail industry is critically important to the freight rail system in the United States:

- 603 privately owned railroads operating in 49 states.
- Operate 29 percent of the U.S. freight rail network and the entire rail network in five states.
- Provide first and last mile service to one in five cars moving on the network.
- Short line rail is critical in linking much of rural America to the United States and international economies. We are the face of the industry as we are on the front lines with customers.

How did short line and regional railroads perform in 2017, and what is the performance outlook for 2018?

The short line rail industry has a unique entrepreneurial spirit. We are creative and customer-service minded; yet, we are limited in growing our business by our geography and rely upon our Class I interchange partners to serve our customers. 2017 was a generally positive year overall, ending slightly up overall (+2.75 percent) according to Rail Inc.

In 2018, we are looking forward to the economic growth anticipated to be spurred by the Tax Cuts and Jobs Act.

We will continue to advocate for a continued balance in regulatory environment, strengthen our relationships with Class I interchange partners, and

implement technology that will lead to greater safety and efficiency in our industry.

How do you expect the tax reform bill to impact your membership?

There are some significant benefits from a lower tax rate, the ability to expense certain purchases, and several other provisions. We look forward to the growth that the Tax Cuts and Jobs Act will spur. It will be interesting to see how the Class I railroads will use their savings. Short lines don't profit enough to reap large savings but will benefit from a boosted economy.

What will the recent Section 45G tax credit extension mean to the short line and regional railroads?

Short lines were largely created from abandoned or marginalized lines from Class I railroads. Years of deferred maintenance had left unsafe/inoperable tracks and bridges. Much of the operable track would not support modern car configurations. It has been a 30+-year effort to create the vibrant network of 603 railroads that operate in 49 states and move one in five cars on the national network.

To address the significant investment need, Congress passed an extension of the tax incentive, commonly known as 45G, which allows for a \$3,500 per mile track credit. Railroads must spend \$2 to get \$1 in credit back.

45G over the last 10 years has largely allowed short lines to do tie replacements and upgrade some track to handle 286,000-pound cars, but heavier rail and significant bridge repairs are still badly needed across much of the network to allow all short lines to operate modern cars and run as efficiently as our Class 1 partners.

The tax credit has allowed for \$4 billion in investment to date. We think there is about \$10 billion left to go in upgrading our rail system. Short lines will have to do most of that from operating revenue, and short lines already invest 25-33% of that revenue back into infrastructure every year. 45G permanence or a long-term extension would be a huge help in moving



these projects forward.

The tax credit helps support the industries that help us build and maintain our structures. When the credit is in place, tie purchases are up significantly, for instance.

The short line tax credit has consistently garnered widespread bipartisan support in both houses. ASLRRA applauds the recent Congressional action that extends the Railroad Track Maintenance '45G' tax credit retroactively through Dec. 31, 2017, as part of the Bipartisan Budget Act of 2018, signed into law by President Trump in February. We are advocating for permanency of the 45G credit as part of a future infrastructure bill.

The tax credit is good public policy with a proven track record of success, allowing the 603 short line railroads to continue to invest in infrastructure with their own capital.

What are some of the other challenges the short line and regional railroad industry is facing right now, and how is ASLRRA working to overcome them?

We continue our vigilance of the regulatory environment, and support regulations that have a proven safety benefit.

Carload traffic is always top of mind, as it is the lifeblood of our industry. We recently completed a strategic plan at ASLRRA, which has the support and growth of carload traffic as a key objective. We look forward to building our knowledge base of the many differing operations of the nation's 603 short lines, and hope to use that data to be better partners with our Class I interchanges, and assist with the growth of carload traffic.

We oppose increases to truck size and weight, which is a continual challenge for ▶

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our industry. Larger and heavier trucks would move volume from rail to road, and would put even more trucks on the road. Larger and heavier trucks add stress to an infrastructure that is already challenged for funding and upgrades, on the backs of the driving public. The public safety and law enforcement community do not support larger and heavier trucks due to the risks they present to the driving public.

Finally, Positive Train Control and other technology that will move our industry forward in efficiency and safety is a keen focus.

Where does ASLRRRA stand with the mission of the Short Line Safety Institute's (SLSI) work?

We view the work of the SLSI as critically important to assisting our industry in addressing the people side of the safety equation. Their railroad safety culture assessments are helping railroads to identify opportunities for improvement and identify best practices.

Education and programming from the safety institute is available to all short line railroads, in addition to safety culture assessments.

The work of the safety institute on safety culture and our industry's focus on compliance and safe operations have led to our industry being fatality-free for over one year!

Please share why Railroad Day on Capitol Hill is an important event for the industry, and how RTA members can get involved.

Railroad Day on Capitol Hill has proven to be the single most effective way to get our message to Congress. The size of the event, the geographical diversity of the participants, and the unified railroad industry message has focused Congress on our issues like never before.

Railroad Day on Capitol Hill is only successful when all railroad industry representatives attend. You put the face on the issues that matter most to our industry. When you turn out in force you demonstrate that those issues affect a large group of individuals who employ an even larger group of people from across the country. The continued success of this event is dependent on your participation.

We strongly encourage RTA members to join us for Railroad Day and help us move the 45G tax credit forward. When the credit is in place, our support of your industry is significant. Please make your voices heard!

Please register on our website and join us on March 7. https://aslrra.org/web/Events/Railroad_Day/web/Events/Railroad_Day/default.aspx ■