

# Rail Industry Converges On D.C.

## Key Issues Include Balanced Regulation, Infrastructure Revitalization & Short Line Tax Credit Extension

### From Staff Reports

According to the Association of American Railroads (AAR), like all American industries, railroads today are experiencing the effects of the severe economic downturn. Rail traffic is down sharply, and railroads have been forced to furlough thousands of employees. More than 100,000 rail cars and locomotives have been placed into storage due to lack of demand.

However, AAR's message is that railroads believe in America and plan to invest heavily in their networks—including close to \$9 billion in planned capital spending this year. Railroads know that freight rail is critical to the nation's long-term health. And, when the economy rebounds, railroads will be ready to meet the nation's transportation challenges.

### Railroad Regulation: A Smart, Balanced Approach

A major topic of conversation at the Railroad Day-on-the-Hill event held Feb. 26, where 300 rail industry representatives and suppliers convened on Capitol Hill for face-to-face meetings with key legislators, was the threat of railroad re-regulation. "The message was for a smart, balanced approach," said Jim Gauntt, Railway Tie Association (RTA) executive director, who attended the event along with numerous other RTA members. "It's important for our legislators to understand that investments will be made by the railroads in spite of the

economy. We must not upset the balance by restructuring the regulations that have led to a renaissance for railroads."

Rail industry supporters' message to legislators was a reminder that, following the passage of the Staggers Rail Act in 1980, railroads were operated under a smart regulatory system that freed them to make sensible, market-driven business decisions. The Staggers Act effectively lowered freight rail rates by 54 percent from 1981 to 2007, resulting in billions of dollars of savings for consumers, according to AAR. AAR also noted that rail's market share increased for the first time in decades, with trucks now among rail's best customers. Railroads are also safer, with the train accident rate dropping 71 percent and the rail injury rate plummeting to 80 percent since the passage of the Staggers Act.

Railroad Day-on-the-Hill attendees reminded legislators that if select shippers prevailed in forcing bureaucratic intrusion on America's freight rail network, funds for needed infrastructure investment would dry up, putting more freight on highways, creating more congestion, fuel consumption, pollution and higher shipping costs.

A recent independent study suggested by the General Accounting Office and commissioned by the Surface Transportation Board (STB) found that the current system of balanced regulation has benefited both railroads and shippers. This study found that railroads are not earning excessive

profits; that providing significant rate relief to so-called "captive shippers" would likely result in rate increases for other shippers or threaten railroad financial viability; and that a return to excessive regulation could lead to adverse changes in rail industry structure, costs and operations.

The study is consistent with a conclusion the GAO itself made in 2006. "Without a doubt, rates have decreased for most shippers, and most shippers are better off in the post-Staggers environment than they were previously. This outcome suggests that widespread and fundamental changes to the relationship between the railroads and their customers are not needed," stated the GAO.

### Revitalizing Rail Infrastructure

Another important topic of conversation between attendees and legislators at Railroad Day-on-the-Hill was the revitalization of rail infrastructure.

AAR said American shippers and consumers have caught on to the tremendous benefits of freight rail. As a result, the U.S. Department of Transportation projects that demand for rail freight service will nearly double in the next 25 years. A 2007 study released by the National Surface Transportation Policy and Revenue Study Commission concluded that to meet the nation's projected demand for rail capacity by 2035 about \$148 billion must be invested to expand the nation's rail infrastructure over the next three decades.

Railroad Day-on-the Hill members meet with first term Congressman Dr. Parker Griffith (D-AL). Standing next to Griffith is RTA's newest CLEAR Committee member Alison Potts of Boatright Enterprises.



Team members brief Senator Johnny Isakson's (R-GA) staff on key issues during Railroad Day-on-the Hill blitz.



Attendees told legislators that railroads would generate about 70 percent of the money necessary to expand their networks to keep up with the nation's needs. In fact, railroads are already investing record amounts back into their systems. In the past 30 years, they have invested \$420 billion to revitalize rail infrastructure and equipment. The study also found that without the investment 30 percent of America's primary rail miles would be in overuse by 2035.

An infrastructure tax incentive would help bridge this funding gap and revitalize and expand the rail network, preparing railroads to meet the nation's needs. The bipartisan "Freight Rail Infrastructure Capacity Expansion Act (HR 272) provides a 25 percent tax incentive for projects that expand freight rail capacity. All businesses that make capacity-enhancing rail investments—not just railroads—would be eligible.

The message also was that public-private partnerships are good public policy providing major public benefits such as reduced highway congestion, cleaner air, improved safety and enhanced mobility. These partnerships are already working in places like the Alameda Corridor in Southern California, the Capitol Corridor in Northern California, the Heartland Corridor from the Atlantic to the Midwest, the Gateway Corridor in the East, and the CREATE project in Chicago.

### Extension Of The Short Line Rehabilitation Tax Credit

A third major topic of conversation at Railroad Day-on-the-Hill was the need for the extension of the short line rehabilitation tax credit.

"America's short line and regional rail-

**Gauntt takes a moment to personally thank Congressman Bachus for his ongoing support for rail infrastructure initiatives throughout the years.**



roads play a critical role in our nation's transportation infrastructure by connecting rural communities, strengthening local economies and protecting our environment," said Richard F. Timmons, president of the American Short Line and Regional Railroad Association.

"The stimulus package overlooks the critical role played by private freight railroads in our economy and the potential economic benefit of investment in freight upgrades."

Legislation introduced in the House by Representatives Pomeroy (D-ND) and Moran (R-KS) (H.R. 1132) and the Senate by Senators Lincoln (D-AR) and Crapo (R-ID) (S. 461) would extend the Short Line Rehabilitation Tax Credit, which allows short line railroads to undertake critical projects, assuring continued investment in the nation's transportation infrastructure.

The Short Line Rehabilitation Tax Credit helped the Pioneer Valley Railroad in Westfield, Mass., complete a track improvement project that helped protect thousands of local jobs by securing rail service to their customers and employing contractors to do the rail work.

Many short line customers also joined the briefings to explain the importance of the tax credit and what it means for local businesses hard hit by the recent economic downturn. "The short line tax credit helped us lower our transportation costs and sell more lumber to more customers. We are one of the largest employers in rural Oregon and an efficient local railroad like the



**RTA Executive Director Jim Gauntt (right) along with other Railroad Day-on-the-Hill team members visit with Congressman Spencer Bachus (R-AL).**



**RTA CLEAR Chairman Tom Niederberger visits with Pandrol President John R. Davison Jr. during the reception following the day of visits.**

Portland & Western Railroad helps keep it that way," said George Bonner, director of transportation of Hampton Lumber in Portland, Ore.

America's short line railroads provide fuel savings and environmentally friendly shipping for small businesses and communities around the country. One freight rail car can carry a ton of cargo 436 miles on just one gallon of fuel. Short line railroads take the equivalent of nearly 33 million truck loads off the highways, saving the country over \$1.4 billion annually in highway repair costs and improving highway safety and congestion. §

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