



PUTTING FEDERAL FREIGHT RAIL POLICY ON THE RIGHT TRACK

Key Issues Facing the American Short Line and Regional Railroad Association and America's Freight Customers

Respectfully Submitted to the Transition Team of President-Elect Obama
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WHAT IS A SHORT LINE RAILROAD? – ASLRRA represents the nation's 552 small freight railroads ("short lines"). Together, short lines operate 50,000 miles of track, which is one-third of the U.S. freight railroad network. They serve vast areas of the country no longer served by large Class I railroads and act as a feeder system to the national network. In 30 states, short lines operate 25 percent or more of the state rail network.

SMALL, ENTREPRENEURIAL BUSINESSES – The average short line railroad employs 22 workers, with 56% of workers represented by unions, while the slightly larger regional railroads average 234 employees with 66% union representation. Half of all short lines gross under \$5 million per year, while only 33 gross more than \$40 million. ASLRRA represents railroads with gross revenues of less than \$28 million – "Class III" – and those with gross revenues between \$28 and \$347 million – "Class II". The seven "Class I" railroads grossing more than \$347 million are not represented by ASLRRA.

AN ECONOMIC ENGINE IN UNCERTAIN TIMES – Short lines keep communities and businesses connected to the national railroad network and enable them to move goods to market. Short lines collectively serve 13,000 railroad customers who employ over 1 million American workers. Without rail transportation these jobs would be in peril.

Short lines can also provide much needed economic stimulus in difficult financial times. Short line infrastructure rehabilitation can be undertaken immediately without the need for lengthy engineering reviews or environmental clearances. The replacement of rail, ties and bridging often takes place almost immediately upon the availability of financing and labor.

ENVIRONMENTALLY SUSTAINABLE TRANSPORTATION – Freight rail transportation has a more desirable emissions profile per ton-mile than competing modes for CO, CO₂, VOCs, and nitrogen oxides. A 40-car short line train equates to 120 to 160 truckloads, and diversion of that traffic to truck would result in highway pavement damage of more than 1 million automobiles. The mere existence of short line railroads saves federal and state governments over \$1.4 *billion* in highway pavement damage costs per year.



Critical Federal Policy Issues Facing Short Line Railroads

SECTION 45G RAILROAD MAINTENANCE TAX CREDIT – Preferred Action: The Internal Revenue Code Section 45G credit should be extended through 2015.

Policy Rationale: Section 45G was created in 2004, and subsequently extended by Congress through 2009. Section 45G creates an incentive for short lines to make private expenditures and to partner with rail customers and contractors for the purpose of upgrading track. This program has been highly successful in preserving rail service across America, and has played a direct role in over \$800 million in improvements undertaken since 2005. The recent two year extension of the credit is expected to play a role in an additional \$600 million in private infrastructure investment. This credit scores at \$165 million over 10 years per year extended.

RAILROAD REHABILITATION AND IMPROVEMENT FINANCING LOANS – Preferred Action: Reject Bush Administration Proposed Rules designed to complicate issuance of infrastructure loans under 49 USC 822.

Policy Rationale: The proposed rulemaking purports to reduce the risk of default under an existing federal loan program for railroad rehabilitation. Instead, these changes would raise the bar beyond the reach of almost all short lines. In the ten year history of the program, during what is arguably the worst credit crisis ever, not a single private railroad has missed a single quarterly payment, and two loans have been repaid in full, years in advance. Rapid issuance of responsible RRIF loans has the potential to provide \$500 million in almost immediate economic stimulus.

DO NO HARM – Preferred Action: Oppose legislation and regulations that disadvantage rail transportation in an effort to bias the regulatory framework. The STB should handle line sales between short lines and Class I's in an expedited manner.

Policy Rationale: Recent legislation unsuccessfully sought to impose undue regulatory burdens on freight railroads. These proposals would increase the cost of rail operations while bringing, at best, limited and transitory gains to a small group of rail customers. Efforts to place a thumb on the STB scale in favor of certain parties will stifle rail investment at a time when dramatically increased investment is required. Efforts to complicate or block transactions between Class I's and short lines will stop the creation of short lines and lead to increased railroad abandonment.



RECOGNITION OF SHORT LINE ATTRIBUTES IN ANTICIPATED NPRM PROCESS – Preferred Action: Federal Railroad Administration (FRA) regulations issued following with the Rail Safety Improvement Act of 2008 should keep in mind the distinctions between short lines and higher density railroads.

Policy Rationale: New regulations will be issued in the next two years to implement the Safety Act. These regulations, particularly “Positive Train Control” (PTC) regulations, should keep in mind that short lines operate with much lower traffic densities and generally lower speeds than larger railroads. Mandating PTC on short lines will have minimal safety benefits, and is beyond the financial capabilities of most short lines.

TRUCK SIZE AND WEIGHT ISSUES – Preferred Action: Oppose efforts to increase the maximum weight of trucks and trailer combinations on the nation’s highways.

Policy Rationale: Heavier trucks are more dangerous, the cause of dramatically increased highway pavement damage costs, and directly target short line railroads. Increasing truck size and weight limitations will be a lose-lose situation endangering the viability of many short lines while increasing truck traffic, accidents, highway damage, congestion, and pollution.

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