

# America Needs More Rail Capacity - Now

ASSOCIATION OF AMERICAN RAILROADS

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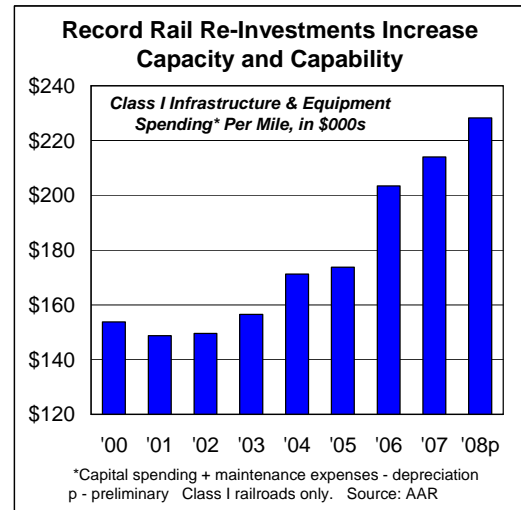
## Summary

In the years ahead, America's demand for safe, cost-effective, and environmentally-responsible freight transportation is expected to skyrocket. **Freight railroads are the best way to meet this demand.** America has the lowest cost, most productive freight railroads in the world. And since they are three or more times more fuel-efficient than trucks, railroads also **save fuel** and **reduce greenhouse gas emissions.** Railroads have been re-investing record amounts back into their systems, and they are committed to continuing to make the substantial investments a first-class rail system requires. But **everyone has a stake in increasing rail capacity.** Policymakers can help by instituting tax incentives for expanding rail capacity; by entering into more partnerships with railroads to solve critical transportation problems; and by keeping balanced regulations that protect shippers and consumers while giving railroads the freedom to operate in the competitive marketplace.

## Freight Railroads = A Healthy Economy and a Cleaner Environment

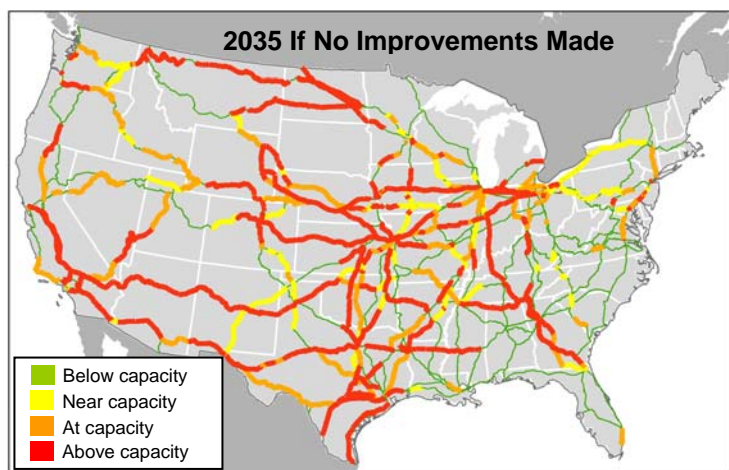
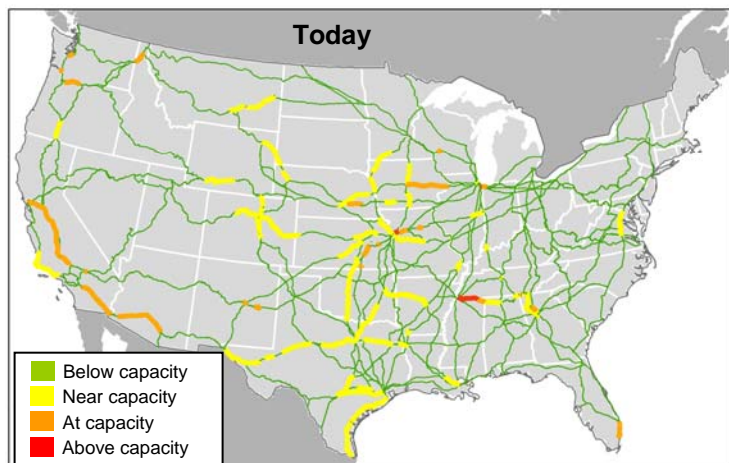
- America's more than 550 freight railroads operate a 140,000-mile network stretching from coast to coast. Their combination of safety, efficiency, and affordability is **unmatched** by any other freight rail system in the world.
- Railroads serve nearly every industrial, wholesale, retail, agricultural, and mining-based sector of the economy. Whenever Americans grow something, eat something, mine something, make something, turn on a light, or get dressed, you can bet railroads were involved somewhere along the line.
- For railroads, **affordability** and **environmental responsibility** go hand in hand:
  - ✓ In 2008, railroads, on average, moved a ton of freight **457 miles per gallon of fuel**, up from 436 miles in 2007. Railroads are **three or more times more fuel efficient** than trucks.
  - ✓ A train can do the work of **280 or more trucks.** If just 10 percent of the long-distance freight that currently moves by truck were moved by rail instead, fuel savings would exceed **one billion gallons** per year.
  - ✓ Because greenhouse gas emissions are directly related to fuel consumption, **moving freight by rail instead of truck reduces greenhouse gas emissions by two-thirds or more** — while still meeting America's economic needs. The greenhouse gas emissions savings resulting from saving one billion gallons of fuel is equivalent to taking **2 million cars off the road** or **planting 280 million trees.**

- Unlike trucks, barges, and airlines, America's freight railroads operate almost exclusively on infrastructure that they build, maintain, and pay for themselves. From 1980 to 2008, railroads re-invested more than **\$440 billion** of their own funds on locomotives, freight cars, tracks, bridges, tunnels and other infrastructure. That's more than **40 cents out of every revenue dollar**, invested right back into the rail network that **keeps our economy running**.
- In recent years, America's freight railroads have been re-investing more back into their systems than ever before — an indication of their commitment to meeting America's transportation needs.



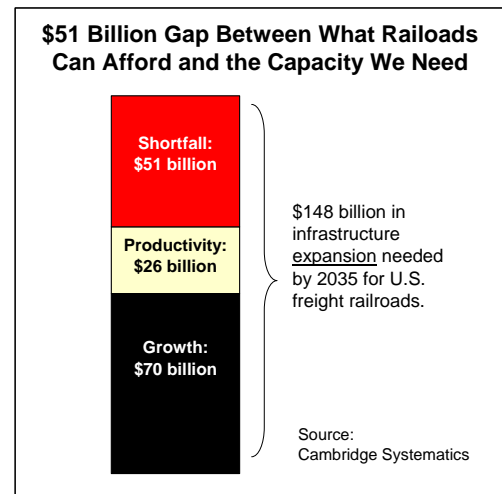
### Now's the Time to Focus on Expanding Rail Capacity

- The U.S. DOT predicts that freight transportation demand will rise 92 percent by 2035 from 2002 levels.
- Railroads are more than willing to take on more traffic — and take trucks off the highways — but if future demand is to be met, **rail capacity must be expanded**.
- A recent study by Cambridge Systematics found that if rail capacity needs are not addressed, by 2035 some 16,000 miles of primary rail mileage (nearly one-third of the miles analyzed) would be so overburdened that they could easily break down. This level of congestion could bring the entire U.S. rail network to a standstill.
- But the good news is, today less than 1 percent of rail miles are that congested. **Now is the time to make this investment in America's future.**



## The Funding Gap

- The Cambridge Systematics study found that approximately \$148 billion in infrastructure expansion, including \$135 billion for Class I railroads and \$13 billion for non-Class I railroads, will be needed for new investments through 2035 to meet the DOT's forecast demand and maintain railroads' current market share.
- That \$148 billion is for **new** rail tracks, bridges, tunnels, and other infrastructure. It does not include the hundreds of billions of dollars railroads will spend to maintain and replace their existing infrastructure over the same period, or the hundreds of billions of dollars they will spend to maintain and replace locomotives, rail cars, and other equipment.
- Despite their impressive levels of re-investment, railroads simply cannot pay for the amount of rail capacity America needs entirely on their own. Class I railroads expect to be able to generate around \$96 billion of the \$135 billion needed for the new capacity identified by the Cambridge Systematics study. That leaves a \$51 billion funding gap, or around \$1.8 billion per year.



## Three Ways to Bridge the Funding Gap

- Our economy and quality of life depend on our ability to move goods safely and efficiently. Policymakers can ensure that rail continues to meet that need by taking steps to address the funding gap. Here are three ways to do just that:
  1. **Tax Incentives for Expanding Capacity.** Tax incentives to build new tracks, bridges, tunnels, and other rail infrastructure make good economic sense. **Every \$1 invested would generate more than \$3 in total economic output.** And each \$1 billion of new rail investment induced by tax incentives would create **20,000 jobs.** All businesses that make investments to expand rail capacity, not just railroads themselves, would be eligible.
  2. **Public-Private Partnerships.** Partnerships allow railroads and governments to work together to solve critical transportation problems. The public would receive the tremendous benefits of moving more freight by rail — including lower shipping costs, reduced highway gridlock, less fuel consumption and greenhouse gas emissions, and enhanced safety.
  3. **Keep the Staggers Act Intact.** Prior to 1980, America's shippers and consumers could not obtain efficient, reliable freight rail service because railroads were being strangled by excessive regulation. In 1980, Congress passed the Staggers Rail Act. Staggers created a balanced regulatory system that still exists today — shippers are protected against anti-competitive railroad conduct, while railroads can largely decide for themselves how to manage their operations. **Thanks to this balanced regulation, America has the most productive, most affordable freight railroads in the world.** Policymakers should reject calls to return to a time when bureaucrats again try to run America's railroads.