

# Public-Private Partnerships

ASSOCIATION OF AMERICAN RAILROADS

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## WHAT SHOULD BE DONE?

Implement more public-private partnerships (PPPs) for freight railroad infrastructure improvement projects where the fundamental purpose of the project is to provide public benefits or meet public needs.

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## WHY?

Public-private partnerships — arrangements under which private freight railroads and government entities both contribute resources to a project — offer a mutually beneficial way to solve critical transportation problems. When more people and freight move by rail, the public benefits tremendously through lower shipping costs, reduced highway gridlock, enhanced mobility, lower fuel consumption, lower greenhouse gas emissions, and improved safety. Partnerships allow governments to expand the use of rail, including passenger rail, paying only for the public benefits of a project. Meanwhile, host freight railroads pay for the benefits they receive. It's a win-win for all involved.

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## We're All In It Together

- Today more than ever, America needs safe, affordable, and environmentally sound transportation options. **Public-private partnerships combine public and private resources for specific projects to help make this happen.**
- Without a partnership, many projects that promise substantial public benefits (such as reduced highway congestion by taking trucks off highways, or increased rail capacity for use by passenger trains) in addition to private benefits (such as enabling faster freight trains) are likely to be delayed or never started at all because neither side can justify the full investment needed to complete them. **Cooperation makes these projects feasible.**
- With public-private partnerships, the public entity devotes public dollars to a project equivalent to the public benefits that will accrue. Private railroads contribute resources commensurate with the private gains expected to accrue. As a result, the universe of projects that can be undertaken to the benefit of all parties is significantly expanded.
- Since railroads contribute funding commensurate with the benefits they receive, public-private partnerships are not “subsidies” to railroads. In some partnerships, public entities and private railroads both contribute to a project's initial investment, but the railroads alone fund future maintenance to keep the project productive and in good repair.

## The Huge Public Benefits of Freight Railroads

Governments partner with freight railroads on rail-related projects for one reason: they want the public benefits those projects will bring and they believe those public benefits exceed

the public costs associated with the project. Public benefits vary from project to project but can include:

- **Reducing highway congestion.** Because one train can replace several hundred trucks, railroads reduce highway gridlock, the costs of maintaining existing highways, and the pressure to build costly new highways.
- **Economic development.** Freight railroads in the United States provide the most efficient and affordable freight rail service in the world, connecting businesses with each other across the country and around the world. America's freight railroads provide a huge competitive advantage for U.S. firms in the global marketplace.
- **Reduced fuel consumption and greenhouse gases.** On average, railroads are four times more fuel efficient than trucks. And since greenhouse gas emissions are directly related to fuel consumption, moving freight by rail instead of truck reduces greenhouse gas emissions by an average of 75 percent.
- **Leveraging capital.** In an era of scarce public dollars for transportation projects, partnerships can bring added resources to the table.
- **Affordability.** Adjusted for inflation, on average it cost shippers 46 percent less to ship freight by rail in 2017 than in 1981 on a revenue per ton-mile basis, saving rail customers consumers — and ultimately all of use — billions of dollars each year.
- **Expanded passenger rail.** Freight rail provides the infrastructure on which most passenger rail operations in the United States take place.

### **Examples of Rail Public-Private Partnerships That Work**

- One of the best-known rail public-private partnerships is the **Alameda Corridor**, a 20-mile rail expressway connecting the Ports of Los Angeles and Long Beach to rail yards near downtown Los Angeles. Completed in 2002, the Corridor has made the ports more productive, reduced noise and congestion in the community, made streets in the region safer, reduced pollution, and allowed faster, more efficient movement of freight by rail.
- The **Heartland Corridor** is a public-private partnership creating a shorter, faster route for double-stacked container trains between the Port of Virginia and the Midwest. The new routing, which is nearly 250 miles shorter than previous circuitous routings, will mean more economic development and more jobs throughout the region it serves.
- The **Chicago Region Environmental and Transportation Efficiency Program (CREATE)** is a partnership involving the state of Illinois, Chicago, and several freight and passenger railroads. A package of more than 70 distinct projects, CREATE is improving passenger rail service, reducing motorist delays, increasing safety, improving air quality, and creating jobs. Ultimately, public benefits will be in the billions of dollars.
- The **National Gateway Project** is enhancing transportation options for shippers in the Midwest and along the Atlantic Coast by enabling trains to carry double-stacked containers, increasing freight capacity, and making corridors more marketable to major East Coast ports. The **Crescent Corridor** is strengthening freight distribution in the Southeast, Gulf Coast, and Mid-Atlantic by connecting a 2,500-mile network of existing rail lines with regional freight distribution centers.