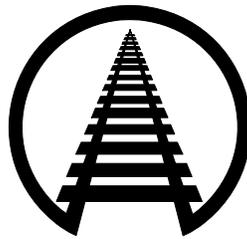


**STATEMENT OF**  
**JEFF MOLLER**  
**EXECUTIVE DIRECTOR - SAFETY AND OPERATIONS**  
**ASSOCIATION OF AMERICAN RAILROADS**



**BEFORE THE**  
**U.S. HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
**SUBCOMMITTEE ON RAILROADS, PIPELINES,**  
**AND HAZARDOUS MATERIALS**  
**FIELD HEARING ON THE ROLE OF INTERCITY PASSENGER RAIL**  
**DURING NATIONAL EMERGENCIES**

**FEBRUARY 11, 2008**

**Association of American Railroads**  
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**Washington, DC 20001**  
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On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to appear here today. AAR members account for the vast majority of railroad mileage, employees, and revenue in Canada, Mexico, and the United States.

#### New Orleans Gateway Infrastructure Improvement Project

The New Orleans Gateway is a key gateway in the nation's rail network and is vital to the national, regional and local economies. Several years ago (prior to Hurricane Katrina), the Louisiana Department of Transportation and Development (LADOTD) and the Regional Planning Commission formed a partnership with the AAR to study possible improvements to the New Orleans Gateway.

The parties have nearly completed a feasibility study that has identified a number of improvements that could enhance the operation of the New Orleans rail network and, at the same time, create potentially significant benefits to the community. These improvements include more fluid routing options for rail traffic to allow all trains (including passenger trains) to get into and out of New Orleans more quickly. This could positively impact current operations and accommodate traffic growth by allowing rail traffic to move more efficiently during the critical hours leading up to a severe weather incident.

By possibly closing or separating highway-rail grade crossings, the project could also reduce delays for vehicles, reduce emissions caused by delayed highway traffic and trains, and support a more competitive economy for the region.

Nearly all of these improvements can be made within existing railroad rights of way, meaning there would be limited impact on the community at large. The LADOTD and the Regional Planning Commission are continuing their partnership with the railroads and could begin a formal Environmental Impact Study later this year.

## Why Public-Private Partnerships Are Important

U.S. freight railroads move vast amounts of just about every type of cargo, connecting businesses with each other across North America and overseas over a rail network spanning more than 140,000 miles. Railroads account for some 40 percent of U.S. freight ton-miles (more than any other mode of transportation), but because of their cost-effectiveness they haul this traffic for less than 10 percent of intercity freight revenue.

From 1980 to 2007, U.S. freight railroads reinvested approximately \$420 billion — more than 40 cents out of every revenue dollar — on infrastructure and equipment, creating a rail network that is second to none worldwide. In recent years, U.S. freight railroads have typically spent \$18 billion to \$20 billion per year (after depreciation) to provide the high-quality assets needed for safe, efficient operation. This extraordinary level of spending shows the diligence with which railroads approach capacity and service issues.

U.S. freight railroads are, with minor exceptions, privately owned and operated. Unlike trucks and barges, freight railroads have traditionally received minimal government financial assistance for infrastructure construction and maintenance. Instead, railroads have traditionally financed nearly all of their infrastructure investments through their own earnings and by borrowing from outside capital providers.

A way to help states and localities improve rail networks that generate public benefits is through a more pronounced use of public-private financing partnerships for rail infrastructure improvement projects. These partnerships — and the New Orleans Gateway Infrastructure Improvement Project is a good example — provide a means for transportation planners and providers to effectively meet vital transportation needs by combining the efficiency of the private sector with the equity of public participation. These partnerships

are not “subsidies” to railroads. Rather, they are an acknowledgement that private entities should pay for private benefits and public entities should pay for public benefits.

Partnerships reflect the fact that cooperation between interested entities is far more likely to result in timely, meaningful solutions to transportation problems than a go-it-alone approach. Without a partnership, projects that promise substantial public benefits in addition to private benefits are likely to be delayed, or never started at all, because it would be too difficult for either side to justify the full investment needed to complete them. In contrast, if a public entity shows it is willing to devote public dollars to a project equivalent to the public benefits that will accrue, the private entity is much more likely to provide the private dollars (commensurate with private gains) necessary for the project to proceed.

Partnerships are even more important in light of expected rail traffic growth. According to recent U.S. Department of Transportation projections, U.S. freight railroad demand will rise 88 percent by 2035. A recent study by Cambridge Systematics found that an investment of \$148 billion, including \$135 billion for Class I railroads and \$13 billion for short line and regional railroads, will be necessary for infrastructure expansion to meet the DOT’s forecast demand and maintain rail’s current market share. Class I railroads anticipate being able to generate (through gains in earnings and productivity) some \$96 billion of the \$135 billion in new capacity identified by the Cambridge Systematics study. That leaves a \$39 billion funding shortfall, or around \$1.4 billion per year, that will need to be funded from public-private partnerships, investment tax credits, or other sources.

Passenger rail growth would come on top of growth in freight traffic. That’s why, going forward, capacity will likely be the single most important factor shaping the freight rail–passenger rail interface.

## Public-Private Partnerships With Railroads Work

The immense public benefits of freight railroading — including lower pollution and energy consumption; reduced highway gridlock; and enhanced mobility, safety, and security — would accrue more quickly if more public-private partnerships for freight railroad infrastructure projects were implemented. Public officials around the country have recognized this point, and have worked together with freight railroads on win-win partnerships, just a few of which are described below:

- The best known existing public-private partnership involving freight railroads is the *Alameda Corridor*, a \$2 billion, 20-mile rail expressway connecting the Ports of Los Angeles and Long Beach with rail yards near downtown Los Angeles. The partnership involves two highly-competitive railroads; two ports; and local, state, and federal governments. The Corridor began operations in April 2002 and is already providing public benefits, including expanded port capacity; reduced noise and congestion delays on local streets and highways; improved safety; major reductions in pollution from highway vehicles and locomotives; and more efficient freight rail movements.
- Perhaps the most extensive rail-related public-private partnership envisioned today is the *Chicago Region Environmental and Transportation Efficiency Program* (CREATE), a \$1.5 billion project involving the State of Illinois, the City of Chicago, and major freight and passenger railroads serving the region. CREATE's goal is to modernize and improve transportation in the region by separating tracks and highways to speed vehicle travel and reduce congestion and delays for motorists; updating track connections and expanding rail routes to reduce transit times; and adding separate, passenger-only tracks in key locations to remove bottlenecks that have slowed passenger and freight movements in the region for decades. The \$330 million first stage of CREATE recently got underway.
- A multi-state partnership is underway to increase the flow of consumer goods on the *Heartland Corridor* between the East Coast and Chicago by, among other things, raising the height of nearly 30 rail tunnels to allow use of efficient double-stack containers. The project is also expected to aid in economic development along the corridor.
- In November 2005, trains began using the 2.2-mile *Reno trench* that separates trains running through downtown Reno, Nevada from motor vehicle traffic. More than 30 trains a day are expected to travel through the 33-foot deep trench, which is the result of a partnership involving a major freight railroad and numerous government entities. Funding for the \$282 million project came mainly from the railroad, municipal bonds, and the DOT's Transportation Infrastructure Finance

and Innovation Act (TIFIA) loan program. The project boosted downtown redevelopment efforts and eliminated 11 highway-rail grade crossings.

A sharper focus on public-private partnerships is supported by the American Association of State Highway and Transportation Officials (AASHTO), an organization representing highway and transportation departments in all 50 states and the District of Columbia. In a January 2003 report, AASHTO noted that “[R]ealizing the public benefits of a strong freight-rail system at a national level will require a new partnership among the railroads, the states, and the federal government. ... Relatively small public investments in the nation’s freight railroads can be leveraged into relatively large benefits for the nation’s highway infrastructure, highway users, and freight shippers.”

#### Freight Railroads and Passenger Railroads

Our nation’s privately-owned freight railroads are successful partners with passenger railroads all across the country. More than 95 percent of the miles over which Amtrak operates are owned by freight railroads, and hundreds of millions of commuter trips each year occur on commuter rail systems that operate at least partially over tracks or right-of-way owned by freight railroads.

As noted earlier, going forward, capacity will likely be the most important factor shaping the relationship between freight and passenger rail. U.S. freight railroads are moving more freight than ever before, creating capacity constraints on important rail corridors and points throughout the U.S. rail network. Available capacity varies from one rail line to another, but, overall, excess capacity is limited, and there is no question that U.S. freight railroads today are using their assets much more intensively than they were even a few years ago. And since demand for freight rail is projected to rise sharply in the years ahead, serious capacity issues will remain with us.

Freight railroads are vital to our economy, lowering shipping costs by billions of dollars each year; providing our farmers, manufacturers, and miners a tremendous competitive advantage in the global economy; and producing huge public benefits. But if passenger railroads impaired freight railroads and forced freight onto the highways, highway gridlock would get worse; fuel consumption, pollution, and greenhouse gas emissions would rise; and our mobility would deteriorate — outcomes that are completely contrary to the goals of expanding passenger rail in the first place.

Freight railroads want passenger railroading to succeed in this country. Passenger rail progress, though, must be complementary to — not in conflict with — freight rail development. That means that we have to work together to address these challenges.

### Conclusion

In the years ahead, a rapid increase in our nation's traffic will stretch already constrained transportation infrastructure, including railroads. Meeting this challenge is a critical and difficult task. If not done effectively, it will weigh heavily on our nation's productivity and quality of life.

Enhanced freight rail transportation must be part of the solution. While railroads have made tremendous strides in improving their ability to serve their customers efficiently and reliably, the challenges of operating a rail system capable of meeting future needs is daunting and will require the benefit of effective public policy. Freight railroads look forward to working with this committee, others in Congress, and other appropriate parties to help ensure that the U.S. freight rail network remains the best in the world and continues to effectively meet our country's freight transportation needs.