American Short Line and Regional Railroad Association

STATEMENT FOR THE RECORD

CHUCK BAKER, PRESIDENT, AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION (ASLRRA)

HEARING ON "GETTING TO WORK: EXAMINING CHALLENGES AND SOLUTIONS IN THE COMMUTER RAIL INDUSTRY"

U.S. HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

APRIL 17, 2024

INTRODUCTION

As president of the American Short Line and Regional Railroad Association (ASLRRA), the trade association that represents the more than 600 Class II and III freight railroads (commonly known as short line railroads or short lines) and hundreds of suppliers that support the country's short line freight rail economy, I appreciate the opportunity to provide a statement for the record for this hearing.

The short line industry is a great American success story, and short lines are tremendously proud of their vital role in the country's economy and their work creating jobs in each of your states.

The topic of this hearing is the commuter rail industry, and we recognize the important role held by our friends in the commuter rail space. Our worlds overlap to some extent; we share some of the same track and technology, especially in densely-populated regions where commuter rail plays an important role in getting people to and from work, home, school and other critical destinations—sometimes alongside short line trains hauling important goods and freight to and from market.

We recognize that the commuter rail industry faces numerous economic challenges, especially after the Covid pandemic disrupted and re-arranged once-certain commuting patterns for tens of millions of Americans. Due to the upheaval and continuing uncertainty facing commuter rail farebox revenue and overall financing, we understand many commuter rail agencies are now seeking new economic lifelines. We stand ready to work with Congress and all stakeholders in the rail space to ensure the health of our commuter rail partners. Short line railroads, however, also face economic headwinds due to years of deferred maintenance that come with inheriting worn-out track and aging structures. With surface transportation reauthorization on the horizon, it is imperative that Congress recognize that any solution to help commuter railroads not come at the expense of the short line freight rail network. Congress should support the programs, policies and resources that allow small railroads to upgrade their infrastructure to modern standards and good condition and to serve thousands of customers and communities in a safe, reliable, economically efficient, and environmentally friendly manner.

THE SHORT LINE FREIGHT RAIL INDUSTRY

Short line freight railroads are a vital part of the country's rail economy. Our members are critical links in the nation's freight supply chain, and all are vital engines of economic activity. Together, our members are tied to 478,000 jobs nationwide, $26.1 billion in labor income and $56.2 billion in economic value-add—providing a service that more than 10,000 businesses nationwide rely upon to get goods and products to market.[1] Short line railroads are particularly essential to the provision of first- and last-mile service to shippers, typically serving as the first and final link between suppliers and customers. Our members provide this connection in many key industries critical to our country's economic health, including the manufacturing, agricultural, mining, energy and chemical sectors. For large areas of rural and small-town America, short lines are the only connection to the national rail network.

Short lines are an environmental success story. Just as commuter railroads can take cars off the road, reducing greenhouse gas emissions, short line railroads are environmental stewards. They provide a sustainable, low-carbon freight logistics option that is more environmentally friendly than competing forms of surface transportation. Short line service keeps 31.8 million heavy trucks off highways and public roads—preventing costly wear and tear on pavement, relieving traffic congestion, cutting the emissions of harmful criteria pollutants and reducing deadly crashes.

Short line railroads face economic challenges from inheriting old, outdated track. As this panel knows well, the short line industry was spurred to new life in the early 1980s when smart deregulatory action by Congress allowed larger, Class I railroads to spin off moribund track. Short line railroads acquired and revived these marginal lines, turning them over time into thriving enterprises while preserving freight rail service for thousands of customers and employees. But even after decades of investment by short line railroads in upgrading track and structures—often a third to 40 percent of annual revenue—the backlog of repairs still looms large. Our industry estimates more than $12 billion is still needed to allow short line railroads to fully modernize and meet the country's freight needs.[2] This number is likely higher still, considering the hard-hitting impact of inflation on construction costs in recent years and emergent needs for investment by short lines in their locomotive fleets.

Competitive federal grants are critical for strengthening the short line rail network. In 2015, Congress recognized the significant rebuilding needs of the rail industry and acted, creating the Consolidated Rail Infrastructure and Safety Improvements (CRISI) program. Congress was aware at the time of challenges that even then faced the commuter rail industry but nonetheless explicitly chose to exclude them from eligibility for this program. Lawmakers limited CRISI funding eligibility to projects on intercity passenger rail lines, such as those operated by Amtrak, and to freight rail projects and specifically to projects on Class II and Class III short line railroads. The effects of this wise policy choice can be seen at short line railroads and customers nationwide and in the short line freight rail network. Since the first CRISI grants were awarded in 2017, short lines have used CRISI resources to replace track and crossties, add and extend sidings, rehabilitate bridges, improve drainage and roadbeds, and upgrade lines to handle industry-standard 286,000-pound railcars, ensuring national network interoperability. CRISI has allowed

---

[1] The Section 45G Tax Credit and the Economic Contribution of the Short Line Railroad Industry, prepared by PWC for ASLRRA (2018).
[2] PWC report.

short lines to provide more service, eliminate bottlenecks, and reduce congestion—and most importantly, improve safety, as upgrading track helps prevent the top causes of derailments on short lines: old, worn-out rail, poor crosstie condition, and deficiencies in roadbed and drainage. Because of the conditions faced by short lines, and the nature of their service areas, a small CRISI investment can be transformational to a railroad's operations and the safety and quality of service to shippers.

Rural and urban economies have thrived because of CRISI. Fiscal Year 2022's appropriations law brought the first full year of IIJA's implementation and, with it, new and significant investments in short line freight rail projects. The Federal Railroad Administration (FRA) selected 47 projects that were advanced by short line railroads or short line partners. These projects are found in 36 states. All have helped improve safety, strengthen network efficiency for shippers, further minimize short line rail's environmental footprint, and create new jobs. The next round of IIJA-spurred funding (covering Fiscal Years 2023 and 2024) is now available for competition. Short lines are inspired and confident in their ongoing ability to put forward smart, resourceful and competitive grant applications that will bolster the country's freight rail backbone.

ILL-CONCEIVED EFFORTS TO ALTER AND UPEND CRISI

CRISI's demonstrated ability to bolster the freight rail network should be protected. Altogether, 48 states have received CRISI awards since the program's inception. With challenges facing the commuter rail industry—as evidenced by testimony presented for this hearing—some are proposing a dramatic undoing of the successful path forged by CRISI. Some have suggested expanding eligibility within CRISI to allow funding for commuter rail projects. Any such effort to loosen or expand CRISI to include a whole other sector of rail would be a dire and drastic mistake. CRISI is the only competitive grant program for which short line railroads are directly eligible. Despite the continued strength and quality of short line projects, adding another mouth—or dozens of them—at the table could swallow the entire program. This would snuff out small railroad projects, despite the continued strength and quality of short line projects. Throwing out the current structure in favor of commuter rail would counter well-thought, deliberative Congressional intent reflected in two successive surface transportation reauthorization bills (both the FAST Act *and* IIJA) to use CRISI to help rebuild our freight rail network instead of focusing on regional commuter rail programs. This uncertainty and upheaval could be calamitous to the short line freight rail ecosystem.

Vast resources are already available to commuter railroads. Congress has already wisely provided for commuter rail in substantial, well-established, and dedicated funding programs. Commuter railroads can avail themselves of many large-scale competitive grant programs provided with massive funds by IIJA. For instance, commuter entities are eligible for department-wide competitive grant programs, like Mega and RAISE, and programs through the Federal Transit Administration (FTA) like the Capital Investment Grants (CIG) program. Commuter railroads are recipients of funding from major pots of formula funds, like the impressively funded Urbanized Area Formula Grants program. Commuter railroads that share lines with intercity passenger rail—especially those along the Northeast Corridor (NEC)—can and have benefitted in recent years from the enormously funded new programs in IIJA to expand passenger rail service. Commuter railroads can also avail themselves of Congressionally directed spending unavailable to most short lines. Commuter properties are eligible for major federal loan programs like TIFIA and RRIF and have state, local and farebox revenue, too. Lastly, those seeking to throw out CRISI in favor of a new, untested framework are doing so on the heels of massive infusion of resources in several Covid relief packages in 2020 and 2021.

Congress should consider the creation of new resources and programs, not raiding existing ones. If current resources are insufficient and Congress wants to explore new pathways for investing in commuter rail, we will not stand in the way of such a worthwhile discussion. Many commuter rail operating models are facing new economic pressures and significant reductions and changes in demand for their services. This is not a challenge to be addressed by attempting to temporarily paper over the situation with CRISI funds. In practice, this funding is not necessarily being sought for capital purposes, but rather to provide financial flexibility to try to fill in unexpected operating deficits. Lawmakers should carefully evaluate how to use or bolster the existing tools they have in the established transit funding toolkit. Congress needs to determine, with a long-term view, the federal objectives that are realistic and appropriate to be attained with federal resources in the commuter rail space given changed circumstances in recent years.

Short line railroads do not seek to deplete commuter rail resources. We in the short line rail community are currently urging Congress to consider authorizing new resources for small railroads impacted by an increasingly devastating number of natural disasters. We appreciate the robust bipartisanship evidenced by the members of this panel who have endorsed important legislation proposed by Rep. Byron Donalds (R-FL), the Short Line Railroad Relief Act (H.R. 3782), now before the committee. An authorization for commuter and transit entities to receive emergency funds *already* exists and has been used to provide tens of millions of dollars for commuter rail agencies, which we do not question nor want to change. We encourage our friends in the commuter space, rather, to consider modeling their effort on ours—seeking new authorization and appropriations as necessary instead of upending current successful and time-tested USDOT endeavors.

Finally, more resources will be needed by short lines to face new challenges since CRISI's creation. Earlier this year, a new rule went on the books in California that threatens to impose drastic new financial obligations on short line railroads. The agency implementing the rule, the California Air Resources Board (CARB), even admits some short lines "*would be eliminated*" due to "*the costs of the Proposed Regulation*" (emphasis added).[3] Should this rule stand (and even worse proliferate nationwide) and California be granted the inappropriate authorization that it has requested from the EPA, short lines would require ever more resources to ensure they can make unexpected, massive investments in locomotives, while simply trying to keep their business afloat. We calculate that this rule could force California short lines to try to make nearly half a billion dollars in motive power fleet investments over only a few years. That would be a step change by multiple orders of magnitude above historical short line locomotive capital investment levels. We expect the next round of the CRISI program will see several applications for funding for locomotive projects from California short lines as they attempt to respond to this huge and problematic unfunded mandate. Having more entities eligible to receive CRISI moneys, such as commuter rail, could push already endangered short lines in California—and those states that could mimic California's emissions rule—ever close to the brink of bankruptcy.

---

[3] State of California Air Resources Board. Proposed In-Use Locomotive Regulation Standardized Regulatory Impact Assessment. Page 143. May 26, 2022.

CONCLUSION

ASLRRA appreciates the committee's close attention to the items we have noted in our statement, and we welcome future opportunities to work together on these matters.