



## American Short Line and Regional Railroad Association

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### MET Railroad Testifies to CARB Rule's Potential for Catastrophic Impact on Short Line Railroads

*Cost of compliance in California will lead to the demise of the short line industry disrupting the economy, safety, the nation's interconnected freight rail service, and consumer pricing*

**WASHINGTON – July 9, 2024** – Dillon Olvera, President and CEO of the Modesto and Empire Traction Company (the MET), testified today on behalf of the American Short Line and Regional Railroad Association (ASLRRRA), before the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Railroads, Pipelines, and Hazardous Materials in a hearing, “An Examination of the California Air Resource Board’s (CARB) In-Use Locomotive Regulation.”

“We may not be household names, but short lines are critical in their communities and pivotal in making sure that goods and freight that consumers rely upon can get to homes and businesses in a safe, efficient, and reliable manner. Smart regulatory action by Congress in the early 1980s helped make this possible, sparking the growth of the short line industry and facilitating the freight rail service we proudly provide today. Now a new regulation in California threatens four decades of economic progress. The regulation is rooted in good intentions—reducing greenhouse gas emissions—but it is problematic in its application, a fundamental violation of federalism, interferes with interstate commerce, and is based on unrealistic assumptions,” said Chuck Baker, President of ASLRRRA. “Moreover, it takes direct aim at the

short line industry and the critical link in the supply chain we represent. The California Air Resources Board (CARB), does get one thing right—it predicts the demise of our industry due to the costs of its measure, noting *“it is possible some of these businesses would be eliminated.”*

The MET is a private, family-owned business established in 1911. A short line railroad with 53 miles of track, the MET provides first and last mile rail service to approximately 30 customers in Modesto, California, located in the Central Valley of the state and employs approximately 50 employees with stable jobs and benefits. The Central Valley is home to some of the nation’s largest food and agriculture shippers, and the MET connects its customers to two Class I railroads – Union Pacific and BNSF - to access the U.S. and international markets. The MET is just one of the 27 short line railroads operating in California – all of which are integral parts of the U.S. freight rail network.

CARB’s new rule would force railroads to set aside significant revenue in a ‘savings account’ to acquire low and zero-emission locomotives that are not commercially available and not viable at-scale for the industry. This ignores and upends the fundamental business model of short line railroads. Furthermore, the rule is illegal, pre-empted by federal law including the Interstate Commerce Commission Termination Act (ICCTA) and the Clean Air Act and the Locomotive Inspection Act, and evades any effort to recognize how it will uniquely impact small businesses.

In written testimony, Mr. Olvera details the many ways that this rulemaking will impact California’s economy, including the loss of efficient transportation for shippers, forcing some out of business or spurring others to relocate out of California; the U.S. economy as jobs are lost on the railroads and the industries that support them; and the disruption to the seamless movement of goods on rail across state lines.

More than 25 national and 50 state agriculture groups—from California and throughout the country - have written to the EPA deeming CARB’s rule a “significant danger to U.S. agriculture and the broader U.S. supply chain.” The agriculture industry is joined by hundreds of other business groups, manufacturers, energy firms, defense groups and the National Association of Counties.

“Like us, these groups all rightly predict that this rule would lead to the elimination of shipping options and increased costs that will come with whatever shipping options remain—costs that would have to be passed on eventually to consumers,” said Mr. Olvera.

Short lines in California and across the country however are working on their own and in partnership with the state and federal government to reduce their carbon emissions in realistic ways, including upgrading to cleaner locomotives and testing new technologies. Mr. Olvera describes the efforts the MET has undertaken to upgrade nine locomotives from Tier 0 to Tier 3 – locomotives that would have to be scrapped if the company were forced to comply with the CARB rule’s requirements, even though these newer locomotives have decades of useful life left.

“As we have demonstrated, the MET, and short lines in general, are perfectly willing to work with CARB and other similar agencies to reduce emissions when they offer reasonable paths forward, but this rule is just not feasible for short lines,” said Olvera.

The shuttering of short lines as a result of this rule will displace freight to truck transportation, ironically causing new health and safety hazards for Californians.

ASLRRA’s short line members, including the MET, “provide customers with a low-carbon freight logistics option that is more environmentally friendly than competing forms of transportation over land, preventing costly damage to pavement that would be borne by often cash-strapped state and local agencies. We are proud of how we relieve traffic congestion, cutting emissions of harmful pollutants while reducing deadly crashes,” said Mr. Olvera.

In his testimony, Mr. Olvera urged Congress to support the U.S. freight rail network in further improving its already notable environmental record while remaining a driver of economic prosperity, by:

- calling on EPA to deny CARB's request, preserving EPA as the regulator of locomotive emissions;
- fully funding the CRISI program, which short lines have embraced to move more freight to rail and to upgrade to cleaner locomotives, and EPA's Clean Ports program and its Diesel Emissions Reduction Act program; and
- supporting R&D activities at the Department of Energy and Department of Transportation to advance the economy-wide transition to battery, electric, hydrogen, renewable diesel, and other cleaner power over time in a realistic and affordable fashion.

Mr. Olvera's written submission is available [here](#).

**About ASLRRRA** - The American Short Line and Regional Railroad Association (ASLRRRA) is a non-profit trade association representing the interests of the nation's 603 short line and regional railroads and railroad supply company members in legislative and regulatory matters. Short lines operate 50,000 route miles 48 states, or approximately one third of the national railroad network, touching in origination or termination one out of every five cars moving on the national railroad system, serving customers who otherwise would be cut off from the national railroad network.