



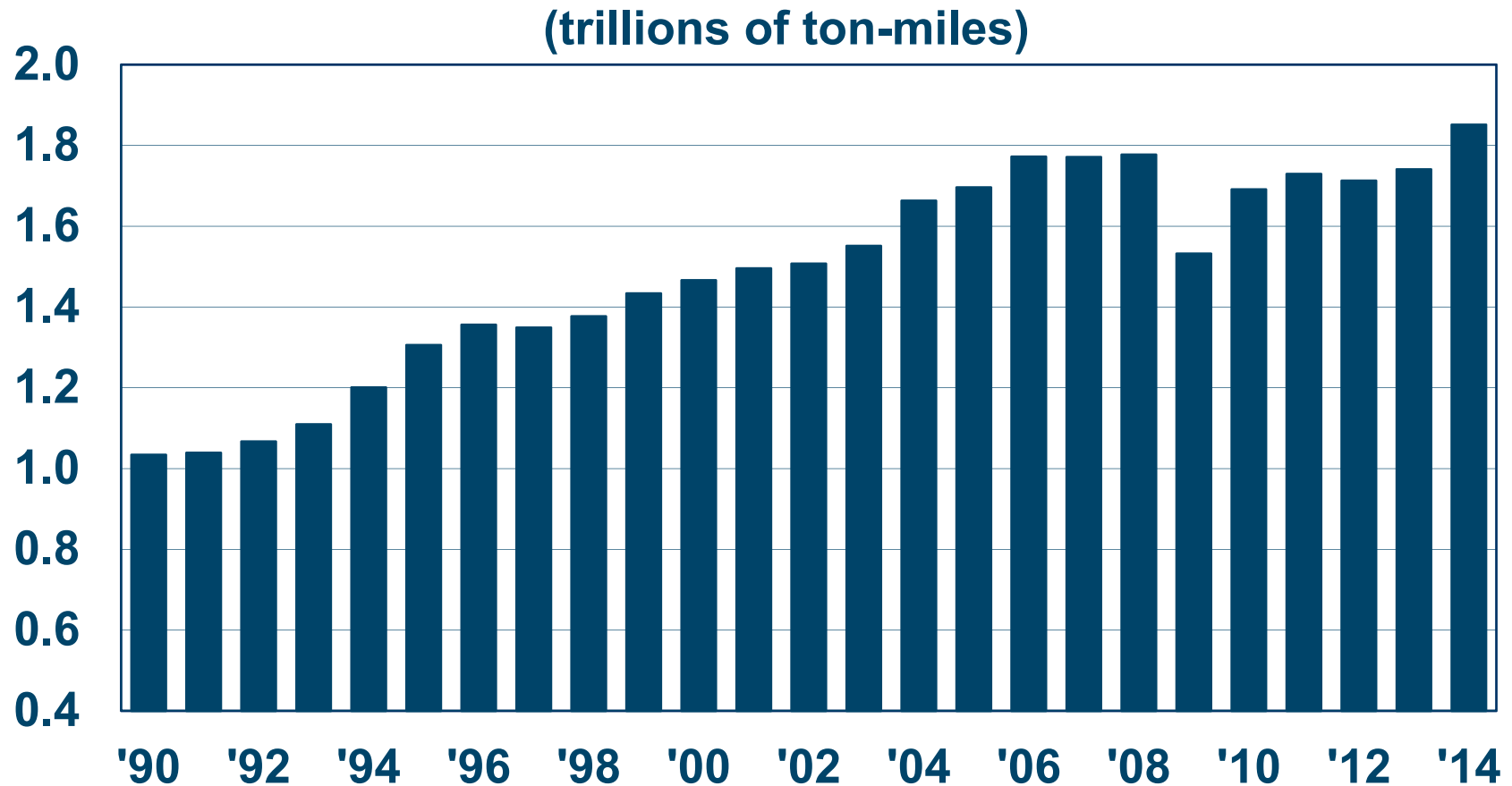
# **Public Policy Challenges Facing the Rail Sector**

**177<sup>th</sup> Meeting of the  
North East Association of Rail Shippers**

**John Wetzel  
Association of American Railroads**



# Rail Ton-Miles Have Surpassed Pre-Recession Peak

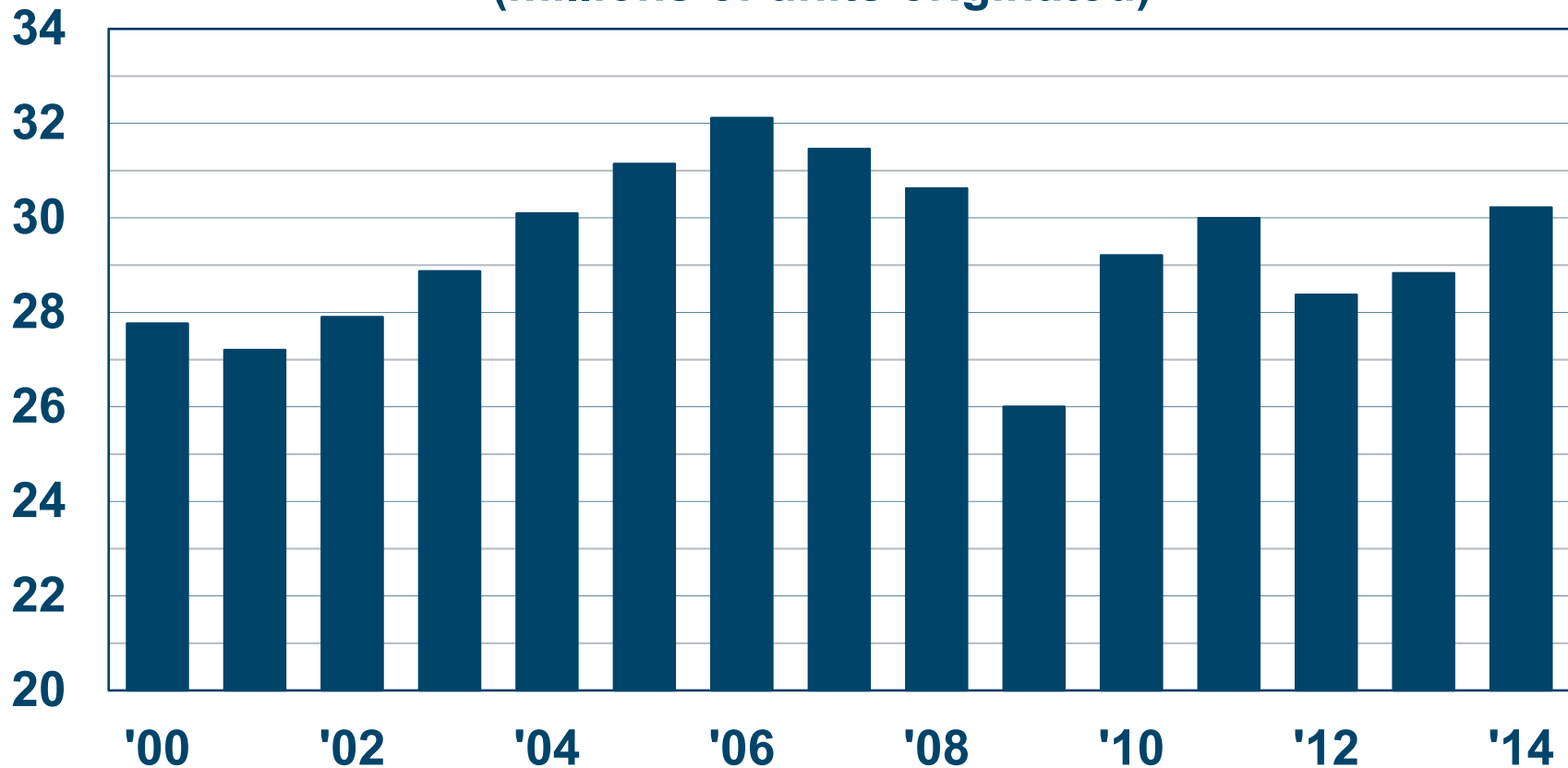


Data are for Class I railroads. Source: AAR



# Units Have Not Fully Recovered

(millions of units originated)



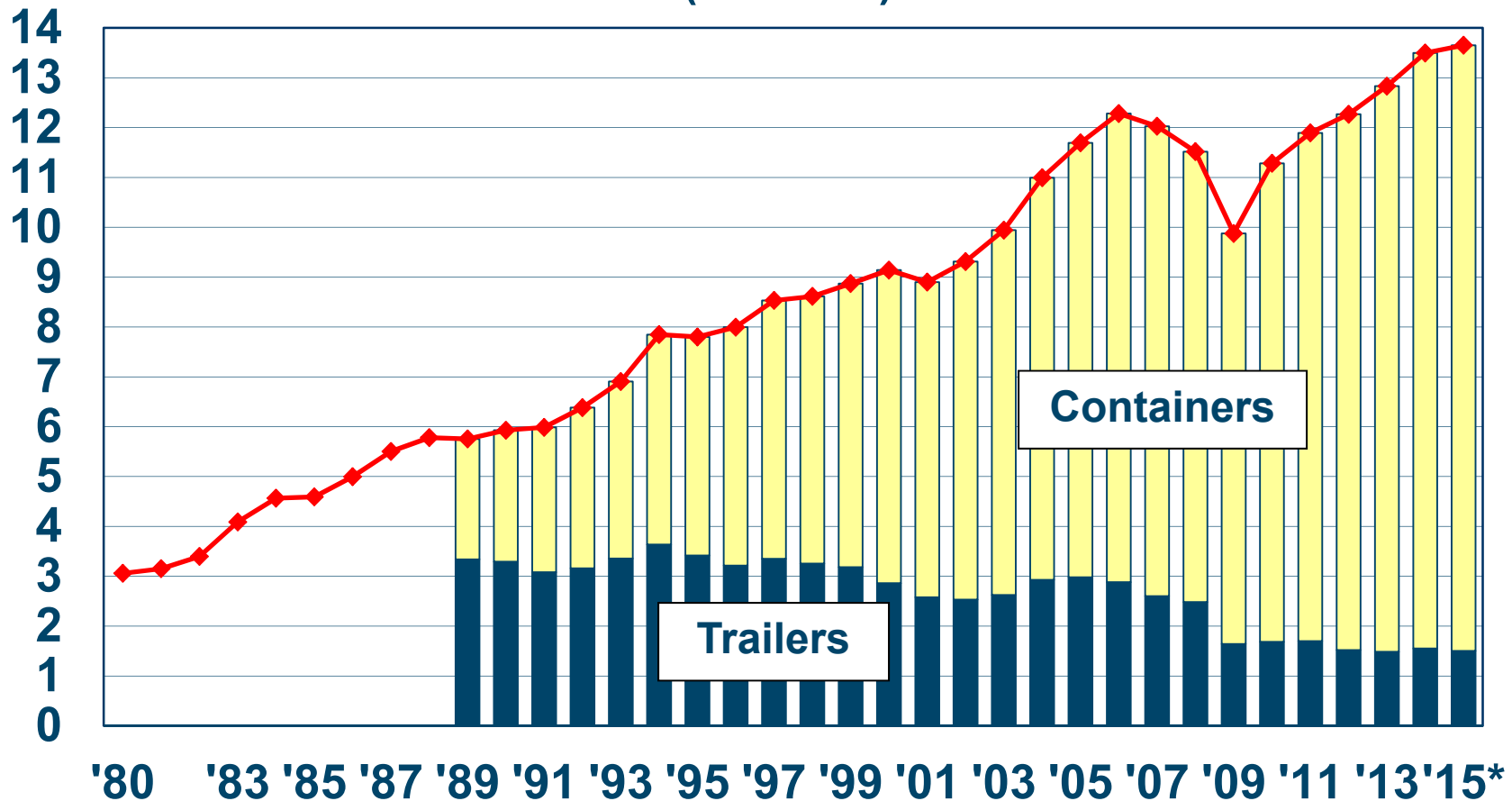
Data are for Class I railroads. Source: AAR *Freight Commodity Statistics*



# Q. What's Been Up the Most?

## A. Intermodal

(millions)



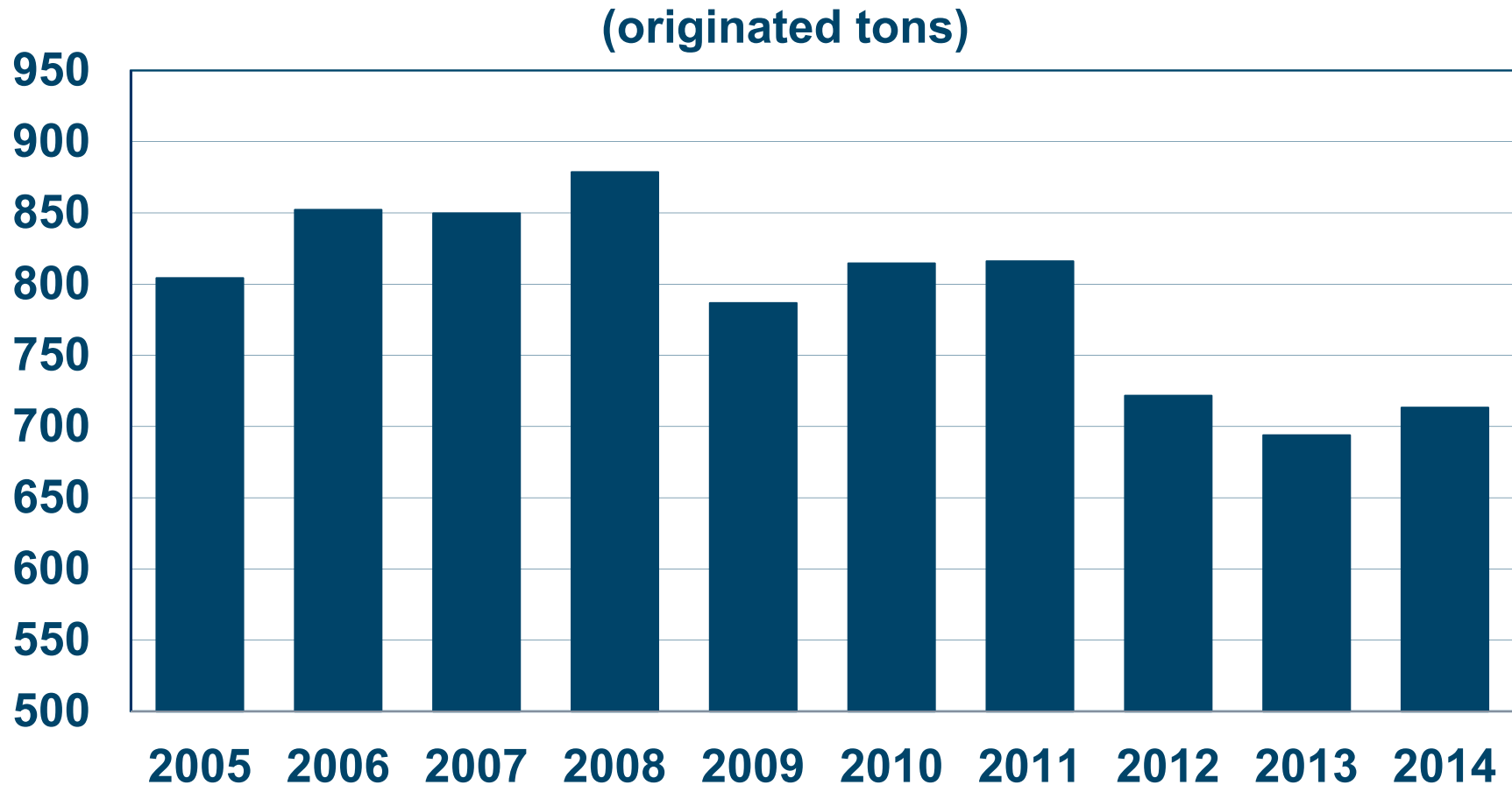
\*201 is January-September annualized

Source: AAR



# Q. What's Been Off the Most?

## A. Coal

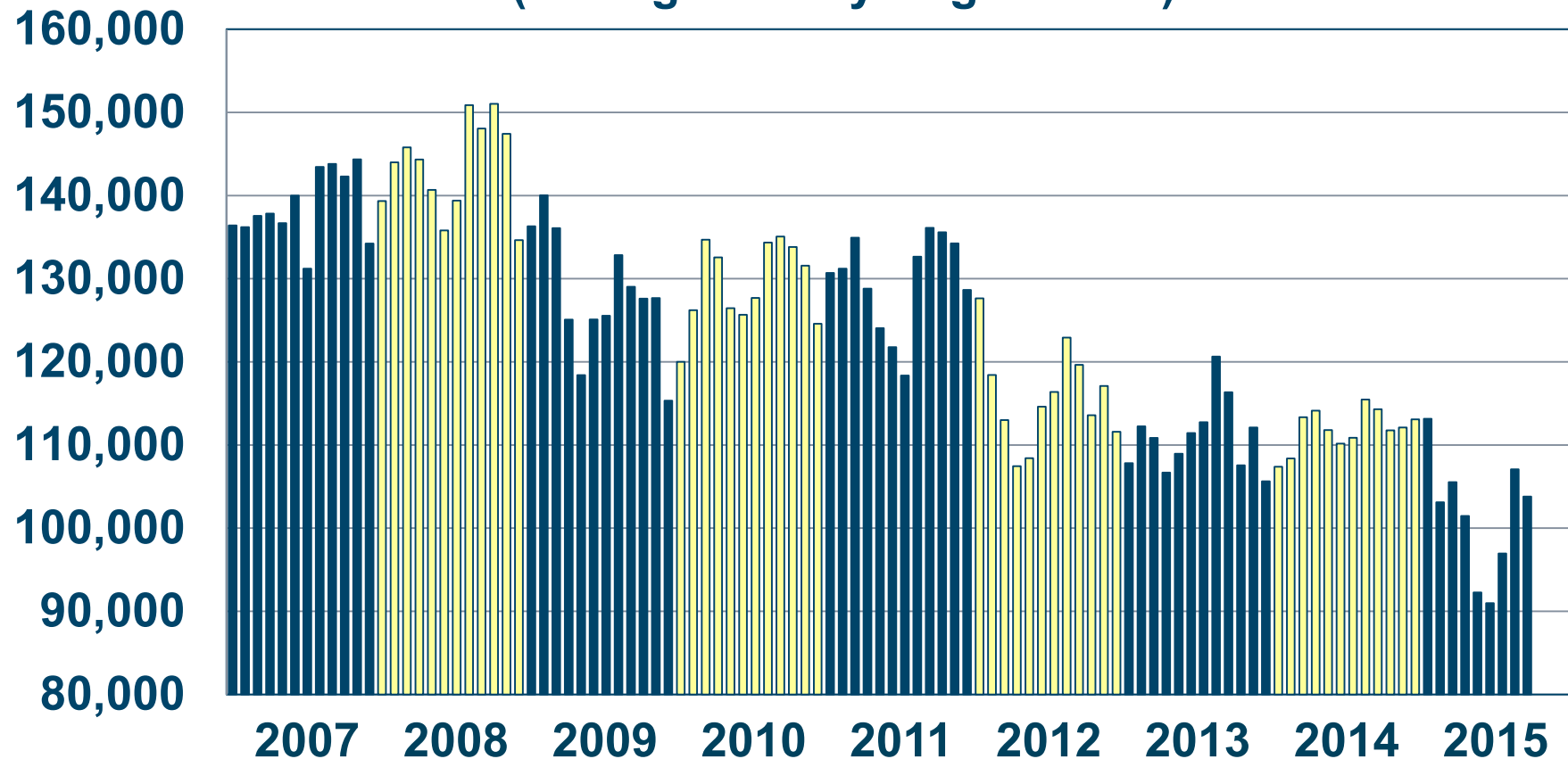


Figures are for U.S. Class I railroads. Source: AAR



# U.S. Rail Carloads of Coal

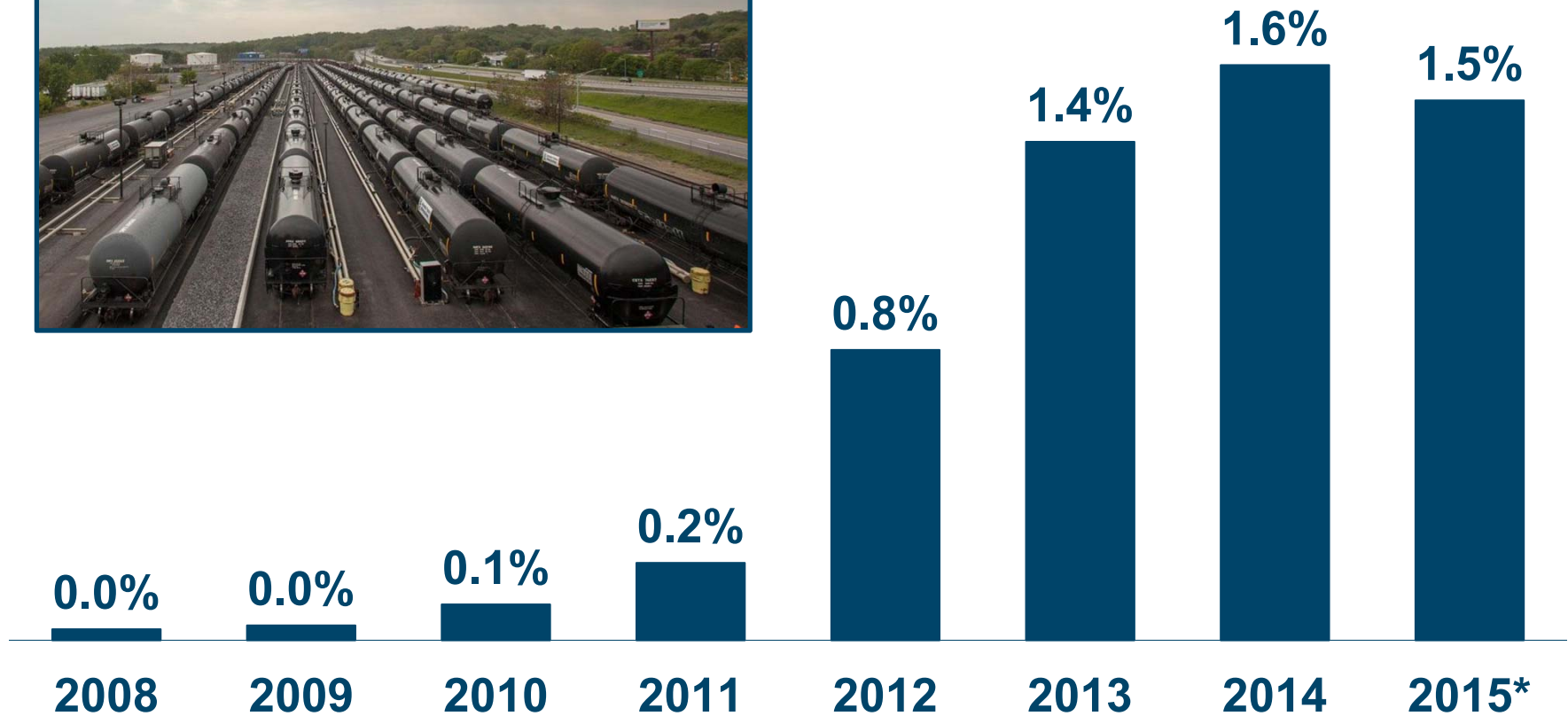
(average weekly originations)



Data are average weekly originations for each month, are not seasonally adjusted, do not include intermodal, and do not include the U.S. operations of CN and CP. Source: AAR



# Crude Oil as a % of Total Originated Class I Carloads



\*First half. Source: Association of American Railroads



# Despite the Tepid Economy, Record Investments Continue

Railroad Spending on Infrastructure and Equipment\*  
(\$ billions)



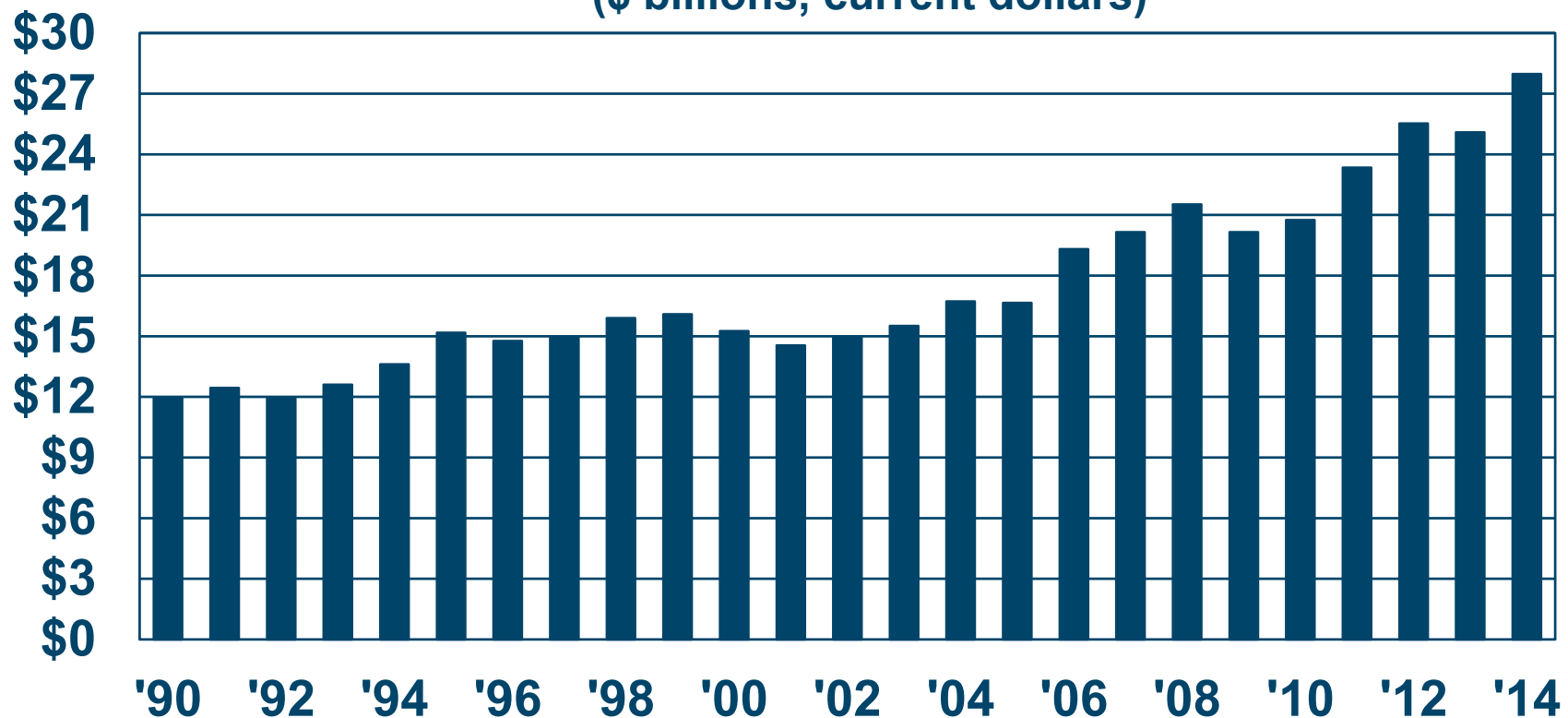
p – AAR projection \*Capital spending + maintenance expenses. Data are for Class I RRs. Source: AAR





# \$575 Billion Back Into the Network Since 1980

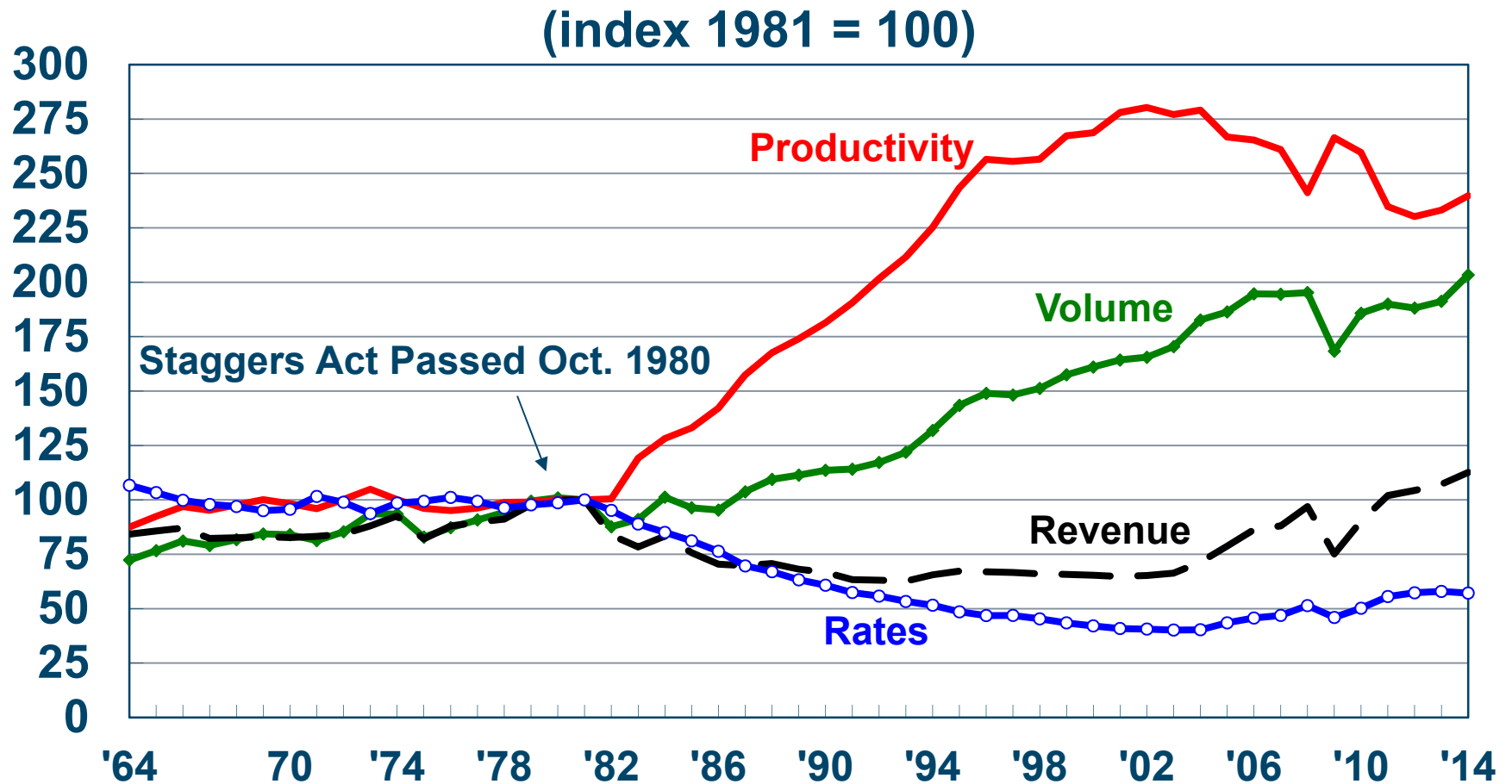
**Railroad Spending on Infrastructure and Equipment \***  
(\$ billions, current dollars)



\*Capital spending + maintenance expenses. Data in chart are for Class I railroads only; \$575 billion includes approximately \$20 billion spent by non-Class I carriers. Source: AAR



# The Staggers Act: An Unqualified Success



Source: AAR



# Public Policy Challenges Ahead

- Extending positive train control deadline
- STB proceedings
- Regulation of crude by rail





# Features of the PTC Mandate

- Mandated by 2008 rail safety bill
- Required for:
  - ✓ All main lines on which regularly scheduled passenger trains travel
  - ✓ All Class I main lines > 5 million annual GTM handling TIH materials
- Installation by Dec. 31, 2015





# Feeling the Impact of Mandate

- All seven Class I railroads
- Amtrak
- 21 commuter railroads
- Between 43 and 94 short-line and regional railroads
- Everything must be interoperable





# More Time Needed to Ensure Safe & Effective Implementation



- RRs have devoted enormous resources (\$6 billion to date) to PTC, and progress has been substantial
- But a reliable, nationwide, interoperable PTC network will not be completed by 12/31/2015
- RRs are committed to implementing PTC, but more time is needed to ensure safe and effective implementation



# Recent STB Actions

- Proceeding on revenue adequacy and cost of capital
- Proceeding evaluating impacts of forced access proposal





# Revenue Adequacy and Cost of Capital

- Critical long-term issue facing the industry
- Outcome determines whether there will be sufficient capital to meet DOT safety initiatives and deal with capacity requirements
- STB hearings on both topics held in July 2015
- No results from hearing process to date



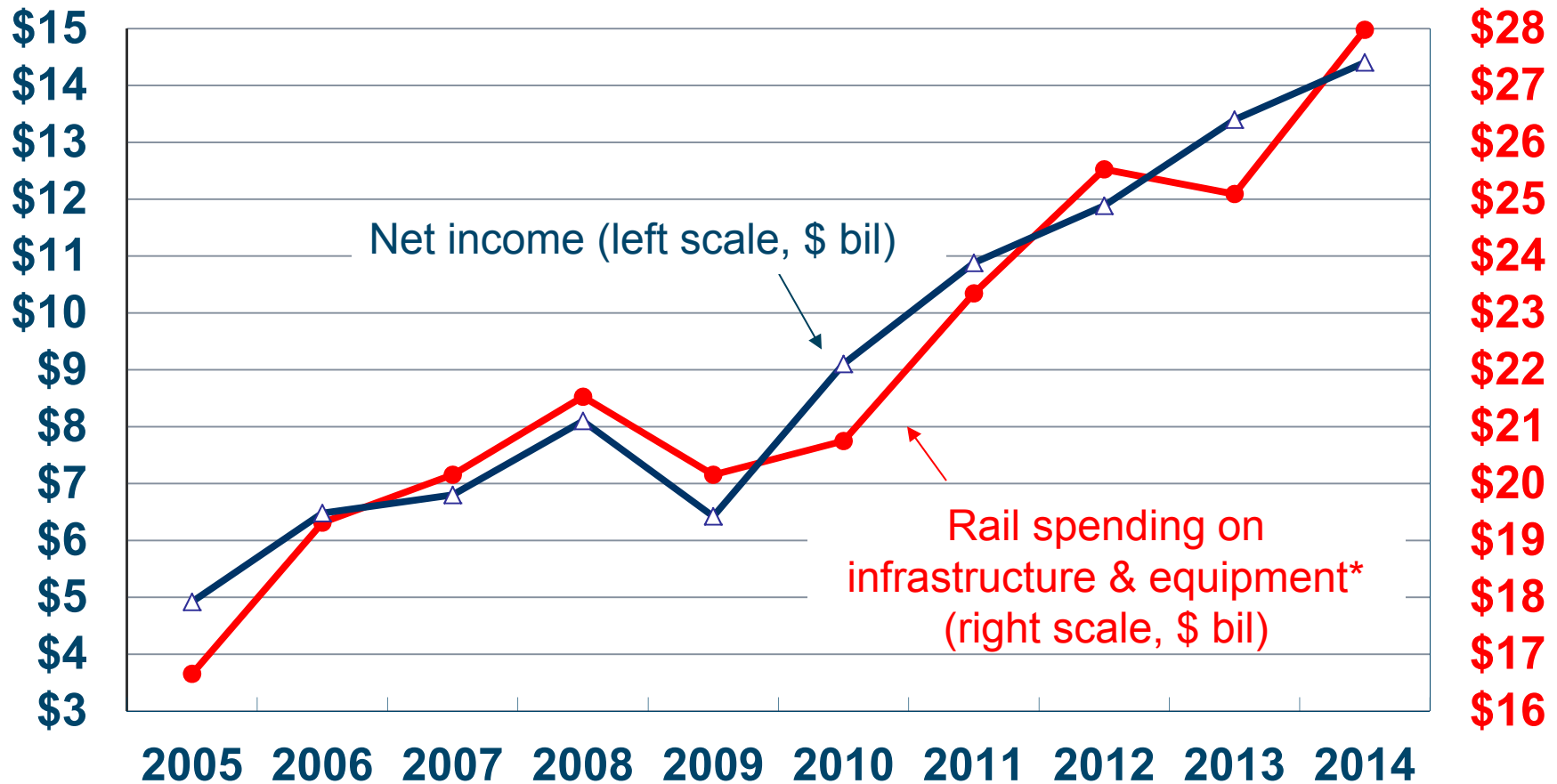


# Forced Access

- STB hearing March 2014
- No activity on issues since that date



# Close Correlation Between RR Earnings and Reinvestment



\*Capital spending plus maintenance expenses.

Data are current dollars and are for Class I railroads. Source: AAR



# Regulation of Crude by Rail





# Who Doesn't Like New Rule?

- Administrative Appeals to PHMSA
  - AAR
  - American Chemistry Council
  - American Fuels and Petrochemical Manufacturers
  - Dangerous Goods Advisory Council
  - Native American Tribes
- Petitions for Judicial Review
  - American Petroleum Institute
  - Short Line Association
  - Environmental groups
  - Municipalities



# Key Complaints?

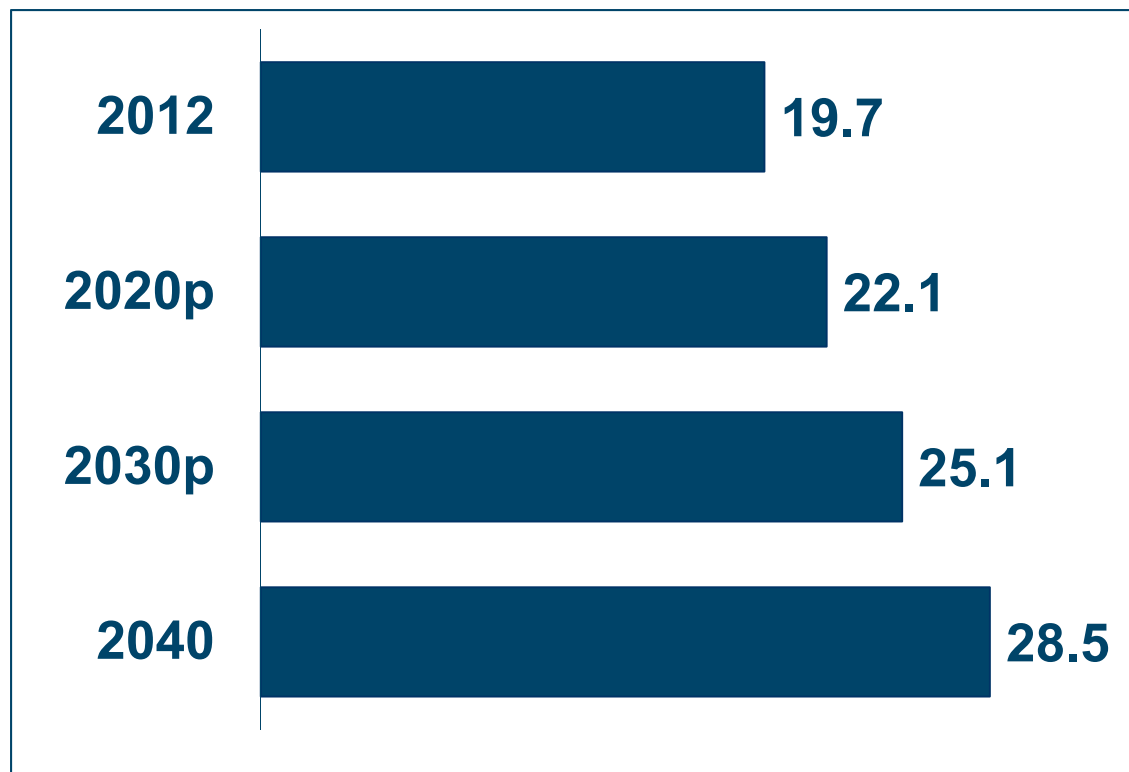


- Covers too many / or not enough cars
- 20 car exception
- Inadequate thermal protection
- Schedule for compliance too fast / too slow
- ECP brake requirement not justified
- Notification requirements inadequate / too extensive
- Retrofit reporting insufficient



# Long-Term Demand for Freight Transportation Will Surge

**Billions of Tons of Freight Transported in the U.S.**



*The U.S. DOT expects total U.S. freight movements to rise from around 19.7 billion tons in 2012 to 28.5 billion tons in 2040 – a 45% increase.*

p – projected      Source: FHWA - *Freight Analysis Framework*, version 3.4



# Safe, Affordable, Responsible

America's demand for **safe**, **affordable**, and **environmentally-responsible** transportation will continue to grow.

Railroads are the **most sensible** way to meet this demand.





# Assn. of American Railroads

[www.aar.org](http://www.aar.org)



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