



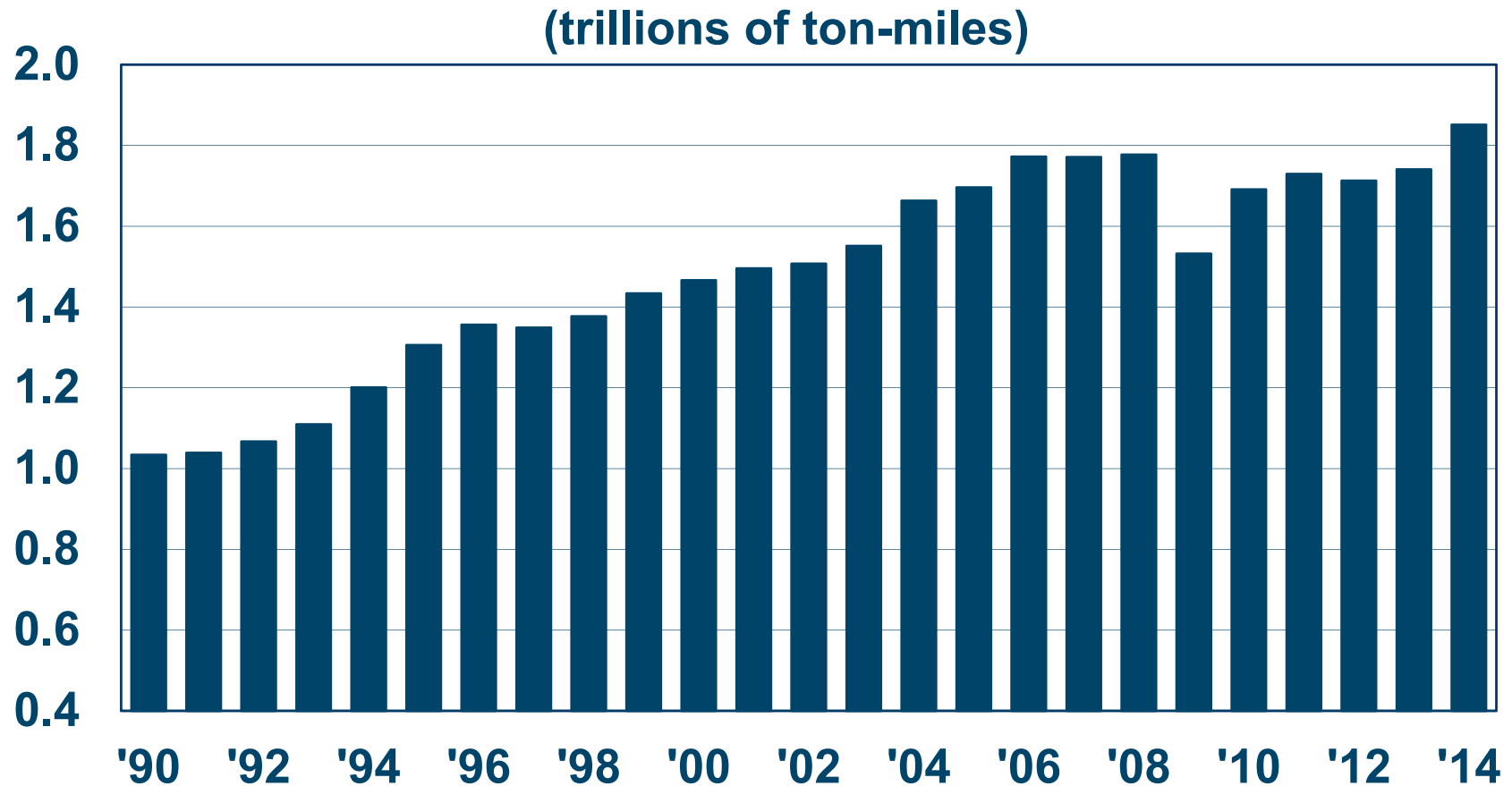
Public Policy Challenges Facing the Rail Sector

**177th Meeting of the
North East Association of Rail Shippers**

**John Wetzel
Association of American Railroads**



Rail Ton-Miles Have Surpassed Pre-Recession Peak

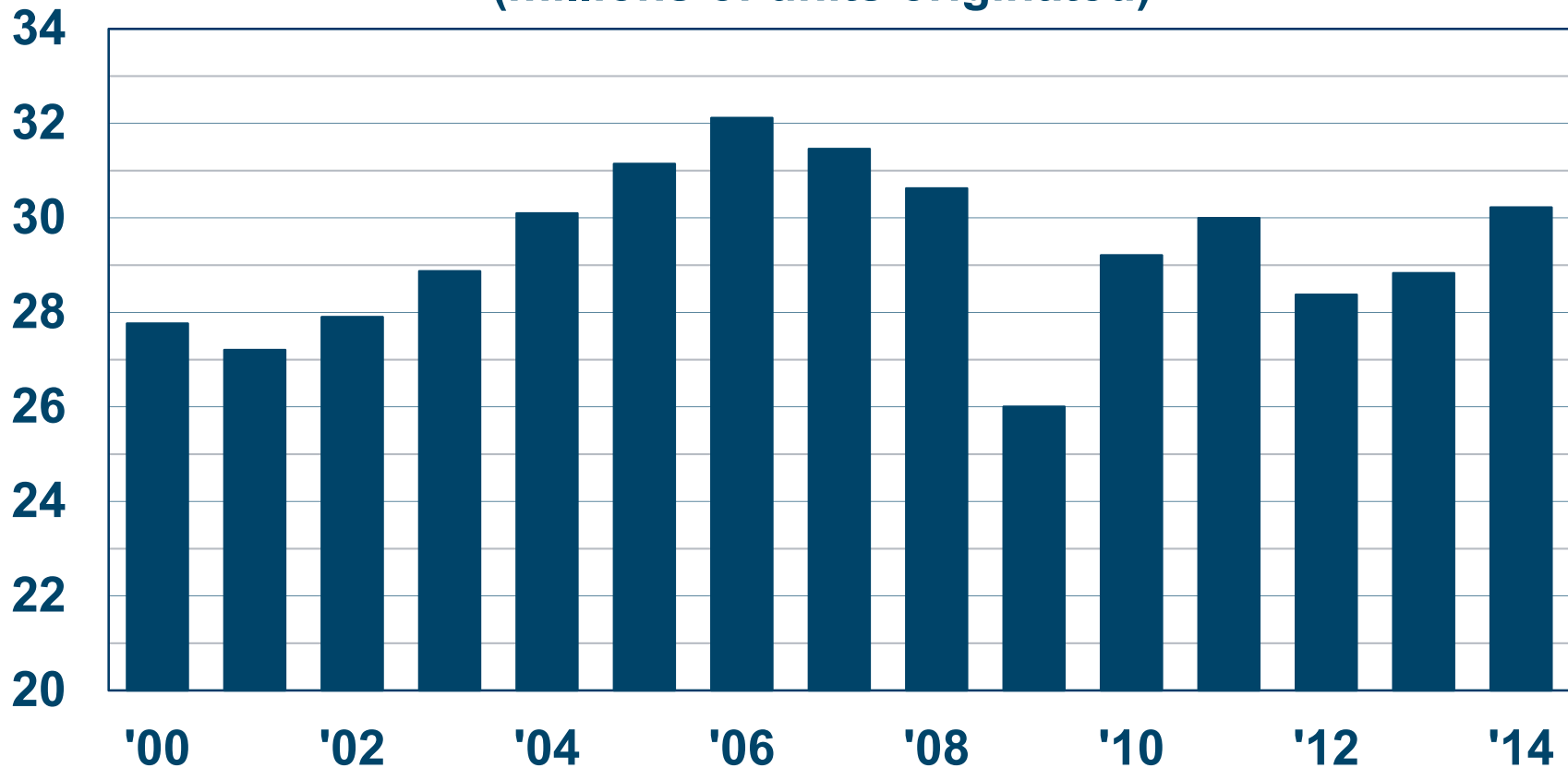


Data are for Class I railroads. Source: AAR



Units Have Not Fully Recovered

(millions of units originated)



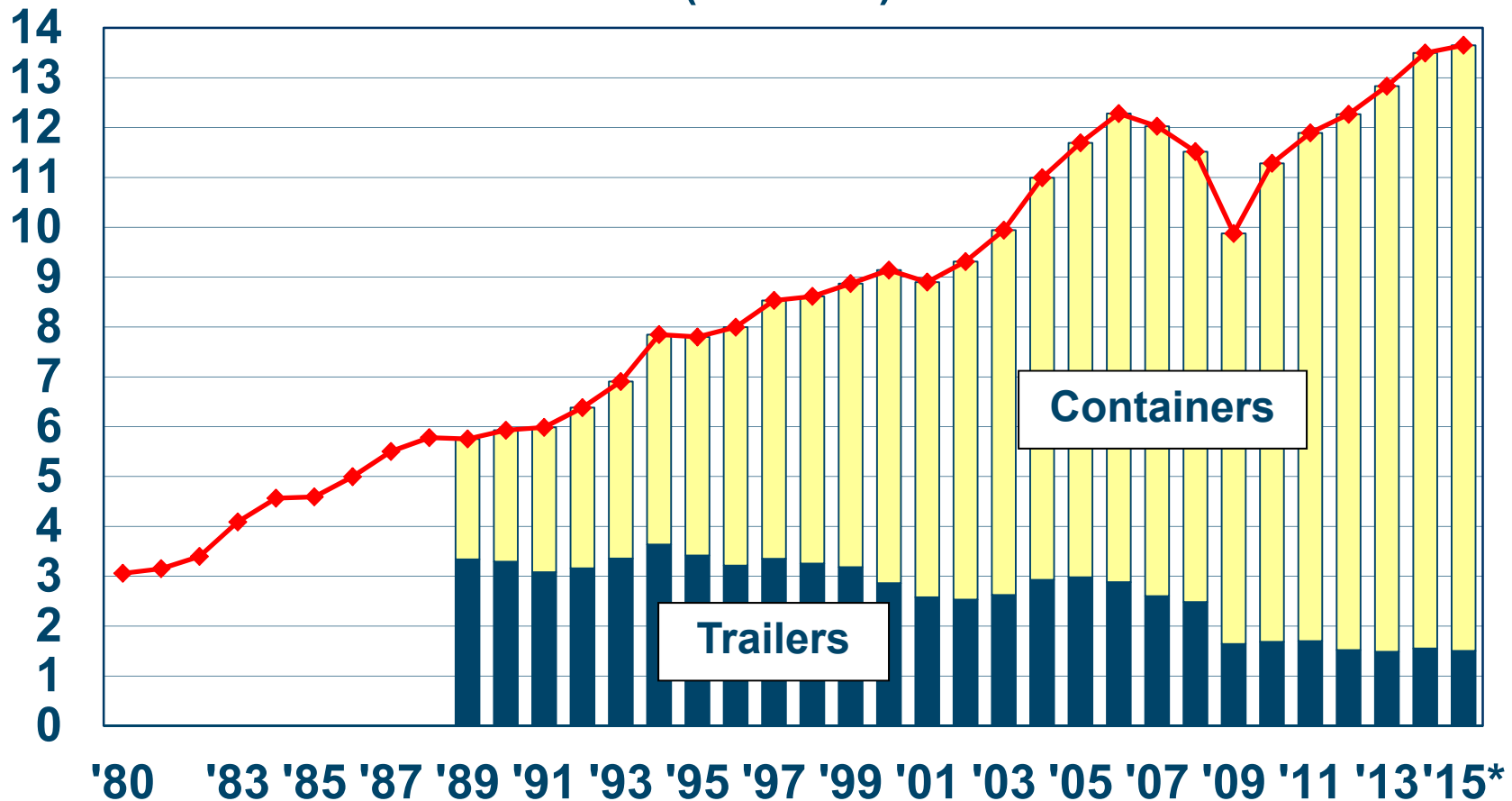
Data are for Class I railroads. Source: AAR *Freight Commodity Statistics*



Q. What's Been Up the Most?

A. Intermodal

(millions)



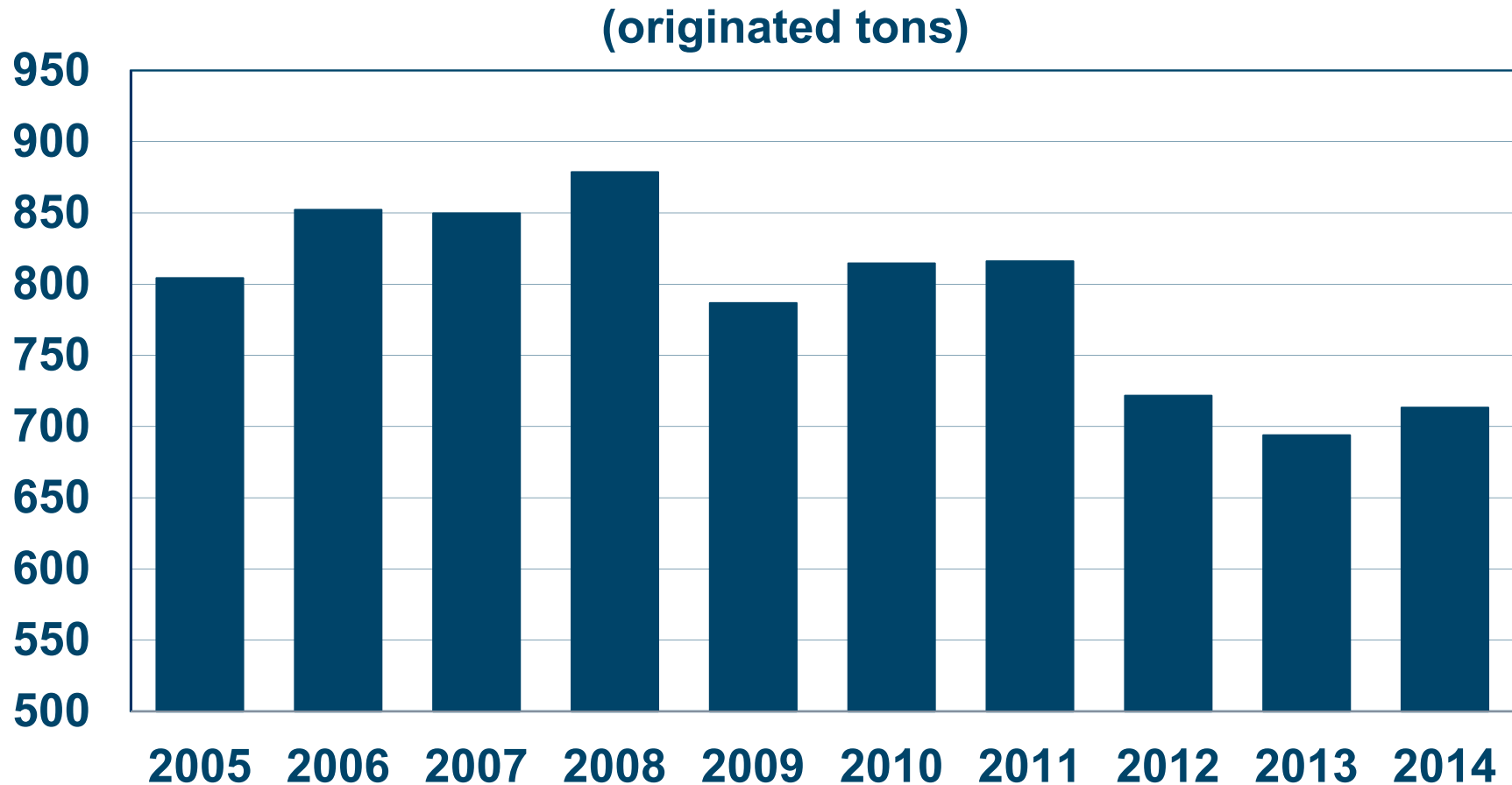
*201 is January-September annualized

Source: AAR



Q. What's Been Off the Most?

A. Coal

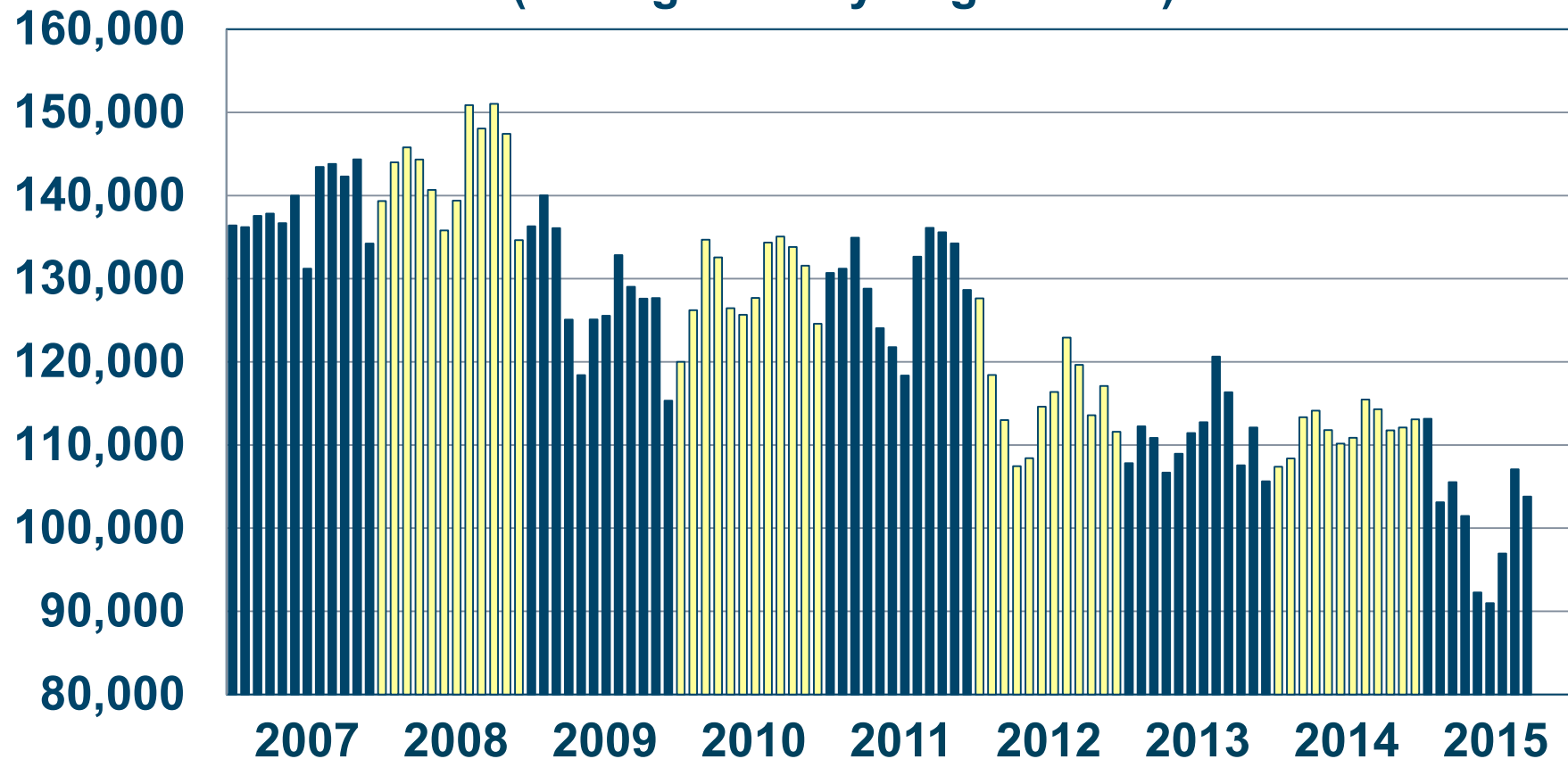


Figures are for U.S. Class I railroads. Source: AAR



U.S. Rail Carloads of Coal

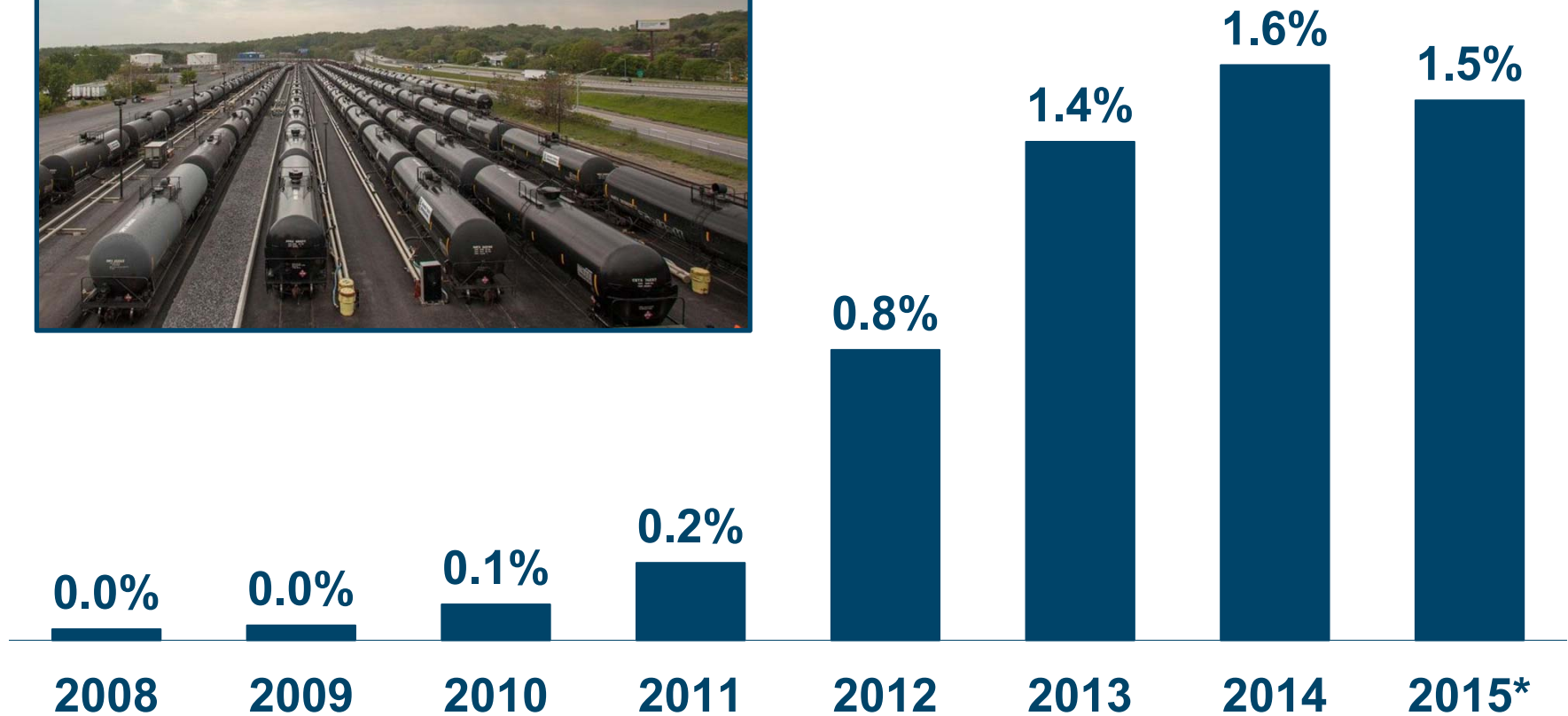
(average weekly originations)



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)

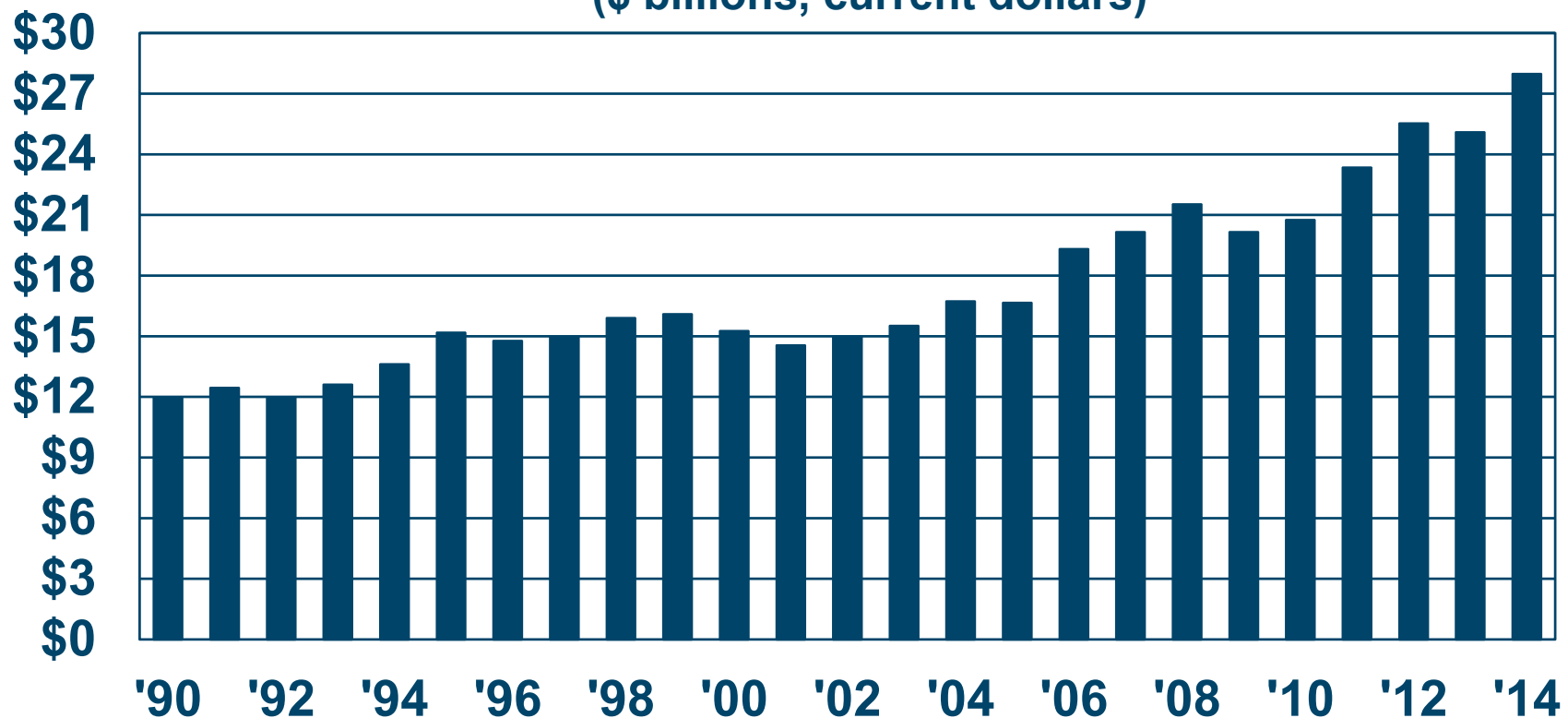


p – AAR projection *Capital spending + maintenance expenses. Data are for Class I RRs. Source: AAR



\$575 Billion Back Into the Network Since 1980

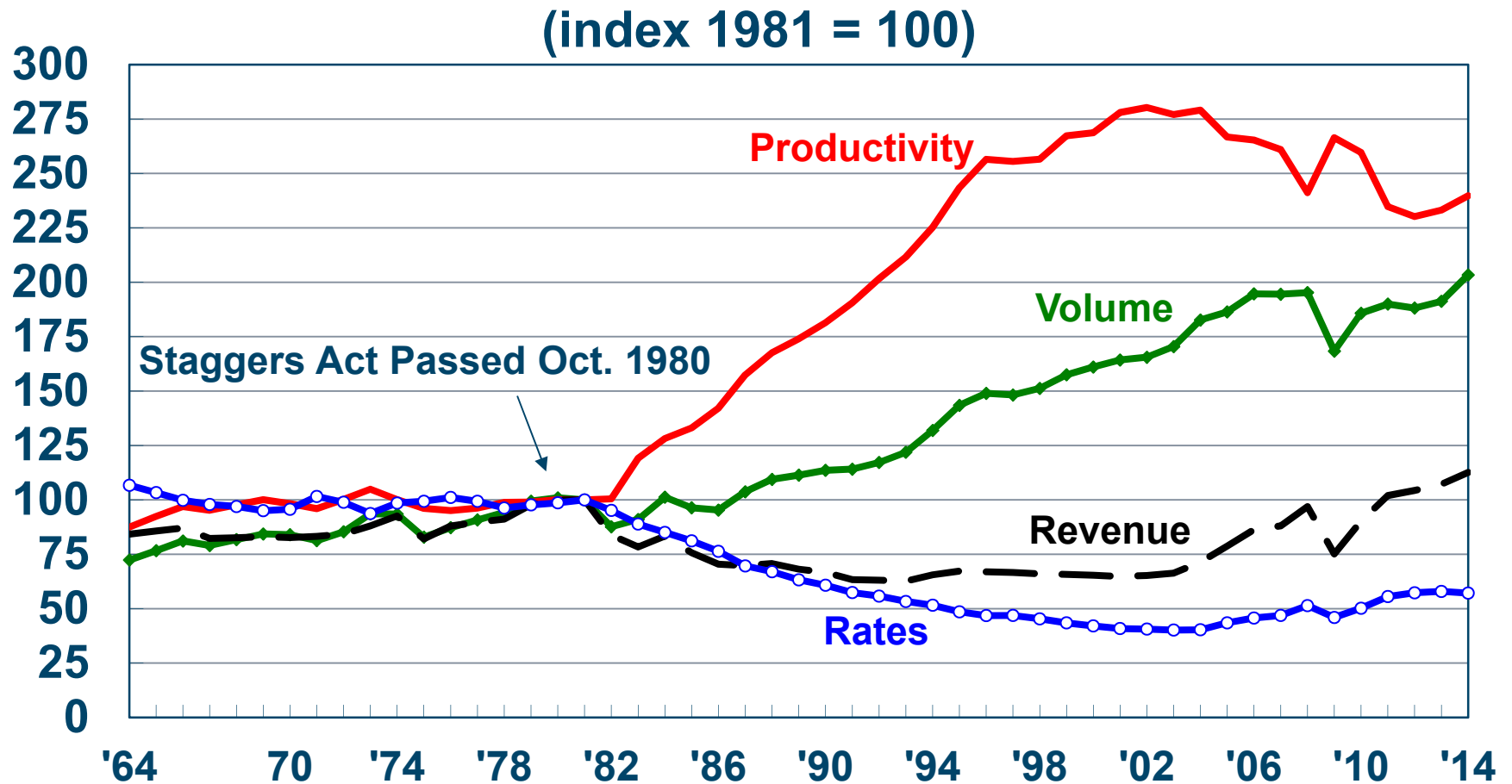
Railroad Spending on Infrastructure and Equipment *
(\$ billions, current dollars)



*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

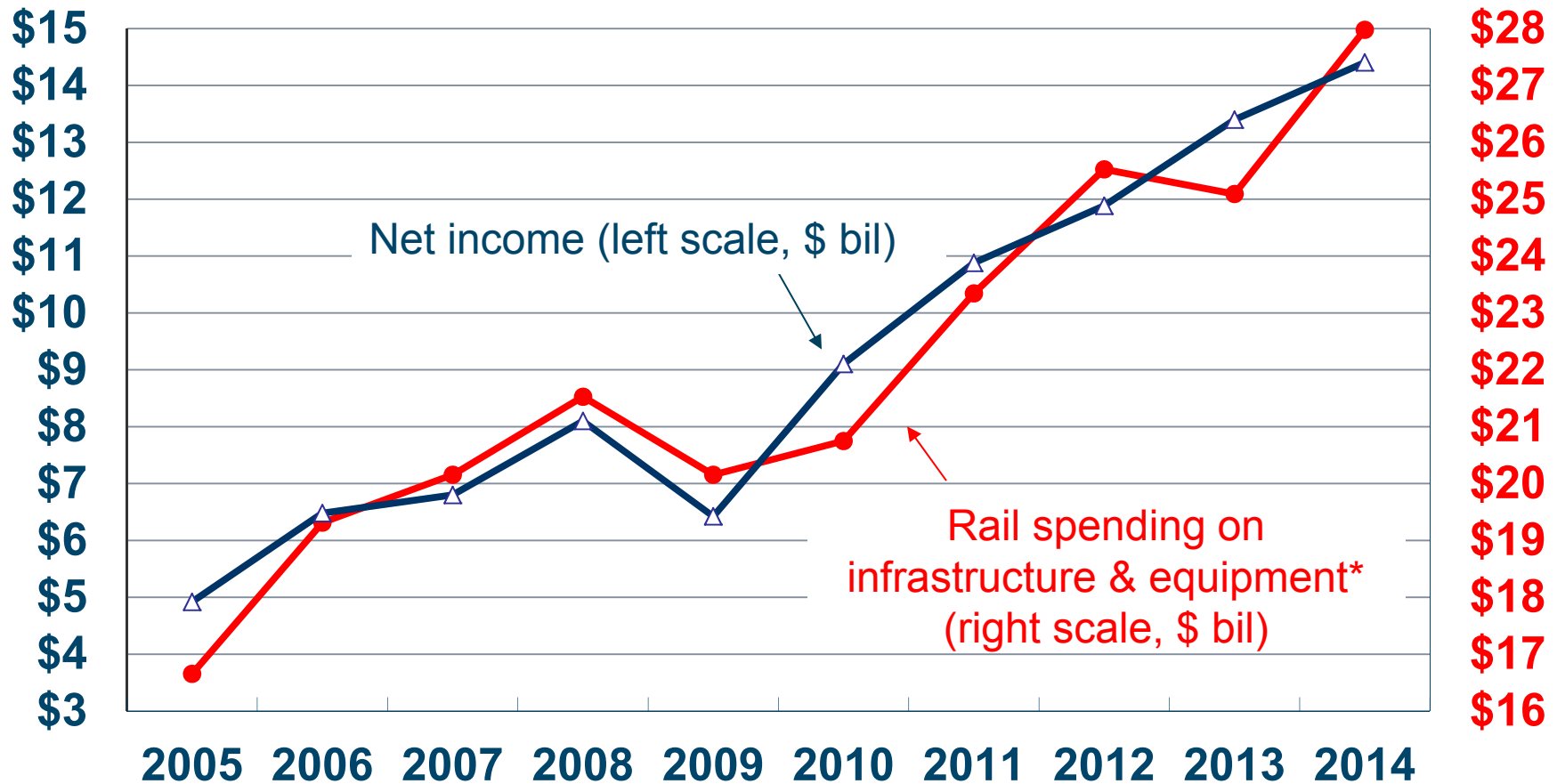


Forced Access

- 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?

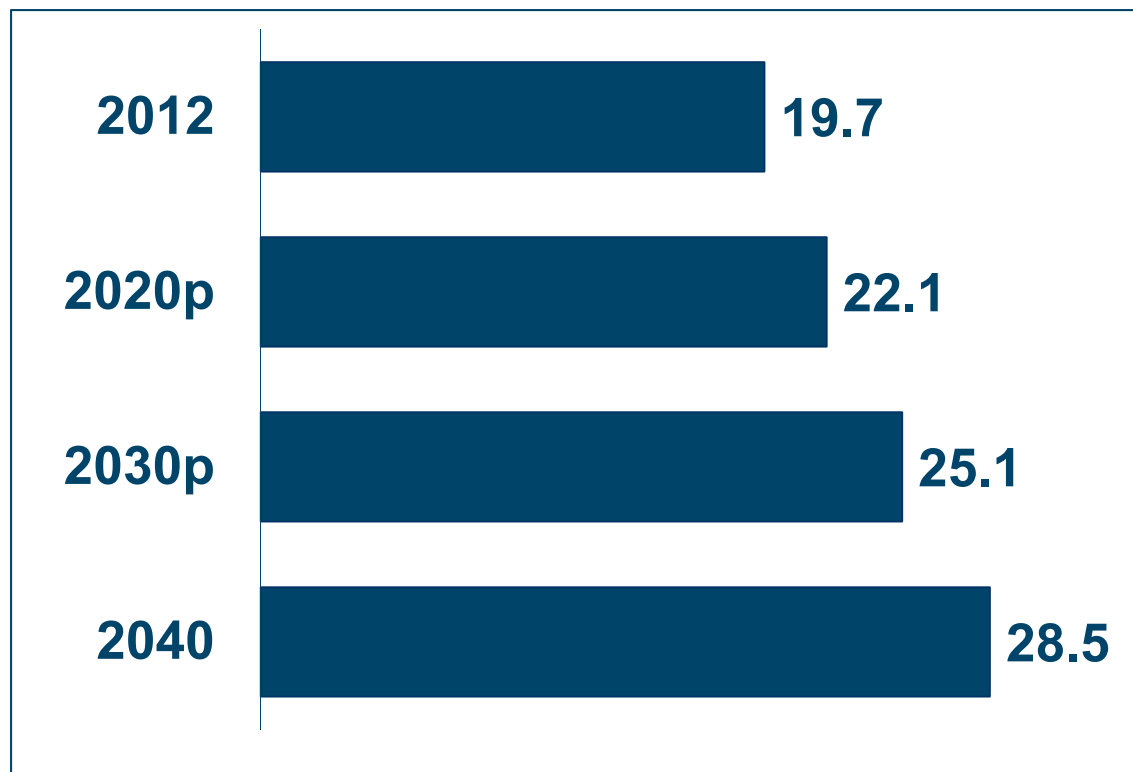


- Covers too many / or not enough cars
- 20 car exception
- Inadequate thermal protection
- Schedule for compliance too fast / too slow
- ECP brake requirement not justified
- Notification requirements inadequate / too extensive
- Retrofit reporting insufficient



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



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