

Subcommittee on Railroads
Hearing on
National Rail Infrastructure Financing Proposals

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PURPOSE

To evaluate proposals to provide new financing mechanisms for national rail infrastructure.

BACKGROUND

Our nation's 571 railroads carry more than forty percent of our freight, including seventy percent of all newly manufactured automobiles, thirty percent of the grain and sixty-five percent of the coal produced in the U.S. According to the Association of American Railroads (AAR), rail carriers operate over 140,000 miles of road and directly employ over 180,000 workers at an average wage in excess of \$77,000, including benefits. The industry earns \$36 billion in freight revenue annually, an amount equal to approximately 9.5% of all intercity freight revenue.

In recent years, the rail industry has come under increasing competitive pressure from other modes of transportation, particularly trucks. At the same time, after having virtually halved the rail network after deregulation in the 1980s, railroads have begun to approach the limits of carrying capacity, while profits have been insufficient to cover the capital investment necessary to expand infrastructure.

In the next twenty years, additional demands will be placed on the rail system by growth in existing freight traffic and increasing axle loads, as well as the potential for expanded commuter and intercity passenger service.

Statutory Background

Until passage of the Staggers Act Rail Act in 1980, rail rates were highly regulated by the Interstate Commerce Commission (ICC). The Staggers Act deregulated rail rates and placed trains in direct competition with other modes of transport. The ICC was abolished under the ICC Termination Act of 1995 and replaced by the Surface Transportation Board. As pertinent to rail infrastructure, the STB's regulatory duties include approval of construction of new rail lines and abandonment of uneconomic lines. The STB also has limited authority to require use of one railroad's facilities by another railroad.

The Federal Railroad Administration (FRA) provides safety oversight for the rail industry under Title 49, Chapters 201-213. The FRA also administers the Railroad Rehabilitation and Infrastructure Financing (RRIF) direct and guaranteed loan program under sections 501-504 of the Railroad Revitalization and Regulatory Reform Act of 1976, as modernized in the 1998 TEA 21 legislation. The

RRIF program is permanently authorized to have up to \$3.5 billion in loan principal amounts outstanding at any one time.

Proposals for Rail Financing

We expect the witnesses to advocate a variety of proposed means of providing public financing for improvement and rehabilitation of rail infrastructure. Some of the principal proposals are listed below.

Shortline Railroad Infrastructure Grants: In the 107th Congress, Chairman Quinn together with Ranking Member Clement introduced H.R. 1020, the Railroad Track Modernization Act of 2000. The legislation proposed approximately \$1 billion in general fund grants to shortline railroads over a 3-year period. The funding would be used to improve trackage and strengthen bridges to carry heavier rail cars, now being acquired by larger railroads as the industry standard. H.R. 1020 was approved by the Full Transportation and Infrastructure Committee, but was never considered by the House. An updated version is expected to be introduced shortly.

Rail Infrastructure Development and Expansion Act for the 21st Century (RIDE 21): Chairman Young's proposal in the 107th Congress (H.R. 2950) would authorize an expansion of the RRIF loan program to \$35 billion, and authorize an additional \$24 billion in tax-credit and tax exempt bond financing for improvement of high-speed rail corridors. An amended version was approved by the Subcommittee, but was not considered by the Transportation and Infrastructure Committee. An updated version is expected to be introduced shortly.

National Railroad Infrastructure Program Act (H.R. 1617): Introduced by Rep. Lipinski, H.R. 1617 would establish a trust fund to support a National Rail Infrastructure Program. Income for the fund would be derived from various fees and taxes, including a portion of customs duties, an excise tax on railroad rolling stock, and the 4.3 cent per gallon fuel tax currently paid by railroads into the general fund.

AASHTO Infrastructure Finance Corporation: AASHTO (the American Association of State Highway and Transportation Officials) has proposed establishment of a new Transportation Finance Corporation (TFC) to finance highway and transit infrastructure. Some features of this proposal may be suggested at the hearing for possible application to rail projects.

Railway Supply Institute Rail Finance Corporation Proposal: RSI has proposed the establishment of a new Rail Finance Corporation (RFC) authorized to issue up to \$15 billion in federal tax credit bonds to states and public/private partnerships to finance eligible rail-related capital projects.

Local Railroad Rehabilitation and Investment Act of 2003 (H.R. 876): Introduced by Messrs. Moran of Kansas, Camp and Ramstad, this legislation would grant a \$10,000 per track mile tax credit to smaller railroads for track rehabilitation and improvement.

WITNESSES

PANEL I

Honorable Allan Rutter
Administrator
Federal Railroad Administration

[Honorable Roger Nober](#)
Chairman
Surface Transportation Board

[Joseph Boardman](#)
Commissioner
NY State Department of Transportation

Mr. Ed Hamberger
President
Association of American Railroads

PANEL II

[Mr. Ross Milloy](#)
President
Austin-San Antonio Corridor Council

Mr. Chris Becker
Executive Director
Orange North American Trade Rail Access Corridor

Honorable Vernon Jones
CEO
DeKalb County, GA

[Ms. Sharon Clark](#)
Chairman
Railroad-Shipper Transportation Advisory Council

[Honorable Patrick Henry Hays](#)
Mayor, North Little Rock, Arkansas
On behalf of U.S. Conference of Mayors

PANEL III

[Mr. Thomas Gillespie](#)
Representative of Alstom Transportation, Inc.
On Behalf of the
Railway Supply Institute

Mr. John Happ, Jr.
Vice-Chairman
Texas High Speed Rail and Transportation Corporation

Charles E. Platz
CEO
Basell North America