SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET

ITEM NO: D-3

DATE: February 25, 2010

SUBJECT: GO21 Federal Railroad Legislation - Request for Support

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the city council is to consider sending a letter to Congressman Rick Larson (Attachment A) opposing any changes to the Staggers Rail Act and supporting the Freight Rail Infrastructure Capacity Expansion Act of 2009.

STAFF RECOMMENDATION:

1. Review the materials provided by the Go21 organization (Attachment B) regarding the Staggers Act and tax credit legislation for railroad infrastructure investment.
2. Discuss the draft letter to Congressman Rick Larson submitted to the city by the Go21 organization for the mayor's signature.
3. Provide direction to staff on whether to prepare a letter to Congressman Larson for the mayor's signature.

SUMMARY:

In January, Joseph Hughes with the GO21 organization approached the mayor, city council members and city staff requesting support for the Freight Rail Infrastructure Capacity Expansion Act of 2009 and opposition to the Staggers Rail Act. Mr. Hughes has asked the city to send a version of the attached letter to Congressman Rick Larson opposing any changes to the Staggers Act and supporting the Freight Rail Infrastructure Capacity Expansion Act of 2009.

The city council should discuss the pros and cons of the Mr. Hughes' request before taking action.

DISCUSSION:

<u>Staggers Rail Act</u>

The Staggers Rail Act of 1980 signed into law by President Carter, deregulated the American railroad industry (to a significant extent) and replaced the regulatory structure that existed since the 1887 Interstate Commerce Act.[1]

The Staggers Act eliminated many of the most damaging regulations that hindered efficient, cost-effective freight rail service. Among other things, Staggers:

- Allowed railroads to base their rates on market demand;
- Allowed railroads and shippers to enter into confidential contracts;
- Streamlined procedures for the sale of rail lines to new short line railroads;
- Explicitly recognized railroads' need to earn adequate revenues; and
- Expanded federal authority to exempt categories of traffic from regulation if it was not needed to protect shippers from an abuse of railroad market power. (For example, traffic that could easily be carried by truck could be exempted.)

Under Staggers, regulators retained authority to protect shippers against unreasonable railroad conduct, and regulators still have this authority today. This ensures that freight rail is fair and competitive, and that railroads are held accountable for their actions.

Studies of the rail industry showed dramatic benefits for both railroads and their users from deregulation. According to the Department of Transportation's Freight Management and Operations section's studies, railroad industry costs and prices were halved over a ten year period, the railroads reversed their historic loss of traffic (as measured by ton-miles) to the trucking industry, and railroad industry profits began to recover after decades of low profits and widespread railroad insolvencies.

A Department of Transportation comprehensive study detailing effects of rail deregulation on railroads found transport deregulation over all transport modes reduced distribution costs in the United States from about 14% of gross domestic product to under 11%.

Railroads are stronger financially. Return on investment, which had been falling for decades, rose to 4.4 percent in the 1980s, 7.0 percent in the 1990s, and 8.0 percent from 2000 to 2008.

Shippers and various organizations that represent shippers, complain that rail rates are not always reasonable and that the federal oversight agency's complain process is time consuming, costly, and complex. Few rates are successfully challenged. In addition, shippers have experienced widely publicized short-term service disruptions as the result of railroad mergers. However, the general consensus is deregulation has been good for both shippers and haulers.[2]

[1] http://en.wikipedia.org/wiki/Staggers_Rail_Act
[2] The Success of the Staggers Rail Act of 1980 http://www.brookings.edu/papers/2005/10_railact_winston.aspx

Freight Rail Infrastructure Capacity Expansion Act of 2009 (FRICEA)

The individual provisions of FRICEA make two main changes to the tax liability of firms: the addition of a tax credit for "qualified freight rail infrastructure" and "qualified locomotive property," and a change to tax expensing rules.

FRICEA creates a tax credit worth 25% of the amount a firm spends on qualified freight rail infrastructure, including track, rail yards, and other infrastructure and qualified locomotive property including locomotives that meet certain environmental standards and which add to the firm's overall locomotive horsepower.

The rationale behind the proposed tax credit is that railroads, unlike the trucking industry, own all of the track, signaling equipment, and rail yards required to run their operations. By contrast, the Federal Highway Administration estimates that large trucks pay fewer than 80 percent of the costs associated with their road use. Trucks pay for their infrastructure through user fees, while the railroads own their infrastructure outright. This means that while taxpayers bear all the risk of building infrastructure that ends up being under used, the railroads bear the entire "location risk" of their infrastructure.

An analysis by Anderson Economic Group found that FRICEA unnecessarily encourages investment that would likely have happened without incentives, promotes investments that may come at the expense of safety-enhancements that do not qualify for financial incentives under FRICEA, and allows inefficient tax-avoidance behavior. However, it also finds that under certain conditions, FRICEA may promote the enhancement of rail safety as well.[3]

Anderson Economic Group also reported, "FRICEA will affect the long-haul trucking industry through its effect on rail industry prices. Where the trucking and freight industries directly compete, FRICEA will give the freight rail industry an advantage over the trucking industry. This is especially true in areas where freight rail companies could add infrastructure to create new or increased competition." The analysis further noted, only a fraction of goods are subject to direct competition between freight rail and trucking companies limiting competitive impacts.

Unlike trucking, the marine shipping industry does not compete directly with fright rail. Any increase in the freight rail industry's capacity, efficiency, and safety is likely to help the marine shipping industry. This is because most goods that arrive in port are transported by rail. Ports are likely to increase investment in "intermodal facilities" to facilitate increased capacity for the transfer of shipping containers from ships to rail.

FISCAL IMPACT:

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[3] http://www.andersoneconomicgroup.com/Publications/Detail/tabid/125/articleType/ArticleView/articleId/7099/Economic-Impact-Freight-Rail-Infrastructure-Capacity-Expansion-Act-FRICEA.aspx

There is no direct fiscal impact on the city's budget or financial condition as a result of a decision to support or oppose either the Staggers Act or FRICEA.

ALTERNATIVES:

1. Review the materials presented, ask questions, and direct staff to prepare a letter to Congressman Rick Larson for the mayor's signature. This action implies the city council has reached consensus on opposing changes to the Staggers Act and/or supporting FRICEA.
2. Review the materials presented, ask questions and direct staff to take no action. This alternative implies the council has not reached consensus and is not prepared to write a letter to Congressman Larson outlining the city's position on the proposed legislation.

RECOMMENDED ACTION:

1. Review the materials provided by the Go21 organization (Attachment B) regarding the Staggers Act and tax credit legislation for railroad infrastructure investment.
2. Discuss the draft letter to Congressman Rick Larson submitted to the city by the Go21 organization for the mayor's signature.
3. Provide direction to staff on whether to prepare a letter to Congressman Larson for the mayor's signature.

ATTACHMENTS

A – Sample letter to Congressman Larson
B – Go21 materials

January 20, 2009

The Honorable Rick Larsen
United States House of Representatives
108 Cannon House Office Building
Washington, DC 20515

Dear Representative Larsen:

As the Mayor of Sultan, I am keenly aware that infrastructure development is critical to a community's economic development. Rural areas often have the greatest need and the least capacity to pay for such improvements. In order for rural Washington to prosper, securing a long term investment for all modes of transportation infrastructure must be a priority. Rail infrastructure in particular needs public policy that is well thought out and provides for the growth of this critical transportation alternative.

The Staggers Rail Act of 1980 created a sensible and balanced approach to addressing the needs of shippers and the railroads ability to operate effectively. Some members of Congress have proposed returning to the heavy bureaucratic oversight environment that existed prior to Staggers. Please oppose any changes in federal law that would undermine today's balanced regulation of railroads.

In order to handle the massive increase in freight traffic that is anticipated over the next 20 years, America's freight rail system needs to grow. The Freight Rail Infrastructure Capacity Expansion Act of 2009 would increase investment in new rail capacity by providing a 25% federal tax credit for intermodal facilities and expanded capacity on freight rail infrastructure. From an economic development stand point this legislation should also help rural communities compete in attracting employers and creating much needed jobs.

Please oppose efforts to overturn the balanced regulation of the Staggers Act and support the Freight Rail Infrastructure Capacity Act of 2009.

Regards,

Carolyn Eslick
Mayor, City of Sultan
319 Main Street
Sultan, WA 98294-1199

Ways & Means 3/2009
- tax bills
- not transportation
- STP? SAFETEA-LU

Go21

Growth Options for the 21st Century

Growth Options for the 21st Century (Go21) is a national, non-profit, public interest organization dedicated to promoting freight transportation alternatives.

Freight transportation choices have major implications for the economy, highway congestion, fuel use, air pollution and highway safety. Freight volumes are expected to grow approximately 70 percent within the next twenty years and many highways are stretched beyond capacity. The nation faces a complex freight mobility challenge and it is essential that non-highway options are available to keep goods moving.

Freight rail is an excellent alternative. Shipping more freight by rail saves taxpayers money, promotes cleaner air and greater fuel efficiency, improves safety, and lessens worsening highway congestion.

Go21's mission is based principally on recommendations from the American Association of State Highway and Transportation Officials, which represents state departments of transportation. AASHTO calls for increased public investment in freight rail infrastructure to help relieve pressure on the nation's roadways. AASHTO found that relatively small investments in new rail capacity would yield tremendous public benefits.

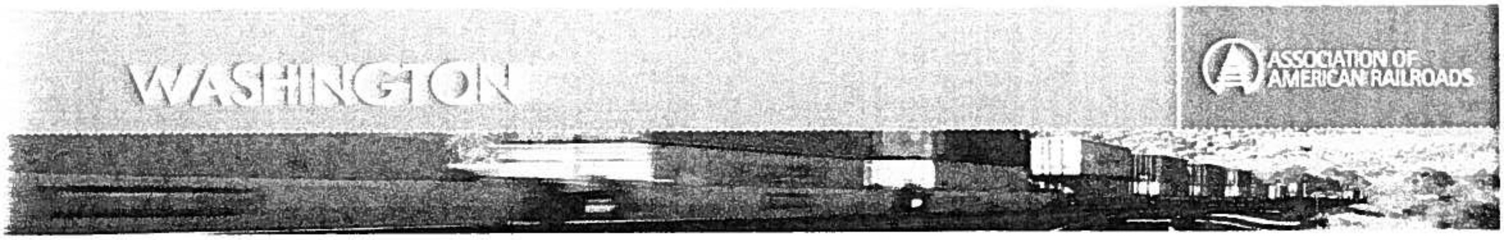
Go21 actively builds public support among influential community and business leaders. Since its inception in 2004, Go21 has assembled over 1,000 political, business, academic, and community leaders in 30 states. These leaders work with Go21 to engage policy makers on opportunities to increase freight rail capacity.

With the expected increase in freight volumes, it is imperative that we pursue transportation options designed to carry these increased quantities of goods as safely and efficiently as possible. America's freight railroads are a clear alternative to continued reliance on an already overcrowded highway system.

A seamless transportation system is crucial for a strong economy and for the US to compete in the global marketplace. Smart transportation policies will improve quality of life for Americans.

Please join with us in promoting policies that improve quality of life!

Growth Options for the 21st Century
901 N Pitt St, Ste 315 Alexandria, VA 22314
877-446-7245 • www.go21.org



WASHINGTON RAIL FAST FACTS:

21 freight railroads operate in Washington

4,206 freight railroad employees live in Washington

$73,200 is the average wage a freight rail employee living in Washington earns, with an additional $29,100 in fringe benefits

11,265 railroad retirees live in Washington

Washington ranks 22nd among states in total rail mileage (3,210 miles)

Railroads in Washington carried 2,525,420 carloads of freight in 2007

RAILROADS' IMPACT ON WASHINGTON: ENVIRONMENT, ECONOMY & WAY OF LIFE

In 2007, America's railroads moved a ton of freight an average of 436 miles on one gallon of gas — that's like going nearly all the way from Spokane to Eugene, Oregon.

From 1980 through 2007, freight railroads improved their fuel efficiency by 85 percent. They consumed 48 billion fewer gallons of fuel and emitted 538 million fewer tons of carbon dioxide than they would have if their fuel efficiency had not improved during this time.

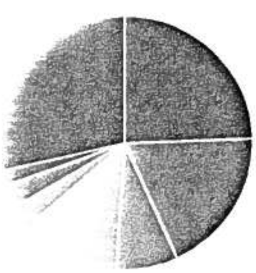
A single freight train can take 280 or more trucks off of Washington's highways; this reduces traffic congestion and saves Washingtonians' time, money and gasoline.

If all the freight that traveled through Washington in 2007 had moved by truck instead of rail, another 6,304,092 trucks — an average of 17,271 per day — would have clogged Washington's highways.[1]

Based on U.S. Department of Commerce data, every $1.00 of rail infrastructure investment generates a $3.00 return in terms of total economic output including purchases and job creation.

Each $1 billion of rail investment creates an estimated 20,000 jobs nationwide.

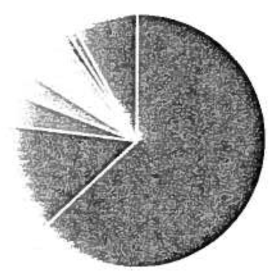
WHAT COMES TO WASHINGTON BY RAIL



- Grain or other field crops 297,999 (25%)
- Intermodal 225,120 (19%)
- Scrap paper or metal 95,096 (8%)
- Food products 61,311 (5%)
- Coal or cement 53,707 (5%)
- Chemicals 31,020 (3%)
- Petroleum or coal products 30,056 (3%)
- Autos or auto parts 29,760 (3%)
- Pulp or paper products 19,676 (2%)
- All other 339,960 (29%)

TOTAL CARLOADS:
1,183,705

WHAT WASHINGTON SHIPS BY RAIL

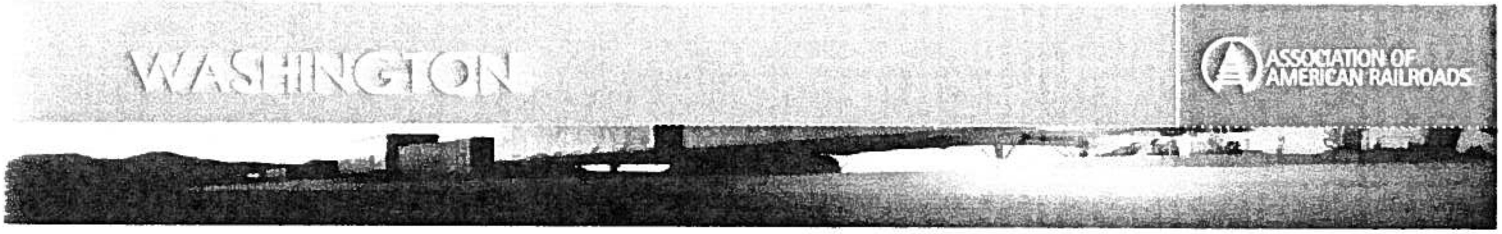


- Intermodal 596,400 (63%)
- Scrap paper or metal 135,804 (14%)
- Lumber or wood products 39,856 (4%)
- Pulp or paper products 24,640 (3%)
- Grain or other field crops 20,786 (2%)
- Food products 16,208 (2%)
- Autos or auto parts 16,160 (2%)
- Petroleum or coal products 12,340 (1%)
- Chemicals 11,028 (1%)
- All other 77,536 (8%)

TOTAL CARLOADS:
950,758

Source 2007 STB Waybill Sample

[1] Assumes 18 tons per truck. In 2007, 113,473,655 tons of freight moved in Washington by rail.



WASHINGTON PASSENGER RAIL

In fiscal year 2008, nearly 1.2 million Amtrak passengers started or ended their trips in Washington, including 617,000 in Seattle, 122,000 in Tacoma, 63,000 in Bellingham, and 56,000 in Olympia. Amtrak also serves Vancouver, British Columbia, just over the border in Canada.

Since September 2000, Sound Transit's "Sounder" has provided commuter rail service in and around Seattle and Tacoma. In 2007, Sounder's ridership was 2.2 million.

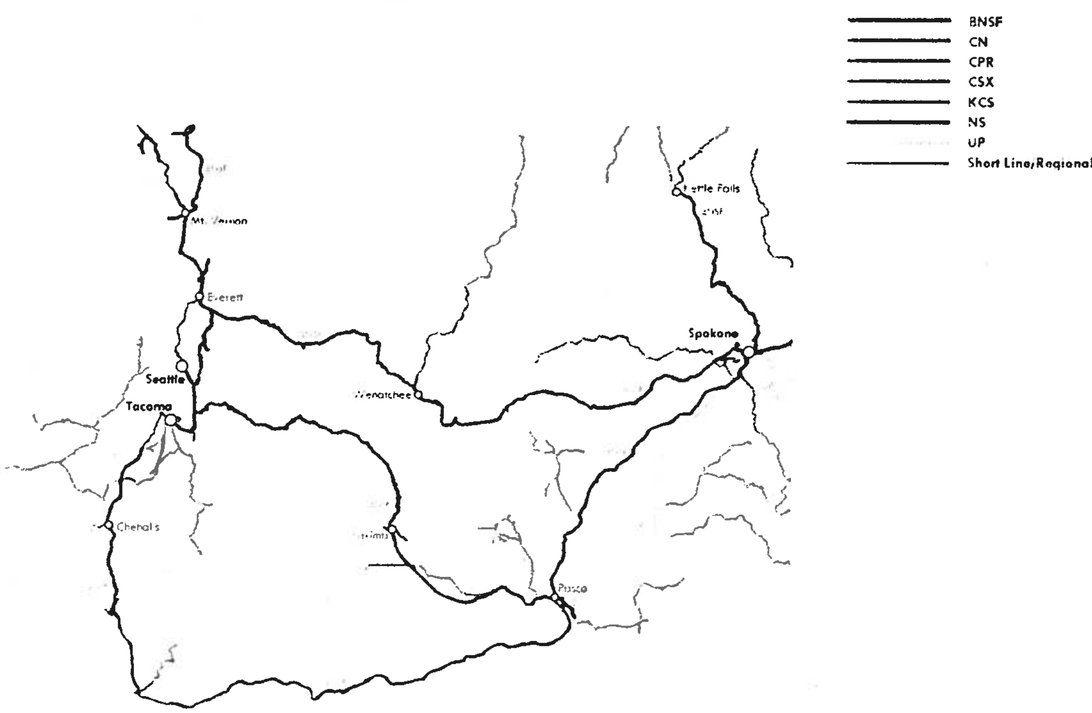
WASHINGTON'S FREIGHT RAIL NETWORK

CLASS I RAILROADS	
BNSF Railway Company	1,679
Union Pacific Railroad Co.	532
TOTAL	2,211

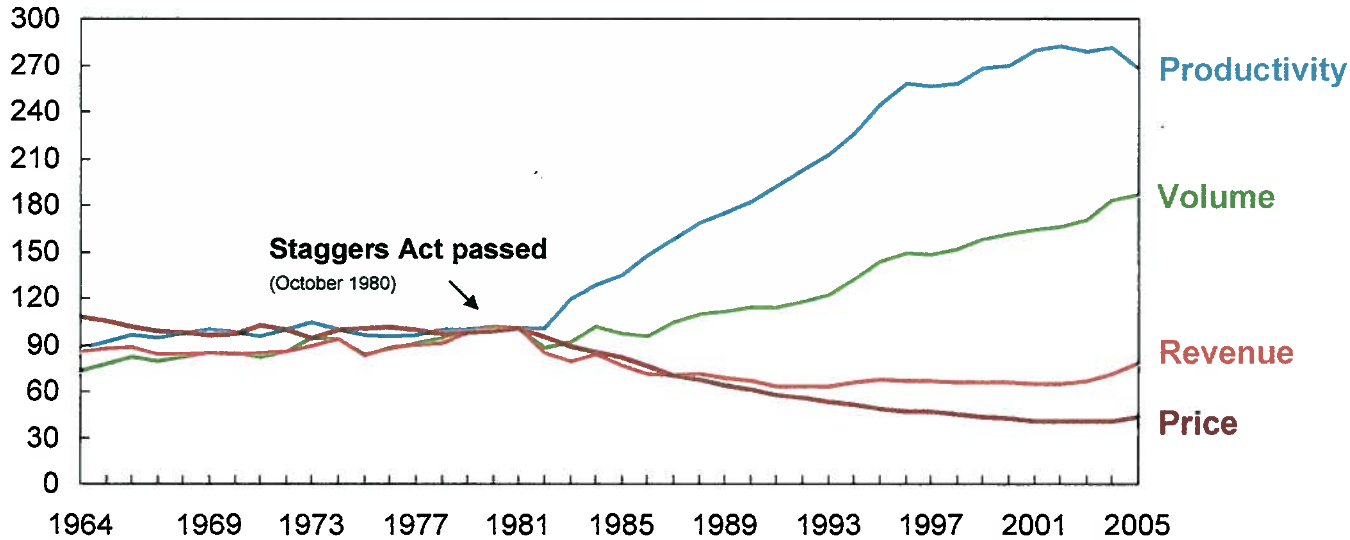
SWITCHING & TERMINAL RAILROADS	
Ballard Terminal Railroad Co.	3
Longview Switching Co.	17
Meeker Southern Railroad	5
Mount Vernon Terminal Railway	1
Tacoma Rail	59
Tri-City & Olympia Railroad Company	125
TOTAL	210

REGIONAL RAILROADS	
Montana Rail Link	17
TOTAL	17

LOCAL RAILROADS	
Cascade & Columbia River Railroad	137
Central Washington Railroad Company	32
Columbia & Cowlitz Railway	8
Columbia Basin Railroad Company, Inc.	124
Eastern Washington Gateway Railroad	108
Great Northwest Railroad	67
Kettle Falls International Railway LLC	142
Palouse River & Coulee City Railroad	160
Pend Oreille Valley Railroad	61
Puget Sound & Pacific Railroad Co.	149
Tacoma Rail Mountain Division	132
Washington & Idaho Railway, Inc.	38
TOTAL	1,258



U.S. Freight Railroad Performance Since Deregulation



This chart shows how the freight rail industry has performed since it was largely deregulated by the Staggers Rail Act in 1980. Since 1980:

- **Productivity is up 168%.** Railroad productivity improvement (measured in revenue ton-miles per constant dollar operating expense) has been among the highest of all U.S. industries. (Big drop in 2005 mainly due to big increase in fuel costs that increased total rail expenses.)

- **Volume** (revenue ton-miles) **is up 86%.**

- **Revenue** (inflation-adjusted operating revenue) **is down 21%.**

- **Rail rates** (inflation-adjusted revenue per ton-mile) **are down 57%**, even after an increase in average rates in 2005. These rate reductions have directly translated into **$10 billion or more per year in savings for U.S. businesses and consumers**.

- Reregulation would turn back the clock on these successes and again give regulators wide control over crucial areas of rail operations. Reregulation would result in sharply lower rail revenues and earnings. Railroads would be unable to cover their costs and meet the transportation needs of our nation.

- Ultimately, under reregulation, the only realistic alternative to wholesale disinvestment of our nation's rail network would be for the government to step in and subsidize railroads on a massive scale.

Go21

Rail is the cleanest, most efficient, and most environmentally sound way to move freight.

- Rail is the most energy-efficient way to move goods.
- More freight moving by rail means cleaner skies and healthier lives because of less pollution.
- Moving more freight by rail takes traffic off our congested highways.

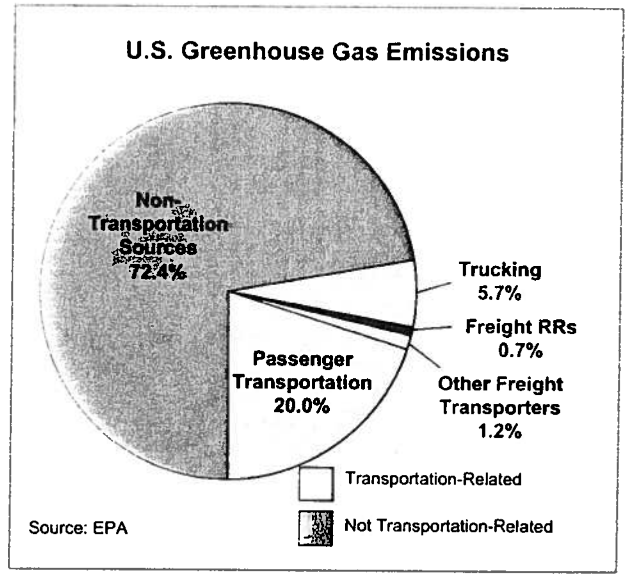
Rail is the most energy-efficient way to move goods.

- A freight train can move a ton of freight an average of 436 miles on a single gallon of fuel. That's close to ***four times as much*** cargo as a truck can haul on that same gallon of fuel.
- Since 1980, freight railroads have doubled the amount of freight they move while using virtually the same amount of fuel. From 1980 through 2007, Class I railroads consumed ***48 billion fewer gallons*** of fuel than they would have if their fuel efficiency had not improved.
- New technologies are making freight rail even more fuel-efficient. Thousands of ***new energy-efficient locomotives*** are now in service, including hybrids and modern "gensets," which have several independent engines that turn off and on depending on need. There are also new intelligent computer systems that use a train's weight and location to calculate the speed that ***maximizes fuel savings***.
- According to a study by researchers at the Argonne National Laboratory and the U.S. Department of Energy, "Economic and institutional solutions that encourage ***rail use offer the greatest potential*** for reducing energy and environmental impacts from freight transport."

More freight moving by rail means cleaner skies and healthier lives because of less pollution.

- According to the Environmental Protection Agency (EPA), freight rail accounts for ***less than 1 percent*** of greenhouse gas emissions in the U.S. – even though freight trains move over 40 percent of intercity freight.

- The EPA estimates that for every ton-mile, a typical ***truck emits roughly three times*** more nitrogen oxides and particulates than a locomotive.



- Every ton of freight moved by rail instead of highway reduces greenhouse gas emissions by two thirds.

- From 1980 through 2007, Class I railroads emitted ***538 million fewer tons of carbon dioxide*** (CO_2) than they would have if their fuel efficiency had not improved. That's the equivalent of taking ***89.6 million cars*** off the road during that time and it would take ***12.5 billion trees*** 10 years to remove this same amount of CO_2 from the environment.

- In March 2008, EPA issued stringent new locomotive emissions standards that will ***cut particulate emissions*** by up to 90 percent and ***nitrogen oxide emissions*** by up to 80 percent. The new standards will also yield big reductions in emissions of other harmful pollutants.

- Numerous ***environmental groups*** have praised the new standards. For example, the Natural Resources Defense Council calls them, "a strong program that will go a long way towards solving the problem of diesel train and ship pollution in the future."

Moving more freight by rail takes traffic off our congested highways.

- Highway congestion costs the nation ***more than $78 billion every year*** in wasted fuel (2.9 billion gallons) and excessive travel time (4.2 billion hours), according to the Texas Transportation Institute.

- A single train can haul 280 truck trailers, taking them off our nation's already overcrowded highways. That's the equivalent of removing 1,100 automobiles from the highways and means ***faster commutes, less gridlock, and less pollution***. In 2006, railroads carried 2,882,699 truck trailers and 9,399,522 intermodal containers.

- When it comes to bulk commodities—such as coal and grain—trains' efficiency really shows. ***It would take at least 500 trucks*** to move as much bulk freight as one train.

Go21

Affordable, efficient, and environmentally sound transportation is critical to the economy – now and in the future.

- Trains deliver just about everything that keeps America moving.
- Freight rail benefits businesses, consumers, and the public right now.
- Investing in the rail network boosts the nation's economy.

Freight trains haul just about everything that keeps America moving.

- From the food on our tables to the cars we drive to the shoes on our feet, railroads provide 43 percent of the nation's intercity freight transportation—***more than any other mode*** of transportation.
- Freight trains deliver just about everything that keeps America moving forward, from the chemicals that purify our drinking water, to the wheat in our bread, to computers, clothes, cars, and the energy used to generate ***more than half*** of the nation's electricity.
- Less is more. Through intermodal service—freight shared by trucks and trains—railroads move almost 12 million trailers or containers a year. That means ***less traffic*** on our roads, ***less pollution*** in our skies, ***less wasted energy***, and safer highways. Intermodal has been the fastest growing rail traffic segment over the past 20 years.
- Although most people don't stop to think about it, freight trains provide ***a vital link for millions of American jobs***, connecting farmers, miners and manufacturers to markets across the country and around the world.

Freight rail benefits businesses, consumers, and the public right now.

- Freight rail's efficiency means ***savings for shippers and everyday consumers.*** Average rail rates have dropped by more than half since 1981, when an outdated regulatory system was replaced by a smart, common-sense approach. This means that the average shipper can ship two rail cars for about the same price it paid to move one rail car 25 years ago.

- The cost-effectiveness of rail service has ***an enormous impact on our economy*** each year. Rail service means that the food, electricity, clothes, and countless goods that we buy ***cost much less*** than they otherwise would.
    - From 1990 to 2006 (the latest year available), rail coal rates fell 13 percent, while electric rates jumped 35 percent. ***Electric rates would have been even higher*** if utilities were not able to make use of rail.
    - From 1990 to 2006, the average prices that farmers paid for most of their ***farm supplies rose much faster than the rail rates*** to move their grain. For example, the cost of seed rose 78 percent; fertilizer, 80 percent; and fuel, 139 percent. Average rail rates to ship grain rose just 23 percent.
    - If all freight moving by rail were shifted to truck, ***consumers would see their costs jump by almost $70 billion a year***, according to the American Association of State Highway and Transportation Officials.
- According to World Bank data, average U.S. freight rail rates are half those in China and Japan, and 50 to 75 percent below those in major European countries.
- A larger freight rail network means cleaner skies and less pollution. Moving more freight by rail is an easy way to ***reduce emissions without a negative effect on the economy.*** Every ton moved a mile by rail, instead of by highway, reduces greenhouse gas emissions by two-thirds. As the need for freight transportation grows, the need for environmentally sound solutions will be even greater.
- A larger freight rail network means ***less traffic on our roads and less hassles for drivers.***
    - Highway congestion costs the nation an estimated $78 billion in ***wasted travel time*** (4.2 billion hours) and ***wasted fuel*** (2.9 billion gallons).
    - A single train can take 280 trucks off the highway. That's the equivalent of removing 1,100 automobiles from the road—meaning ***less gridlock, faster commutes, and safer roads***.

Investing in the rail network boosts the nation's economy.

- The U.S. Department of Transportation has estimated that freight transportation demand will rise 92 percent from 2002 levels by 2035.
- Even if the economic slowdown delays things for a year or two, ***the need for freight transportation is expected to skyrocket*** at the same time as Americans are looking for ***cleaner, healthier, more efficient solutions.***

- If railroads and businesses are going to meet the demand for affordable, efficient, and environmentally responsible transportation, ***now is the time to make smart choices.***

- One such choice is providing ***targeted tax incentives*** for any business that makes an investment to expand rail capacity – like adding new tracks, bridges, tunnels, and intermodal facilities.

- This will add to the record sums railroads already invest to maintain, expand and improve equipment and tracks. ***This is a win-win investment*** that will benefit businesses, consumers, and the public.

- Investing in railroads boosts the nation's economy. In fact, based on U.S. Department of Commerce data, ***every $1*** of rail infrastructure investment that would be stimulated by a tax incentive would generate ***more than $3*** in total economic output. Thus, $300 million in additional freight rail capacity investment (the estimated cost of rail infrastructure tax incentives) would result in nearly ***$1 billion of economic stimulus***.

- Moreover, each $1 billion of new rail investment induced by the tax incentives would create ***20,000 jobs***.

Go21

Balanced regulation is the way to ensure railroads are held accountable while continuing to meet America's needs.

- Government control nearly killed U.S. railroads
- The Staggers Act created smart, balanced regulations that hold railroads accountable while freeing them to succeed.
- Overturning Staggers and re-imposing government control of railroads would harm the businesses, consumers, and the public.

Government control nearly killed American railroads.

- Before 1980, ***the government controlled U.S. railroads***. Federal bureaucrats decided everything from the services railroads could offer to the rates they could charge.
- Because of the ***paralyzing effect*** of over-regulation, railroads could not afford basic maintenance.
    - Tracks were literally ***collapsing*** under stationary trains.
    - More than 20 percent of the country's railroad miles were operated by railroads in ***bankruptcy***.
    - Rail rates were ***rising faster than inflation*** and the rail market share shriveled as more and more shippers turned to trucks – putting more trucks on the road.

The Staggers Act created smart, balanced regulations that hold railroads accountable while freeing them to succeed.

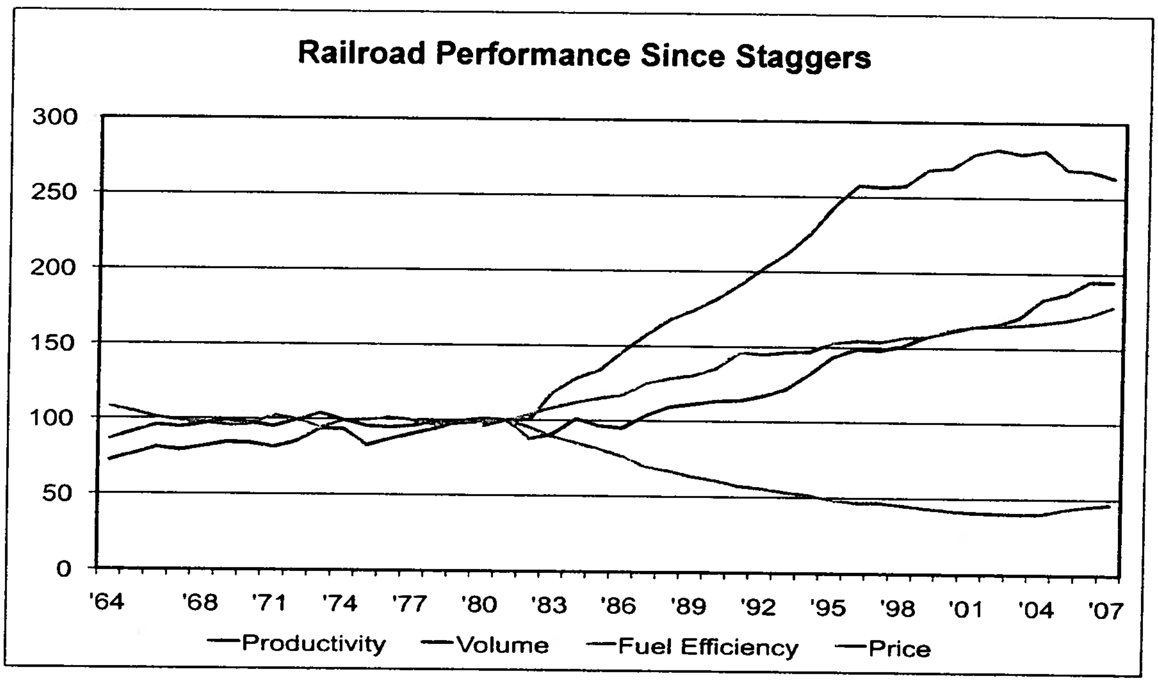
- In 1980, Congress passed the Staggers Rail Act. The Staggers Act created a balanced regulatory system that still exists today: shippers are protected against anti-competitive railroad conduct, while railroads can largely decide for themselves how to manage their operations.

- ***Since the Staggers Act*** passed, returning control to the railroads:

    - ***Rail is more affordable.*** Average rail rates have dropped by half, resulting in ***real savings for consumers***. Average inflation-adjusted rail rates (as measured by revenue per ton-mile) are down 54 percent. That means the average shipper can move ***twice as much freight for the same price*** as it paid more than 25 years ago. Lower rail shipping costs have saved American consumers hundreds of billions of dollars.

    - ***Rail is more productive.*** Rail's market share increased for the first time in decades. Trucks are now among rail's best customers—12 million trailers and containers travel by rail each year.

    - ***Rail is growing.*** Railroads have invested more than $420 billion in their own systems from 1980-2007 to maintain and renew the tracks – more than 40 cents of every revenue dollar.



Overturning Staggers and re-imposing government control of railroads would harm the businesses, consumers, and the public.

- Some ***rail shippers*** support legislation (H.R. 2125 / S. 953 in the 110th Congress) that would reverse the Staggers Act and ***re-impose government control*** of railroads. They say that rail rates are too high and that railroads have unconstrained market power.

- Not only are these claims ***inconsistent*** with the ***progress*** made since 1980, but they also ***ignore*** the current ***checks*** on railroad power.
    - American railroads are ***already extensively regulated by the Surface Transportation Board*** (STB), an independent federal agency with expertise in rail matters.
    - The STB has jurisdiction over rail mergers and other rail issues, including rail rates in cases where a railroad faces no effective competition. In other words, the STB exists to ***protect rail customers*** – and ***it works***.
    - For example, the STB recently penalized one railroad $345 million for overcharging two Western power companies. The Board has also reduced the fee for filing a complaint and implemented a simplified and expedited process for small and medium rate cases.
- Claims of railroad "monopolies" also ***ignore basic economics***. Just because a shipper is served by a single railroad, it does not mean that railroad has unconstrained market power. In the long run, more than one railroad can serve the same shipper only when there is sufficient demand to sustain two railroads. Otherwise, one railroad eventually fails. That's why ***most shippers have always been served by just one railroad***. Not every city can sustain two major league baseball teams and not every shipper can sustain two railroads.
- A recent STB study (released in November 2008) found that if new regulations forced railroads to lower rates to certain shippers, rates for other shippers would have to be ***increased.***
- ***Imposing government control*** of railroads would mean that the government would determine ***what services*** railroads could offer, ***the shipping rates*** for specific movements, and could ***force railroads*** to allow others to operate over their tracks at whatever rate is set by the government.
- According to the U.S. Department of Transportation, American freight movement ***demand will increase*** 92 percent by 2035. ***Over-regulation would prevent*** railroads from ***building the new systems*** that ***our economy needs*** to grow. If railroads cannot adequately expand, one-third of all key freight rail corridors will be at or over capacity within 25 years. ***That's a risk our economy can't afford to take.***
- Even if the economic slowdown delays things a year or two, freight transportation is only going to ***increase*** in the coming months and years. If railroads don't expand to keep pace with that increase, more freight will be forced onto highways. And that means ***more trucks, more wasted gasoline, more traffic jams, and more angry drivers.***