

Federal Railroad Administrator Joseph C. Szabo
Prepared Remarks
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“100 Years of Connections”
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Thank you, Rich, and good morning everyone.

On behalf of President Obama and Secretary LaHood, it is an honor to join you to celebrate the 100th anniversary of the Short Line Association.

I’ve come here to talk about our vision for rail in America – and about the emerging consensus that rail is the mode of opportunity.

But, before I continue, please join me in congratulating General Timmons on his imminent retirement. You will be sorely missed as a passionate advocate for the short line industry.

As we celebrate 100 years of connections, let me acknowledge the short line industry’s tradition of great customer service – and a persistence defining its rich history. When this association was formed, America’s railroads – laid out in a straight line – could have reached the Moon.

American railroading – the historians now say – was at its peak, but also on the verge of decades of decline.

In the decades that followed, these were times, as President Eisenhower committed America to building the Interstate Highway System, as commercial air transport emerged, and as restrictive rail regulation took its toll, that railroads’ mere survival seemed in doubt.

Then came the Staggers Act – a turning point. And since then, the number of short lines has more than doubled.

A couple decades ago, much of the 50,000-mile network the short line industry operates on today was thought to be the most vulnerable track in the country. But today, the services short lines and regional carriers provide – as affirmed by the extension of the short line tax credit – are considered an essential part of America’s economy.

Short lines link rural America to the global marketplace. They link Class Is to local industries, farms, factories, ports, and waterways.

And let me go back to something President Eisenhower said in his 1955 State of the Union Address.

He said: *A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security.*

That was so true 60 years ago. But today, we're looking at challenges like how to move 100 million additional people and 4 billion more tons of freight over the next three decades.

And as we review our options, we know our highways and airports are stretched close to their limits, and that highway congestion now costs our economy more than \$120 billion a year.

Today, it's no longer good enough to build the best roads, or the best airports, or even the best railroads.

A world-leading economy requires us to build a true system – one in which each mode works in unison with the others to ensure the efficient movement of people and goods.

This is why the American Road and Transportation Builders Association, the U.S. Chamber of Commerce, the U.S. Conference of Mayors, and the American Society of Civil Engineers all agree that the future of American transportation is multi-modal.

And to build this multi-modal system, these organizations recognize – as does President Obama – the clear need to invest in more under-utilized transportation alternatives such as rail.

Rail – both freight and passenger – is the mode of opportunity.

And as more and more shippers realize its inherent benefits, short lines will increasingly be called upon to provide those crucial first and final miles of delivery.

Our entire rail network needs to grow.

Over the past four years, unprecedented public and private investments has begun positioning our rail network for its expanding role.

And, the Rail Safety Improvement Act has enabled FRA to focus on risk reduction programs and some of the most challenging areas of safety.

While rail is already an extremely safe mode, I'm proud to say that 2012 – by virtually all measures – was the safest year in industry history.

And remarkably, these safety gains were achieved while freight rail traffic reached near-record levels.

On the network development side, the Passenger Rail Investment and Improvement Act laid the policy framework for us to invest in more than 150 passenger rail projects.

And these investments are perfectly timed with passenger's rail own renaissance: Amtrak is now America's fastest-growing major travel mode.

Many of our passenger rail projects – in the case of shared right of way – are also expanding freight capacity, complementing the freight rail industry's own record-setting investments in its infrastructure.

And several of these projects have brought direct benefits to host short line railroads by making infrastructure and safety improvements that might otherwise have been cost prohibitive.

But Fiscal Year 2014 brings us to a critical juncture.

Both of our Congressional authorizations are set to expire. And to sustain the progress being made today to safely grow our rail network, we have presented to Congress a budget that lays out a comprehensive blueprint for moving forward.

At its core is our fundamental goal to take a more coordinated approach to enhancing American rail – a holistic, integrated strategy that addresses rail safety; passenger and freight service improvements; and strong transportation planning.

Our budget requests \$6.6 billion for rail safety and freight and passenger rail investment programs. And this includes \$6.4 billion for a National High Performance Rail System program, the first of a five-year \$40 billion rail authorization.

The National High Performance Rail System program is focused on two connecting priorities: modernizing our existing rail system for both freight and passenger rail, and building an enhanced network that will meet future needs for both. And it would provide important resources to assist short lines.

We have proposed a new, \$190 million Freight Capacity Program, through which short lines will be eligible to apply for competitive grants for service upgrades – important upgrades like rehabilitation of bridges and ensuring infrastructure is able to support 286,000 pound shipments.

Another new program focused on congestion mitigation requests \$150 million for projects that address rail network chokepoints.

Moving forward, full implementation of the Rail Safety Improvement Act remains our top priority.

We continue to work with carriers to implement Positive Train Control in a safe and efficient manner – and we're calling on Class I's and short lines to work together and communicate with each other throughout implementation.

Short lines must take initiative to find out what their Class I partners are doing so they can interoperate and Class Is must be there to assist short lines and help guide them through the process.

We continue taking a hard look at the human factors behind accidents and incidents.

This includes leading an evolution in railroad safety culture by advancing Risk Reduction and System Safety programs.

We have launched a collaborative effort with industry and labor to eliminate electronic device distraction in the railroad workplace. As part of this effort, we have challenged the industry to form peer-to-peer programs that will actively foster a new railroad safety culture in which improper electronic device use is socially unacceptable.

So let me take this opportunity to thank John Koraleski for Union Pacific's leadership.

UP was the among the first rail carriers to adopt a peer-to-peer program to eliminate electronic device distractions.

UP was also the first railroad to participate in our Confidential Close Reporting System pilot program – one of the cornerstones of our risk reduction efforts.

UP chose to start its Close Call program in North Platte, the largest rail yard in the world.

And they expanded their program beyond just close calls to also include known events below our reporting threshold – demonstrating a desire to collect more data and better understand the precursors of accidents.

Based in large part on UP's leadership, other railroads have joined the Close Calls program – and we've seen remarkable results from our four pilot projects.

This includes a 70% reduction in accidents, a 90% reduction in discipline, and improved relationships between labor and management, paying significant returns to the carrier.

And I'm pleased that UP is now taking steps to expand the program to other sites.

As we continue to reach for higher levels of safety, the President's budget also makes clear that this goal is fundamentally linked with development efforts that focus on achieving superior efficiency and track speeds, and improved performance for freight and passenger rail.

As the transportation mode of opportunity, it underscores the need for rail to achieve parity with other modes, with a sustained, long-term funding strategy.

The efficiencies simply cannot be ignored.

With service levels targeted to the market, rail can be the most cost-effective, least oil-reliant, and most environmentally friendly mode.

Our 2009 Fuel Study noted that freight rail's fuel efficiency reached 512 ton-miles per gallon, while fuel efficiency for trucks maxed out at 133.

One double-stacked train can carry the equivalent payload of 300 trucks – saving nearly 80,000 gallons of fuel over the course of a cross-country haul.

And with many of our highways approaching the end of their lifespans, it should also be noted that freight rail can save the wear and tear on highways imposed by heavy trucks.

Short lines operate on a different business model than their Class I partners – but they indeed deliver many of these same public benefits, which continue to be recognized by U.S. DOT's mode-neutral, highly competitive TIGER program.

Close to \$180 million in TIGER funds have been awarded to projects with direct benefits to the industry.

And I am pleased to announce that DOT has been appropriated funding for TIGER 5.

We remain committed to improving the short line industry's access to capital – as proven by the President's budget proposal.

In addition, we recently reached an agreement with the Ohio Rail Development Commission for them to take the lead in helping the state's short line railroads participate in our RRIF loan program.

And we continue to pursue other states to join as partners in helping their short lines with RRIF, helping guide them through the process, provide assistance paying the credit risk premium, or making the carrier more credit-worthy by sharing in the risk of the loan.

You should also be aware that the Upper Great Plains Transportation Institute and North Dakota State University will be conducting a study for FRA to fully assess the capital needs of Class II and III railroads.

The survey will go out soon – and I encourage all of you to participate.

In order for rail to reach its full potential as the mode of opportunity, we must enhance the ability of states and regions to plan for and execute good rail projects.

That's why through the National Cooperative Rail Research Program, we're creating tools for workforce development – to ensure the industry and government have ready access to employees with the skills to create, maintain, and operate high-quality rail systems.

This is especially important because both PRIIA and MAP-21 require states to create State Rail Plans and State Freight Plans. And as states develop these plans, short line and regional railroads must have a seat at the table.

MAP-21 also calls for a National Strategic Freight Plan.

And to answer MAP-21's call, U.S. DOT has created the Freight Policy Council.

The Freight Policy Council is committed to taking a multimodal approach to freight development that allows each mode to do what it does most efficiently. And while MAP-21 lacked a rail title, the Freight Policy Council is being used to insert rail firmly back into the conversation.

To ensure adequate stakeholder involvement, Secretary LaHood also has announced the formation of a Freight Advisory Committee, and it is essential for the short line industry to be a part of these conversations.

Today, as we prepare the short line industry for a new century of connections – the resurgence of short lines has in many ways returned railroading to its roots.

After all, the earliest railroads were virtually all short lines.

Before the Transcontinental Railroad, with the exception of where waterways provided a connection, no economy was larger – or moved faster – than the distance a horse could walk in a day.

The railroad revolutionized that and built a true national economy.

Afterward, as one New York Times reporter put it, “the smooth, grass-covered prairie ... has been converted into a grand iron highway.”

Compare those words to those used in a recent Wall Street Journal article, in which the author captured what he described as the “revival of the Railroad Age.”

The reporter wrote about today's railroads – and I quote – “turning their networks into double-lane steel freeways.”

We've come full circle.

Rail – once again – is seen as the mode of opportunity. History is being re-written and a new heyday is on the horizon.

To get there, we must fully recapture that visionary spirit of previous generations and fully commit to meeting the challenges of a new century.

The President's budget will enable us to build the rail network America needs and that the people deserve.

This rail renaissance is ours for the making.

Thank you for being a part of this new chapter in transportation history.

Here's to the next 100 years.