

What's Ahead For Short Line & Regional RRs

CrossTies Magazine and the Railway Tie Association caught up with Chuck Baker, the newly appointed president of the



American Short Line and Regional Railroad Association (ASLRRRA), just days after being installed into the position. In the below Q&A, Baker describes the importance of the short line industry, some of the industry's top priorities for 2019, and how

Baker

RTA members can help ASLRRRA forward a legislative agenda that stands to benefit all facets of the rail supply industry.

Please share with RTA members the importance of short line and regional freight railroads to the U.S. economy.

The short line industry is one of the great American success stories. Built from track that was not able to be run successfully by the larger railroads, short lines are a vibrant industry of 603 privately held, entrepreneurial, small-business railroads that provide the first and last mile for more than 10,000 customers—many in small towns and rural America. One in five cars annually is moved on a short line. In five states, we are the only rail option, and in 36 states, we operate more than 25 percent of the rail. We are known for our ability to provide creative and unique transportation services to our customers. Without us, many would be cut off from the U.S. (and world) economy.

How did short line and regional railroads perform in 2018, and what is the performance outlook for 2019?

In general, short lines follow the trends of U.S. rail, although some industries are particularly reliant on short line railroads: agriculture, energy, lumber/wood/paper, and manufacturing, for example.

As reported by the Association of American Railroads, December's carload numbers were up 2.9 percent vs. a year ago, and 2018 in total saw a 2.5 percent increase over 2017. From a commodities perspective, the industries that are most reliant on short lines all saw growth. We are keeping a close

watch on tariff and other trade proceedings, as these will ultimately have an impact.

What has the 45G tax credit meant to short line and regional railroads in their efforts to invest in and improve infrastructure?

The short line tax credit is the single best public policy approach to making sure that short line movement is safe, efficient and economical for our customers. Over the last 15 years since the idea was first introduced, an investment of \$4 billion has been driven by the short line tax credit. Railroadings is one of the most capital-intensive industries in the country, and short lines invest on average 25 percent of their revenue in maintenance and improvements.

How do wooden railroad ties factor into the 45G tax credit equation?

I think the number has been stated pretty widely. In a year when the tax credit has been in place, a million more ties are sold than without it. When the tax credit is in place, the whole supplier community benefits. And on the political side of the equation, that fact, and the rigorous research provided by the RTA, has been a key part of how the short lines have told our story about the success of the tax credit on Capitol Hill.

Legislation has been introduced to permanently extend the 45G short line railroad tax credit. What is ASLRRRA's take on the prospect of the tax credit being made permanent, and what would that mean to your industry and its customers?

We are excited about the re-introduction of the short line tax credit in the 116th congress (HR 510 and S 203). Already more than 105 members of the House and 18 in the Senate, from both sides of the aisle, have jumped onboard to co-sponsor. It will be a major focus for us on Railroad Day 2019 (May 8 – hope to see many RTA members there!). I have no doubt that we will generate the outstanding, bi-partisan support we have had in the past. What we need is a larger vehicle to get this passed; we are looking to

a transportation, appropriations or tax opportunity.

What are some of the challenges the short line and regional railroad industry is facing now, and how is ASLRRRA working to overcome them?

A big lift for our small-business railroad members is Positive Train Control (PTC). To that end, ASLRRRA received a grant from the Federal Railroad Administration to help our members prepare. This is a very complex technology and very costly to put all the pieces together, not to mention time consuming to research and negotiate all the necessary pieces.

Access to capital is always a concern. In addition to working hard on 45G in the Congress, ASLRRRA has also identified some ASLRRRA members that can assist our short line members in accessing available grant funds from programs such as BUILD (Better Utilizing Investments to Leverage Development) and CRISI (Consolidated Rail Infrastructure and Safety Improvement).

With the Surface Transportation Board (STB) gearing up and now having three members, we need to keep a close eye on economic regulations—we are open to making the process work better but need to make sure that we don't fix what isn't broken.

On the Federal Railroad Administration front, we are appreciative of any regulations that have proven safety benefit and are reasonably executed in a small-business environment. Some areas of concern where we're looking for positives are crew size regulations and Part 243 Minimum Training Standards.

Please update us on the important work of the Short Line Safety Institute.

The Short Line Safety Institute had completed 57 Safety Culture Assessments in 24 states as of the end of 2018, and is on track to handle more assessments than ever in 2019. They have added a well-received new program in 2018—Hazardous Materials Instructor Training—based on an identified need for training that supplements what the

short line railroads are currently able to do in this area. They will be rolling out additional educational programs in the near future.

Please share a little information about Railroad Day on Capitol Hill, including why it is important for RTA members to attend.

You need to be there! There is no doubt that seeing the entirety of our industry—railroads of all sizes, suppliers, contractors, customers, labor—leaves an impression. We have a great story to tell, and you tell it best.

We are anticipating covering more than 300 congressional offices—many with new members who need to be educated on our impact and our issues. The wood tie segment of the industry is particularly compelling in D.C. It's a part of the industry that is comparatively easy to understand and to measure with real data, it has great visuals (What Congressman doesn't want a picture taken next to a giant pile of treated wood?), and RTA members are immensely helpful in telling the railroad story on Capitol Hill. Please do make plans to join us on May 8, 2019 in Washington. ■

ONLINE RESOURCES

For important statistics and information on the value of the short line industry, please visit these pages:

An overview of 2018 rail shipments from AAR - <https://www.aar.org/wp-content/uploads/2019/01/2019-01-02-railtraffic.pdf>

EXAMPLES OF PROJECTS COMPLETED AS A RESULT OF THE SHORT LINE TAX CREDIT



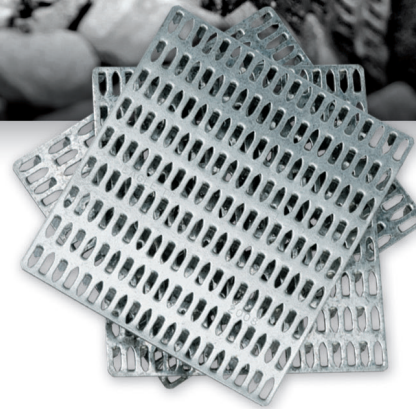
What the 45G tax credit does for the industry from ASLRRRA - ASLRRRA.org > Advocacy > 45G Tax Credit > Short Line Tax Credit Brief

Join Us for Railroad Day on Capitol Hill



WATCH & REGISTER: Railroad Day On The Hill 2019 - ASLRRRA.org > Events > 2019 Railroad Day

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