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Good morning Mr. Chairman and Members of the Committee.

My name is Richard Timmons and I am President of the American Short Line and Regional Railroad Association. I appreciate the opportunity to appear here today.

Mr. Hamberger of the AAR has highlighted the many successes of railroad deregulation under the Staggers Act. The Staggers Act is very important to ASLRRRA because it spurred the creation of the modern short line industry. Eighty-one percent of total short line mileage is operated by railroads that were established after 1980. These railroads have survived because of the success of the Staggers Act.

While it has been forgotten in the mists of time, creating a short line railroad industry was not the driving consideration behind this policy choice. Twenty-four years ago almost no one envisioned the rapid growth of short lines and the economic impact they would deliver to customers and the nation's freight system. The real driver at the time was the preservation of rail service for thousands of rural customers that would otherwise lose their connection to the national railroad network. Rail customers were the ultimate beneficiary of our creation, and our customers will be the beneficiary of our success in the twenty-first century.

Today, short line railroads serve over 11,500 rail customers. These customers employ over one million workers. For the majority of those customers, the short line rate is far more economical than the truck rate they would have to pay if the short line was not there today. In many instances existing truck rates are also depressed because of the threat of a short line competitor. Short lines also benefit the larger rail network since the Class I's harvest between 18% - 24% of their bottom line revenue from short line railroads. This is a testament to the success of the Staggers Act.

There is no denying the existence of disagreements and issues between short line railroads and the large railroads. Likewise, there are outstanding issues between some railroads and some customers. Many of those issues do not have a simple solution. These may be tough issues, but they need not be incendiary issues that impede business growth. Our industries must continue to work together because railroads and rail customers have an equal interest in building the most efficient and safe transportation system possible. And I strongly believe that we are.

Although it is important to focus on areas in our relationships that need further attention, we should not overlook those things that are going well. Differences and disagreements occur in every industry. What is different in our industry is that short lines and Class I's are working to streamline our relationships to benefit customers.

Over the past year we have spent more time than ever improving communications between railroads in ways that result in more meaningful discussions and real decision-making on rail issues.

Let me take a moment to review the forums for discussion and problem resolution that are in place today. At the industry level, the AAR and ASLRRRA confer every 90 days within the North American Rail Alliance to review major policy issues and problems. The Railroad Industry Working Group continues to be a valuable forum for reviewing issues and disagreements between short lines and the Class I's. At the end of 2003 the group completed an amendment to the Railroad Industry Agreement that defines new

conditions under which paper barriers that prevent interchanges between certain railroads could be removed. The final document incorporating this agreement will be completed this year.

At the technical level the quarterly meetings of the Safety Operations and Management Committee and the Network Efficiency Management Committee work through operational, marketing and equipment questions that impact all classes of railroads.

Each of the Class I railroads hosts an annual meeting of their short line interchange partners to discuss operating problems, performance successes and shortfalls, and future opportunities for growth and economic development. Throughout the year the Class I's also sponsor quarterly caucus meetings with their short line partners to listen to issues and opportunities for improved business relationships.

The short lines complement the Class I forums through regional meetings and an annual conference that concentrates on short line matters of concern regionally and nationally. These meetings also incorporate industry updates from the FRA, STB, rail suppliers, Class I's, and other industry experts. The ASLRRA also conducts a confidential survey each year for the Class I railroads related to their performance with short lines over the past year. This survey will become the foundation for high value problem resolution in the coming years.

The point of all this is to highlight the extensive and continuous exchange of information between the large and small railroads as they strive to develop seamless, reliable, and consistent service for our customers.

ASLRRA has also begun to engage groups that represent our customers. I have recently had the pleasure of addressing a gathering of the National Industrial Transportation League, and NIT League President John Ficker has been a speaker at recent ASLRRA events. Indeed, one short line railroad now sits on the Board of both the NIT League and ASLRRA, and several short lines have recently joined the NIT League. By bringing

customers and railroads closer we hope to open lines of communication to resolve differences and benefit our customers.

One sterling example of this cooperation and communication is support for HR 876, introduced by Rep. Moran of this committee, and co-sponsored by every Subcommittee Member. This legislation would help short lines overcome the tremendous investment shortfalls that threaten service to our customers.

Only 18 other pieces of legislation in this Congress have amassed more supporters than the 264 Congressmen co-sponsoring HR 876. This bill has made important progress because of the active support of short lines, Class Is, rail customers and unions, and this committee.

HR 876 does not represent a new policy, but rather the end of a journey began in 1980 with the passage of the Staggers Act. Congress determined that rural freight service must be preserved, and short lines were the agents for that preservation. Today these lines are threatened by unmet investment needs and the ever increasing weight of rail cars. Congress should now take the final step and ensure the continued survival of these lines; not just for the benefit of railroads, but for the benefit of our 11,500 customers.

Before I conclude I ask permission for two articles highlighting recent improvements in short line, Class I and customer relationships be included in the record.

Mr. Chairman, thank you very much for you time and your support. I will be happy to answer any questions.

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