STATEMENT BY

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BEFORE THE

HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

RAILROAD SUBCOMMITTEE

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Good Morning, my name is Tom Simpson and I'm the Executive Director of the Railway Supply Institute (RSI), the international trade association of the railway and rail rapid transit supply industry. Our members provide goods and services to our nation's freight and passenger railroads and rail rapid transit systems. We celebrated our 100th year of service to railway suppliers and their customers in 2008.

There are approximately 750 railway supply companies in the United States. In a good year, their sales volume totals approximately $20-25 billion per year with one fourth of that volume coming from sales to Amtrak, transit authorities and commuter railroads. The vast majority of these companies are small with less that $10 million in annual sales.

RSI has approximately 250 member companies, primarily located in the United States, but we have members from Canada, Australia, China and India. Our members build locomotives, new railroad freight cars and passenger cars, as well as providing communications and signaling technology and modern maintenance-of-way techniques to our railroads. RSI member companies also own and provide for lease, some 700,000 freight cars or almost 50% of the freight cars operating in North America. RSI member companies build virtually all the railroad tank cars operating today, and own and provide for lease some 70% of the approximately 300,000 railroad tank cars in service today.

A word about railroad tank cars. Since the late 1970s, RSI and our partners at the Association of American Railroads have jointly funded the Railroad Tank Car Safety Research and Test Project. The Project has invested more than $20 million in research to make tank cars safer. Based on the conclusions from that research, tank car owners have invested more than $700 million in safety improvements to the tank car fleet. There is no safer way to move the hazardous commodities our nation uses than by railroad tank car.

Entering 2009, the economic record of the railway supply industry is decidedly mixed. As long as railroads continue to reinvest in their rights-of-way, maintenance-of-way and communication and signaling companies find that business is relatively good but they are concerned about the future. Locomotive manufacturers, who have enjoyed strong orders in recent years, have seen that prosperity disappear. The downturn in freight traffic being reported by our nation's freight railroads has had an adverse affect on freight car owners and new freight car builders. Railcar leasing companies are increasingly reporting that demand for freight cars is weakening. One freight car leasing company has reported that "miles of cars" have been idled because of the economic downturn.

There are six major railroad freight car manufacturers that belong to RSI and they manufacture over 95% of new railroad freight cars delivered each year. RSI reports quarterly new freight car orders, deliveries and backlog of cars ordered but not yet delivered. Those of us who have been in the railway supply industry are painfully aware of the cyclical nature of the new freight car market. In the early 1980s, freight car orders had dwindled to fewer than 10,000. The last downturn in the industry was in the early 2000s but, since 2001, this sector of the industry has enjoyed strong growth. In 2001 we reported orders of 20,000 new cars and, in 2002, we reported deliveries of just 18,000 new cars. In 2006, we reported near historic high orders of 91,000 and deliveries of 75,000. While 2008 statistics are not yet available, orders may be reduced from those historic 2006 levels by more than 50%.

Analysts are predicting fewer orders for freight cars in 2009, with some estimating orders dropping by 50% or more over 2008 levels. Freight car manufacturers are closing manufacturing facilities and furloughing employees. This has us all concerned as component suppliers such as wheel, brake, spring, axle and coupler manufacturers struggle to survive.

The passenger market is different. Suppliers to transit authorities and commuter railroads find that the dedicated funding for these railroads provided by SAFETEA-LU legislation allows those railroads to plan long term purchases and that market has been relatively steady. As Amtrak, our nation's intercity passenger railroad, has historically been under funded, the market for new intercity passenger cars has virtually disappeared.

Congress can help. I urge you to pass an infrastructure tax credit providing a 25% tax credit for certain freight rail capital expenditures to increase capacity. I also urge you to extend the short line tax credit, allowing those small railroads to take a tax credit for investment in their rights-of-way. Ask your colleagues on the Appropriations Committee to fund Amtrak at the levels contained in the legislation passed last year in Amtrak reauthorization legislation. Because of the uncertainty of the appropriations process, we must find an alternative funding source for intercity and high speed passenger rail. Taking these steps will create a stronger railroad industry in our country and create jobs in my industry.

Finally, RSI is a member of the OneRail coalition and endorse the statement of Anne Canby concerning reauthorization of SAFETEA-LU transportation legislation. As part of that legislation, I urge you to continue to fund the Section 130 grade crossing safety program and Operation Lifesaver, Inc., the nationwide volunteer education organization warning of the dangers at highway rail crossings.

Thank you.