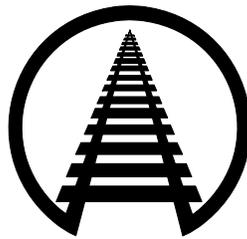


**TESTIMONY OF**  
**EDWARD R. HAMBERGER**  
**PRESIDENT & CHIEF EXECUTIVE OFFICER**  
**ASSOCIATION OF AMERICAN RAILROADS**



**BEFORE THE**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
**PANEL ON 21<sup>ST</sup> CENTURY FREIGHT TRANSPORTATION**  
**HEARING ON HOW LOGISTICS FACILITATE**  
**AN EFFICIENT FREIGHT TRANSPORTATION SYSTEM**

**JUNE 26, 2013**

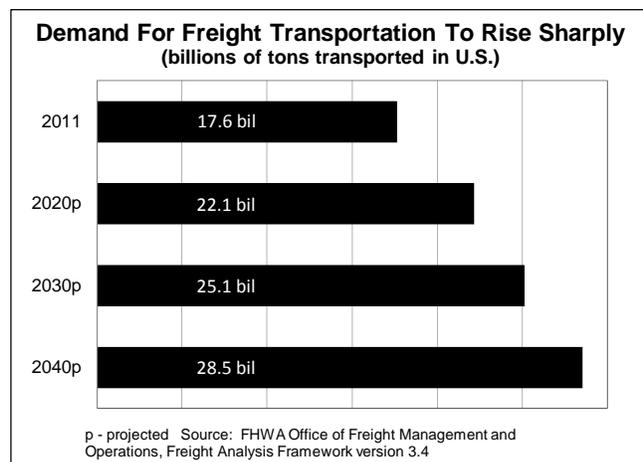
**Association of American Railroads**  
**425 Third Street, S.W.**  
**Washington, DC 20024**  
**202-639-2100**

## Introduction

On behalf of the members of the Association of American Railroads, thank you for the opportunity to discuss logistics, multi-modalism, and freight transportation. AAR freight railroad members, which include the seven large U.S. Class I railroads as well as approximately 170 U.S. short line and regional railroads, account for the vast majority of freight railroad mileage, employees, and traffic in Canada, Mexico, and the United States. Amtrak and several commuter railroads are also members of the AAR.

No country can be a first-rate economic power without having first-rate logistics and freight transportation capabilities. I commend this panel for recognizing this point and for your efforts to find ways to ensure that we have world-best logistical capabilities.

To be sure, there is a tremendous amount of strength and flexibility in our nation's freight transportation systems — more so than in any other country in the world. It's also clear, however, that our nation faces significant challenges in maintaining the freight-moving capability we have today and continuing to improve it to meet the even greater needs of tomorrow. Recent forecasts reported by the Federal Highway Administration have found that, thanks to population growth and economic growth, total U.S. freight shipments will rise from an estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040 — a 62 percent increase.



America's freight railroads are doing their part now — through record private investments in infrastructure and equipment, the development and implementation of innovative technologies, and operational enhancements — to ensure that they have adequate railroad

capacity tomorrow to meet their customers' needs. Looking ahead, railroads must be able to both maintain their extensive existing infrastructure and equipment and build the substantial new capacity that will be required to transport the significant additional traffic our economy will generate. That's why legislative or regulatory actions that restrict the rail industry's ability to invest would have negative capacity, efficiency, safety, and service reliability consequences.

### **The Transportation Backbone of America**

America's freight railroads and their 140,000-mile network serve nearly every industrial, wholesale, retail, and resource-based sector of our economy. In fact, our railroads carry just about everything.

Railroads carry more coal than any other single commodity. Historically, coal has generated much more electricity than any other fuel source, and most coal is delivered to power plants by rail. But railroads also carry

enormous amounts of corn, wheat, and soybeans; fertilizers, plastic resins, and a vast array of other chemicals; cement, sand, and crushed stone to build our highways; lumber and drywall to build our homes; animal feed, canned goods, corn syrup, frozen chickens, beer, and countless other food products; steel and other metal products; crude oil, liquefied gases, and many other petroleum products; newsprint, recycled paper and other paper products; autos and auto parts; iron ore for steelmaking; wind turbines, airplane fuselages, machinery and other industrial equipment; and much more.

**North America's Rail Network**



Rail intermodal — the transport of shipping containers and truck trailers on railroad flatcars — has grown tremendously over the past 25 years. Today, just about everything you find on a retailer’s shelves may have traveled on an intermodal train. Increasing amounts of industrial goods are transported by intermodal trains as well.

Given the volume of rail freight (close to two billion tons and 30 million carloads in a typical year) and the long distances that freight moves by rail (nearly 1,000 miles, on average), it’s hard to overstate freight railroads’ role in our economy. The rail share of freight ton-miles is about 40 percent, more than any other transportation mode. But freight rail’s contribution to our nation extends far beyond that:

- Thanks to competitive rail rates — 44 percent lower, on average, in 2012 than in 1980<sup>1</sup> and the lowest among major industrialized countries — freight railroads save consumers billions of dollars every year, making U.S. goods more competitive here and abroad and improving our standard of living.
- Railroads are, on average, four times more fuel efficient than trucks. That means that moving freight by rail helps our environment by reducing energy consumption, pollution, and greenhouse gases.
- Because a single train can carry the freight of several hundred trucks — enough to replace a 12-mile long convoy of trucks on the highways — railroads cut highway gridlock and reduce the high costs of highway construction and maintenance.
- America’s freight railroads are privately owned and operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves. When railroads reinvest in their networks — which they’ve been doing in record amounts in recent years — it means taxpayers don’t have to.
- Railroads are safe and getting safer: 2012 was the safest year in history for railroads, breaking the record set in 2011, which in turn broke the record set in 2010.
- America’s freight railroads sustain 1.2 million jobs, including 180,000 high-paying jobs in the freight rail industry itself. Millions of other Americans work in industries that are more competitive in the global economy thanks to the affordability and productivity of America’s freight railroads.<sup>2</sup>

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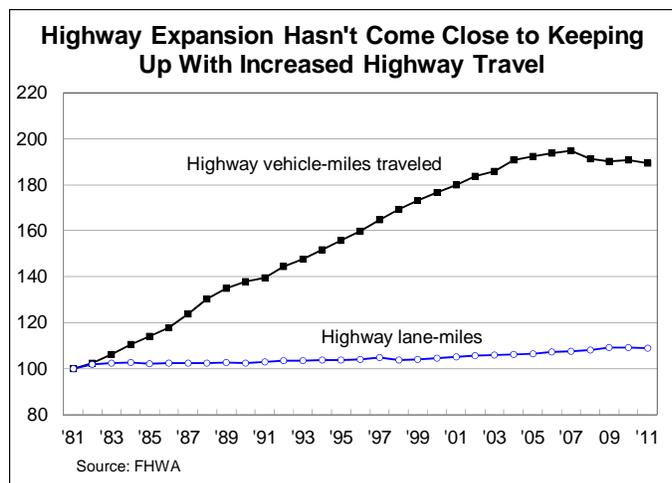
<sup>1</sup> As measured by inflation-adjusted revenue per ton-mile.

<sup>2</sup> For much more background on the U.S. freight rail industry, see my March 5, 2013 testimony to the Subcommittee on Railroads, Pipelines, and Hazardous Materials of the Committee on Transportation and Infrastructure.

For all these reasons, I respectfully suggest that it is in the public interest to enact policies that result in more freight moving by rail.

### **Freight Rail as a Complement to Trucks**

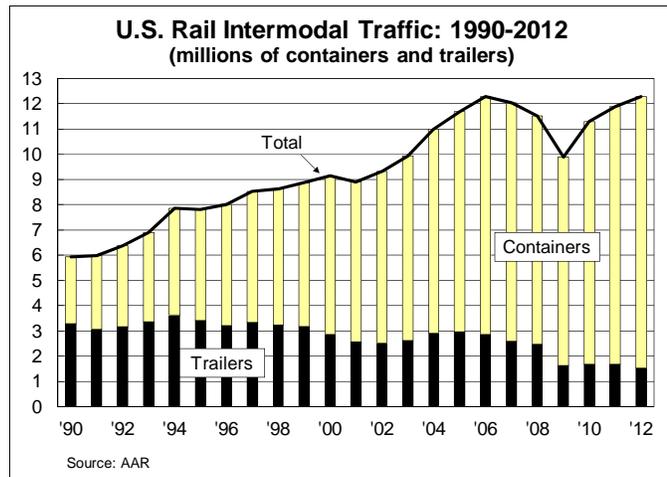
No one, and certainly not railroads, disputes that motor carriers are absolutely indispensable to our economy and quality of life, and will remain so long into the future. That said, because of the enormous cost involved in building new highways, as well as environmental and land use concerns, it is highly unlikely that sufficient highway capacity can be built to handle expected future growth in freight transportation demand. As it is, over the past 30 years, highway traffic volume growth has far eclipsed growth in highway lane-miles (see nearby chart), and there is little reason to think that will change in the years ahead.



The United States has the world's most highly developed highway network, built and maintained at enormous public cost over the years. According to data from the FHWA, in 2011 alone, states disbursed \$94 billion just on capital outlays and maintenance for highways.<sup>3</sup> Adding in other expenses such as administration and planning, law enforcement, interest, and grants to local governments brings total disbursements for highways to \$150 billion in 2011. Even this huge level of spending, however, is widely considered inadequate to meet present-day, much less future, needs.

<sup>3</sup> Federal Highway Administration, Highway Statistics 2011, Table SF-2.

Fortunately, freight rail in general, and intermodal rail specifically, represents a viable and socially beneficial complement to highway freight movement. Today, rail intermodal takes millions of trucks off our highways each year, and its potential to play a much larger role in the future is enormous, both in traditional transcontinental markets and in short- and middle-distance lanes. In the context of ports, railroads offer tremendous potential in safely and efficiently moving freight to and from port facilities, thereby greatly enhancing overall transportation productivity. In addition, a significant



portion of the merchandise that railroads transport in their carload business (in addition to intermodal containers or trailers) is directly truck competitive.

Shippers choose to move this freight on railroads because they find that the value railroads offer, in terms of cost and service, is superior. Railroads recognize that they will have to continue to work hard to earn this business, which is why they are constantly searching for ways to further improve productivity, reduce costs for their customers, and enhance their service offerings.

This does not mean that we should stop building highways or that we should no longer recognize the importance of trucks and highways in meeting our nation's transportation needs, but it does mean that policymakers should be doubly aware of the role railroads play, and can play, in our nation's logistical network.

## First-Mile and Last-Mile Connections

One of the main reasons why the United States has the world's most efficient total freight transportation system is the willingness and ability of firms associated with various modes to work together in ways that benefit their customers and the economy. Policymakers can help this process by implementing programs that improve “first mile” and “last mile” connections where freight is handed off from one mode to another — for example, at ports from ships to railroads or from ships to trucks, or from railroads to trucks at intermodal terminals. These connections are highly vulnerable to disruptions, and improving them would lead to especially large increases in efficiency and fluidity and forge a stronger, more effective total transportation package.



Railroads are gratified that the current administration and legislators in both parties and in both houses of Congress have shown a strong commitment to multi-modalism. That's evidenced, for example, in the evaluation and selection process for TIGER grants. To date, several dozen projects that have received TIGER grant funding have been associated in one way or another with freight railroads, and many of those projects are aimed at improving transportation performance by more effectively integrating different transportation modes.

Some intermodal connection infrastructure projects that are of national and regional significance in terms of freight movement could be too costly for a local government or state to fund. Consequently, federal funding awarded through a competitive discretionary grant process, like the TIGER program, has been an appropriate approach for these needs.

Attention to first- and last-mile connections is a critical element of both local and state freight planning and policy as well. At the local level, for example, land use planning has been largely inadequate in appropriately accommodating the needs of freight. Freight movement — whether in rail yards, intermodal facilities, ports, or regional distribution — must be sufficiently taken into account when planning land uses such as residential developments, schools, and recreational areas.

**Logistics and Globalization**

One of the distinguishing characteristics of our economy in recent years is sharply increasing globalization. In 2000, for example, the value of U.S. exports of goods (as opposed to services) was \$843 billion. In 2012, it was \$1.3 trillion, a 54 percent increase. In 2000, the value of U.S. imports of goods was \$1.4 trillion. In 2012, it was \$1.9 trillion, a 36 percent increase. Products and commodities

across the industrial landscape have been part of this increased globalization. The table at right shows just a few examples of growth in U.S. exports in recent years.

	<b>U.S. Exports</b>		
	<b>2000</b>	<b>2012</b>	<b>% chng</b>
Chemicals (\$ bil)	\$77.6	\$188.3	142%
Automotive veh. & parts (\$ bil)	\$80.4	\$146.3	82%
Consumer goods excl. autos (\$ bil)	\$89.4	\$181.4	103%
Civilian aircraft & parts (\$ bil)	\$48.1	\$94.0	95%
Soybeans (mil bushels)*	973	1,362	40%

\*Production year Source: USDA, BEA, ACC

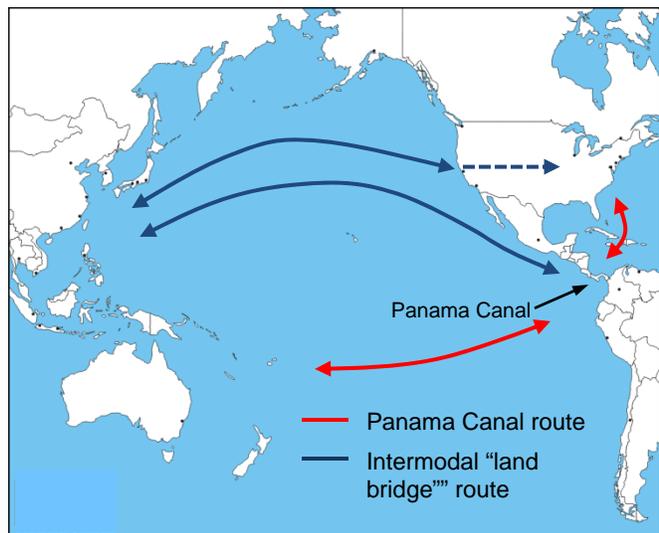
Railroads have played a key role in this globalization. We estimate, for example, that railroads account for approximately one-third of U.S. exports, and that approximately half of U.S. rail intermodal traffic consists of exports or imports.

There’s no doubt that globalization will continue, and railroads are working hard to ensure that they can continue to play a crucial role. The expansion of the Panama Canal is a case in point. As you probably know, the Panama Canal currently has two lock chambers, the

dimensions of which limit the size of container ships that can traverse the canal. So-called “Panamax” ships, the largest ships that can currently use the canal, can carry a maximum of around 4,500 containers. However, a larger third lock chamber is under construction — with completion likely in 2015 — that will allow much larger ships to pass through. These larger “post-Panamax” ships will be able to carry up to approximately 12,500 containers, or nearly three times the maximum number carried by existing ships that use the canal.

The big unknown is where ships carrying cargo that are bound for, or coming from, the eastern part of the United States will go. Today, a significant portion of the cargo from Asia destined for the eastern part of the United States is offloaded at West Coast ports (such as Los Angeles, Long Beach, Seattle, Tacoma, Vancouver, or Prince Rupert in British Columbia), and then transported inland on trucks, railroads, or, in some cases, rivers. Going the other way, cargo headed to Asia from the eastern part of the United States often travels via rail or truck to West Coast ports, where it is loaded onto ships heading west.

It is not uncommon for existing Panamax (or smaller) ships coming from Asia with cargo bound for the eastern United States, as well as ships with cargo



from the eastern United States heading to Asia, to go through the Panama Canal on an “all-water” route, rather than use the land bridge (via truck or rail) across the country described in the previous paragraph. Some observers believe that the huge capital costs of the newer vessels and other factors will cause these ships to remain primarily on routes to the West Coast. Many

others, though, think that a post-Panamax ship is just as likely to find it cost effective to use the “all-water” route to or from the eastern United States. Of course, if an all-water route is to be used, the eastern ports must be able to handle the post-Panamax vessels, which is the rationale for the efforts by a number of ports on the East Coast, the Southeast, and the Gulf of Mexico to dredge deeper channels, install new cranes, and/or build new dock capacity to accommodate post-Panamax ships. Meanwhile, ports on the West Coast are pursuing many of these same kinds of improvements to better position themselves as the preferred destination for ocean carriers even after the canal expansion is complete.

Frankly, I don’t know which ports will be the “winners” and which will be the “losers” of this competitive battle. I do know, though, that from the point of view of our nation’s rail industry as a whole, it doesn’t really matter. The fact is, whether the freight is coming into or leaving from Long Beach or Savannah or Miami or Houston or Seattle or Norfolk or any other major port, our nation’s freight railroads are in a good position now, and are working diligently to be in an even better position in the future, to offer the safe, efficient, cost-effective service that their customers at ports and elsewhere want and need.

In a June 4, 2012 interview, in response to a question about the Panama Canal expansion, the CEO of Norfolk Southern said, “We are preparing and planning so that if the traffic comes in from the East and needs to move inland, we’ll be there to handle it. If the traffic comes in from the West and comes to a western gateway with one of the western carriers, we’ll be ready to handle it.”<sup>4</sup> He was speaking on behalf of his railroad, but his statement applies equally well to the rail industry as a whole. I’m confident that railroads will be “ready to handle it.”

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<sup>4</sup> “Q&A with Wick Moorman, CEO of Norfolk Southern,” The Virginian-Pilot, June 4, 2012.

## Sound Public Policy is Needed

As noted earlier, as America's economy and population grow, the need to move more people and goods will grow too. Railroads are getting ready today to meet this challenge.

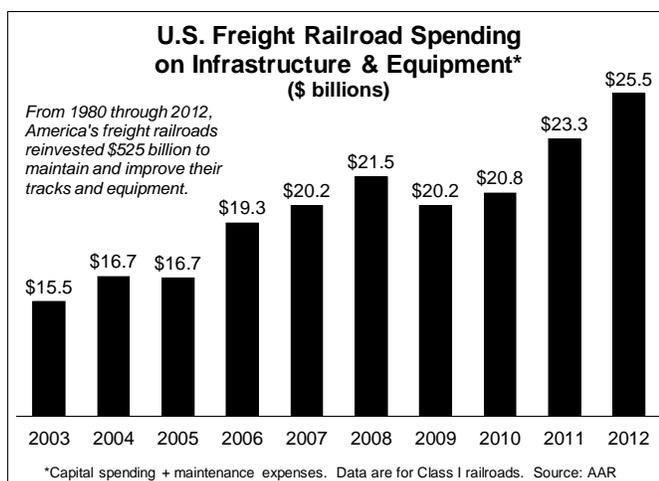
In recent years, railroads have been reinvesting more private capital than ever before in their infrastructure and equipment, including a record \$25.5 billion in 2012.

From 2008 to 2012, Class I railroads purchased 2,669 new state-of-the-art locomotives and rebuilt another 845 locomotives to improve their capabilities. Over the same time period, railroads installed nearly 77 million new

cross-ties, installed 2.9 million tons of new rail, and placed nearly 61 million cubic yards of ballast. Railroads in recent years have also devoted substantial resources to developing and implementing innovative new technologies. These investments have made railroads much safer and much more efficient and productive. The entire logistics chain benefits.

In the years ahead, railroads will continue to reinvest huge amounts back into their systems to help ensure that they can continue to help their customers grow, but if the United States is to have the socially optimal amount of rail capacity, sound public policy is needed.

First, policymakers should keep the current system of balanced rail regulation in place. The global superiority of U.S. freight railroads is a direct result of a regulatory system, embodied in the Staggers Rail Act of 1980, that relies on market-based competition to establish most rail rate and service standards. The Staggers Act did not eliminate government oversight. Government regulators today still can take action, including setting maximum-allowable rail



rates. However, Staggers allowed railroads to act more like other businesses in terms of deciding for themselves how to utilize their assets and price their services.

This balanced regulation has allowed railroads to improve their financial performance from anemic levels prior to Staggers to higher levels today, which in turn has allowed them to plow back hundreds of billions of dollars into improving the performance of their infrastructure and equipment — to the immense benefit of their customers and our nation at large.

Unfortunately, some special interests are calling for a return to the days of unbalanced and unreasonable regulation that would force railroads to artificially cut their rates to below-market levels to certain favored shippers. A few shippers might benefit, but at the expense of all other shippers, rail employees, and the public at large.

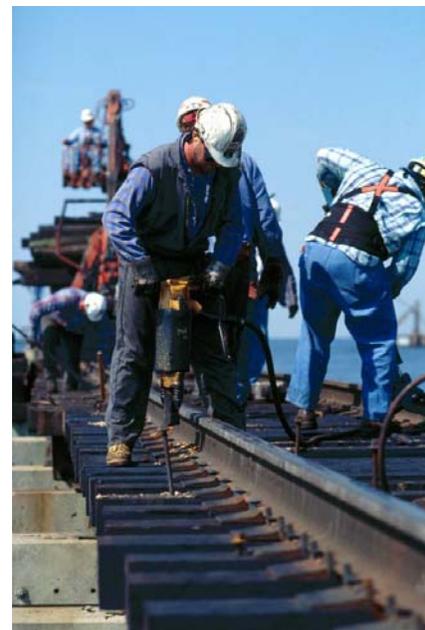
Trucks, airlines, and barges operate over highways, airways, and waterways that the government largely pays for. By contrast, America's freight railroads pay nearly all of the costs of their tracks, bridges, and tunnels themselves. To keep their networks in top condition and to build the new capacity that America will need in the years ahead, railroads must be able to earn enough to pay for it. Artificially cutting rail earnings would severely harm railroads' ability to do this. It would mean less new rail capacity and less reliable rail service, negatively affecting the entire U.S. logistics chain. At a time when the pressure to reduce government spending on just about everything — including transportation infrastructure — is enormous, it makes no sense to enact public policies that would discourage private investments in rail infrastructure that would boost our economy and enhance our competitiveness.

Second, where there is voluntary agreement between public and private sector stakeholders, policymakers should encourage and facilitate public-private partnerships for freight

railroad infrastructure improvement projects where the fundamental purpose of the project is to provide public benefits or meet public needs.

Public-private partnerships — arrangements under which private freight railroads and government entities both contribute resources to a project — offer a mutually beneficial way to solve critical transportation problems. When more people and freight move by rail, the public benefits tremendously through lower shipping costs, reduced highway gridlock, enhanced mobility, lower fuel consumption, lower greenhouse gas emissions, and improved safety. Such voluntary partnerships allow governments to expand the use of rail, paying only for the public benefits of a project. Meanwhile, host freight railroads pay for the benefits they receive. It's a win-win for all involved.

Many members of this panel recently saw firsthand one of the nation's pre-eminent railroad public-private partnerships: the Alameda Corridor. That project combined public and private financing and ultimately facilitated enormous port growth and efficient rail operations while reducing the effects of freight movements on local communities and delivering significant environmental benefits.



Without a partnership, many projects that promise substantial public benefits (such as reduced highway congestion by taking trucks off highways, or increased rail capacity for use by passenger trains) in addition to private benefits (such as enabling faster freight trains) are likely to be delayed or never started at all because neither side

can justify the full investment needed to complete them. The benefits from these projects therefore remain essentially trapped until cooperation makes them feasible.

With public-private partnerships, the public entity devotes public dollars to a project equivalent to the public benefits that will accrue. Private railroads contribute resources commensurate with the private gains expected to accrue. As a result, the universe of projects that can be undertaken to the benefit of all parties is significantly expanded.

Third, we urge policymakers to make environmental and other reviews more efficient. Under existing law, state and local regulations (other than local health and safety regulations) that unreasonably interfere with rail operations are preempted by federal regulations. These federal regulations protect the public interest while recognizing that railroads form an integrated, national network that requires a uniform basic set of rules to operate effectively.

Nevertheless, rail expansion projects often face vocal opposition from members of affected local communities or even larger, more sophisticated special interest groups from around the country. In many cases, railroads face a classic “not-in-my-backyard” problem, even for projects for which the benefits to a locality or region far outweigh the drawbacks. In the face of local opposition, railroads try to work with the local community to find a mutually satisfactory arrangement, and these efforts are usually successful. When agreement is not reached, however, projects can face lawsuits, seemingly interminable delays and sharply higher costs. A number of major rail intermodal terminal projects that yield tremendous gains for the overall logistical system, for example, have been and continue to be unduly delayed. Just one of the many examples involves an intermodal terminal BNSF Railway has been trying to build for years near the ports of Long Beach and Los Angeles. This facility would eliminate millions of truck miles annually from local freeways in Southern California, while utilizing state-of-the-art

environmentally friendly technology such as all-electric cranes, ultra-low emissions switching locomotives, and low-emission yard equipment. It would be one of the “greenest” such facilities in the world, but the project continues to face court actions and other protests.

Policymakers can help improve the movement of freight by taking steps to shorten the time it takes for reviews of rail expansion projects in ways that do not adversely affect the quality of those reviews.

Fourth, truck size and weight limits on federal highways were frozen by Congress in 1991, largely because of concerns about the safety of longer and heavier trucks and the uncompensated highway and bridge damage they cause. Legislation has been proposed many times since 1991 that would increase allowable truck sizes and weights on federal highways. To date, these attempts have failed because the concerns that led to the federal limits in the first place are still valid. Most recently, the 112<sup>th</sup> Congress rejected proposals to increase maximum-allowable truck weights to 97,000 pounds. Instead, MAP-21 directed the U.S. Department of Transportation to conduct a comprehensive two-year study to examine the impacts of trucks exceeding current federal size and weight limits. We urge policymakers to defer consideration of any truck size and weight legislation until the congressionally mandated study is completed.

### **Freight Transportation Modes Should Pay Their Own Way**

The truck size and weight issue is related to a broader point: as a general rule, the various freight transportation modes should pay their own way. The traditional connection in which users of freight infrastructure pay for that infrastructure should not be broken.

As noted above, America’s freight railroads pay virtually all of the costs of their tracks, bridges, and tunnels themselves. Trucks, airlines, and barges, however, operate over highways, airways, and waterways that the government largely pays for. Today, for example, 80,000-

pound trucks pay only about 80 percent of the cost of the damage they cause to taxpayer-funded roads and bridges, while trucks weighing 80,000 to 100,000 pounds pay for only around half of the damage they cause. This huge underpayment, which totals several billion dollars per year, means that repairing much of the highway and bridge damage caused by heavy trucks is paid for by the general public, not by the trucking companies themselves. As the Government Accountability Office (GAO) has pointed out, the existence of underpayments “distorts the competitive environment by making it appear that heavier trucks are a less expensive shipping method than they actually are and puts other modes, such as rail and maritime, at a disadvantage.”<sup>5</sup>

Moreover, under current projections, revenues to the Highway Trust Fund (HTF) will continue to decline relative to projected needs. Funding shortfalls in the HTF in recent years have caused the federal government to transfer some \$55 billion in general fund revenues to meet contract obligations and authorized funding levels. Absent the addition of new revenue streams, general fund transfers are expected to be required in the future as well — perhaps as high as \$15 billion annually.<sup>6</sup> These transfers directly benefit the railroad industry’s major competitor, which is trucking. Combined with the existing huge truck underpayments noted earlier, these transfers are an enormous competitive hurdle that railroads must overcome and they artificially distort the freight transportation marketplace.

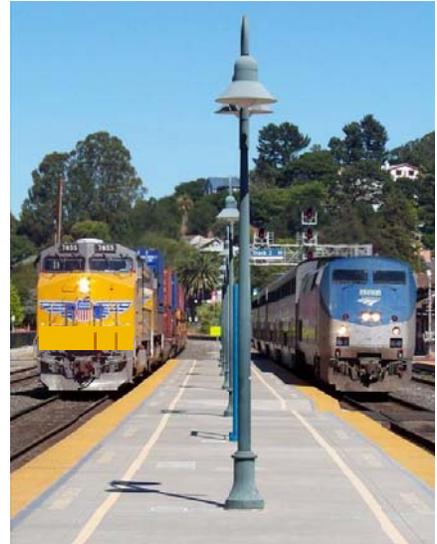
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<sup>5</sup> U.S. Government Accountability Office, “Freight Transportation: National Policy and Strategies Can Help Improve Freight Mobility,” GAO-08-287, January 2008, p. 16. Proponents of lifting the existing freeze on truck sizes and weights sometimes claim that they support higher taxes to pay for the additional damage heavier trucks would cause. However, the additional taxes these proponents are willing to pay are vastly lower than what is needed to make up for the huge underpayments.

<sup>6</sup> According to a December 2012 report from the Congressional Research Service, general fund contributions include \$8 billion in FY 2008, \$7 billion in FY 2009, and another \$14.7 billion (plus an additional \$4.8 billion to the transit account) via legislation passed in 2010. MAP-21 calls for general fund transfers of \$6.2 billion and \$12.6 billion for FY 2013 and FY 2014, respectively. Congressional Research Service, “Funding and Financing Highways and Public Transportation,” December 26, 2012. Report R42877.

## Positive Train Control

The term “positive train control” (PTC) describes technologies designed to automatically stop or slow a train before certain accidents caused by human error occur. The Rail Safety Improvement Act of 2008 (RSIA) requires passenger railroads and U.S. Class I freight railroads to install PTC by the end of 2015 on main lines used to transport passengers or toxic inhalation materials (TIH). Specifically, PTC as mandated by Congress must be designed to prevent train-to-train collisions; derailments caused by excessive speed; unauthorized incursions by trains onto sections of track where maintenance activities are taking place; and the movement of a train through a track switch left in the wrong position.



Positive train control is an unprecedented technological challenge. A properly functioning, fully interoperable PTC system must be able to determine the precise location, direction, and speed of trains; warn train operators of potential problems; and take immediate action if the operator does not respond to the warning provided by the PTC system. For example, if a train operator fails to begin stopping a train before a stop signal or slowing down for a speed-restricted area, the PTC system would apply the brakes automatically before the train passed the stop signal or entered the speed-restricted area.

Such a system requires highly complex technologies able to analyze and incorporate the huge number of variables that affect train operations. A simple example: the length of time it takes to stop a train depends on train speed, terrain, the weight and length of the train, the number and distribution of locomotives and loaded and empty freight cars on the train, and other

factors. A PTC system must be able to take all of these factors into account automatically, reliably, and accurately to safely stop the train.

Freight railroads have enlisted massive resources to meet the PTC mandate. They've retained more than 2,200 additional signal system personnel to implement PTC, and to date have collectively spent approximately \$3 billion of their own funds on PTC development and deployment. Class I freight railroads expect to spend an additional \$5 billion before development and installation is complete. Currently, the estimated total cost to freight railroads for PTC development and deployment is around \$8 billion, with hundreds of millions of additional dollars needed each year after that to maintain the system.

Despite railroads' best efforts, due to PTC's complexity and the enormity of the implementation task — and the fact that much of the technology PTC requires simply did not exist when the PTC mandate was passed and has been required to be developed from scratch — much technological work remains to be done.

Railroads also face non-technological barriers to timely PTC implementation. For example, railroads are involved in discussions with the Federal Communications Commission regarding ways to streamline the currently unworkable process by which thousands of PTC antenna structures must obtain regulatory approval prior to installation. Unless that process changes, the timeline for ultimate deployment of PTC will be delayed significantly. Moreover, current FRA regulations pertaining to PTC implementation impose operational restrictions so severe that the fluidity of the rail network would be drastically impaired. It is important to resolve these issues, and the AAR appreciates that the FRA is considering them in a current rulemaking proceeding.

In addition to the challenges presented by both the FCC and FRA issues, the key unresolved question is, does the system work. Railroads need adequate time to ensure that this is the case. In that regard, the current PTC implementation deadline mandated by the RSIA should be extended by at least three years from December 31, 2015, to December 31, 2018. Given the unprecedented nature of PTC and the uncertainties — both known and unknown — flexibility beyond December of 2018 should also be addressed, with the authority for that flexibility residing with the Secretary of the Department of Transportation. Additionally, we believe that, in order to ensure that railroads can operate safely and efficiently with the PTC system, the imposition of PTC-related operational requirements and associated penalties should be deferred until all PTC systems are fully integrated and testing has been completed.

## **Conclusion**

America today is connected by the most efficient, affordable, and environmentally-responsible freight rail system in the world. Whenever Americans grow something, eat something, export something, import something, make something, turn on a light, or get dressed, it's likely that freight railroads were involved somewhere along the line. Looking ahead, America cannot prosper in an increasingly competitive global marketplace, and freight logistics will suffer accordingly, if we do not maintain our best-in-the-world freight rail system.