



April 4, 2007

Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: STB Ex Parte No. 67 – Rail Capacity and Infrastructure Requirements

As Chair of the Executive Board and on behalf of the I-95 Corridor Coalition, I am submitting this written testimony for the Surface Transportation Board's April 11 hearing on Rail Capacity and Infrastructure Requirements.

The I-95 Corridor Coalition is an alliance of over 60 agencies, including state departments of transportation, transportation authorities, and other transportation agencies, which work together to identify and solve transportation problems in 16 states, the District of Columbia, and two Canadian provinces along the Eastern Seaboard. The Coalition provides a forum for key decision and policy makers to address transportation management and operations issues of common interest.

The Coalition's sixteen State region hosts many of the nation's vital governmental, business, industrial, agricultural, entertainment, and recreational activities. In order for the nation's economy to thrive, the transportation facilities that serve these activities must be managed and operated efficiently. The work of the Coalition encompasses all modes, with an emphasis on facilitating long-distance transportation that crosses state jurisdictional boundaries.

Our nation's economy is dependent on a well-functioning and efficient transportation system, which in turn depends on the capacity and condition of the underlying infrastructure – our highways, bridges, rail lines, and tunnels. The Coalition region needs more transportation capacity – especially rail capacity – to support economic growth, relieve congestion pressure on highways, and meet demand for rail service. As the Surface Transportation Board considers rail capacity and infrastructure requirements, we would encourage the Board to help define a vision of our freight- and passenger-rail systems for the 21st Century, and develop regulations and mechanisms to fund large rail projects of national importance where benefits accrue to multiple jurisdictions but where costs are too great for individual rail roads or jurisdictions to fund alone.

Thank you for the opportunity to submit this written testimony. Should additional information be desired, please communicate directly with George Schoener, our Executive Director: Phone: (703) 389-9281; E-mail: geschoener@comcast.net.

Sincerely,

A handwritten signature in dark ink, reading "Neil J. Pedersen". The signature is written in a cursive, flowing style.

Neil Pedersen
Chair, Executive Board, and
Administrator, Maryland State Highway Administration

Written Testimony
on
Rail Capacity and Infrastructure Requirements
submitted by
I-95 Corridor Coalition
submitted to
Surface Transportation Board
for the
Hearing Record on Rail Capacity and Infrastructure Requirements
April 11, 2007

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Introduction

This written testimony is submitted by the I-95 Corridor Coalition to the Surface Transportation Board for its April 11, 2007 hearing record on **Rail Capacity and Infrastructure Requirements**.

The I-95 Corridor Coalition is an alliance of over 60 agencies, including state departments of transportation, transportation authorities, and other transportation agencies, which work together to identify and solve transportation problems in 16 states, the District of Columbia, and two Canadian provinces along the Eastern Seaboard. A description of the Coalition and its programs is attached to this statement.

In its testimony, the Coalition asserts that:

- Our nation's economy is dependent on a well-functioning and efficient transportation system, which in turn depends on the capacity and condition of the underlying infrastructure – our highways, bridges, rail lines, and tunnels.
- The Coalition region needs more transportation capacity – especially rail capacity – to support economic growth, relieve congestion pressure on highways, and meet demand for rail service.
- The Coalition region is on the edge of a rail capacity crisis that has been documented in three major studies commissioned by the Coalition – the Mid-Atlantic Rail Operations study, the Northeast Rail Operations study, and the recent Southeast Rail Operations study.
- The railroads are investing – on their own and with state transportation agencies – in new freight-rail capacity within the Coalition region, but despite the recent increase in rail rates and revenues, the industry is still not attracting capital fast enough to make the infrastructure improvements needed to keep pace with demand and public expectations.
- Funding is central to the problem of expanding rail infrastructure. Major rail projects such as the reconstruction of Baltimore's Howard Street Rail Tunnel are beyond the financial capability of individual railroads and states and therefore are not being implemented.
- The cost of failure – failing to keep up with economic growth and trade, failing to fix major rail choke points, and failing to accommodate freight and passenger rail demand – will be economic failure.

The Coalition is committed to addressing rail capacity problems, and as the Surface Transportation Board (STB) considers rail capacity and infrastructure requirements for today and the future, we would encourage the STB to advocate and work toward the following goals:

- Reaffirming that freight-rail and intercity passenger rail are critical to interstate commerce, global trade, and the economic vitality of the nation and the Coalition region;

- Funding nationally and regionally significant mega-projects, funding system preservation and maintenance, advancing new rail technologies, and improving rail operations and system information;
- Completing a national transportation policy framework;
- Defining a vision of the freight- and passenger-rail systems for the 21st Century as a framework for policy and investment decisions;
- Supporting multistate institutions like the I-95 Corridor Coalition that help states build consensus and prioritize investments in projects of national and regional importance; and
- Implementing mechanisms to fund large projects of national importance where benefits accrue to multiple jurisdictions and costs are too great for the jurisdiction in which the project is located to fund alone.

The Coalition Region Needs More Rail Capacity

Our nation's economy is dependent on a well-functioning and efficient transportation system, which in turn depends on the capacity and condition of the underlying infrastructure – our highways, bridges, rail lines and tunnels. Our transportation infrastructure has been built over the past 200 years, with much of it built in the past 50 years. However, this infrastructure is aging, and in some cases, not very gracefully. This is a particularly important issue along the East Coast, where much of the transportation infrastructure, including the region's rail infrastructure, is older than in other parts of the country.

The Coalition region needs more transportation capacity – especially rail capacity – to support economic growth. The U.S. economy is forecast to grow at a compound annual rate of 2.8 percent over the next 30 years.¹ The Coalition region will absorb much of this growth. The region supports a \$4.5 trillion economy, accounting for 40 percent of U.S. gross domestic product and equivalent to the second largest economy in the world. It hosts 37 percent of all U.S. jobs and accounts for 28 percent of all U.S. exports. At 256 persons per square mile, it is over three times more densely populated than the U.S. average and as densely settled as much of Western Europe. Its transportation systems carry 565 million long-distance (> 100 miles) trips and 5.3 billion tons of freight annually.

Economic growth over the next three decades will nearly double the national demand for freight transportation. Measured in tons, freight demand will grow from 15 billion tons today to 29 billion tons in 2035, an increase of 89 percent. Measured in ton-miles (a ton of freight moved one-mile is counted as one ton-mile), freight demand will grow from 6 trillion ton-miles today to 11 trillion ton-miles in 2035, an increase of 92 percent.² This

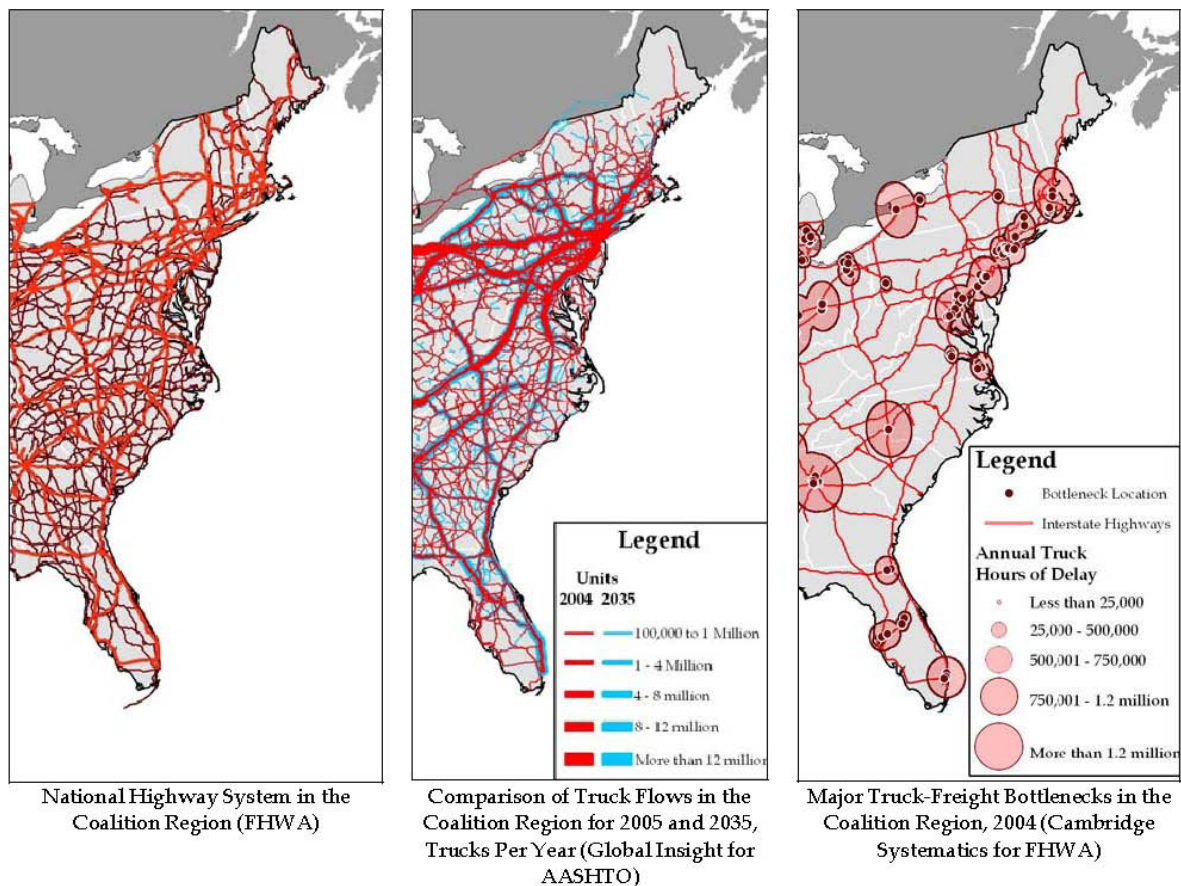
¹ Global Insight, Inc., economic and freight demand forecasts prepared for the AASHTO *Freight Transportation Bottom Line Reports*, forthcoming, 2007.

² Global Insight, same source.

means more trucks and railcars carrying freight over the nation's and Coalition region's transportation systems. Behind every truck on the road today, there will be one more truck by 2035; and behind every second railcar on the tracks today, there will be one more railcar by 2035. Without increased transportation infrastructure and operational capacity, the region will not be able to keep pace with the nation's and the region's economic growth.

The Coalition region needs more rail capacity to relieve congestion pressure on highways. The Coalition region's highways are heavily used. The region has 21 percent of the nation's road mileage, but 35 percent of the nation's vehicle miles of travel. It has some of the most heavily traveled highways in the nation and is home to 65 of the worst 200 truck freight bottlenecks in the U.S. Figure 1 shows the major highways in the Coalition region, the truck flows over these highways, and the location of major highway bottlenecks. The center map shows the density of freight-truck flows on the major regional highways. The red lines indicate truck volumes in 2005; the blue lines indicate truck volumes in 2035. The width of the line is proportional to the number of trucks using the roadway.

Figure 1 Major Highways, Freight-Truck Flows, and Bottlenecks in the Coalition Region



The increase in freight demand and truck travel means that where today, on average, there are 10,500 trucks per day per mile on the national Interstate Highway System, in 2035 there will be 22,700 trucks per day per mile, with the most heavily used portions of the system – many of them in the Coalition region – carrying upwards of 50,000 trucks per day per mile. There is little room to expand the highway system in the most densely developed areas of the Coalition region. Shippers, carriers, transportation agencies, and state and local governments are increasingly looking to rail to carry longer-distance freight and passenger traffic and help relieve truck and automobile congestion on the highways. Without increased rail infrastructure and operational capacity, this need cannot be met.

The Coalition region needs more rail capacity to meet rail demand. Of the 14 billion new tons of freight to be moved by 2035, it is estimated that the railroads will carry at least 1.5 billion tons or about 71 percent more than the railroads carry today. This freight will be carried over increasingly long distances, resulting in an 85 percent increase in rail ton-miles.³ It will be challenging for the Coalition region to accommodate this increase in rail freight.

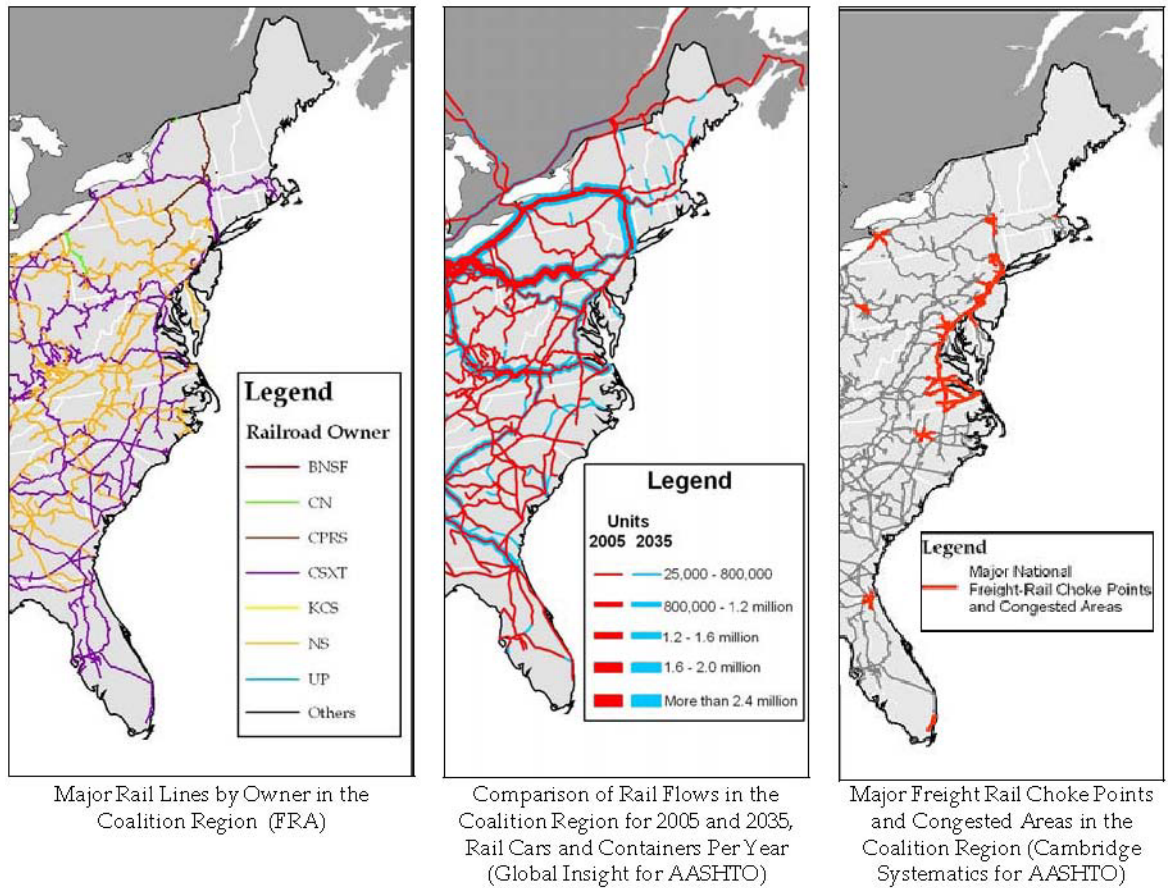
Most of the railroads serving the Coalition region were developed originally as east-west lines to link Midwest producers to East Coast and European markets. Until the early 1900s, north-south freight service and much of the region's north-south passenger service was provided by coastal shipping and passenger steamers. The Coalition regional has north-south rail lines, but they have very limited capacity, with freight and passenger rail services struggling to make do with 100-year old infrastructure. There is a pressing need for more north-south rail capacity and infrastructure.

The Southeast is one of the most rapidly growing regions of the U.S. It has emerged as a major trading partner for the Northeast and the Mid-Atlantic, one of the reasons that the Southeast states joined the Coalition. From the Canadian provinces and Maine to the Carolinas, Georgia, and Florida, the states along the East Coast have a common economic interest and share the need to ensure that the transportation networks that link them, and especially the rail networks, work efficiently.

Figure 2 shows the major rail lines, the rail container/trailer and railcar flows, and the major rail choke points in the Coalition region. The center maps show the density of rail flows on the major regional rail lines. The red lines indicate rail volumes in 2005; the blue lines indicate rail volumes in 2035. The width of the lines is proportional to the number of containers and railcars using the line. As is the case with the highway system, there is little room to expand the rail system in the densely developed areas of the Coalition region. Without increased rail lines and yards and more efficient signal and control systems, the railroads will not be able to keep up with rail demand, rail will not be able to help relieve truck pressure on the highways, and the region's overall transportation system will not keep pace with economic growth.

³ Ton-miles are calculated based on equivalent highway miles between rail shipment origins and destinations.

Figure 2 Major Rail Lines, Container and Railcar Flows, and Choke Points in the Coalition Region



The Coalition Region Is at the Edge of Rail Capacity Crisis

The Coalition region is at the edge of a transportation capacity crisis. The Coalition region has recognized this and has underwritten three major rail capacity studies over the last several years. These studies confirmed the rail capacity problems and called for action by the railroads and their private sector customers, local and state agencies, the Coalition, and the Federal government to improve rail capacity and infrastructure. The studies were:

Mid-Atlantic Rail Operations Study (MAROps)

In March 2002, the I-95 Corridor Coalition commissioned a study of the Mid-Atlantic rail system. The Mid-Atlantic Rail Operations Study (MAROps) was a joint initiative of the I-95 Corridor Coalition, five member states (New Jersey, Pennsylvania, Delaware, Maryland and Virginia), and three railroads (Amtrak, CSX, and Norfolk Southern). The Federal Railroad Administration (FRA) and Federal Highway Administration (FHWA) participated as advisors.

The study identified over 70 major rail choke points within the Mid-Atlantic rail system. These included:

- **Antiquated and undersized bridges and tunnels.** Between Perryville and Baltimore, Maryland, there are three bridges on Amtrak's Northeast Corridor (over the Gunpowder, Susquehanna, and Bush Rivers) that require rehabilitation because of age, limited capacity, and height and weight restrictions. In Baltimore, the Northeast Corridor runs through the Union Tunnels (built in the 1920s) to the north of the Amtrak station and the B&P Tunnel (built in the 1870s) to the south; major rehabilitation of both is needed because of deterioration and lack of vertical clearance. The CSX Howard Street Tunnel in Baltimore and the Virginia Avenue Tunnel in Washington, D.C. are antiquated single-track tunnels with limited vertical clearances that preclude double-stack trains and tri-level auto carriers; both need to be double tracked and double-stack cleared. Finally, increased bridge capacity crossing the Potomac River between Virginia and Washington, D.C. is needed.
- **Lack of capacity on critical segments of freight and passenger lines.** There are more than 25 locations in the five states where an additional mainline track must be added to provide increased capacity and reduce or eliminate operating conflicts between passenger and freight trains.
- **Inadequate vertical clearances for double-stack container traffic on freight mainlines.** There are 11 problem spots in Virginia, eight in Washington D.C., 17 in Maryland, eight in Delaware, 45 in Pennsylvania, and one in New Jersey where low bridges, catenary wires, or other structures preclude double-stack service. These barriers must be removed.
- **Inadequate connections between rail lines.** In Baltimore, a link is needed between the Northeast Corridor Penn Line and the CSX Camden Line to provide MARC access to their new maintenance facility. In Philadelphia, SEPTA needs a way around the congested "Phil Interlocking" to increase its rail service to the airport; and connecting tracks are needed at the "Zoo Interlocking."
- **Congested grade crossings, stations, yards, and terminals.** In New Jersey, an overpass is needed at the Croxton Yard and additional space is needed at the Oak Island Yard. In Pennsylvania, 13 grade crossings need improvement to eliminate delays to local traffic and trains. In Washington, D.C., a new L'Enfant Station is needed to accommodate the growing volume of VRE passengers; and in Virginia, a series of grade crossings between Washington, D.C. and Richmond must be upgraded to accommodate more and higher-speed trains along the corridor.
- **Outmoded and inadequate information and control systems.** Each of the railroads has sophisticated dispatch and control systems, but information often moves between railroads by telephone and fax. The railroads need a regional rail information network to share information among dispatchers and improve emergency response. A common system of cab signals, Positive Train Control, and other technology applications are being tested, but need to be deployed across the Coalition rail system.

Over a two-year period, the MAROps participants defined a 20-year, \$6.2 billion program of rail improvements aimed at improving north-south rail transportation for both passengers and freight in the Mid-Atlantic region and helping reduce truck traffic on the region's overburdened highway system.⁴ In a follow-up study in 2004, the benefits from the MAROps program improvements were estimated at \$12.8 billion – about a 2-to-1 benefit-cost ratio.⁵ The benefits included:

- \$2.9 billion in direct shipper benefits due to reduced freight transportation costs;
- \$6.3 billion in direct savings due to reduced highway congestion for vehicles still on the road – \$0.8 billion for trucks, \$0.7 billion for work-related auto trips, and \$4.8 billion for nonwork auto trips; and
- \$3.7 billion in indirect economic benefits generated throughout the economy by these transportation savings.

The rail choke points identified by the MAROps Study are only part of the East Coast rail story. The Coalition subsequently commissioned two parallel studies – a Northeast Rail Operations Study and Southeast Rail Operations Study – to complete the picture of the Coalition region's rail system and its needs. The findings of these studies echo the findings of the MAROps study: the Coalition region has an increasingly congested rail system that is not keeping pace with economic growth and demand.

Northeast Rail Operations Study (NEROps)

The NEROps Study found that the passenger and freight rail systems in the Northeast are generally stable and productive and are an important part of the transportation system in the region. Gains in efficiency and productivity have allowed the region's freight railroads to become increasingly competitive with trucking. While rail accounts for less than 10 percent of the overall market share in the region, rail is critical to the transportation and distribution of transportation equipment, paper and wood products, chemicals, food products, and consumer goods. Passenger rail also is an important component of the region's transportation system. The Northeast region has many large cities, and the region as a whole has a higher percentage of commuter rail and transit users than any other region in the country.

However, the rail system in the Northeast is operating at or near capacity today, particularly on the Class I system. The reasons for this are: first, growth in passenger and freight traffic – and intermodal traffic in particular – is straining the system. Second, the region's yards and terminals are not capable of handling the increasing volumes of freight traffic. Third, the region's railroads often use outmoded and inadequate information and control systems. Finally, the rail system in the Northeast region suffers from a general lack of sidings, particularly passing sidings. The limited capacity of the Northeast rail

⁴ See *Mid-Atlantic Rail Operations Study: Summary Report*, I-95 Corridor Coalition, April 2002 at <http://144.202.240.28/pman/projectmanagement/Upfiles/reports/full112.pdf>

⁵ See *Mid-Atlantic Rail Operations Study: Interim Benefits Assessment*, I-95 Corridor Coalition, March 2004 at <http://144.202.240.28/pman/projectmanagement/Upfiles/reports/full240.pdf>

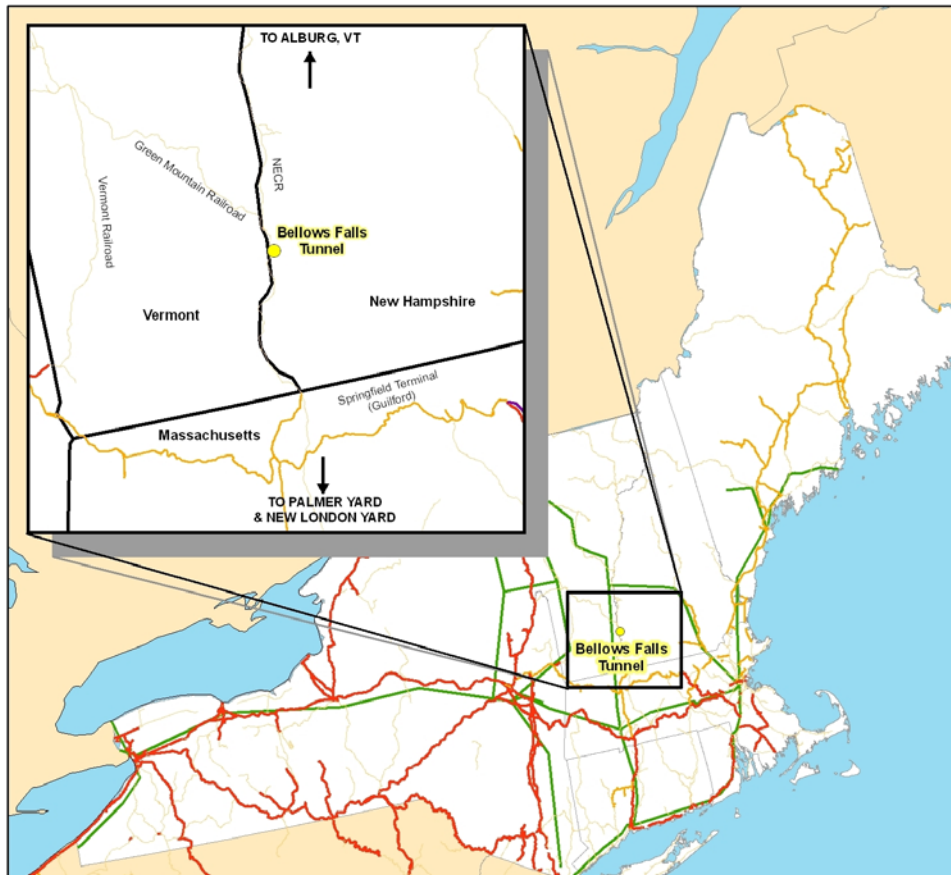
system can be traced, in part, to decisions made by rail firms 30 and 40 years ago to reduce double- or triple-tracked lines to a single-track operation in order to reduce maintenance costs and real estate taxes.

Regional and short-line railroads are a vital component of the Northeast transportation system, serving locally generated traffic, providing access for larger national and regional rail shippers, and serving the region's smaller seaports. However, the viability of these short-line railroads is uncertain. The Class I railroads are favoring longer-distance, hook-and-haul, unit train operations because they are more cost-efficient and profitable when the mainlines are operating at capacity. In some markets, the Class I railroads are pricing out less profitable, small-lot carload shippers, undermining the short-line railroads that often serve these shippers. This increases costs for shippers and their customers, and increases traffic on the Northeast's highway system, eroding the overall mobility of people and goods throughout the region. It also affects the ability of economic development agencies to attract or retain businesses because access to efficient and reliable intermodal transportation service has become an important factor for businesses making location and expansion decisions.

The NEROps study found success stories as well; cases where railroads, shippers, and states worked together to remove rail choke points and improve rail service. These improvements generate public and private benefits in jobs, business growth, and tax revenues. A successful example is the Bellows Falls Tunnel, shown in the map in Figure 3.

The Bellows Falls Tunnel, shown in Figure 3, is a 400-foot, 155-year-old structure located along the New England Central Railroad (NECR). The tunnel's current height does not permit double-stack operations nor can it handle tri-level auto carriers. This causes a significant physical chokepoint for traffic moving north-south in the region. Double-stack and auto-rack traffic is routed around the tunnel, discouraging the railroads from accepting this kind of traffic at all. This is a particular concern for the Providence and Worcester Railroad (P&W), which is interested in increasing its volume of northbound automobile shipments from the Port of Davisville (Rhode Island) via the NECR and eventually to the CP in Whitehall, New York; and in increasing its volume of automobile shipments southbound from Canada to New England for retrofitting.

Figure 3 Bellows Falls Rail Tunnel



Recognizing that removing this choke point could have significant economic benefits, the Vermont Agency of Transportation worked closely with the state legislature and the Vermont congressional delegation to develop a funding strategy to pay for enlarging the tunnel. Improvements to the tunnel began in mid-2006 using a \$2 million Federal earmark and state transportation funds. An additional \$2.5 million will be provided to upgrade the capacity of the Green Mountain Railroad line between Bellows Falls and Rutland, Vermont, allowing this line to handle heavier and faster trains.

Southeast Rail Operations Study (SEROps)

The Southeast is one of the fastest-growing regions in the nation, but much of this growth is occurring outside the metropolitan centers, increasing the region's reliance on autos and trucks for passenger and freight movement and pushing up the cost of highway maintenance. Where rail is being used, the additional rail traffic is often being loaded onto rail lines and bridges that were built in the late 1800s and early 1900s and which were not designed to carry today's heavier 286,000 pound rail cars. At the same time, ports in the Southeast are planning significant terminal expansions and development of new terminals to handle an expected growth in imported container volumes. Driven by congestion at West Coast ports, the number of importers using the Panama and Suez Canals to route containers from Asia to East Coast ports has increased sharply in recent years. There is not enough rail capacity in the Southeast system to accommodate the

expected growth in container traffic. Economic development experts anticipate that new seaport facilities will attract additional warehousing and distribution activities to the region, further loading the region's highway and rail systems.

The Southeast states also are actively planning for future passenger rail services, including both high-speed intercity services and commuter rail services, to connect key population and employment centers in the region. The future operators of these services will need to negotiate traffic rights agreements with the freight railroads, which own most of the track in the Southeast. Significant track, signal, station, and other infrastructure improvements will be required along many segments of the proposed routes to accommodate both freight and passenger rail service.

Finally, energy costs are resulting in significant changes in the traffic mix handled by the railroads in the Southeast. The growth in the production and use of biofuels is increasing the demand for rail service because these fuels and their by-products cannot be moved long distances cost-effectively by truck. As both the production and consumption of biofuels rise, the railroads and states will be forced to focus on rail capacity between the Midwest and East Coast markets, including the growing population centers of the Southeast.

Current Investment Not Keeping Pace with Demand

The railroads are investing – on their own and with state transportation agencies – to expand freight-rail capacity throughout the Coalition region. Recent examples are the clearance of the Norfolk Southern mainline across Pennsylvania to accommodate cross-country double-stack trains, and improvements to the Conrail Shared Assets Area tracks serving the terminals and ports in northern New Jersey. Norfolk Southern recently secured \$90 million in Federal funding to clear the Heartland rail corridor for double-stack trains. The Heartland corridor is an east-west line connecting the Norfolk, Virginia ports (including the new Maersk/Sealand megaport) with inland terminals at Prichard, West Virginia and Columbus, Ohio.

The railroads have explored capacity improvements to the north-south routes, with Norfolk Southern looking to expand rail capacity along the I-81 rail corridor and CSX looking to expand capacity along its Atlantic seaboard lines between Florida and Virginia. But neither of these north-south route capacity improvements has been funded. The railroads and the states also have discussed expanding north-south passenger rail capacity in the I-95 corridor. There is strong and growing ridership along the Northeast Corridor between Boston, New York, and Washington, and growing interest in intercity passenger rail service, including high-speed rail, from Washington, D.C. to the Carolinas, Georgia, and Florida. But again, few improvements have advanced much beyond planning and engineering.

This situation reflects a broad problem across the rail industry. The rail industry today is stable, productive, and competitive, with enough business and profit to operate. But despite the recent increase in prices and revenue, the industry is still not attracting capital fast enough to replenish its infrastructure quickly nor keep pace with demand and public

expectations. The rail industry is straining to meet the growing demand for rail freight transportation today. This is because the railroad industry is unique among the nation's major industries in its extraordinary need for capital reinvestment.

The rail industry spends three to five times as much on infrastructure as other major industries, much of this going to maintenance of existing track and facilities. From 1995 through 2004, the rail industry reinvested 17.8 percent of revenue into capital spending, compared to an average of 3.5 percent for all other U.S. industries. The rail industry announced that total Class I spending for replacing old track and laying new track, buying new locomotives and other equipment, and improving existing infrastructure would reach \$8.3 billion in 2006, an increase of 21 percent over 2005 levels. The rail industry also spends nearly \$500 million annually in property taxes for their privately owned right-of-way.⁶

In the highway freight system, the public sector constructs the roads and the trucking industry pays for the highways through fuel taxes as they use the highways. Railroads, conversely, construct their own lines, incurring fixed costs that must be paid whether the lines, bridges, tunnels, and terminals are used or not. As a consequence, both lenders and railroads tend to be very cautious about overinvesting in infrastructure, and the proportion of total capital that represents real increases in system capacity remains at fairly modest levels. Most capacity-related investments are very carefully targeted to specific lanes and commodities.

In 2003, the AASHTO *Freight-Rail Bottom Line Report* estimated that at the level of investment the Class I railroads could afford from their revenue plus borrowing, the freight-rail system could handle around half of its 'fair share' of the forecast growth in freight-rail tonnage, but could not keep pace with the full demand for rail freight movement.⁷ The unmet half of new rail freight demand would likely shift to trucks and the highway system. The report estimated that to keep pace with economic growth and maintain its current share of freight tonnage, the rail system needed an investment of \$175 to \$195 billion over the next 20 years. The report anticipated that the railroads would be able to provide the majority of the funding needed (up to \$142 billion dollars) from revenue and borrowing, but the remainder (up to \$53 billion, or \$2.65 billion annually) would have to come from other sources, perhaps including loans, tax credits, and other forms of public-sector participation.

Although no current reassessment of rail investment compared to need is available, industry analysts continue to see a shortfall in investment in rail infrastructure. The railroads are focusing on the more profitable, longer-distance, "hook and haul" traffic,

⁶ Cambridge Systematics, Inc., AASHTO *Freight Transportation Bottom Line Reports*, forthcoming, 2007, based on Association of American Railroads and Class I railroad data.

⁷ American Association of State Highway and Transportation Officials (AASHTO), *Transportation: Invest in America: Freight-Rail Bottom Line Report*, Washington, DC, 2003. See http://freight.transportation.org/doc/rail/ex_railreport.pdf and <http://freight.transportation.org/doc/FreightRailReport.pdf>.

which has led to the much improved financial health of the railroad industry in the last few years. But in doing this, the railroads are continuing to shed rail traffic – including some less profitable carload traffic – to the highway system. This is worrisome for the Coalition region because if rail cannot maintain its share of freight, then the consequences will be increased congestion on the region’s highways, a higher cost of doing business, and a higher cost of living for the whole Coalition region.

Funding Mega-Projects Is Major Challenge

Funding is central to the problem of expanding rail infrastructure capacity. Funding major rail improvements – replacing bridges and tunnels and expanding major urban rail yards – is beyond the capability of individual railroads and the states. The railroads and the states know where the rail choke points are, and they know how to redesign them and reengineer their operations, but they are not moving to fix them. They are not addressing these projects because, while the benefits are local, regional, and national, the project costs are so high that they cannot be funded by a single railroad or state. Yet the future-cost to the nation’s economy of not addressing these choke points is staggering. Delay at these choke points is growing much faster than the growth in traffic. And an even greater impact than the total amount of delay is the continuing growth in variability in travel time through these choke points. In an era of just-in-time delivery and on-demand replenishment supply chains, travel time must be based on the highest expected delay, rather than average delay. This is exacting a high-cost in delivery charges and forcing industries that depend on rail to incur higher inventory costs.

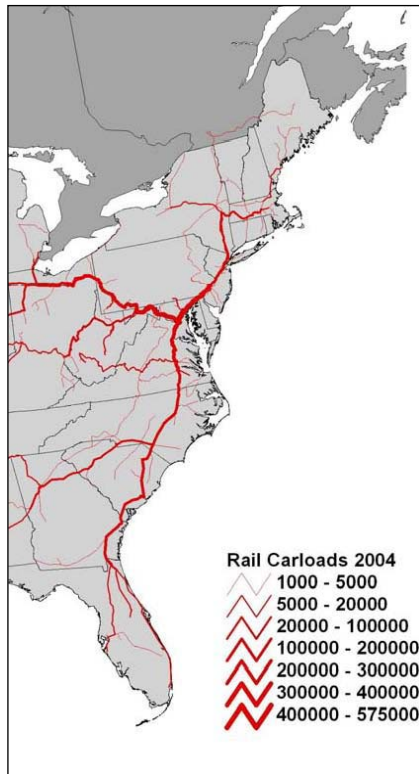
Baltimore’s Rail Tunnels: Howard Street and BP and Union Tunnels

A primary example of the scale and complexity of funding and replacing a major rail facility is the Howard Street rail tunnel in Baltimore. The Howard Street Tunnel is a single-track, railroad tunnel in the heart of Baltimore City. It serves freight lines operated by the CSX railroad. Built in the 1890s, it connects Cincinnati and Chicago with Philadelphia, New York, and the Northeast. And it connects the coastal cities of the Southeast to Philadelphia, New York, and New England. It is a critical link in the CSX rail network; it serves 25-40 daily freight rail trains, many a mile long. These freight trains carry fruits and vegetables, intermodal trailers and containers, chemicals, fertilizers, paper stock, propane, sand and gravel, automobiles, and auto parts. The CSX line through the Howard Street Tunnel is the major rail corridor paralleling I-95 and the only viable alternative for relieving the crush of truck traffic on that highly congested highway corridor.

The map in Figure 4 shows the origins, destinations, and routes used by freight trains traveling through the Howard Street Tunnel. The tunnel is a critical rail link for Maryland shippers and receivers, but more importantly, it is the critical link for shippers and receivers across the Eastern United States, connecting the Coalition region to the Midwest and Southeast. In July 2001, a tank car carrying hazardous material and several adjacent rail cars carrying paper – part of a CSX freight train moving through Baltimore – caught fire and burned inside the Howard Street Tunnel. The fire burned for four days and closed down the tunnel for more than two weeks. Trains moving north and south,

including trains carrying perishable orange juice from Florida growers to New York supermarkets, were forced to reroute as far west as Cincinnati.

Figure 4 Origins, Destinations, and Volumes of Rail Freight through the Howard Street Tunnel in Baltimore (Source: *Global Insight, Inc.*)



Although the tunnel was reopened, it remains the East Coast's single largest freight-rail choke point. The next incident – whether a fire, a chemical spill, a derailment, or a structural failure of the tunnel – would again shut down north-south rail traffic, and again at great cost to the regional and national economy.

The Federal Railroad Administration (FRA) estimates that the volume of passenger and freight rail traffic through the Baltimore area, including the Howard Street Tunnel, will increase by 50 to 70 percent by 2050 – but only if the capacity exists to accommodate this growth.⁸ The FRA has committed \$3 million to further study solutions for the Howard Street rail tunnel choke point, but neither the Federal government, the state, nor the railroads have yet solved the problem of funding a solution.

While arguably the most significant rail choke point on the East Coast, the Howard Street Tunnel is only one of the major rail choke points the Baltimore area. Other rail choke points are the BP and Union Tunnels through

Baltimore, which are used by Amtrak's 140-mph Acela trains traveling between New York and Washington, D.C.; by Maryland's MARC commuter trains; and by Norfolk Southern's freight trains traveling along the Northeast Corridor between Washington, D.C. and New York.

Both the BP and Union Tunnels need to be replaced. Twenty years ago their life expectancy was estimated to be 40 years, and new rail tunnels can take 20 years to build. For safety, Amtrak trains travel through the tunnel at very slow speeds, adding significant time to Acela and Metroliner trips along the Northeast Corridor. No alternate routes exist; closure or failure of these tunnels would immediately stop all Amtrak Northeast Corridor service as well as all Norfolk Southern and MARC trains. New tunnels built to modern standards would preserve Northeast Corridor Amtrak service and help Amtrak meet its goal of two-hour passenger service between Washington, D.C. and New York, which makes rail service more competitive with air shuttles, helping to relieve congestion at northeastern airports.

⁸ See Federal Railroad Administration, "Report to Congress—Baltimore's Railroad Network: Challenges and Alternatives," November 2005."

Without a systematic and innovative financing approach that leverages public and private funding, choke points like the Howard Street Tunnel will slow regional and transcontinental rail traffic. The Coalition region's and the nation's "corridors of commerce" will not be effective trade and transportation corridors.

Coalition Has Made a Commitment to Finding Funding and Institutional Solutions to Major Rail Choke Points

In SAFETEA-LU, Congress initiated a program to fund projects of national and regional significance. The Coalition greatly applauds Congress' action. However, the program is underfunded, and all the monies were rapidly earmarked to specific projects, many of which served more of a local function than a national or multistate regional function. Many of the earmarks address worthwhile transportation projects, but relatively few of them will solve major rail choke points. Fewer still will address projects of national and regional importance to our economy.

In SAFETEA-LU, Congress also expanded funding for short-line rail improvements and made it easier for the public sector to invest in public-use intermodal terminals. The funding still falls far short of needs, and neither the private sector, which owns and operates most of the rail system, nor the public sector, which has an enormous economic stake in the health and capacity of the freight-rail system, have the money to address these major rail choke points. We need a national vision and policy that says we will address these rail choke points before they fail. And we need a national policy that recognizes the need to reconstruct or replace major tunnels and bridges that are reaching the end of their useful life but provide major economic benefits to jurisdictions outside the jurisdiction that owns the facility.

Recognizing the importance of establishing the institutional and financial approaches to implement the improvements that will eliminate these choke points, the I-95 Corridor Coalition sponsored a financing forum on November 1, 2006 to explore alternative approaches to finance critical transportation projects that have multistate impacts. Representatives from the financial community, state and regional transportation agencies, the rail and trucking industries, and others discussed potential financing mechanisms for major, multistate transportation projects. The group recognized that we need to find new ways to finance transportation improvements and new ways to coordinate investments across state lines and across public and private organizations. The consensus was that we need to find a way to evaluate who are the economic beneficiaries of large, expensive projects of national significance and determine a way that costs can be borne proportionally by those who benefit.

The Coalition is committed to driving this work forward. It has commissioned second phases of all three of its regional rail studies – MAROps, NEROps, and SEROps. It is planning to put together a strategic look at the Coalition's highway, rail, and water transportation systems to help inform state and local transportation investment decisions. It also is moving to sponsor more workshops that bring together railroads, truckers, shippers, investment industry experts, and Federal, states, and local officials. The workshops will explore the need for new rail funding programs, the possibility of

establishing congressionally capitalized multistate infrastructure banks, the benefits and targeting of rail tax investment credits, and other approaches. The Coalition also has applied for designation as one of the U.S. Department of Transportation's Corridors of the Future, with the intent of pursuing both operational and capital improvements in the rail, highway, and water freight and passenger transportation systems in the Coalition region.

The Surface Transportation Board could contribute to this effort by reviewing rail regulatory statutes and STB regulations to ensure that there are no provisions that inhibit the efficient addition of capacity, and making sure that where additional capacity is added, it is made available to all shippers, including captive and small shippers.

The Cost of Failure

The cost of failure – failing to keep up with growth and trade, failing to fix major rail chokepoints, failing to accommodate freight and passenger rail demand – will be economic failure. When rail freight is delayed for hours, the costs are passed back to shippers and receivers, and eventually to their customers – to all of us. When railroads shed freight to trucks, the costs of the additional pavement and bridge maintenance are passed back to state and local highway and transportation agencies and eventually to the taxpayers – to all of us. And when transportation costs are passed back to businesses and households, they increase the cost of doing business and the cost of living, weakening the economic vitality and global competitiveness of the local, regional, and national economies.

This is a critical concern to the Coalition's members. Our state departments of transportation, our public and private transportation authorities, and our transportation carrier companies exist to move people and goods and to ensure our region's and our nation's social, economic, and environmental well being.

If the Coalition's transportation systems – its rail systems, which we have focused on in this statement, but equally important, its highway system, its marine ports, its airports, its commuter rail systems, and its bus and transit systems – do not work efficiently and reliably, our regional and national economies are at risk. The Coalition's Northeast, Mid-Atlantic, and Southeast regions are national and global centers of education, finance, government, high-tech manufacturing, and agriculture. They are tightly integrated and interdependent economies. Innovation, productivity, and trade are the keys to the region's and the nation's future.

Need for a National Rail System Vision

As the Surface Transportation Board considers rail capacity and infrastructure requirements for today and the future, we would encourage the STB to advocate and work toward the following goals:

- Reaffirming that freight-rail and intercity passenger rail are critical to interstate commerce, global trade, and the economic vitality of the nation and the Coalition region;
- Funding nationally and regionally significant mega-projects, funding system preservation and maintenance, advancing new rail technologies, and improving rail operations and system information;
- Completing a national transportation policy framework;
- Defining a vision of the freight- and passenger-rail systems for the 21st Century as a framework for policy and investment decisions;
- Supporting multistate institutions like the I-95 Corridor Coalition that help states build consensus and prioritize investments in projects of national and regional importance; and
- Implementing mechanisms to fund large projects of national importance where benefits accrue to multiple jurisdictions and costs are too great for the jurisdiction in which the project is located to fund alone.

Attachment



The I-95 Corridor Coalition is a partnership of state departments of transportation, regional and local transportation agencies, toll authorities, and related organizations, including law enforcement, transit, port, and rail organizations, from Maine to Florida, with affiliate members in Canada.

I-95 Corridor Coalition members are working together to reduce congestion, increase safety/security and to assure that the entire transportation network supports our economic vitality throughout the region. The Coalition pursues a wide range of projects and activities related to providing reliable and timely travel information, coordination of incident response and freight within the corridor and across different modes of travel, and electronic systems to make payment of tolls and transit fares easier. Following are some of the successful programs the I-95 Corridor Coalition has launched. These are only the beginning; there is still much more to be done.

Traveler Information Services

In addition to the very popular Travelers Alert Map, the Coalition's activities include promotion of integrated 511 Corridor-wide information, travel information coordination efforts, and operation of a web site to facilitate rapid distribution of current information.

Coordinated Operations

Traffic Management, Law Enforcement, Fire, Safety, Emergency, and other Incident Management response personnel work together when major incidents occur. They meet regularly to discuss how incidents and emergencies can be handled more effectively.

Intermodal Transportation

The Coalition is working to facilitate safe, efficient, and reliable movement of people and goods across all modes. This includes projects to improve information at connections between rail and airport stations, and to improve the flow of freight and passenger traffic in the region including to and around port areas.

Education and Training

The Coalition provides training, best practices workshops/reports, and information exchange meetings related to improving management and operations for transportation.

Commercial Vehicle Operations

The Coalition supports efforts to improve safety and streamline regulation of commercial vehicles through the use of technology.

Electronic Payment Services

The Coalition is supporting projects that advance interoperability between transit and toll agencies for bankcard/smart card-based fare payments.

Information Systems

Development of both real-time and archived data sharing information systems is underway to assist member agencies with analysis, planning, long distance travel information, and incident management.

Performance Measures

Performance Measures are a practical way to link the Coalition's mission and strategies with the results of our work. The Coalition is working with members to develop measures that are multimodal, reflect the diversity of our members and states, relate to outputs and outcomes of Coalition programs and projects, and are practical and helpful to develop and use.

Safety

The Coalition serves as a vehicle for disseminating information about best practices and lessons learned from other safety initiatives in the region and assists members with identifying solutions to their safety needs.