

# InfrastructureUSA

## Guest on THE INFRA BLOG

**Edward R. Hamberger, President and CEO, Association of American Railroads (AAR)**

**Conversation with Steve Anderson, Managing Director, InfrastructureUSA**

### **Understanding Our Freight Systems**

There is an incredible need to educate. One of the big frustrations in our freight rail industry is that people do not appreciate the importance of freight and don't realize that we are—along with the trucking industry and along with the barge and towing industry—critical to the nation's economy. People just seem to think about freight railroads when they're sitting, watching it go by, and being frustrated that the gate is down at a grade crossing. It is, from a public policy standpoint, critical that Congress and the Administration will recognize the importance of freight. The American Society of Civil Engineers issued a devastating report a couple of weeks ago giving the nation a "D+" on infrastructure across 16 different industries; the highest rated was in fact railroads. We got a "B," but even that isn't necessarily something to write home about. Congress and the Administration have got to sit down and figure out a way to put more money into infrastructure and, from my standpoint, certainly into transportation.

### **Private Investment Makes Freight Rail Work**

From just the freight railroads standpoint, we do not get any federal money, or very, very little in the form of public-private partnerships. There is no subsidy; there is no railroad trust fund. We maintain and upgrade our infrastructure with private money. That's why we got the "B" from the American Society of Civil Engineers versus all the other infrastructure systems. We are not in a crisis; we are, in fact, providing some of the best service ever and 2016, I'm really, really pleased to say, was our safest year on record in terms of accident rate. And so we are doing a pretty good job of being prepared, to get ready for when this economy does in fact turn around, to be able to move all the freight that will be required.

### **Getting on Board With User Fees**

The Highway Trust Fund, when it was established in the 50s, started out as 4 cents a gallon. The last time it was increased—it is now 18 cents a gallon—was in the early 1990s. A lot has happened in the world since then, including inflation, and there just seems to be a lack of understanding that Americans are willing to pay for an increase in their efficiency and safety. If you take a look around the country on state and local referendums, they overwhelmingly are approved, whether it's a local sales tax or a state gasoline tax. I think there is a lack of political will to say that we're going to have a user-pay system that has worked so well, and whether it's a gasoline tax or whether it's a vehicle miles travelled tax or weight-distance tax, if you're going to use this infrastructure, you need to pay to maintain it. And I think the American people would respond well to that. They certainly have since the 1950s. President Trump seems to be focused on living up to and trying to fulfill his campaign promises, and \$1 trillion for infrastructure was right at the top of just about every speech. Secretary Elaine Chao at the Department of Transportation has said that there would be a major infrastructure piece of legislation coming out of the Administration in May. But the big question is: how is it going to be paid for? Will it be paid for with repatriated foreign profits, will it be paid for with, the way I think it should be, a user fee, so that the people who use the system pay for it? Or will it be done just out of general revenues or—God forbid—out of increasing the debt? I don't know exactly how

they're going to pay for it, but I do believe that they will come up with something by Memorial Day. That seems to be their goal.

**The Association of American Railroads: Who We Are**

A DOT study indicated that every American consumes 54 tons of freight per year, and that has to get to you and me in an efficient, safe way. Railroads move 40% of that freight on an inter-city basis, based on ton-miles. One of our biggest customers, for example, is United Parcel Service. We are privately owned, privately maintained; over the past four years we spent over \$100 billion of private capital to maintain and upgrade the 140,000 miles of track around the country. The AAR is the Association of American Railroads and its mission began 80 years ago when the operators of the railroads realized that they needed standards for the rail cars and the locomotives to go from one railroad to another, not only just for efficiency but also for safety, so that's how we began. We still have that as a primary function, but it has evolved over the years to also be a government relations, regulatory affairs, public affairs focus as well. We represent, primarily, the freight railroads in the United States, Canada and Mexico.

**[www.InfrastructureUSA.org](http://www.InfrastructureUSA.org)**

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