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BEFORE THE SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

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Written Testimony of

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Good morning and thank you, Chairman Primus, Vice-Chair Hedlund, Member Fuchs, and Member Schultz for this opportunity to testify today on growth in the freight rail industry.

The Railway Supply Institute and its members sincerely appreciate your interest in this critical topic. I am Patty Long, the President of the Railway Supply Institute, or RSI.

RSI represents approximately 170 member companies within the full supply chain for the railroad system. Our membership comprises locomotive, freight, and passenger railcar manufacturers; railcar owners and lessors; mechanical systems and components suppliers; railway measurement and maintenance systems; and communications and signaling suppliers. The domestic railway supply industry has been a dynamic and vital part of the U.S. economy for more than 200 years, encompassing more than 682,000 direct, indirect, and induced jobs across all 50 states.

The RSI and its member companies are dedicated to advancing safety, innovation, technology, and sustainability within the freight and passenger railway supplier industry, both in North America and global markets.

RSI members collectively build almost every railcar and collectively own more than 70% of railcars operating on the North American rail system. Our products are used to carry essential and often life-sustaining commodities – from the food that U.S. farmers grow that feeds the world to the gasoline that fuels our cars and essential products that ensure clean drinking water. Rail is also the safest mode to transport hazardous materials. More than 99.99% of hazmat goods transported by rail reach their destinations without a release caused by a train accident.¹

The freight rail industry is not a system of separate, unconnected railroads operating independently of one another. Rather, it is an interconnected system of more than 160,000 route miles of track throughout North America operated by six Class I railroads and hundreds of short-line railroads.

Rail is currently experiencing an evolutionary period based on innovations centered on technology. RSI's members understand and are aware that there are impediments to the growth of the freight rail system. One of our primary organizational goals is to increase rail modal share, which has been steadily declining while freight tons increases each year. So how do we accomplish growth in freight rail? We believe there are three key ways:

1. Improve rail service using innovation and technology;
2. Highlight the sustainable benefits of rail to shippers; and

¹ Federal Railroad Administration. *1.12 - Ten Year Accident/Incident Overview*, safetydata.fra.dot.gov/OfficeofSafety/publicsite/Query/TenYearAccidentIncidentOverview.aspx. Accessed 15 Aug. 2024.

3. Enable RSI members to continue developing and deploying functional and innovative equipment to increase the efficiency of the rail system.

In the area of technology and telemetry, it must be noted that the RSI members that own freight railcars use their own capital to invest in technology and telematics development because they believe real-time information is the key to improving rail service. In short, the freight railcar owner is responsible for buying the telematics gateway device on a freight railcar and owns the data collected on that freight railcar.

The visibility and transparency of the rail system gained when railcar owners are connected through a telematics system is the future and is critical to instilling confidence in the freight rail mode. As you all are aware, currently, the system of Car Location Messaging (CLM) data on train movement is procured from locomotives and wayside readers, which goes to Railinc, the AAR-owned and managed clearinghouse. To have any insight of their railcars or shipped goods railcar owners must subsequently purchase that data from the AAR, even though the data comes from the same trains that include their railcars. This process is a method of decades-old technology and is inconsistent because it provides a delayed snapshot. Once the CLM data is received to railcar owners, it may be too late to make dynamic, service-related decisions. Solely using the current CLM data system is limited and limits the ability to see railcar activity occurring on the rail system, putting at risk shipper confidence in railroads' operations.

Yet, telematics and gateway devices on individual freight railcars is coming. While only in its infancy, freight railcar owners are committing to investing in this technology. We believe this will be a critical resource for railroad operators, railcar owners, and shippers to procure data in real-time, benefiting the entire freight rail ecosphere. Telematics will enable all freight railcar users the ability to monitor railcar movements and associated activities important specifically to

them through installed, onboard devices. These gateway devices will provide a single source of consistent data from which all railcar users function. RSI members and other railcar owners see the long-term and wide-ranging benefits of telematics and are investing in these gateway devices for their railcars.

In 2021, a coalition of railcar owners, rail operators and other users created an open architecture, industry-wide railcar telematics platform to revolutionize the rail system. Known as *RailPulse*, “the coalition will create an information infrastructure that enables data from GPS and railcar-mounted sensors to drive improved service levels, visibility, safety, sustainability, and productivity into North American rail-based supply chains.”² Through *RailPulse*, participating Class I railroads, short-line railroads, freight railcar owners, and shippers each have a voice in the development of the platform and the overarching standards that govern it. The key, and very important characteristic is that railcar owners own the data gathered by the telematic devices installed on their railcars to which the railroad operators also have access if any data is needed for an actionable operational reason.

RailPulse is dedicated to providing data on the freight railcar, focused ultimately in three key areas:

- Location: the GPS location of the railcar, both moving and stopped, for track and trace capability.
- Condition: the status of the car in terms of loaded/unloaded, doors open/closed, ambient temperature, impact, and many other onboard sensors in development.
- Health: the mechanical health of the railcar in terms of wheel bearings, couplers, or other components, with potential further development in other devices.

² “About RailPulse.” *RailPulse*, 16 Feb. 2024, www.railpulse.com/about/.

By expanding telematics, RSI members believe there is an immense opportunity to innovate rail in ways that create efficiencies, reduce complexities, and provide more consistency across the North American rail network. Beyond *RailPulse*, other progressive companies, including many RSI members, are investing in and developing their own technology to accelerate telematics deployment. Interest and utilization among the shipping community is ripe for growth. These businesses stand to significantly benefit in the areas of logistics and supply chain planning, particularly through accurate and near real-time railcar location. Knowing the precise location of their products will enable them to have eyes into the supply chain and run their businesses more effectively. This alone will drive more to the freight rail transportation mode.

There are challenges to adoption of telematics, including the nature of how freight moves along the rail system and between transportation modes, as well as the sheer number of railcar owners that individually pay to implement telematics and participate in the data pooling to enable more effective service.

Another challenge is the cost of implementation, which could be prohibitive for some companies. The current average cost to outfit one freight railcar with the necessary gateway device is approximately \$2,000 per car.

Increasing freight tonnage onto the rail system is a public good and perhaps Congress should consider whether public investment is worthwhile. H.R. 8996, *the Rail Safety Enhancement Act of 2024*, introduced by Representative Troy Nehls, the Chairman of the Subcommittee on Railroads, Pipelines, and Hazardous Materials, includes two grant programs for freight railcar owners to finance procurement of telematics and gateway equipment.

Here is another fact. Rail is the superior mode of land-based transportation for long trips, especially across the country, because it is the safest mode. Railroad operators are committed to safety and their record proves this. As previously mentioned, 99.99% of all hazmat moved by rail reaches its destination without a release caused by a train accident. Since 2000, the hazmat accident rate is down 75% to its lowest-ever rate.³ Increased rail modal share will take long haul trucks off our nation's highways, where 72% of goods are moved. According to the National Highway Safety Transportation Administration, there were 5,788 people killed in traffic crashes involving large trucks in 2021.⁴ That figure is staggering. The American Society of Civil Engineers Infrastructure Report Card gives U.S. bridges a "C"⁵ and U.S. roads are at a "D."⁶ Added wear and tear to our roadways diverts taxpayer dollars to shoring up our infrastructure.

Rail is also a more sustainable mode of transportation by comparison. According to EPA data, freight railroads account for just 0.5% of total U.S. greenhouse gas emissions and 1.8% of transportation-related greenhouse gas emissions, despite accounting for approximately 40% of U.S. long-distance freight volume. If 10% of the freight shipped by the largest trucks were moved by rail instead, greenhouse gas emissions would fall by nearly 20 million tons annually.⁷

RSI members build the freight railcars and railcar components that will carry the desired increased modal share more safely, economically, and sustainably. Thus, we are working with

³ Federal Railroad Administration. *1.12 - Ten Year Accident/Incident Overview*, Federal Railroad Administration , safetydata.fra.dot.gov/OfficeofSafety/publicsite/Query/TenYearAccidentIncidentOverview.aspx. Accessed 15 Aug. 2024.

⁴ National Center for Statistics and Analysis. (2023, June, Revised). Large trucks: 2021 data (Traffic Safety Facts. Report No. DOT HS 813 452). National Highway Traffic Safety Administration

⁵ American Society of Civil Engineers. "Bridges." 2024, infrastructurereportcard.org/wp-content/uploads/2020/12/Bridges-2021.pdf.

⁶ American Society of Civil Engineers. "Roads." 2024, <https://infrastructurereportcard.org/wp-content/uploads/2017/01/Roads-2021.pdf>

⁷ EPA (2024). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2022 U.S. Environmental Protection Agency, EPA 430R-24004. <https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks-1990-2022>.

Congress and the regulating agencies to enable these companies to continue developing and deploying safe and functional equipment to the rail system. RSI members stand ready to refresh the North American railcar fleet. They can do so more effectively in a regulatory environment that facilitates production and with targeted investment at the federal level. Select companies even proactively took on the largest builder of rolling stock in the world, a state-owned enterprise. They worked with Congress to enact legislation to protect rolling stock manufacturing in North America.

RSI's railcar builders are also engaged in sustainable conversions of railcars. For example, an older smaller hopper railcar is converted to a larger model by adding a section to it, making it more sustainable and efficient. This refresh of the rail fleet is important and helps our goal to drive more shippers to the freight rail system.

Also noteworthy is that The *Fixing America's Surface Transportation Act of 2015* included language to phase out DOT-111 tank cars in flammable service by May 1, 2029. The RSI's tank car builders are on track to meet that deadline and are working with Congress to even accelerate it.

The boxcar fleet also needs an upgrade and has the capacity for growth. Boxcars are a direct substitute for over-the-road trucks and one boxcar is equivalent to three trucks, making them a more sustainable and economical option. Boxcars are used primarily to transport forest and paper products, packaged food products, and beer, wine, and liquor. The current rules setting boxcar leasing rates hinder the rail supply and railcar leasing industries capability to invest in boxcars for the U.S. freight railcar fleet.

One tool that Congress could give the industry to upgrade the railcar fleet is H.R. 838, *the Freight RAILCAR Act of 2023*. H.R. 838 encourages the replacement or modernization of older,

inefficient railcars with higher capacity, more fuel-efficient vehicles via a time-limited, targeted tax credit for freight railcar manufacturers.

In conclusion, we are at a tipping point in the evolution of freight rail. How we move forward will be important. I believe everyone here knows the pressure points and what is keeping freight rail from growing. I also believe we have more in common, and our goals will be the same in the end. Through an open architecture and market-based system, technological advancements may serve as the answer to the questions that hinder increasing freight rail as a mode. The challenges of cost, complexity, and consistency must be met and addressed by all parties. The RSI and its member companies are committed to making freight rail the mode of choice, not just because we are dedicated to advancing safety, innovation, technology, and sustainability, but because we believe using freight rail makes good business sense.

Thank you for giving RSI the opportunity to testify today and I look forward to answering your questions.

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