

# *Balanced Regulation and Freight Railroads*

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**Matthew K. Rose  
Chairman, President and CEO**



# Outlook: Growth and Challenges

## 2030 Growth Projections

- Population to grow to 364 million
- VMT to grow by 150 percent
- Freight rail to increase by 92 percent

## Challenges

- No national freight policy
- No Capacity growth
- Congestion- all modes
- Increasing fuel costs
- Lengthening supply chains
- Increased environmental requirements

Source: Global Insight, AASHTO, FHWA



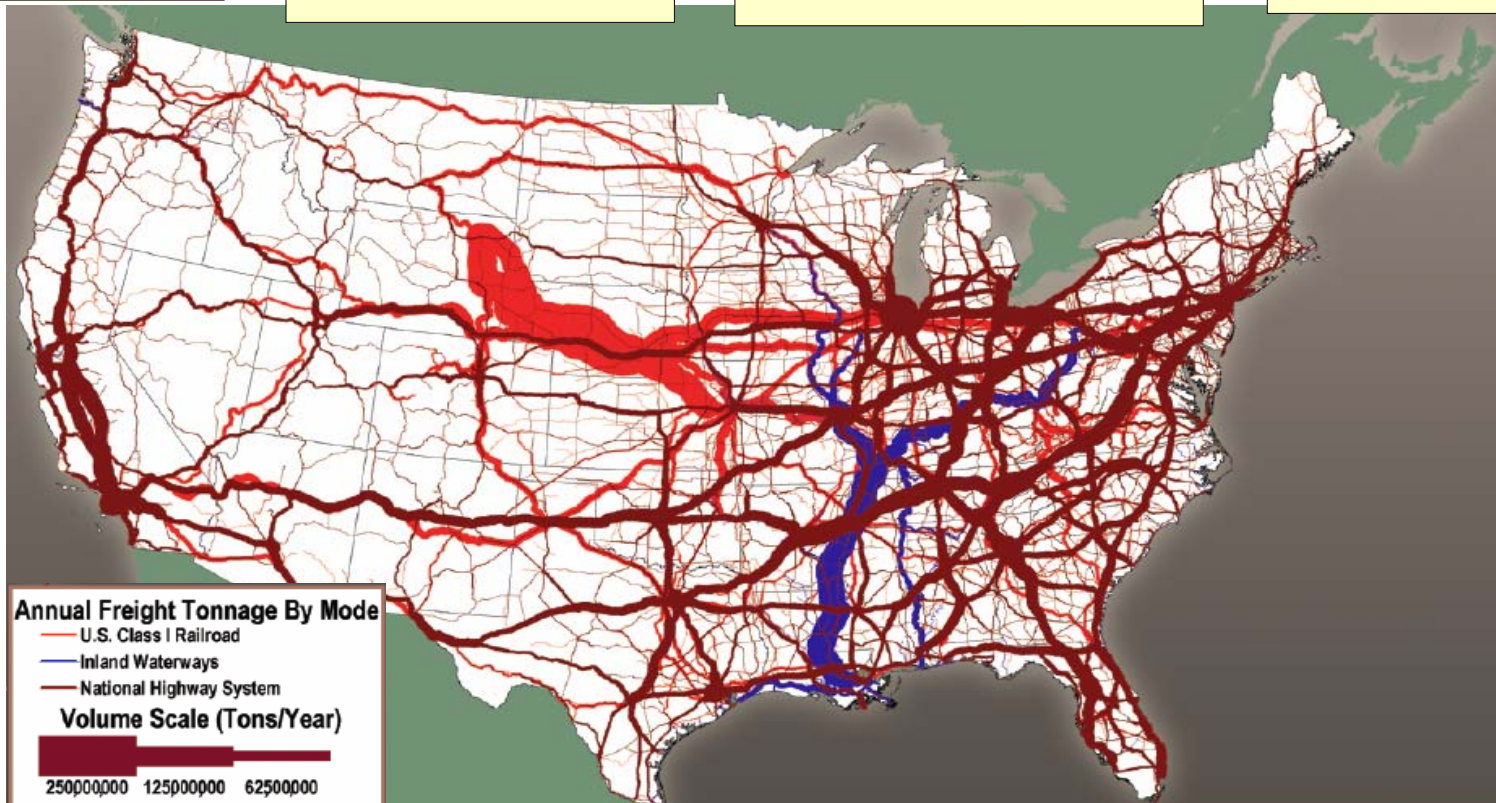
# The U.S. supply chain is a competitive advantage and economic engine

Key to global competitiveness  
10% of US GDP  
(China – 22%)

8 million jobs involved in moving and handling freight

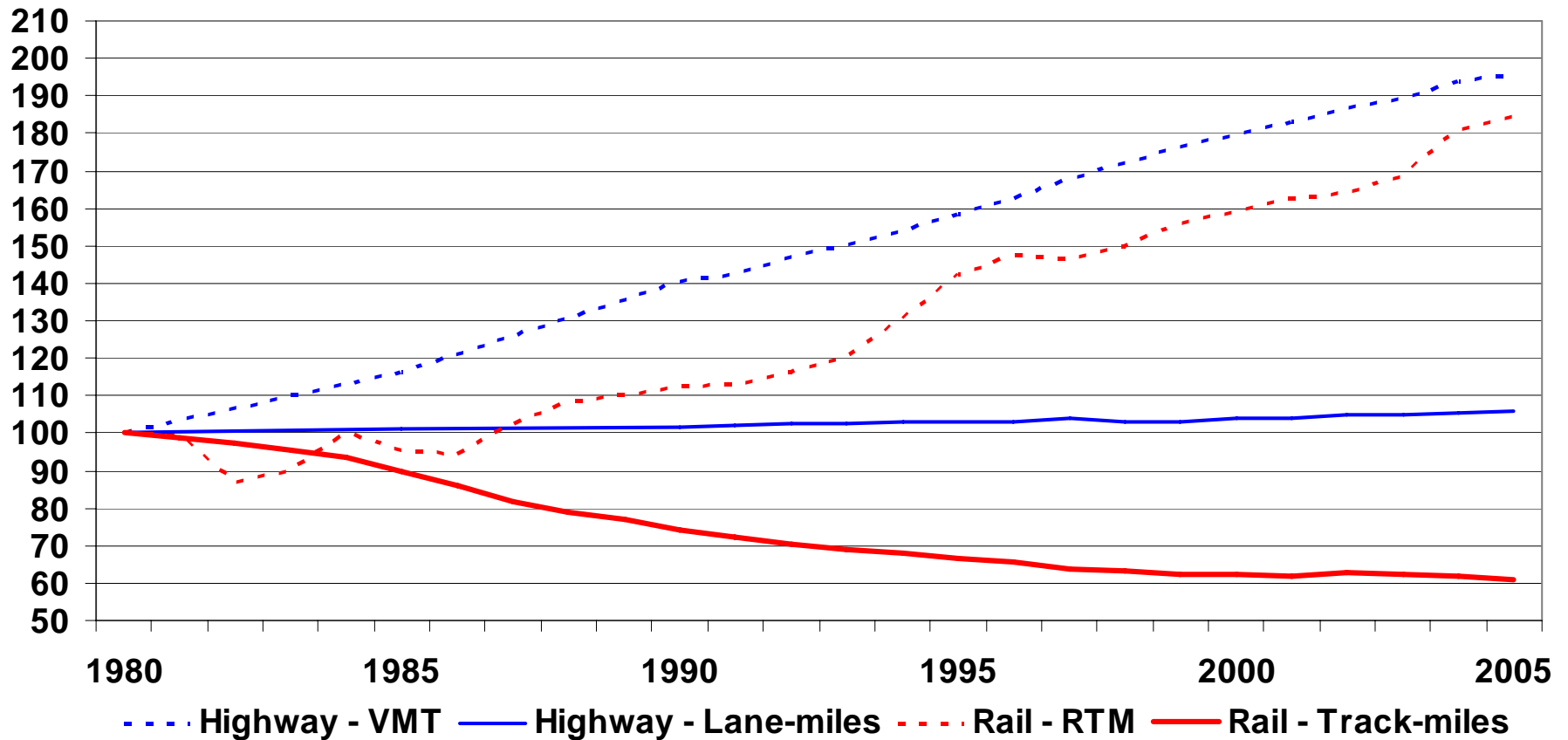
The supply chain represents \$1.4 trillion in goods and economic activity

A 1% change in supply chain costs = \$14 billion



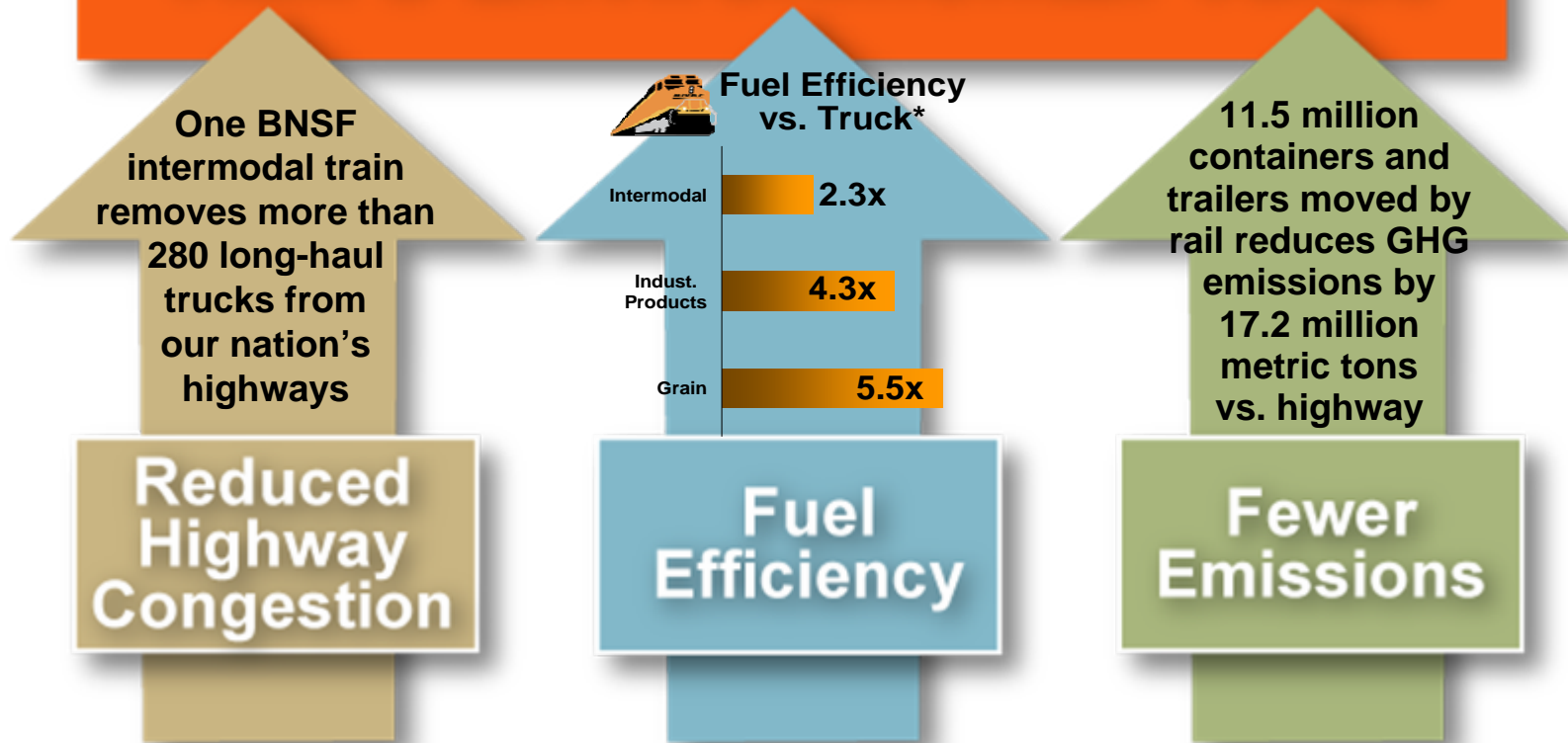
Source: Map - FHWA, 2002

# US highway and rail networks: System miles and volumes



# Freight Rail Works

## Rail's Environmental Value

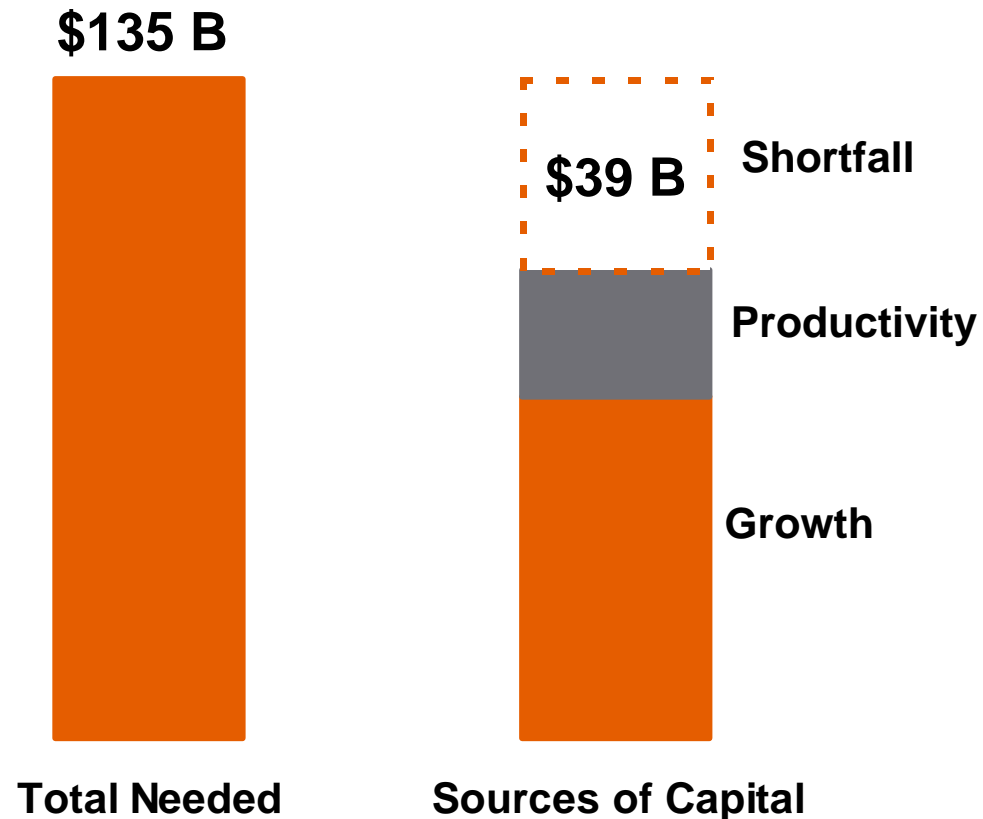


\*Based on a 1,500 mile truck haul

# To accomplish 10% we need to invest more in rail

- Assessed long-term capacity needs of primary rail freight corridors
- Assumed no shift in modal tonnage shares among rail, truck and water beyond those projected by U.S. DOT
- \$39 billion shortfall will occur without a stimulus to bring investments up sooner in their cycle

## Class 1 capital investments needed to meet 2035 volume demand



# Capacity Investment: Supporting Increased Market Share

**Exhibit 4-15. Impact of market share on annual freight rail investment requirements**

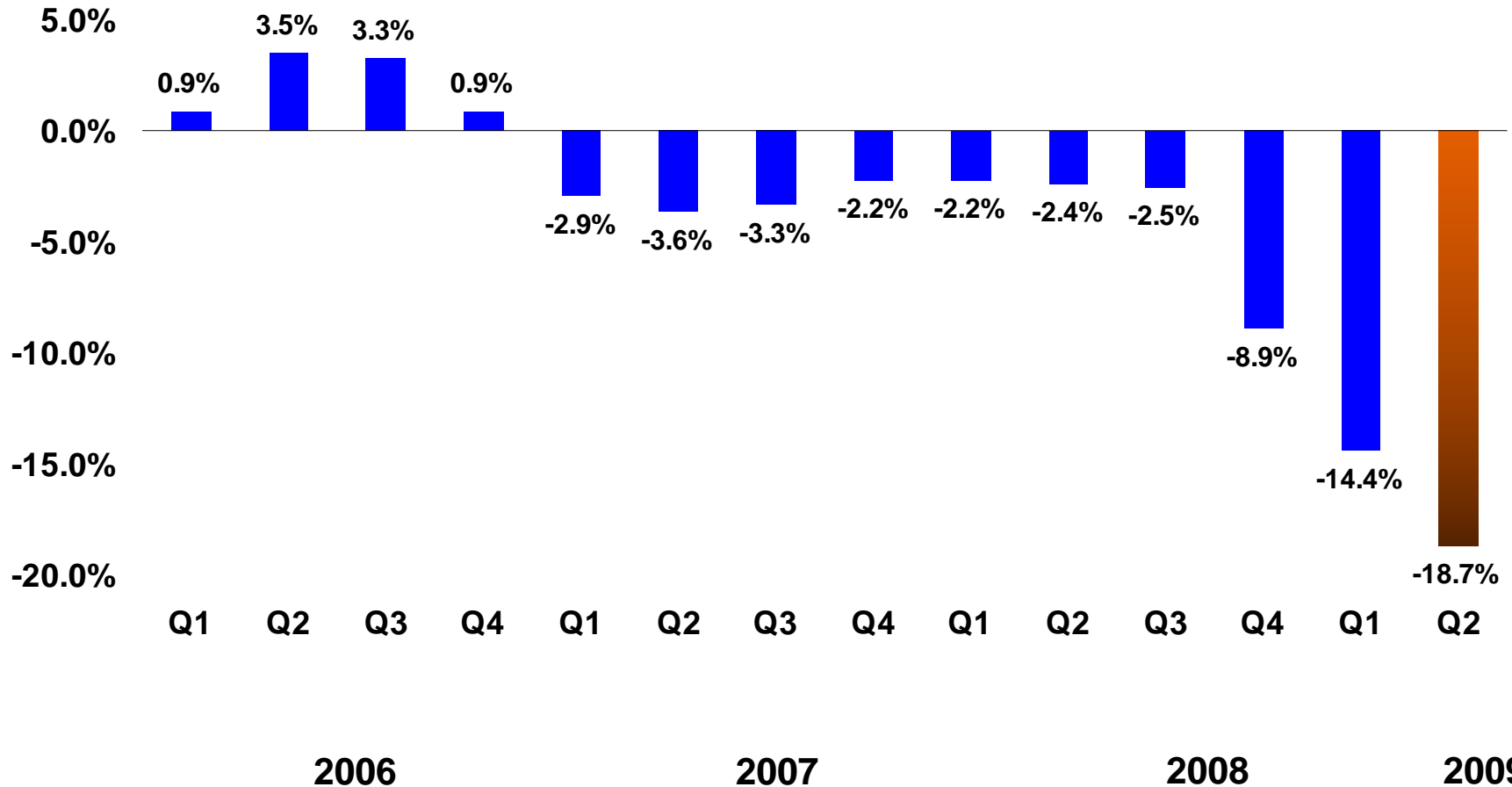
	Rail Ton-Miles in 2035 (trillions)	Annual Investment Required (\$ billions)	
Reduce Current Market Share	2.46	\$3.9	
Maintain Current Market Share	2.75	\$5.3	
Increase Market Share 5%	2.89	\$5.7	
Increase Market Share 10%	3.03	\$6.0	<b>Target</b>
Increase Market Share 20%	3.30	\$7.1	

**This table projects the capital costs required to accommodate alternative levels of rail ton-miles consistent with changes in freight rail's market share.**

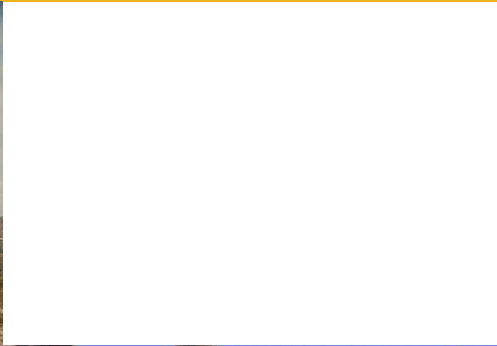
Source: Analysis conducted by Cambridge Systematics in support of the Commission.

# Running a railroad through recession to recovery - BNSF Volumes

Percent change  
Year over Year



# *Rational regulation works*



# *Rational Regulatory Policy – What is it?*

- **Provides:**
  - **Certainty and stability**
  - **Returns that justify reinvestment**
  - **Reasonable process for both shipper and carrier**
- **Acknowledges:**
  - **network-nature of railroading: costs and operations**
  - **capital intensity**
  - **ongoing need to replace and expand infrastructure**

# *Current Public Policy Debate*

- **Congressional efforts**
  - **Antitrust legislation**
  - **Regulatory oversight/legislative changes to STB**

**Bottom Line: Policy must be analyzed with long-term view toward re-investable returns.**

# OneRail Coalition



AMERICAN  
PUBLIC  
TRANSPORTATION  
ASSOCIATION



ASSOCIATION OF  
AMERICAN RAILROADS



American Short Line and  
Regional Railroad Association



NATIONAL ASSOCIATION OF  
RAILROAD PASSENGERS  
TRAINS: A TRAVEL CHOICE AMERICANS WANT



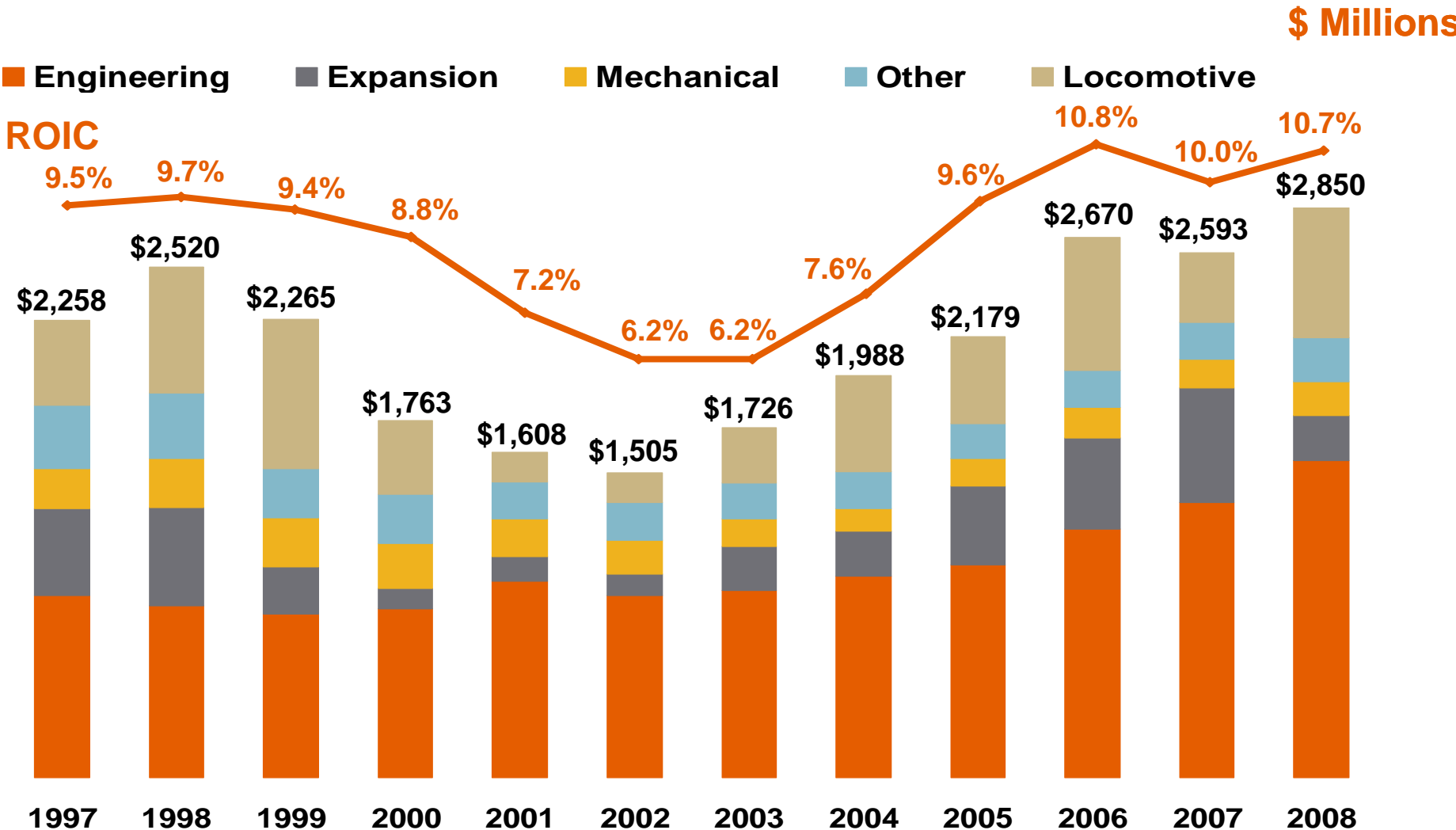
Railway Supply Institute



# *Public Policy Options to Consider*

- **Rational regulation**
- **A national, multi-modal vision for freight mobility**
- **Investment Tax Credit for freight rail expansion**

# Capital Commitments with ROIC



•2002-2007: ROIC is restated to reflect the change in methodology for discounting operating leases.



***BNSF***  
***RAILWAY***