Proven American Solutions

As with so many aspects of Canada's transportation system, the model for reform exists in the U.S., which went through many of the problems now being experienced here. The most important conclusion reached in the U.S. was that improvements to the transportation system, regardless of mode, would not occur without progressive policies that recognize the ongoing need for public investment to maintain a state of good repair and attract new, revenue-producing traffic.

Since the time of the collapse of the bulk of the Northeastern U.S. rail system in the 1970s, there have been federal and state programs to foster the retention and improvement of rail service. State governments have increasingly participated in this shift from a purely market-driven approach to railroading to one recognizing the need for public policy considerations.

In the U.S., three types of assistance have helped to boost the effectiveness of short lines. These are direct grants, low- or no-cost loans and tax credits for track maintenance.

Current federal initiatives that are assisting U.S. short lines include:

- The American Recovery and Reinvestment Act of 2009, which has provided supplemental and discretionary grants for all modes through the Transportation Investment Generating Economic Recovery (TIGER) Program;
- The Fostering Advancements in Shipping and Transportation for the Long-Term Achievement of National Efficiencies (FASTLANE) Program, which provides dedicated, discretionary funding of $4.5 billion for fiscal years 2016 through 2020 for projects that address critical freight issues under the Fixing America's Surface Transportation Act (FAST Act) of 2015; and
- Section 130 of the FAST Act, which funds up to 90 per cent of the cost of grade crossing improvement and grade separation projects.

Federal loans and loan guarantees have been provided to a wide variety of passenger and freight projects since 2002 under the USDOT's Railroad Rehabilitation and Investment Program. Up to $7 billion is reserved for projects benefitting freight railroads other than Class I carriers. Direct loans can fund up to 100 per cent of a project with repayment periods of up to 35 years and interest rates equal to the cost of borrowing to the government.

Equally valuable and more consistent has been the Railroad Track Maintenance (45G) Tax Credit, which was implemented under the American Jobs Creation Act of 2004 to provide short lines and regional railways a 50-cent tax credit for each dollar spent on track rehabilitation and maintenance up to $2,100 per km of track owned or leased. Because it offers an automatic and predictable tax credit, it has enabled long-range capital investment planning.

Through a combination of its own internally-generated capital funding, investment tax credits and grants from the federal, state and local governments, the Reading & Northern Railroad acquired and rehabilitated nearly 500 km of track in Eastern Pennsylvania. Without this short line rail service, many of the industries in this economically-challenged region would be unsustainable.

Thanks in large measure to the 45G Tax Credit, U.S. short lines have reinvested 25 to 33 per cent of their revenues since 2005 in infrastructure improvements, including during the difficult years of 2008 to 2010. Extension of the 45G Tax Credit has passed the Congress five times and is expected to become permanent with the passage of the Building Rail Access for Customers and the Economy (BRACE) Act. The legislation has been endorsed by 572 shippers, the 550 operating and supply industry members of the American Short Line and Regional Railroad Association, and the American Association of State Highway and Transportation Officials. The BRACE Act has enjoyed strong bi-partisan support in both houses of the Congress.

At the state level, more than half have programs of their own that provide financial support for a wide array of rail projects, including many specific to their short lines. Several states have multiple programs, some of which allow for shippers to make applications for grants to assist their short line service providers and to build sidings that will provide them with rail access.

Some states that are heavily reliant on agriculture and resource industries have gone beyond grant and loan programs to take ownership of critical rail mileage for continued or future use.

A prime example is Washington State, which has 22 short lines operating on approximately 2,200 km of track, of which nearly a quarter is state owned. Washington State has also "rail banked" several former Class I rights-of-way and contracted with private operators to re-establish operations on a cluster of lines in eastern Washington that it purchased between 2004 and 2007 to prevent their abandonment.

Washington's hands-on involvement in rail freight has also included programs to provide equipment the railways and their shippers couldn't afford on their own. To help alleviate a national shortage of grain cars in the early 1990s, the state accessed federal funds to purchase 29 used grain cars to carry wheat and barley from loading facilities in eastern Washington to export facilities in western Washington and Oregon. Known as the Washington Grain Train, the program now has a fleet of 118 cars (100 owned by the state and 18 by the Port of Walla Walla) that are used cooperatively by shippers, the state's two Class I railways and its short lines.

State programs such as those in Washington are increasingly being synchronized with those of the federal government through the development by the U.S. Department of Transportation (USDOT) of a National Freight System Plan, which is now at the draft stage. As of December 4, 2017, each state that applies for grants under a federal/state formula funding program must have developed its own state freight plan. To assist, the USDOT has established a set of guidelines for the states, which includes the establishment of freight advisory committees representing a cross-section of public and private sector stakeholders.