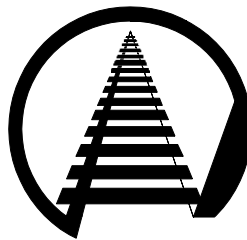


**TESTIMONY OF**  
**IAN JEFFERIES**  
**PRESIDENT & CHIEF EXECUTIVE OFFICER**  
**ASSOCIATION OF AMERICAN RAILROADS**



**BEFORE THE**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
**SUBCOMMITTEE ON RAILROADS, PIPELINES,**  
**AND HAZARDOUS MATERIALS**  
**HEARING ON “GETTING BACK ON TRACK: EXPLORING RAIL**  
**SUPPLY CHAIN RESILIENCE AND CHALLENGES”**

**MAY 11, 2023**

**Association of American Railroads**  
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## **Introduction**

On behalf of the members of the Association of American Railroads (AAR), thank you for the opportunity to testify on the supply chain challenges the rail industry and the nation are working diligently to overcome. AAR's members account for the vast majority of America's freight railroad mileage, employees, and traffic. Together with their Mexican and Canadian counterparts, U.S. freight railroads form an integrated, continent-wide network that provides the world's best rail service.

Supply chains are complex systems driven by a variety of global and domestic stakeholders, including railroads. For freight to be delivered safely and efficiently, all participants must take timely, appropriate actions in a precisely coordinated sequence. Freight railroads provide an indispensable, 24/7 link, connecting raw material suppliers, manufacturers, processors, ports, retailers, wholesalers, and consumers across the country and with markets overseas over a network spanning close to 140,000 miles. The operations and capital investments of America's major freight railroads support a million or more jobs and several hundred billion dollars in nationwide economic activity, wages, and taxes.

Unprecedented events in 2021 and 2022 caused major global supply chain dislocations that impacted every business, industry, and family in the United States and the rest of the world. While those pressures have mostly abated, U.S. freight railroads continue to face three primary, inextricably linked opportunities: furthering safety advancement, improving employee relations, and providing strong service to our customers. In this testimony, I will review each opportunity and outline proactive steps that railroads are taking to meet them. Finally, I will discuss the potential impact of certain policies being considered by Congress on railroads and overall supply chain performance.

## **Freight Railroads' Efforts to Further Improve the Safety of Their Operations**

Let me make absolutely clear at the outset: for freight railroads, pursuing safe operations is not an option; it's an imperative. Railroads are proud of their current safety record. However, earlier this year, we all saw the impact a train derailment can have on a community, and we are committed to continuing our industry's efforts to prevent what happened in East Palestine from happening elsewhere. Every rail accident is one too many, and railroads' ultimate goal is to eliminate accidents altogether.

### *FRA Data Shows the Past Decade is the Safest in Rail History*

Newly released data from the Federal Railroad Administration (FRA) confirms that 2022 was the safest year ever for incidents involving hazardous materials and for mainline derailments:

- The overall train accident rate was 28 percent lower in 2022 than in 2000.
- The accident rate for trains traveling on railroad mainlines—that is, outside of rail yards—was 44 percent lower in 2022 than in 2000. For Class I freight railroads, the mainline accident rate was down 49 percent from 2000 and set a new record low in 2022.
- The overall train derailment rate fell 31 percent from 2000 to 2022.
- The rate of train accidents caused by track defects fell 55 percent from 2000 to 2022 and set a new record low in 2022.
- The rate of accidents caused by equipment defects (mainly locomotives and freight cars) fell 21 percent from 2000 to 2022.
- Based on preliminary data, the hazardous materials accident rate in 2022 was 78 percent lower than in 2000 and set at an all-time record low.
- From 2000 through 2022, the employee injury rate was down 49 percent. For Class I railroads, the decline was 63 percent, with 2022 setting a new record low. According to data from the Department of Labor, railroads have lower employee injury rates than most other major industries, including trucking, airlines, agriculture, mining, manufacturing, and construction—even lower than grocery stores.

Railroads also acknowledge room for further improvement remains. Today, over 95 percent of rail-related fatalities are due to trespassing or occur at grade crossings. The combined total of trespasser and suicide fatalities for 2022 increased by 4 percent from 2021. Grade crossing collisions were down 23 percent last year compared to 2000, but along with trespass

incidents, these preventable accidents remain persistent challenges across the rail industry.

However, FRA data makes clear that our employees' strong safety culture, paired with the industry's sustained, disciplined investments in maintenance and technologies that target the primary causes of accidents, deliver meaningful safety results. Every train accident is one too many, and the need to make progress in the march to zero accidents is ever present.

### *Railroads are Taking Proactive Steps to Further Improve Safety*

Freight railroads do not need any additional incentive to be safe—it is core to all that we do. As such, when investigation into the recent derailment in East Palestine demonstrated areas where additional work was necessary to drive down risk and enhance safety, railroads took voluntary, proactive, data-driven steps to ensure a similar accident would never happen again.

Railroads have already announced a set of actions they are taking to deploy the tools available today, with a keen focus on detectors. Railroads are installing approximately 1,000 additional wayside hotbox detectors on the national network, standardizing critical alert thresholds for these systems, and analyzing and adopting new industry standards for trending analysis protocols to preempt potential problems.

Railroads will also continue to invest in modern technologies and equipment, such as automated track inspection, implement safety protocols, and prioritize safety training for their employees. The next great leap forward in safety will depend on the ability of railroads to innovate and deploy new technologies, but achieving the maximum benefit from these new technologies will require regulatory flexibility.

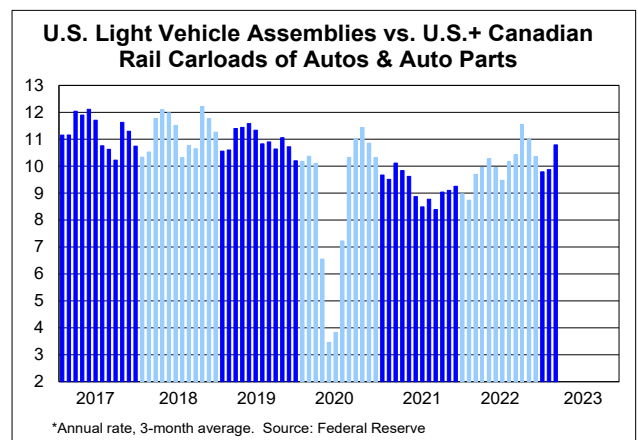
Railroads will also train roughly 20,000 first responders this year in local communities across the country on accident mitigation. In addition, the industry will facilitate the training of 2,000 first responders at the Security and Emergency Response Training Center (SERTC) in

Colorado, which offers an immersive experience with full-scale training scenarios that prepare first responders for real-world surface transportation emergencies. Finally, the industry is expanding its efforts to get AskRail into the hands of every first responder by directly targeting outreach to all 50 state fire associations and emergency communication centers to promote broader access versus relying solely on individual downloads. This app provides first responders with immediate access to accurate, timely data about what type of material a railcar is carrying so they can make an informed decision about how to best respond to a rail emergency. Congress and DOT can play a key role in promoting both SERTC and AskRail, including through expanded outreach to states and counties.

Freight railroads recognize they must restore confidence and demonstrate that nothing is more important to them than the safety of their employees, their customers, and the communities in which they operate. Railroads must keep improving in all aspects of rail safety, but the progress made demonstrates that the industry will do what it takes to meet that challenge.

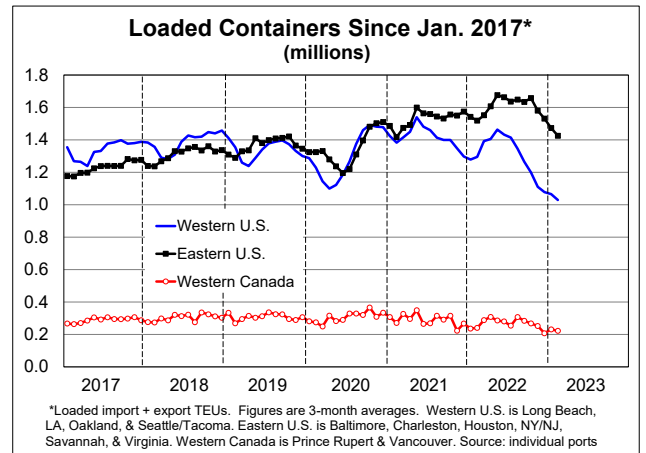
### **Freight Railroads' Efforts to Improve Service for their Customers**

During the pandemic, freight railroads, their freight transportation partners, and businesses throughout the country and world faced supply chain disruptions, labor challenges, extreme weather events, and rapidly shifting consumer demands. There are metrics indicating that the most severe supply chain problems are behind us. For example, rates to ship a container from China to Long Beach are back down to pre-pandemic levels. U.S. production of new cars and light trucks has also rebounded as supply chain



constraints, including severe parts shortages, such as semiconductor chips, have eased.

Additionally, U.S. port volume at the beginning of 2023 was far lower than in 2021 and 2022. For example, the ports of Long Beach, Los Angeles, Oakland, and Seattle-Tacoma combined had 2.68 million loaded TEUs in the first two months of 2022.<sup>1</sup> In the first two months of 2023, that was down to 2.03 million loaded TEUs, a 24 percent decline. That’s not to say that all elements of the supply chain are operating perfectly or that the work of supply chain participants is done, but improvements are clear and widespread.



Rail volumes are being impacted by these and other broader economic trends, including slowdowns in industrial output, high inventory levels at many retailers, lower port activity, and consumer spending that is not as robust as it was during most of the last three years. To date this year, while intermodal traffic is down due to depressed imports, carload traffic continues to show bright spots. Total U.S. carload traffic for the first four months of 2023 was 3,930,129 carloads, up 0.6 percent, or 23,161 carloads, from the same period last year; and 3,968,876 intermodal units, down 10.9 percent, or 484,228 containers and trailers, from last year. Total combined U.S. traffic for the first 17 weeks of 2023 was 7,899,005 carloads and intermodal units, a decrease of 5.5 percent compared to last year.

### *Railroads’ Efforts to Address Service Challenges and Work with Supply Chain Partners*

Railroads are working to ensure that supply chains are fluid and able to meet present and

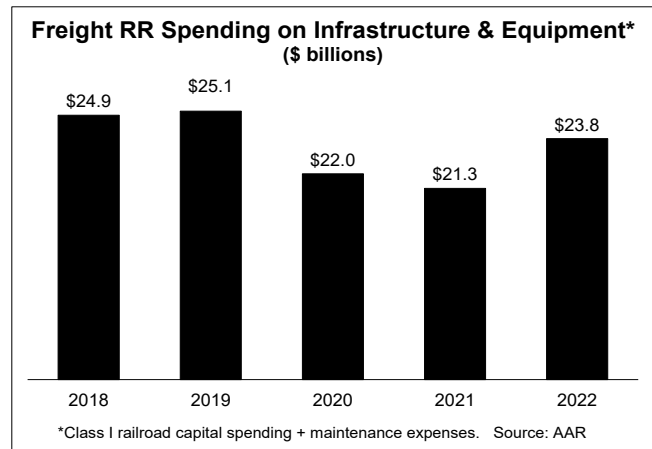
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<sup>1</sup> A TEU is a “20-foot equivalent unit,” a metric used to standardize a ship’s capacity and container volumes.

future freight transportation demand. Railroads know their service over the past year has not been what they or their customers want or deserve and are fully committed to restoring service to a consistently high level.

### Freight Railroads are Making Massive Investments in Their Infrastructure

Railroads continue to reinvest massive amounts back into their networks each year because they want to grow with their customers and provide a safe, fluid, and reliable network. Unlike trucks, barges, and airlines, America's privately-owned freight railroads operate almost exclusively on infrastructure they own, build,



maintain, and pay for themselves. Rail spending in 2022 was markedly higher than in 2020 and 2021. Over the last 15 years, freight railroads have invested, on average, \$23.9 billion of their own capital into improving and maintaining their networks every year. To put this into perspective, that is \$1 billion more than the historic investments Congress made this year in *rail and multi-modal programs* in the Infrastructure Investment and Jobs Act (IIJA) and the fiscal year 2023 Omnibus combined. For example, one railroad recently announced a \$1.5 billion state of the art rail facility to enhance the efficient movement of cargo between ship and rail. A project like this it will reduce truck traffic congestion, air pollution, and adverse quality of life conditions associated with goods movement, while supporting a robust, efficient, and resilient supply chain.

These investments are the reason that rail infrastructure today is the highest-rated infrastructure by the American Society of Civil Engineers. These investments improve service

and help railroads and their customers better weather service disruptions. Furthermore, these record investments in infrastructure, equipment, and technology have made railroads much safer.

These investments were made possible by the improvements in profitability that railroads have seen since passage of the Staggers Rail Act of 1980. Policymakers should consider the impact of proposals on railroads' abilities to make these investments in the future and weigh potential consequences to safety, capacity, efficiency, and service reliability.

### Freight Railroads are Working with Supply Chain Partners to Increase Fluidity

Freight railroads continue to partner with their customers to find constructive ways to maintain network fluidity, especially at rail terminals. For railroads, their biggest supply chain challenge in 2021 and 2022 was the inability of many rail customers to effectively process the flow of traffic, especially intermodal containers, into and out of rail terminals. This is problematic because rail terminals are focused on throughput; they are neither designed for, nor physically capable of, long-term storage of substantial amounts of freight. If rail terminals are not able to move freight out, trains back up on mainlines and soon impact rail operations hundreds (and potentially thousands) of miles away.

Fortunately, these problems have been greatly reduced in recent months, thanks to cooperative efforts between railroads and their supply chain partners. Specific steps taken vary railroad to railroad but have included:

- Increasing coordination between railroads to better manage the flow of traffic and with the trucking industry to take shipments as soon as warehousing capacity is available.
- Offering incentives to customers for weekend or off-hour in-gating at facilities near ports and for out-gating a container when they in-gate a container at facilities.
- Re-routing traffic away from busier to less crowded terminals.
- Re-opening closed terminals to create additional storage capacity.
- Increasing available storage capacity and staging space in and outside of terminals.
- Creating additional railroad-to-railroad interchanges to limit demand on truck drayage.



- Mounting containers onto any chassis brought in to help reduce dead-miles for truckers.

Railroads have also made a variety of online tools, apps, and other technologies available to their customers. These tools help rail customers trace shipments in real time, prioritize retrieval of containers, and minimize time spent in rail facilities. Boosting visibility into network shipments, while also maintaining greater resiliency in the system, will only help deliver the reliable and efficient transportation services customers expect and deserve.

To summarize, America's freight railroads have been doing their part through significant investments in their private infrastructure and equipment, development and implementation of innovative technologies, cooperation with their customers and supply chain partners, and operational enhancements to maintain and improve supply chain fluidity and to ensure sufficient capacity to deliver the goods our economy needs. The progress railroads have made in restoring service is unquestionably good news and the work to build upon that improvement is continuing.

### **Freight Railroads' Efforts to Improve Relations with Its Workforce**

Railroads have always relied on and greatly respect the skill and professionalism of their employees. These extremely talented men and women work incredibly hard every day to keep our economy going. Unfortunately, over the past couple of years, railroads, along with virtually every other industry, have faced major challenges with hiring and retaining a sufficient number of workers to meet the demand of their customers. The pandemic turned labor markets upside down. When rail traffic collapsed, railroads deployed a long-standing method of temporarily furloughing some employees. As the economy recovered faster than anyone expected and demand for rail service surged, far fewer furloughed employees chose to return than historical patterns would suggest, leaving railroads without a sufficient workforce. Railroads' single-biggest ongoing service-related challenge remains finding and keeping employees.

The recent round of collective bargaining created additional complications for railroads. The round ended with more acrimony than anyone would have preferred, and rail management and unions clearly have work to do to restore trust. The joint goal is a more positive work environment, increased job satisfaction, and higher employee retention.

Railroads are making real progress. Beyond pay and health care benefits that rank in the top 10 percent of all industries, railroads are working to build stronger relationships with their employees. Every Class I railroad, for example, has recently announced agreements with many of their unions on ways to improve quality of life, such as more predictable work schedules and additional paid sick leave. Additional discussions in these areas remain underway, and momentum seems to be compounding.

These efforts help explain why rail employment is growing. In March 2023, Class I freight railroad employment was up 7.5 percent (nearly 8,500 employees) over January 2022 and is at its highest level since April 2020. Train and engine (T&E) employment (the locomotive engineers and conductors who operate trains) was 11.5 percent (nearly 5,300 employees) higher in March 2023 than in January 2022. March 2023 was also the 14th straight month in which total T&E employment grew. Railroads are confident they will continue successfully recruiting the next generation of railroad workers to meet the nation's rail freight demand.

### **Congress Can Help Ensure Well-Functioning Supply Chains**

Policymakers have key roles to play in ensuring our nation's railroads, and supply chains more broadly, operate safely and effectively. Railroads are willing to engage in good faith, cooperative negotiations on these matters and encourage policymakers to take an objective, data-driven approach that includes meaningful dialogue with railroads and other interested parties.

Policymakers should be wary of proposals motivated by politics or uninformed by data as

they are unlikely to achieve meaningful safety or efficiency benefits and could have a wide range of unintended economic and environmental consequences, such as increased costs for shippers, and a negative impact on the safe movement of goods, including hazardous materials.

Policymakers should also ensure proposals do not “lock in” existing technologies; encourage the use of innovative technologies to enhance safety and efficiency; are based on performance-based standards; and avoid undermining railroads’ ongoing efforts to collaborate with stakeholders to keep the national rail network fluid.

### *Environmental Reviews and Permitting*

Congress should ensure that environmental regulations do not unduly inhibit the expansion, development, or construction of rail facilities that would meet supply chain needs and rail customers’ freight transportation demand. Railroads appreciate that Congress included project permitting provisions in the IIA. If properly implemented, these reforms could help ensure that federal dollars and railroads’ investments for infrastructure projects go farther and unnecessary delays will be minimized. Unfortunately, railroads are finding that unnecessary permitting delays continue to impede rail projects. The industry respectfully urges Congress to continue to address this issue and the Biden Administration to follow Congressional intent on recent and future statutory streamlining efforts.

### **Conclusion**

Railroads remain confident in their ability to meet our nation’s growing freight transportation demand. Railroads reduce emissions and the overall environmental impact of transportation; provide good-paying, stable careers to millions of Americans; enable domestic manufacturing, agriculture, and other industries to continue expanding; and enhance America’s competitiveness in the global economy. Railroads are committed to collaborating with all

stakeholders—the FRA, the Surface Transportation Board, their customers, their employees, elected officials, and many others—to attain the common goal of enhancing rail safety and keeping the goods that power our economy moving.