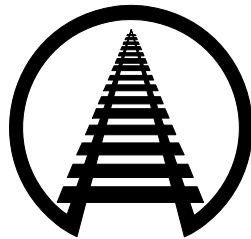


TESTIMONY OF
EDWARD R. HAMBERGER
PRESIDENT & CHIEF EXECUTIVE OFFICER
ASSOCIATION OF AMERICAN RAILROADS



BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER

HEARING ON BENEFITS OF AND CHALLENGES TO ENERGY ACCESS IN
THE 21ST CENTURY: FUEL SUPPLY AND INFRASTRUCTURE

MARCH 6, 2014

On behalf of the members of the Association of American Railroads, thank you for the opportunity to discuss the transportation of energy products by rail. AAR members account for the vast majority of freight railroad mileage, employees, and traffic (including energy products) in Canada, Mexico, and the United States.

The growth and vitality of our nation have always been closely tied to transportation. Today, our nation's transportation networks are, in aggregate, far and away the best in the world, providing both a substantial competitive advantage for our farmers and manufacturers in the marketplace and a means to significantly improve the standard of living for all of us.

The transportation of energy products is a central focus of our transportation networks, and railroads are proud of the critical role they play. By delivering (among many other things) coal to power plants, ethanol to fuel blenders, crude oil to refiners, and frac sand and steel pipes to natural gas extractors, railroads are indispensable in our nation's ongoing quest to achieve greater energy security and higher domestic energy production.

Back in 1980, the Committee on Interstate and Foreign Commerce — the precursor to today's Committee on Energy and Commerce — was the driving force behind passage of the Staggers Rail Act. It's no exaggeration to say that the Staggers Act, named after the chairman of the committee at the time, has turned out to be one of the most far reaching and successful pieces of transportation-related legislation in history.

By passing the Staggers Act, Congress recognized that America's freight railroads — the vast majority of which are private companies that operate on infrastructure that they own, build, maintain, and pay for themselves — faced intense competition for most of their traffic, but excessive regulation prevented them from competing effectively. To survive, railroads needed a common-sense regulatory system that allowed them to act like most other businesses in terms of

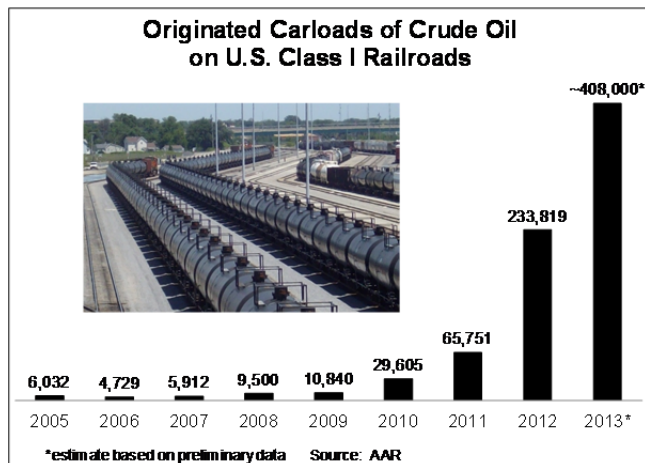
managing their assets and pricing their services. Since it was passed, average rail rates have fallen 42 percent, train accident rates are down 79 percent, rail traffic volume has nearly doubled, and railroads have reinvested \$550 billion — their own funds, not government funds — back into their systems. These massive investments have created a freight rail network that is the envy of the world.

Had this committee not done the right thing back in 1980, the U.S. rail industry today probably would not be the envy of anyone. Rather than providing a huge competitive advantage for U.S. businesses, huge savings for consumers, and strong support for our nation’s economic recovery, the rail industry would be much smaller, much less reliable, and much less productive. Below I talk about “shale oil” and the recent huge increase in crude oil traffic on railroads. Prior to the Staggers Act, the rail industry would never have been able to handle something like that. All of us owe this committee our thanks.

Below I also discuss railroads’ role in many energy markets and point out some steps policymakers can take to help ensure that railroads can continue to serve these markets safely, reliably, and cost-effectively for many years to come.

The Transportation of Crude Oil by Rail

All of you are probably aware that, in recent years, railroads have seen dramatic increases in demand to transport crude oil. As recently as 2008, Class I U.S. railroads (the seven largest railroads) originated just 9,500 carloads of crude oil. By 2012, carloads had

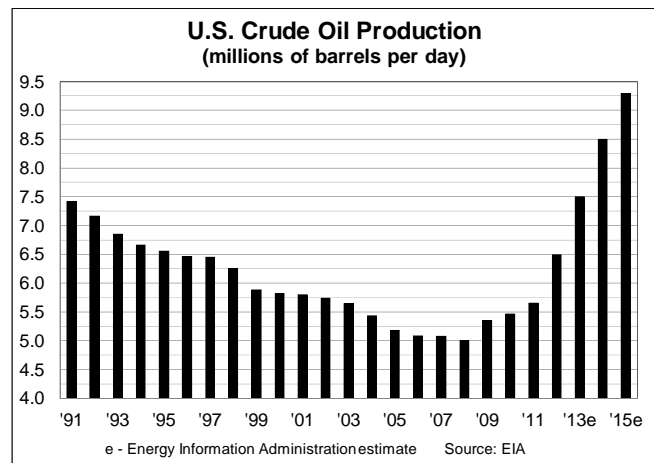


surged to nearly 234,000. Final numbers for 2013 aren’t in yet, but we estimate that crude oil

originations on Class I railroads in 2013 were around 408,000 carloads and terminations were around 434,000 carloads.¹ In 2013, crude oil accounted for about 1.4 percent of total originated carloads on Class I railroads, up from just 0.03 percent in 2008.

The huge increase in rail crude oil volume is a function of the massive, salutary development of North American oil resources in recent years, especially “shale oil.” U.S. crude oil production peaked in 1970 at 9.6 million barrels per day, but by 2008 it had fallen to 5.0 million barrels per day as depletion of older fields outpaced new production. Over the past couple of years, however, technological advances in the extraction of shale oil, along with relatively high crude oil prices, have led to sharply higher U.S. crude oil production. The Energy Information Administration (EIA) states that production rose to an average of 6.5 million barrels per day in 2012 and 7.5 million barrels per day in 2013.

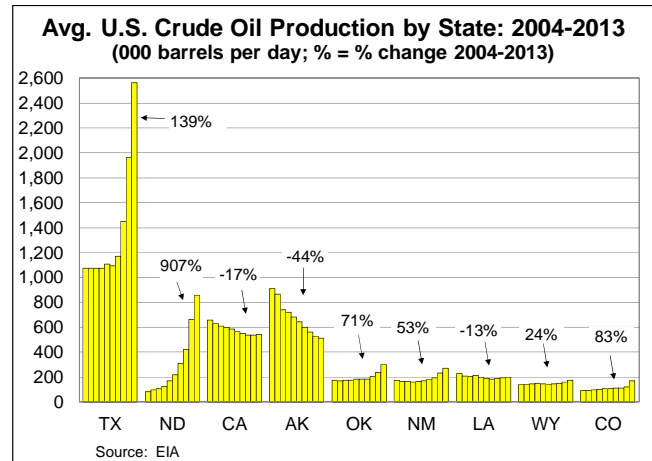
Barring unforeseen circumstances, deposits of crude oil in shale formations across the country will continue to be developed. As a result, the EIA projects that U.S. crude oil production will increase to 8.5 million barrels per day in 2014 and 9.3 billion barrels per day in 2015.



Much of the recent increase in crude oil production has occurred in North Dakota, where crude oil production rose from an average of 81,000 barrels per day in 2003 to 940,000 barrels per day by the fall of 2013, making North Dakota the second-largest oil producing state. Crude oil output in Texas, the top U.S. producer, was around 1.1 million barrels per day for years until 2009. Since then, output has skyrocketed, exceeding 2.7 million barrels per day by late 2013.

¹Originations do not exactly equal terminations because some crude oil that originates on U.S. Class I railroads might be delivered to U.S. short lines or to railroads in Canada for termination and because some crude oil that terminates on U.S. Class I railroads might originate on railroads in Canada or on U.S. short line railroads.

Assuming for simplicity that a rail tank car holds about 30,000 gallons (714 barrels) of crude oil, the approximately 408,000 carloads of crude oil originated by Class I railroads in 2013 equal around 800,000 barrels per day, or about 11 percent of U.S. crude oil production — up from virtually nothing just a few years ago.



The development of shale oil represents a tremendous opportunity for our nation to move closer to energy independence. The widespread benefits this would entail include reduced reliance on oil imports from unstable countries whose interests do not necessarily match up well with our own; increased economic development all over the country; thousands of new well-paying jobs; tens of billions in savings in our nation’s trade deficit every year; and substantial amounts of new tax revenue for governments at all levels. Rail has a critical role in delivering these crucial benefits to our country.

Advantages to Our Nation of Transporting Crude Oil by Rail

In addition to the critical fact that railroads provide transportation capacity in many areas where pipeline capacity is insufficient, railroads offer a number of other advantages for transporting crude oil:

- Geographical Flexibility. By serving almost every refinery in the United States and Canada, railroads offer market participants enormous flexibility to shift product quickly to different places in response to market needs.
- Efficiency. As new rail facilities are developed, railroads are involved at every step, helping facility owners decide where to locate assets and how to lay out rail infrastructure to maximize safety and efficiency.

- Responsiveness. Rail facilities can almost always be built or expanded much more quickly than pipelines and refineries can be. Essentially, railroads are the only transportation mode that can invest in facilities quickly enough to keep up with production growth in the emerging oil fields.
- Underlying Infrastructure and Equipment. Just over the past few years, railroads have invested tens of billions of dollars to replace and resurface tracks, buy new locomotives, build new terminals and track capacity, hire new employees, and take other steps to enhance their ability to transport crude oil.



Notwithstanding these attributes of rail, railroads recognize that if we are to continue down the path of energy independence, other transportation modes — including, of course, pipelines — have crucial roles to play.

Enhancing the Safety of Crude Oil by Rail

Our nation can't take full advantage of our new crude oil resources without railroads. But, at the same time, we have to remember how important it is to move the crude oil safely. From 2000 through 2013, a period during which U.S. railroads originated approximately 832,000 carloads of crude oil, more than 99.98 percent of those carloads arrived at their destination without a release caused by an accident. That's a very good safety record, but the railroads are committed to continuing to look for ways to be safer.

To that end, we are happy that we have been able to come to an agreement with U.S. Department of Transportation Secretary Foxx, with the assistance of Administrator Szabo of the Federal Railroad Administration (FRA) and Administrator Quarterman of the Pipeline and Hazardous Materials Safety Administration (PHMSA), on a series of measures to further

enhance the rail industry's ability to safely meet the growing demand for crude oil transportation. These measures focus on prevention, mitigation, and response.

Under the agreement, tracks on which trains carrying large amounts of crude oil will be subject to more frequent track inspections, speed restrictions, and the use of a sophisticated routing model to assess the safest and more secure routes. These steps are aimed mainly at accident prevention. Railroads also help prevent accidents by reinvesting huge amounts to renew, upgrade, and expand their infrastructure and equipment. These investments will likely exceed \$26 billion in 2014, more than ever before, as I discuss further below.

Railroads are also recommending a variety of ways, including the use of thicker shells, to make tank cars safer. This will help mitigate the consequences of accidents should they occur. For example, railroads support strengthening tank cars used to transport crude oil with thicker, 9/16th inch shells. Railroads also believe that tank cars used to haul crude oil should be equipped with a number of other features, including an outer protective "jacket," thermal protection, full-height head shields on the ends of cars, top fitting protections, and bottom outlet handles that provides greater protection in the event of a derailment. These features would make tank cars more robust. We also believe that existing tank cars that do not meet these higher standards should either be modified to meet the standards or aggressively phased out.

Emergency response is crucial too. Railroads already have extensive emergency response functions, which work in cooperation with federal, state and local authorities. More than 25 years ago, the AAR established what is now the Security and Emergency Response Training Center (SERTC), a world-class facility in Pueblo, Colorado. The SERTC has provided in-depth hazmat emergency response training to more than 50,000 people. In addition, as part of regular operations, railroads and communities develop and evaluate emergency response plans

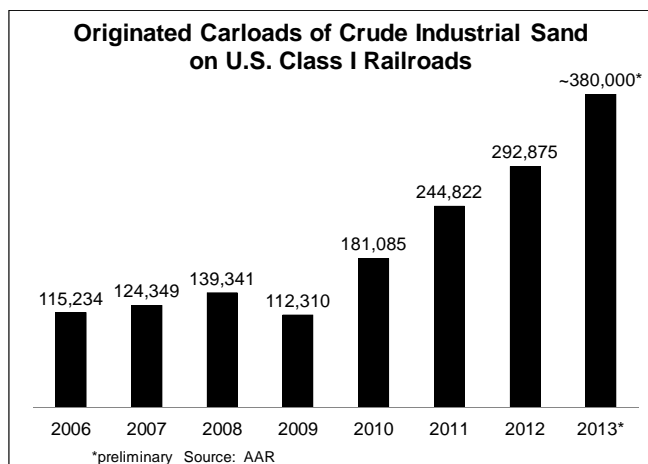
and train more than 20,000 emergency responders each year. The rail industry’s commitment, announced on February 21, to spend approximately \$5 million to assist communities to train specifically for crude oil incidents will help to minimize damage caused by crude oil releases.

The discussion of safety above is just a summary of the significant, comprehensive, and ongoing rail safety efforts related to crude oil. The AAR would be happy to provide more details on any of these efforts upon request. But you should know that, when it comes to safety, railroads are not just focused on crude oil. No matter the commodity railroads are hauling, nothing is more important than safety. We are a safe industry now, but we are always looking for ways to be even safer. We will continue to work with you, policymakers at DOT, FRA, PHMSA, and elsewhere, with rail industry suppliers, and with our customers in every industry we serve in a continuous effort to make tomorrow safer than today.

Other Key Rail Contributions to Domestic Petroleum-Related Production

Hydraulic fracturing, or “fracking,” involves pumping a mixture of water, sand and chemicals down a well at high pressure to create thin cracks in the shale rock, thereby freeing oil and gas trapped inside and allowing it to be brought to the surface. Transporting large amounts of “frac sand” marks another important way that railroads are making critical contributions to our energy security and enhanced domestic energy production.

In 2009, U.S. Class I railroads originated just over 112,000 carloads of industrial sand, a broad category that includes frac sand. In 2013, railroads originated approximately 380,000 carloads of industrial



sand. Frac sand is the primary driver behind this substantial increase. (A typical rail car of frac sand contains around 100 tons; a single horizontal well typically uses between 3,000 and 10,000 tons of sand, or the equivalent of 30 to 100 rail carloads.)

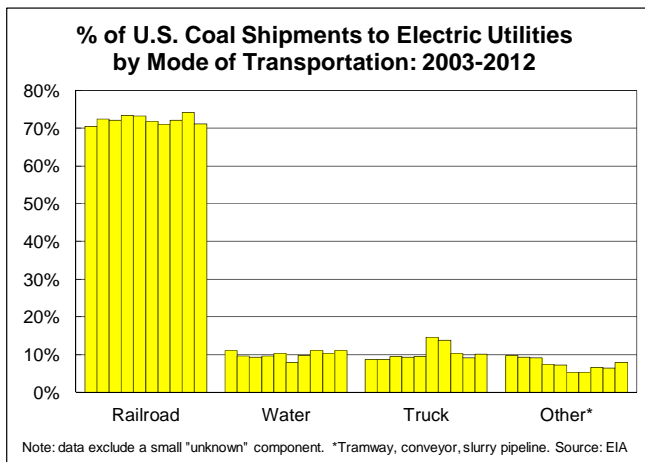
Railroads are also key players in the movement of iron ore, scrap steel, and other raw materials to steel plants that produce the pipes used in crude oil and natural gas production, and in the delivery of those pipes from steel plants to crude oil and natural gas production areas.

Railroads and Coal

U.S. coal production is focused in a relatively small number of states, but coal is consumed in large amounts all over the country. This is possible because the United States has the world's most efficient and comprehensive coal transportation system, with railroads leading the way. Indeed, no single commodity is more important to America's railroads than coal. Coal accounted for 41.0 percent of rail tonnage and 21.6 percent of rail gross revenue in 2012.

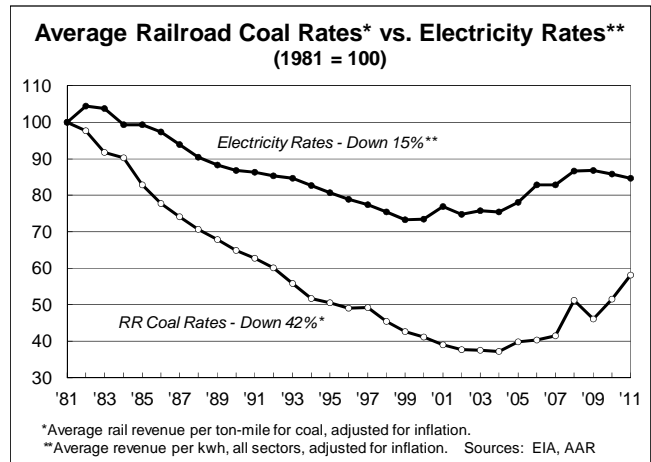
Electricity Generation From Coal

The vast majority of coal in the United States is consumed at coal-fueled power plants. Historically, coal has dominated U.S. electricity generation because it is such a cost-effective fuel choice. In fact, over time, cost-effective coal-fired electricity has generated immeasurable benefits to our economy and our standard of living, and freight rail is a big reason for that. In 2012, railroads delivered 577 million tons of coal to our nation's electric utilities, equal to more than 70 percent of total coal deliveries to power plants.

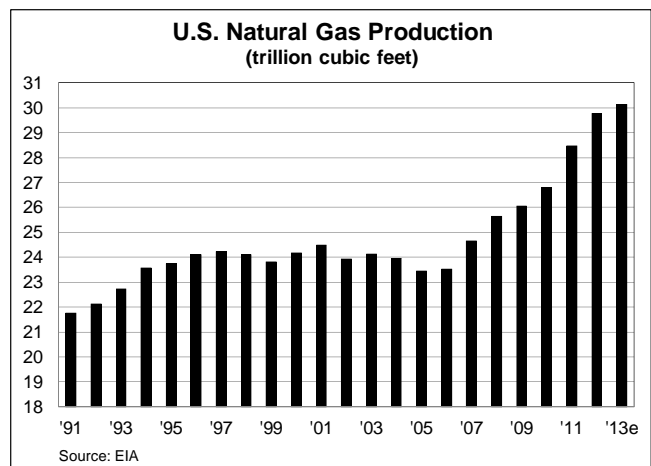


Revenue per ton-mile (RPTM) is a useful surrogate for rail rates. In 2011 (the most recent year for which RPTM data for coal are available), average RPTM for coal was 2.88 cents, by far the lowest such figure among major commodities carried by railroads. Average RPTM in 2011 for all commodities other than coal was 5.78 cents — double the comparable coal figure.

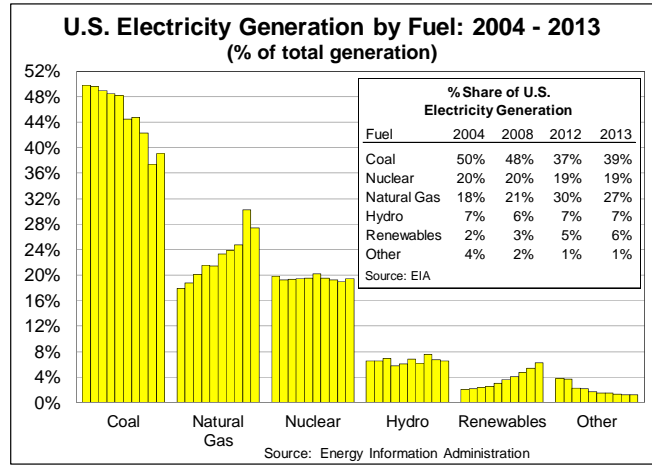
Adjusted for inflation, coal RPTM was 42 percent lower in 2011 than in 1981. This means a typical coal shipper in 2011 could ship close to twice as much coal for what the shipper paid 30 years before. The average decline in rail coal rates over time is much greater than the average decline in the price of electricity over time, indicating that railroads are doing their part to keep electricity affordable for U.S. consumers.



As discussed above, the “shale revolution” has led to higher U.S. rail carloads of crude oil and frac sand, but it’s also led to sharply lower rail carloads of coal. That’s because fracking and horizontal drilling have led to sharply higher U.S. natural gas production, which in turn has meant sharply lower natural gas prices to electric utilities. This has made electricity generated from natural gas much more competitive in the electricity marketplace relative to electricity generated from coal.

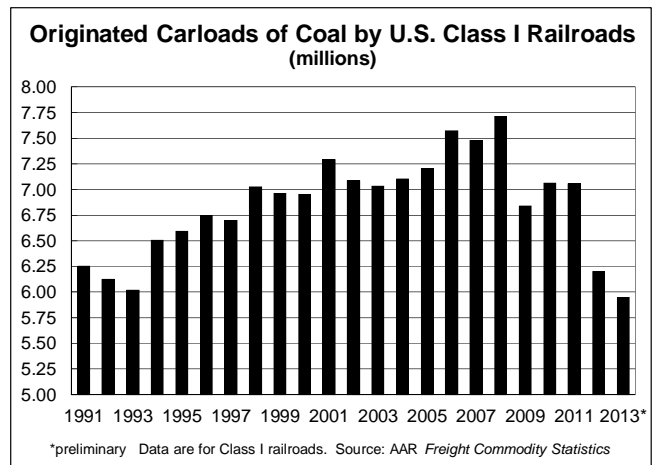


Consequently, natural gas's share of total U.S. electricity generation has surged in recent years, while electricity generated from coal has fallen correspondingly. The coal share of electricity generation was 50 percent or higher each year from 1980 through 2003 and 48 percent as recently as 2008, but was just



39% in 2013. The growth of renewable energy and increasingly stringent environmental constraints have also played important roles in coal's declining share of electricity generation.

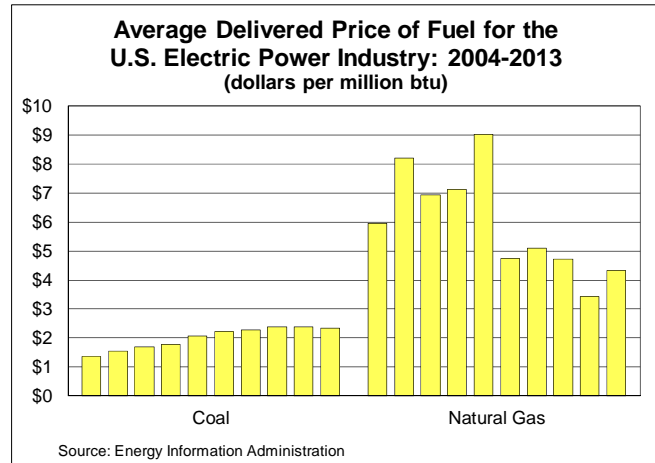
Reduced electricity generation from coal in recent years has meant a big decline in rail carloads of coal. U.S. Class I railroads originated 6.2 million coal carloads in 2012, the lowest annual total since 1993; coal carloads dipped just below 6 million in 2013. That decline has been a tremendous challenge for railroads to deal with, but railroads understand that the competitive markets in which they operate are sometimes unforgiving.



The recent decline notwithstanding, it's clear that coal-based electricity generation is not going to disappear any time soon. In 2013, natural gas's share of electricity generation fell for the first time in five years, in part because the price of natural gas to electricity generators rose, on average, nearly 27 percent in 2013 over 2012. The future of natural gas generation will depend largely on what happens to the price of natural gas; there is no guarantee it will stay as

low as it has been in recent years.

Meanwhile, the amount of electricity generated by nuclear power has been basically flat for years. Since few if any new nuclear plants will be coming on line in the foreseeable future, that's not likely to change. The share of total electricity

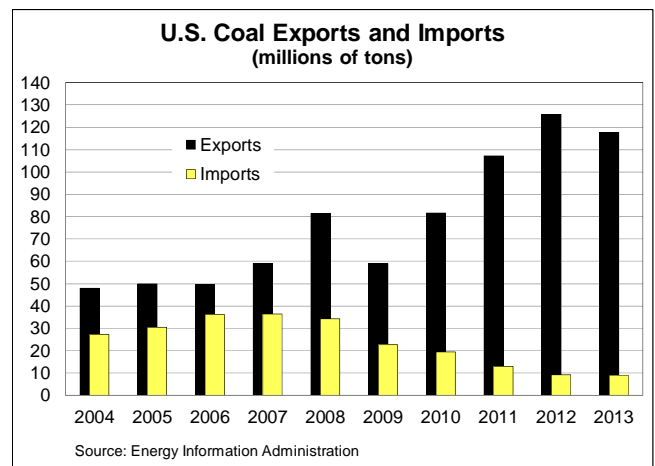


generation attributable to non-hydroelectric renewable sources — primarily solar and wind — has doubled in the past five years, but in 2013 was still just 6.2 percent of total U.S. generation.

Given these facts, there is no realistic alternative for the United States other than to continue to rely heavily on coal-based electricity generation for many years to come. Railroads look forward to continuing to provide their utility coal customers with safe, reliable, and cost-effective service now and in the future.

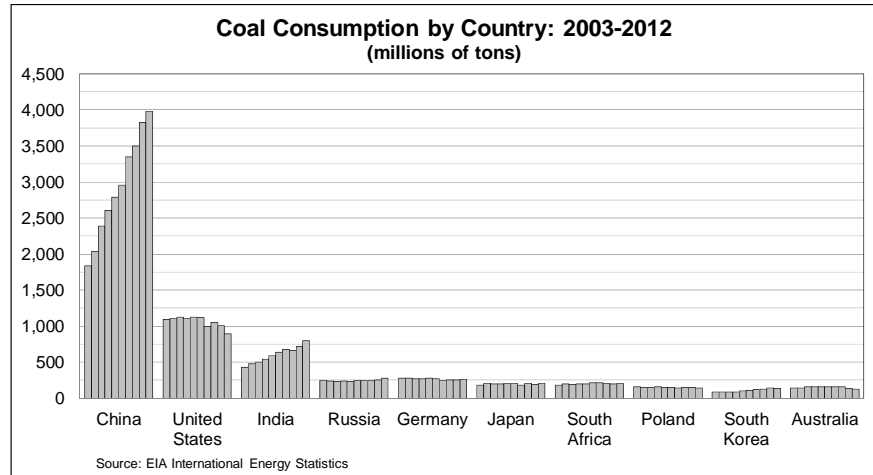
U.S. Coal Exports

U.S. coal exports were a record 125.7 million tons in 2012. In 2013, they were down slightly to 117.7 million tons, but that was still the second-highest annual total in U.S. history. A significant portion of U.S. coal exports travels by rail.



As noted above, U.S. coal consumption, primarily for electricity generation, will almost certainly continue at high levels far into the future, albeit not necessarily at levels once seen. In some other countries, especially in Asia, coal consumption continues to grow rapidly. In 1980,

China accounted for approximately 16 percent of world coal consumption and the United States accounted for approximately 17 percent. In 2012, the U.S. share was down to 11 percent, but the



China share was up to approximately 48 percent. Likewise, India’s share has grown too, reaching nearly 10 percent in 2012. If current trends continue, within a few years China could be consuming as much coal as all the other countries in the world combined, and India will supplant the United States as the world’s second largest coal consumer.

U.S. coal producers can compete with coal producers anywhere else in the world. Thus, U.S. coal producers are hopeful that coal exports will grow in the future, with Asia, especially China and India, seen as especially important potential markets. In 2012, U.S. coal exports to Asia were 32.5 million tons. U.S. coal exports to China in 2012 were just 10.1 million tons, and to India just 6.8 million tons — both miniscule percentages of total coal consumption in those countries.

The lure of higher coal exports to Asia is the main impetus for plans, as of this writing unfulfilled due to opposition by some in the environmental community, to build new coal export terminals in California or the Pacific Northwest. For China and India, if consuming more coal means cheaper and more reliable electricity for the hundreds of millions of people in those countries who currently don’t have it, then consuming more coal is what they’ll do. This coal could be supplied by U.S. coal producers and U.S. coal transporters, who operate under the

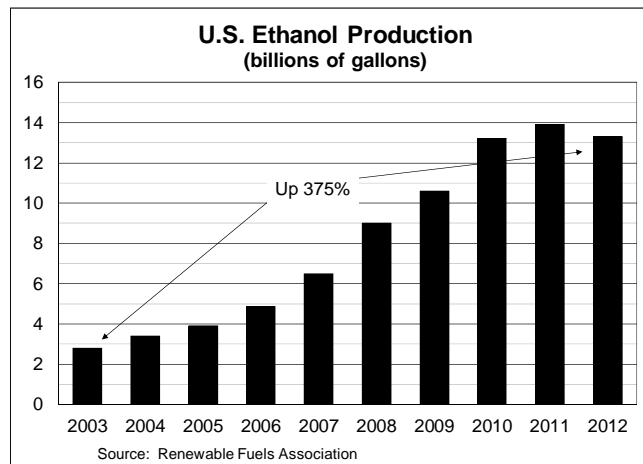
world's most stringent safety and environmental standards, or it could be supplied by coal producers and transporters in other countries who operate under more lax standards. The fact is, coal producers in other countries are actively and aggressively pursuing exports to Asia and other markets. They know that U.S. coal is highly competitive and would love to see U.S. coal kept away from global markets. The United States can and should compete aggressively for these markets, and we can do it in a way that both benefits our economy and adheres to rigorous state and federal guidelines to protect the environment.

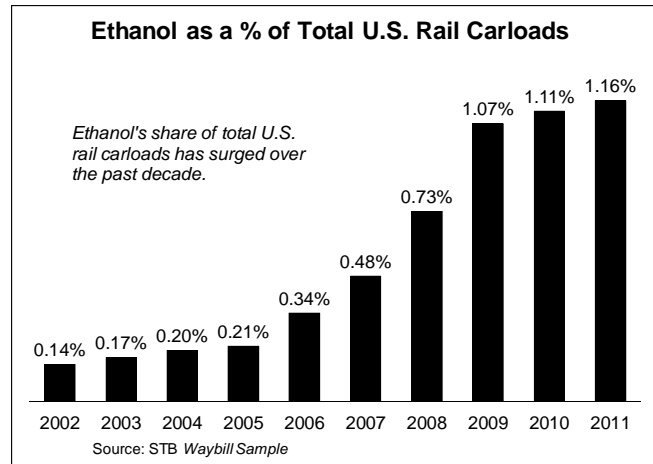
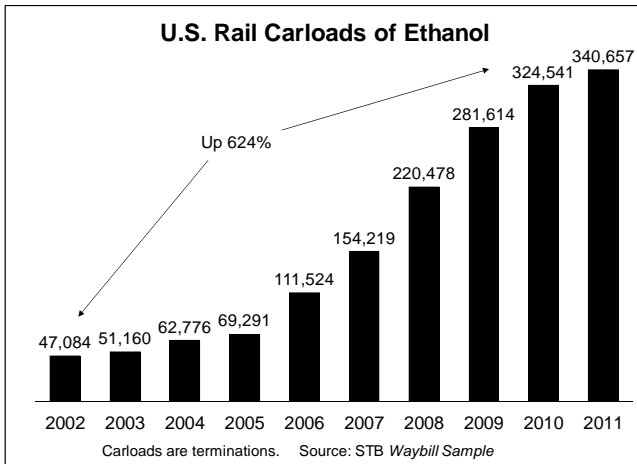
U.S. freight railroads have a long record of working cooperatively with communities in which they operate so that community concerns regarding safety are addressed. It would be no different for communities that see more train traffic related to expanded coal exports.

Railroads and Ethanol

The U.S. ethanol industry has seen tremendous growth. In 2012, U.S. ethanol production was approximately 13.3 billion gallons, a 375 percent increase over the 2.8 billion gallons produced in 2003.

Ethanol production is concentrated in the Midwest — where most of the corn that goes into ethanol production is grown — but many of the major markets for ethanol are on the East Coast, California, and Texas. Thus, large amounts of ethanol are transported from production to consumption areas. Railroads are the mode of choice, accounting for approximately 70 percent of ethanol transport.





In 2011 (the most recent year for which data are available), U.S. railroads terminated nearly 341,000 carloads of ethanol, up from 47,000 carloads in 2002. In 2011, ethanol accounted for 1.2 percent of total rail carloads (up from 0.1 percent in 2002) and 1.7 percent of rail tonnage (up from 0.2 percent in 2002).

Each of the seven U.S. Class I railroads transports ethanol, with some serving several dozen plants. An estimated 15 to 20 percent of ethanol rail movements originate on non-Class I railroads — not surprising, given the rural nature of many short lines and much of America’s ethanol production.

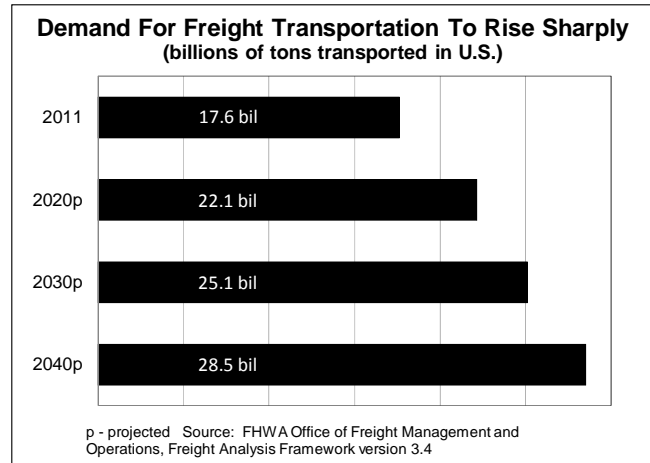
To be sure, the ethanol industry faces its own set of challenges, including the “blend wall” and the price of the corn that is the feedstock for most U.S. ethanol production. Ethanol producers should know that railroads will continue to work closely with them to help ensure America’s ethanol transportation needs are met safely and efficiently.

Railroad Capacity Issues

America’s demand for safe, affordable freight transportation that promotes economic growth and enhances America’s competitiveness in the global economy is sure to grow in the years ahead, for products relating to energy and otherwise. Recent forecasts reported by the Federal Highway Administration found that total U.S. freight shipments will rise from an

estimated 17.6 billion tons in 2011 to 28.5 billion tons in 2040 — a 62 percent increase.

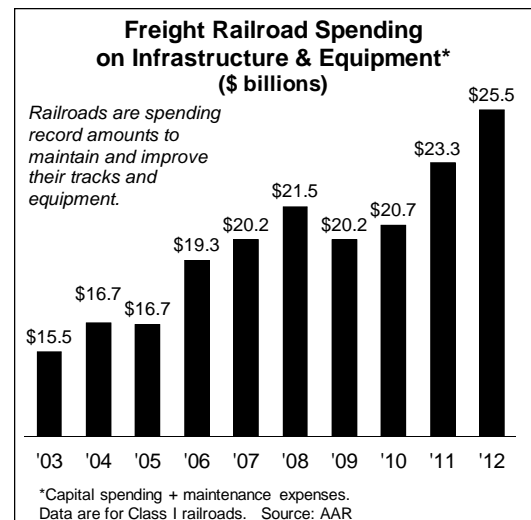
From time to time, interested parties question whether railroads will have the capacity to handle this increase in traffic. Along the same lines, sometimes there are questions concerning whether railroads can



handle possible growth in crude oil volumes in the years ahead. We’re confident that the answer to both questions is “yes.”

As noted earlier, unlike trucks, barges, and airlines, America’s freight railroads operate almost exclusively on infrastructure that they own, build, maintain, and pay for themselves. Because of the \$550 billion — their own funds, not taxpayer funds — railroads have invested in locomotives, freight cars, tracks, bridges, tunnels and other infrastructure and equipment since 1980, the U.S. freight rail network is in better overall condition today than ever before and is the envy of freight rail systems worldwide. It’s no surprise that The Economist magazine recently noted that the American freight rail system is “one of the unsung transport successes of the past 30 years” and is “universally recognized ... as the best in the world.”²

In fact, in recent years, America’s freight railroads have been reinvesting more private capital than ever before to renew, upgrade, and expand their infrastructure and



² The Economist, “High-speed Railroading: America’s System of Rail Freight is the World’s Best. High Speed Passenger Trains Could Ruin It,” July 22, 2010.

equipment, including a record \$25.5 billion in 2012 and a comparable amount in 2013. Rail spending this year is expected to be even higher. These investments enhance the capacity and capability of rail networks and the safety of rail networks.

Of course, markets change in every industry over time, and railroads are no different in having to be able to adapt to these changes. Indeed, for railroads, markets and related traffic patterns are continuously in flux. Making things more complicated for railroads is the fact that traffic volume for a particular commodity might be declining in one region at the same time that it's increasing for another commodity in a completely different region. (What's happening with crude oil and coal is a good recent example of this phenomenon.) Or, volume might be low for a particular commodity in one region one month, and much higher a few months later. (Recent experiences with grain, when rail traffic volumes went from record lows early in 2013 to above average in late 2013, is an example of this.)

The key point is that railroads have in place complex and remarkably effective operating plans that are able to incorporate the differing types of demand placed on various portions of a rail network, as well as the changes in that demand, at different points of time. These plans aren't perfect — day-to-day fluctuations in volume, weather, crew and equipment availability, for example, can have an enormous impact on the ability of a railroad to manage to the dictates of its operating plan, and even in the best operation, trains may be late (or early), customers may not release cars on time, bad weather may ensue, grade crossing accidents may happen, and delays may occur. Nevertheless, every day America's railroads do a remarkable job in meeting the needs of an extremely diverse set of shippers. On any given day, they are moving several hundred thousand carloads of freight. The vast majority of these shipments arrive in a timely manner, in good condition, and at rates that shippers elsewhere in the world would love to have.

In the case of crude oil specifically, the approximately 408,000 carloads originated by Class I railroads in 2013 represented about 1.4 percent of total rail carloads. Even if crude oil traffic doubled and railroads were hauling more than 20 percent of U.S. crude oil production, crude oil would still represent only around 3 percent of total carloads. This is less than the year-to-year variations railroads often see in traffic volumes.

That's not to minimize the importance of crude oil traffic, or imply that railroads don't incorporate the needs of their crude oil customers into their operating and infrastructure planning — railroads certainly do those things. It does mean, though, that while there may well be temporary rail capacity limitations in isolated areas where traffic volumes might be highly concentrated, it is unlikely that railroad line capacity will be a major factor in the ability of crude oil to move to market. Terminal capacity owned and developed by shippers and receivers may be another matter, but the solution to that potential problem is generally controlled by those who are most eager to develop crude production, and the tremendous growth in those terminals in recent years is a clear indication that the market is trying to take care of that issue. I noted earlier that railroads are advocating modifications to tank car designs to make tank cars carrying crude oil more robust. Depending on what regulatory steps are taken in this regard, it is possible that rail car availability might be an issue for crude oil, particularly during any transition period.

The bottom line, though, is that while railroad capacity may be a limited, location specific issue, it is almost certainly not a valid reason to believe that, in terms of crude oil production and distribution, growth will be seriously hampered.

As noted above, as America's economy grows in the years ahead, the need to move more people and goods will grow too. Railroads will continue to reinvest huge amounts back into their systems — they know that, if America's future transportation demand is to be met, rail

capacity must be properly addressed. But if the United States is to have the socially optimal amount of rail capacity, policymakers must help. Perhaps the most important step policymakers can take in this regard is to retain the existing balanced system of railroad regulation. Today's balanced system protects rail customers against unreasonable railroad conduct while allowing railroads to largely decide for themselves how to manage their operations. Excessive regulation would prevent railroads from making the massive investments required to meet our nation's energy and other freight transportation needs.

Environmental Laws and Regulations

When railroads analyze the financial viability of potential infrastructure investments, one of the significant costs they must consider is associated with compliance with prevailing federal, state, and local environmental laws and regulations. While these laws are designed to further important societal objectives, they have at times been used to delay — and even force cancellation of — needed rail investments.

Under existing law, state and local regulations (other than local health and safety regulations) that unreasonably interfere with rail operations are preempted by federal regulations. These federal regulations protect the public interest while recognizing that railroads form an integrated, national network that requires a uniform basic set of rules to operate effectively.

Nevertheless, rail expansion projects — including projects that would enhance the ability of railroads to move energy products — often face vocal opposition from members of affected local communities or even larger, more sophisticated special interest groups from around the country. In many cases, railroads face a classic “not-in-my-backyard” problem, even for projects for which the benefits to a locality or region far outweigh the drawbacks. In the face of local opposition, railroads try to work with the local community to find a mutually satisfactory

arrangement, and these efforts are usually successful. When agreement is not reached, however, projects can face lawsuits, seemingly interminable delays and sharply higher costs.

One of the many examples involves an intermodal terminal BNSF Railway has been trying to build for years near the ports of Long Beach and Los Angeles. This facility would eliminate millions of truck miles annually from local freeways in Southern California, while utilizing state-of-the-art environmentally friendly technology such as all-electric cranes, ultra-low emissions switching locomotives, and low-emission yard equipment. It would be one of the “greenest” such facilities in the world, but the project continues to face court actions and other protests. In addition, as mentioned earlier, rail-served coal export terminals in the Pacific Northwest and California are facing severe delays today due to permitting issues.

Policymakers can help improve the movement of freight by taking steps to shorten the time it takes for reviews of rail expansion projects in ways that do not adversely affect the quality of those reviews.

Conclusion

Freight that is related directly or indirectly to energy accounts for close to half of all rail traffic volume in the United States. Railroads are proud of the crucial role they play in energy-related transportation. They are working hard to ensure that adequate capacity exists to meet our future energy transportation needs, and they never stop seeking ways to make rail service safer. Railroads are committed to working with members of this committee, with their employers, with their customers, and with the communities they serve as we continue on the path toward greater energy security and energy independence.