American Short Line and Regional Railroad Association

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ASLRRA Releases Economic Impact Report

Short Line Customers Add $56.2 Billion to the Nation's Economy and Provide 478,000 Jobs; Report Examines Short Line Tax Credit Support for Infrastructure Investment

WASHINGTON – July 26, 2018 – The American Short Line and Regional Railroad Association (ASLRRA) today released an economic impact report, prepared by the professional services firm PricewaterhouseCoopers LLP (PwC). Analysis in the report demonstrates that the short line industry, although small by some definitions, is mighty in its contributions to the U.S. economy. Industries reliant on short line transportation services provided 478,820 jobs, $26.1 billion in labor income, and $56.2 billion in value added to the U.S. economy in 2016. Moreover, since the Short Line Tax Credit (also known by its tax code reference, 45G) was enacted, derailments have declined by 50 percent. Extension of the credit is estimated to drive a 63 percent reduction in the cost of capital, which provides a strong incentive to continue to increase investment in short line infrastructure.

Short lines operate across the entire country, particularly in rural areas, directly employing 17,100 people. In addition, through the industry's purchases of U.S. manufactured goods and services, its capital investments, and the spending by its employees and those of its suppliers, its indirect and induced impacts support an additional 43,970 jobs at suppliers, contractors, and other businesses. The multiplier effect of the short line industry is the creation of 2.6 jobs for every one direct employee. The total direct, indirect, and induced impact of the 603 small business short line railroads is 61,070 jobs, $3.8 billion in labor income, and $6.5 billion in value added to the U.S. economy in 2016.

Beyond the jobs directly created and supported by the short line industry, short lines are critical in supporting employees throughout the country at customer locations dependent upon short line railroad services. While many industries have locations fully dependent upon short line railroads, three major sources of U.S. jobs are particularly reliant on short lines – manufacturing, agriculture, and mining. In total, the customers dependent on the short line rail industry provided 478,820 jobs, $26.1 billion in labor income, and $56.2 billion in value added to the U.S. economy in 2016.

“The report definitively shows what the industry has long known. Short lines are a critical piece of the U.S. transportation network, and in fact the entire U.S. economy,” said Judy Petry, Chair of ASLRRA and President and CEO of Farmrail, Inc. “Moreover, the report clearly shows the tremendous and far reaching impact on our ability to provide value to our customers and the economy of the ‘45G’ short line tax credit. Our very future hangs in the balance as the credit has expired in December of 2017. The time is now to make the Short Line Tax Credit permanent.”

The report examines the effectiveness of the Short Line Tax Credit in incentivizing infrastructure investment, and includes findings supportive of increased infrastructure investment since the enactment of the Credit:

1) According to the Railway Tie Association, short lines are purchasing approximately 1 million more wooden railway ties each year than they would have without the credit in place, an increase of $50 million in purchases; and
2) Since the enactment of the Credit in 2004, Federal Railway Administration data show that train derailments on short line railroads have declined by 50 percent. Short line railroad safety performance is now approaching that of the longer haul Class I railroads and has improved at a faster rate than Class I railroads over the period that the Credit has been in existence.

Finally, the report uses a cost of capital analysis to show why the Short Line Tax Credit is such a powerful incentive, and why it is significantly more effective at driving increased infrastructure investment than the Tax Cuts and Jobs Act alone. The application of the Credit for a marginal investment below the $7,000 per track mile tax benefit cap lowers the cost of capital by 63 percent. Economics researchers have estimated that a decline of this magnitude is associated with a 47.3 percent increase in investment. By comparison, the impact of the Act through its reduction in the corporate tax rate and expensing for equipment on a short line railroad company is a reduction in the cost of capital of 1.2 percent, which is associated with only a 0.9 percent increase in investment.

"The Short Line Tax Credit is shown to be smart public policy, improving safety and efficiency for our customers and our businesses. It is a proven solution, and we urge Congress to take action now to extend the Short Line Tax Credit. It will allow smaller railroads to continue to improve their safety performance, better serve their customers, and remain a catalyst for economic growth in areas of the country that would otherwise not have connectivity to the national rail network." said Jerry Vest, Chairman of ASLRRA's Legislative Policy Committee and Senior Vice President, Government & Industry Affairs, Genesee & Wyoming Railroad Services, Inc.

About ASLRRA - The American Short Line and Regional Railroad Association (ASLRRA) is a non-profit trade association representing the interests of the nation's 603 short line and regional railroads and railroad supply company members in legislative and regulatory matters. Short lines operate 47,500 miles of track in 49 states, or approximately 29 percent of the national railroad network, touching in origination or termination one out of every five cars moving on the national railroad system, serving customers who otherwise would be cut off from the national railroad network.