



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**

**James L. Oberstar**  
Chairman

Washington, DC 20515

**John L. Mica**  
Ranking Republican Member

David Heymsfeld, Chief of Staff  
Ward W. McCarragher, Chief Counsel

October 27, 2008

James W. Coon II, Republican Chief of Staff

The Honorable Charles B. Rangel  
Chairman  
Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

Dear Chairman Rangel:

I write to urge you to include the Freight Rail Infrastructure Capacity Expansion tax credit, which will provide a 25 percent investment tax credit for spending on new track, intermodal facilities, and other projects that expand freight rail capacity, in the economic recovery package that may be taken up by Congress in November.

This tax credit would be an important part of any economic recovery package and result in substantial job creation at a time when unemployment rates are soaring. Indeed, according to the U.S. Department of Labor, total job losses for 2008 are at a staggering 605,000; the government reported employers cut 159,000 jobs just last month, the ninth straight month of job losses.

The Freight Rail Infrastructure Capacity Expansion tax credit will help boost our economy. According to the U.S. Department of Commerce, every dollar of freight rail infrastructure investment generates more than three dollars in total economic output because of the investment, purchases, and employment occurring among upstream suppliers. In total, the tax credit will result in at least \$1 billion in economic benefits and the creation of 20,000 jobs nationwide.

The tax credit is also crucial to the health and competitiveness of our national economy. Freight railroads carry 42 percent of our nation's intercity freight and they are a key component to international trade, facilitating movement of both imports and exports and helping U.S. businesses to compete in global markets. The U.S. Department of Transportation (DOT) forecasts that the demand for rail freight transportation will increase 88 percent by 2035. It will cost \$148 billion over the next 27 years to build the additional freight rail capacity necessary to accommodate this demand, \$135 billion of this from the Class I railroads (\$4.8 billion per year).

The railroad industry is extraordinarily capital intensive. In 2006, the Class I railroads, which account for 67 percent of the industry's mileage, spent \$19.3 billion to maintain and improve their infrastructure and equipment. Of this, \$1.4 billion was devoted to capital expansion projects. While the Class I railroads anticipate they will be able to increase their annual capital expansion investment to \$3.4 billion due to higher earnings and productivity gains, there will still be a funding shortfall of \$39 billion, or \$1.4 billion per year, that will need to be raised from other sources. This could be met through enactment of the Freight Rail Infrastructure Capacity Expansion tax credit, which will allow the railroads to invest an additional \$1.5 billion each year in capital expansion projects.

If the railroads are not able to build the additional capacity necessary to accommodate the increased rail freight demand, 30 percent of the rail miles in the primary corridors will be operating above capacity by 2035, causing severe congestion that will affect every region of the country and potentially shifting freight to an already heavily congested highway system. At a time when highway gridlock already costs the U.S. economy more than \$78 billion per year in wasted time and fuel, taking freight off the railroads and onto our highways will only exacerbate the problem congestion brings to our nation's ability to move goods and products both efficiently and competitively.

I therefore ask you to include the Freight Rail Infrastructure Capacity Expansion tax credit in the economic recovery package that may be taken up by Congress in November.

Sincerely,



Corrine Brown  
Chairwoman  
Subcommittee on Railroads, Pipelines,  
and Hazardous Materials

Cc: The Honorable Nancy Pelosi  
The Honorable Steny Hoyer  
The Honorable James Clyburn  
The Honorable Rahm Emanuel  
The Honorable John B. Larson  
The Honorable James L. Oberstar