STATEMENT FOR THE RECORD
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HOUSE WAYS AND MEANS
SUBCOMMITTEE ON SELECT REVENUE MEASURES
“HEARING ON CERTAIN EXPIRING TAX PROVISIONS”
APRIL 26, 2012

Chairman Tiberi, Ranking Member Neal, and distinguished members of the Subcommittee on Select Revenue Measures, thank you for the opportunity to submit this statement on behalf of the California Northern Railroad, a short line freight railroad operating in northern California.

I serve as the President and CEO of RailAmerica, Inc., a short line railroad holding company that owns the California Northern Railroad and operates 44 other short line railroads across the country. Our objective is to provide local rail freight customers with services that facilitate the prompt pick-up and delivery of goods. Our goal is to provide good, efficient, economical and safe service by developing strong professional relationships with customers and other railroad partners.

One of the biggest challenges we face serving our local customers is the maintenance of our privately owned infrastructure. Short lines were created by entrepreneurs who purchased the marginal or money losing lines of large railroads. Much of this track would have been abandoned by the previous owners. For short lines which must make up for years of deferred maintenance by the previous owners, the capital requirements can exceed 30 percent of annual revenues.

Realizing this infrastructure need, in 2004 Congress passed the Short Line Railroad Track Maintenance Credit (26 USC 45G). This credit helps the private sector preserve rail service and rail jobs by allowing us to keep more of our corporate earnings for investment in infrastructure improvements.

A great example of a project aided by the 45G credit happened on the California Northern Railroad (CFNR) which operates 261 miles of track in northern California. In 2008, the CFNR had to close a bridge at Richfield on the northern end of our line (mile post 182.01) due to unsafe conditions. The center piers that support the bridge were eroding because of years of water flow and unsettled terrain.

Trains that could previously use the bridge were rerouted along other lines causing an increase in fuel use and an inefficient traffic flow for the customers we serve. With help from the 45G Short Line Tax Credit, the CFNR was able to rebuild the base of the bridge allowing traffic to cross without threat of bridge collapse.
This bridge replacement cost $400,000 and of that, approximately $200,000 went to creating or preserving well-paying railroad construction jobs.

The 45G short line tax credit expired on December 31, 2011 and has yet to be extended. Many of the over 550 short line and regional railroads across the country are putting important infrastructure projects on hold because this credit has not been extended. When infrastructure needs are not met, it creates challenges for us to serve our existing customers and attract new customers to our lines.

RailAmerica appreciates the hard work done by the Ways & Means Committee and your dedication to reducing wasteful spending by examining these expiring or expired credits individually. As of May 10, 2012, 255 Members of the House of Representatives have cosponsored H.R. 721, the stand alone legislation that would extend 45G put forth by Representatives Jenkins, Blumenauer, Shuster, and Costello. The Senate companion bill, S. 672, has 47 Senators as cosponsors.

The support for this tax credit is difficult to ignore. I believe that this initiative draws a broad base of support not because it helps short line railroads, but rather because it lowers the federal tax burden on small freight railroads to enable those railroads to invest in infrastructure that provides strong public transportation benefits to the people of the United States. I urge you to include the 45G short line railroad track maintenance credit in any tax extenders bill that is brought up this year.

I look forward to working closely with members of this distinguished committee and your colleagues on the extension of the 45G short line railroad track maintenance credit.