



ASSOCIATION OF AMERICAN RAILROADS

Ian N. Jefferies
Office of the President
President and Chief Executive Officer

May 13, 2020

The Honorable Roger Wicker
Chairman
U.S. Senate Committee on Commerce, Science, & Transportation
512 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Wicker:

Thank you for your May 4th letter requesting information on the rail industry's response to challenges presented by the COVID-19 pandemic. As your letter states, our country must have a well-functioning system to provide food, medical supplies, fuel, water treatment materials, and other essential goods to our communities. Our nation's freight railroads and their employees are proud of the role they play in helping to ensure these goals are met, especially during the unprecedented times we currently face. Railroads have been critical to our nation's growth and development for more than 190 years and stand ready to continue to do so well into the future.

Below I address your specific questions regarding what railroads are doing to maintain safe and efficient operations during these challenging times:

1. What impacts have your members seen from COVID-19 on our transportation networks and supply chains, and how have they responded to these impacts?

As the COVID-19 situation continues to evolve across the globe, North America's freight railroads remain focused on safeguarding the health and safety of the rail workforce while working tirelessly to maintain the flow of goods necessary to preserve public health and sustain families. Freight railroads are delivering chlorine-based disinfectants for water treatment, enabling e-commerce, transporting food, and moving energy products to support electricity demands – all while maintaining a high-level of service for their rail customers.

Unfortunately, when rail customers suffer a drop in demand for their products, their need for transportation service falls too and that negatively affects rail volumes. In April 2020, for example, U.S. rail carloads fell 25.2 percent from April 2019, the biggest year-over-year monthly decline on record. Intermodal shipments (the movements of shipping containers and truck trailers on railroad flat cars) fell 17.2 percent in April, the biggest decline since the summer of 2009. Recent rail traffic

declines span the industrial spectrum, reflecting the widespread economic shock caused by the pandemic.

Railroads have established three broad goals in response to the pandemic. The first goal is to keep their employees safe, which I discuss more fully in question three.

Railroads' second goal is to continue providing safe, high levels of service to their customers. Virtually every railroad customer has had to adjust its operations because of the pandemic and railroads have partnered with them every step of the way. Railroads know their customers count on them for safe and reliable service, close collaboration, and nimble operational adjustments. That is exactly what railroads are delivering. While occasional disruptions in various locations and times on America's nearly 140,000-mile freight rail network are bound to occur, by and large America's freight railroads today are running better than ever, keeping our nation's supply chain moving and delivering critical products where they're needed. Railroads are making special efforts to expedite shipments of goods in short supply or that are urgently needed.

Railroads' third goal is to operate efficiently and protect their financial integrity so that in the future they will be there to handle our nation's freight. In recent years, railroads have continued to evolve their operating practices, resulting in more resilient networks that put them in a strong position to navigate the current market disruptions. As demand improves, railroads' improved service capabilities will allow them to more safely, reliably, and cost-effectively meet the increasing freight transportation needs of their customers.

In addition, railroads have consistently invested substantial funds in their core track, bridge, and signal infrastructure, and have prioritized investments that lead to safer and more reliable train operations. And while railroads would prefer more traffic operating on their networks than they currently have, they are taking advantage of reduced traffic levels by fast-forwarding maintenance and construction activity, as appropriate, to further strengthen their networks.

2. What are your expectations for how freight transportation networks or the supply chain may continue to be impacted in the near term? What impacts do you anticipate in the long term?

The answers to the big questions right now are unknowable: how deep will the pandemic-created economic hole end up being, how long will it take to dig out of it; and what shape will the recovery take. The Bureau of Economic Analysis recently said the U.S. economy contracted an annualized 4.8 percent in the first quarter of this year. However, because a majority of the layoffs and business shutdowns around the country did not happen until the second half of March, the first quarter numbers don't begin to capture the full impact of the pandemic on the economy. Economists agree that second quarter economic activity will show continued weakness, but they also know that the nation is in uncharted territory and therefore no one can be confident of any forecast.

As they work through all the uncertainty, railroads will remain in close collaboration with their customers. It's too early to say when the current crisis will end, but when it does – and it will – railroads will be ready to quickly ramp up their capabilities, so that our nation's freight transportation needs continue to be fully met.

3. How have critical infrastructure employees been affected during the COVID-19 crisis while performing their duties, and what steps have your members taken to protect them?

All of us should be grateful to, and proud of, the men and women of the rail industry who are working tirelessly day in and day out to keep our supply chains functioning and to deliver critical products to our communities. I know I am.

As I mentioned above, that is why the freight railroads' top goal for this crisis is to keep their employees safe. Adhering to guidelines and recommendations from the Centers for Disease Control (CDC) and other health professionals, railroads quickly took extensive steps to protect their employees. They transitioned most of their office employees to telework arrangements and began using technology whenever possible to replace face-to-face interaction. For employees whose jobs require them to work on site or in the field, railroads worked diligently to quickly and safely implement appropriate social distancing policies and established rigorous cleaning protocols for their work environments (for example, sanitation of locomotive cabs).

The use of gloves, masks, and other protective devices is ubiquitous on railroads now, as are self-isolation protocols for those potentially exposed to the virus or showing symptoms. Access by visitors to rail facilities has been sharply curtailed, and railroads are providing timely information to employees through various communications channels such as email, virtual town-halls, newsletters, freight railroad intranets, and conference calls. Railroads are also bolstering the efforts of their own internal medical teams and increasing their emotional and mental health resources to ensure their large, dispersed workforce remains supported.

Thankfully, my understanding is that, due to railroads' preventive measures and the diligence of their employees, the number of confirmed COVID-19 cases among rail employees has been relatively low to date. Moreover, I am not aware of any instances in which Class I railroads have been unable to serve customers or suffered meaningful business interruptions due to pandemic-related railroad crew shortages.

In addition to the COVID-19 specific response, freight railroads continue to work hard every day to make a safe rail network even safer. They recognize they have not yet reached their goal of zero accidents and injuries, but data from the Federal Railroad Administration (FRA) confirm that their safety gains over the years have given them a good base for further improvement towards that ultimate goal. Railroads have worked diligently to ensure the safety of their employees and the continuation of their operations during this pandemic.

4. The U.S. Department of Transportation has a number of authorities that can be utilized to respond to extraordinary and unanticipated events. How has the use of these authorities affected your members during the COVID-19 crisis, and are additional authorities needed to provide additional support to the transportation sector in unforeseen circumstances?

Each year, FRA establishes an emergency docket for granting relief from its regulations necessary to enable railroads to continue to provide essential transportation services safely in the event of an emergency. For example, in 2019, FRA used the docket to grant relief when flooding occurred.

Recognizing the emergency created by the COVID-19 pandemic, FRA quickly granted freight and passenger railroads waivers from certain regulations. Some regulations, for example, were waived to enable railroads to abide by social distancing requirements and guidelines. Other regulations were waived to enable railroads to serve their customers in the event of an employee shortage attributable to COVID-19. To date, Class I freight railroads have only utilized the waivers granted for social distancing purposes and only plan to seek an extension of these waivers. The railroad industry is committed to utilizing the waivers only to the extent necessary to address problems arising from COVID-19. Our experience with COVID-19 has shown that the FRA is appropriately using the emergency docket process only when the situation is extremely urgent.

Railroads commend the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency (CISA) for its quick action in providing critical infrastructure workforce guidance. This guidance has proven critical in supporting full continuity of freight rail operations, especially as state and local governments work to respond to the crisis. The Surface Transportation Board further emphasized CISA's guidance with its April 22nd statement in support of railroad operations, which urged state and local authorities to continue to recognize the importance of railroad operations and to support the ability of railroads and their supply chain partners to contribute to the national welfare.

The railroad industry appreciates your willingness to consider additional measures that might be needed to deal with this and other unforeseen circumstances. Most importantly, we urge Congress to focus on funding and reject controversial policy riders. In these unprecedented times, focusing on areas that help those most in need, without negatively impacting others who are also faced with numerous challenges, is imperative. For example, we support providing increased access to reliable broadband for all Americans but urge you to reject proposals that seek to mandate one-size fits all access to private property, including railroad rights-of way, that could compromise safety. And while temporary truck weight waivers for the delivery of emergency supplies may be necessary today, any permanent changes to truck length or weight are not needed and should not be made.

The freight rail industry is grateful for the changes made in the CARES Act to ensure railroad workers are eligible for equally enhanced sickness and unemployment insurance as other Americans. Looking forward, we also support the removal of the impact of sequester on these benefits as well as the Railroad Retirement Board's request for an additional \$11.5 million in administrative funds to provide much needed IT modernization.

If infrastructure is considered in any future legislative package, increased funding for highway-rail grade crossing and grade separation projects and funding for Amtrak to maintain and replace current critical infrastructure should also be included. Finally, access to testing and essential supplies remains a challenge. Freight railroads believe their employees, as well as other essential critical infrastructure workers, should be given priority access to testing, personal protective

equipment, sanitizers, non-medical grade facial coverings, and other health-related or protective supplies necessary to safely keep America's goods moving.

While our country is undoubtedly enduring a truly challenging and unprecedented time, the optimist in me knows that that this too shall pass. While this is true, when that will happen or how long it will take remains unknown. Because of the many uncertainties we still face, the timing and the road map for returning to a more normal way of life remains unclear. Our only certainty is that successful navigation of these unknowns will require flexibility, innovation and determination – all characteristics the rail industry and its employees have demonstrated in past emergencies and that are seeing the industry through this one.

Thank you for your letter and the opportunity to respond to your inquiries.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ian Jefferies", with a large, stylized flourish extending to the right.

Ian Jefferies
President and Chief Executive Officer
Association of American Railroads