October 8, 2010

Legislation

Congressional Calendar. On September 29, Congress passed a continuing resolution, which will fund the federal government at fiscal year 2010 levels until December 3, 2010. Both the Senate and House of Representatives have announced plans to reconvene in Washington, DC, for a lame duck session on November 15. The lame duck session is expected to last four to six weeks.

Senate committee reschedules WRDA hearing. The Senate Environment and Public Works Committee postponed a September 30th hearing on the Water Resources Development Act (WRDA) until November 17.

New freight bill would increase diesel tax. On September 29th, Congresswoman Laura Richardson (D-CA) introduced legislation to expedite the flow of freight throughout the country. The Freight is the Future of Commerce in the United States Act of 2010 (Freight FOCUS Act – H.R. 6291) will establish a process for freight planning and prioritizing funding centered around a new assistant secretary heading up a new Office of Freight Policy in the Department of Transportation.

The major provisions of the Freight FOCUS Act include the creation of an office of freight planning at the Department of Transportation, which would conduct planning and designate corridors of national significance; a National Freight Advisory Committee, which would be the formal mechanism for the private sector to have input into funding priorities and planning; and a Goods Movement Trust Fund, which would provide competitive, merit-based grants for necessary projects across the nation. The legislation will be funded by a 12 cent increase in the diesel tax paid by trucks, and a $3 billion a year transfer from the General Fund into the Goods Movement Trust Fund. It is drafted in an open format so other revenue raisers can be added and it can be adapted into the transportation reauthorization legislation.

The current taxes on gasoline (18.4 cents per gallon) and diesel fuel (24.4 cents per gallon) have not been raised since 1993. As a result, they have lost 33 percent of their purchasing power over the past 17 years. Without additional revenues, it is estimated that the nation's current surface transportation plan will yield $236 billion over the next six years compared to the $450 billion needed to maintain our transportation system.

"This is badly needed legislation that will improve the flow of goods across the country, create jobs through the construction of infrastructure and the enhanced national freight network, and improve the economy," Congresswoman Richardson said.

The Freight FOCUS Act has been endorsed by the American Truckers Association, the Waterfront Coalition, the Retail Industry Leaders Association, the International Union of Operating Engineers, the Port of Long Beach, and the United Brotherhood of Carpenters and Joiners.

Administration

U.S. Transportation Secretary LaHood announces next step in development of national rail plan. A long-term commitment is needed to help freight and passenger rail accommodate future U.S. economic and population growth. On September 28, U.S. Transportation Secretary Ray LaHood announced these findings of a new report, *Moving Forward: A Progress Report,* that updates the U.S. Department of Transportation's efforts to develop a first-ever comprehensive National Rail Plan (NRP).

"America's economic vitality has been driven by investments in transportation," said Secretary LaHood. "Giving rail a greater role in our national transportation system will help us meet the 21st century challenges of population growth, increasing energy costs, reducing carbon emissions, and ensuring the nation remains competitive in the global economy."

"Ensuring higher-performing freight and passenger rail systems is the key to integrating surface, air and waterway transport," said Federal Railroad Administrator Joseph Szabo, adding that "a balanced and fully interconnected transportation network allows for the safe, efficient and seamless movement of people and goods."

The progress report released on September 28 builds upon the *Preliminary National Rail Plan* mandated by the Passenger Rail Improvement and Investment Act of 2008 (PRIIA) and submitted to Congress in October 2009. It outlines the numerous factors, past, present and future that make a compelling case for improving rail infrastructure.

Its findings reveal that current demographic analyses and forecasts anticipate continued population growth, especially in urban areas. Coupled with corresponding increases in freight shipments, such growth will place additional burdens on transportation systems that are already working at or beyond capacity. The resulting traffic congestion translates into lost productivity, not only harming commerce, but degrading quality of life for citizens. Since rail is one of the safest and most fuel-efficient modes of transportation, it is well positioned to make a significant contribution to accommodating this forecasted growth. The report can be viewed at: http://www.fra.dot.gov/downloads/NRP_Sept2010_WEB.pdf

100 percent of highway stimulus funds awarded. The Federal Highway Administration (FHWA) has met the September 30th deadline for providing nearly $27.5 billion of American Recovery and Reinvestment Act dollars for highway and bridge projects throughout the United States, Puerto Rico and the territories, U.S Transportation Secretary Ray LaHood recently announced.

"The Recovery Act was intended to create jobs and strengthen our infrastructure, and it is making a difference in communities across the country," said Secretary LaHood. "There is still work left to do, but these funds have helped put people to work and stimulated the economy by investing in America's roads and bridges."

Once the money has been provided, contracts can be put out for bid, workers can be hired, equipment and supplies can be purchased, and work can begin on highway construction and repair projects that drive economic growth by creating jobs. Because the highway funding program is reimbursement-based, states will continue to submit invoices to the FHWA as bills are submitted by contractors.

Since the Recovery Act became law in February 2009, more than 40,000 miles of pavement across the United States have been improved. Of the more than 13,000 Recovery Act-funded road projects across the country, more than 7,300 are underway and more than 4,200 are completed.

In February of 2009, President Obama signed into law the $787 billion American Recovery and Reinvestment Act. The legislation allocated $27.5 billion – 3.5 percent of the total – to highway and bridge projects.

FMCSA grants hours-of-service exemption for anhydrous ammonia deliveries. On October 6th, the Federal Motor Carrier Safety Administration (FMCSA) granted a two year limited exemption from the Federal hours-of-service (HOS) regulations for the transportation of anhydrous ammonia from any distribution point to a local farm retailer or to the ultimate consumer, and from a local farm retailer to the ultimate consumer, as long as the transportation takes place within a 100 air-mile radius of the retail or wholesale distribution point.

The exemption extends the current agricultural operations exemption for drivers and motor carriers engaged in the distribution of anhydrous ammonia during the planting and harvesting seasons, as defined by the States in which the carriers and drivers operate.

The exemption will remain in effect until October 9, 2012.

Surface Transportation Board

Surface Transportation Board calculates rail industry's cost of capital for 2009.

The Surface Transportation Board (STB) announced September 30th that it has issued its decision calculating the railroad industry's cost of capital for 2009.

In Railroad Cost of Capital--2009, STB Ex Parte No. 558 (Sub-No. 13), the STB found that the rail industry's after-tax cost of capital was 10.43 percent. Last year, the cost-of-capital was 11.75 percent.

The STB uses the cost of capital figure in evaluating the adequacy of individual railroads' revenues each year. It also uses the figure when determining the reasonableness of a challenged rail rate, considering a proposal to abandon a rail line or valuing a particular railroad operation.

According to the STB, return on investment (ROI) for the seven Class I railroads operating in the U.S. was 9.60 percent for the 12 months ending June 20, 2010. Canadian Pacific/Soo Line, with a 16.30 percent ROI, was the only railroad that met or exceeded the 10.43 percent cost of capital. Other ROIs for the railroads were: BNSF Railway at 10.25 percent, Union Pacific Railroad at 10.02 percent, Norfolk Southern Railway at 9.44 percent, CSX Transportation at 8.54 percent, Kansas City Southern Railway at 6.43 percent, and Canadian National at 7.84 percent.

This year, consistent with the STB's decision in STB Ex Parte No. 664, Sub-No 1 (STB served Jan. 28, 2009), the Board estimated the cost of equity component of the cost of capital using an average of a Capital Asset Pricing Model (CAPM) approach and a multi-stage Discounted Cash Flow (MS-DCF) model.

The Board's decision in STB Ex Parte No. 558 (Sub-No. 13) is available at www.stb.dot.gov.

1255 SW Prairie Trail Parkway · Ankeny, Iowa 50023 · 515-727-0665 · www.soytransportation.org
Funded by the soybean checkoff