

**COMMENTS OF THE VIRGINIA RAIL POLICY INSTITUTE**

**ON**

**VIRGINIA'S RAIL ENHANCEMENT PROGRAM**

Since its inception in 2005, Virginia's Rail Enhancement Program has resulted in many rail infrastructure improvements designed to increase the capacity of Virginia's rail system for both freight and passenger rail. These projects have reaped direct benefits to the Class I railroads, short line railroads and the Virginia Port Authority, as well as to Amtrak and Virginia Railway Express passenger rail operations. Through its impacts on these enterprises, the REF has benefitted every sector of Virginia's economy and created job opportunities for its citizens.

VRPI is pleased to offer the following comments<sup>1</sup> regarding the history, implementation and effectiveness of Virginia's Rail Enhancement Program during the decade 2005-2015.

**1. The matching requirement for REF projects has effectively blocked intercity passenger rail from the normal route to grant funding.**

In spite of language in the state code that includes passenger rail capital projects as being eligible for REF funding, the requirement for a 30% *non-governmental* match has effectively disqualified Amtrak-related projects from receiving grants. In ten years of the REF, the only substantial grant for an intercity passenger project (the Norfolk Southern Petersburg/Norfolk improvements to extend passenger service to Norfolk) required a one-time authorization from the General Assembly to suspend the match requirement and allow the state to pay 100% of the cost of the project.

**2. The existence of separate, dedicated funds for intercity passenger and freight rail projects is warranted, and should be continued.**

We believe that separate revenue programs dedicated to freight and passenger rail, respectively, are in the best interests of Virginia. In particular for intercity passenger rail, having a stable, dedicated revenue source reduces the uncertainty involved in seeking funding from the General Assembly on an annual or project-specific basis (as Amtrak must do with Congress, to the detriment of the national Amtrak system). It also circumvents any direct competition between freight and passenger programs for state funding for capital projects.

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<sup>1</sup> VRPI's comments represent the views of the organization as a whole and do not necessarily reflect in their entirety the opinions of every member of the organization.

**3. The REF application process has largely resulted in a reactive, rather than proactive, state rail program.**

During the last decade, the appropriation of REF funds has relied heavily upon grant applications submitted by the freight railroads. As a result, the goals and priorities for the use of state funds have essentially been set by Norfolk Southern and CSX. VRPI fully appreciates that moving products and commodities efficiently by rail is of enormous public benefit, and that increasing rail capacity is a goal shared by state government and the railroads. Nevertheless, **we would encourage DRPT to assume a larger role in setting goals, initiating projects and prioritizing state investments in rail projects.** Ideally, this would be facilitated by the establishment of state rail policy objectives and done in partnership with the railroads, passenger rail operators, public interest groups and the administration.

**4. Future preference should be given to projects deemed to be of joint benefit to both freight and passenger rail.**

Expanding and extending the capacity of Virginia's rail corridors for both freight and passenger rail and reducing our reliance upon highways for a more sustainable and environmentally healthy future should be the vision that informs all state spending on rail. Wherever feasible, projects for which there is a convergence of benefits for both freight and passenger rail should be prioritized.

**5. Greater flexibility in the REF match requirement would increase DRPT's leverage to negotiate with its private sector partners.**

The REF should be amended to allow for a flexible and variable state match for funded projects. This would enable DRPT to negotiate the level of state commitment to a proposed project, depending upon how well the project aligns with state priorities. Where there is a good alignment, the state would make a greater investment and the private entity would make a lesser one. A variable match requirement could provide leverage and strengthen DRPT's hand for negotiating the best deals in the public interest.

**6. There should be more rigorous monitoring and reporting of the progress and outcomes of funded projects.**

We welcome the legislature's directive to the CTB to revise the funding criteria and performance standards for state funded rail projects, but these will have little practical

effect if the performance is not monitored on a regular basis. We recommend that the new standards define benchmarks and establish better metrics for reporting measurable outcomes, and that DRPT conduct regular monitoring of grantee performance on these standards.

**7. VRPI continues to advocate for transparent and solid documentation of the public return from past, present and future state rail investments.**

*“As the public digs deeper in its pockets to fund a wide variety of rail projects, the need for greater public accountability by the Department of Rail and Public Transportation grows. There has not yet been a public report rendered by DRPT on the effectiveness of the initial round of Rail Enhancement Fund grants made in 2005.”<sup>2</sup>*

While we know that public investments in rail infrastructure *should* improve the speed, safety and/or efficiency of rail operations, and that these *should* result in documentable increases in the rail share of the market for freight and passenger transportation, we've seen no documentation that this has actually occurred as a result of the fifty-eight (58) REF projects funded by the Rail Enhancement program. Documenting the return on past rail investments will increase the confidence of the public and of decision-makers in Virginia's rail programs and make it easier for DRPT to justify large capital projects in the future.

**8. The benefits of a decade's worth of state rail investments should be effectively communicated to the public and decision-makers.**

Virginia's rail funding programs are among the most enviable in the nation, yet few people know about them, and even fewer understand them. Virginia has invested substantial public funds in rail with little transparency as to what the public is getting in return. **A few dollars spent on public relations for Virginia's rail programs would go a long way toward increasing public understanding *and support* for these investments.** Some of the nation's Class I's have done a great job documenting the environmental and fuel-saving benefits of moving freight by rail, and Amtrak's public education campaigns have created public awareness for the many benefits of travel by rail. Virginia would do well to follow their lead.

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<sup>2</sup> Dick Beadles, *The Virginia News Letter*, Vol. 89 No. 3 June 2013