VI. OTHER LEGISLATIVE ACTIONS

In addition to the three major legislative actions discussed above (Rehabilitation, Part III; Restructuring, Part IV; and Rate Reform, Part V), many other actions directed at improving rail service and/or the viability of the railroad industry are under consideration by Congress. Some, such as the several proposals to transfer ownership of fixed rail plant to state or federal government entities, involve massive change and are outside the scope of this study, Two lesser changes in the status quo have been selected for discussion here. They are (i) the avoidance of railroad losses on light-density lines and (ii) the prohibition of discriminatory taxation of railroad property.

A. Light-Density Lines

In recent years the general issue of rail service on light-density branchlines has received a great deal of attention and analysis. One particular aspect of this issue which is of concern to this study is the impact of avoidance of losses related to such operations on the cash needs of the solvent railroad industry. Whether the avoidance results from abandonment of service or from subsidy, and the distribution of subsidy costs among federal, state, or local government entities or shippers, is not at issue here.

The amount of money involved in light-density line losses has been subject to much debate. The industry's own estimate of annual losses is approximately $130 million. About $40 million of this amount is attributable to the bankrupt roads. Advocates of the retention of branchlike service argue that this estimate overstates the true cost. For the purpose of this study $75 million appears to be an acceptable order-of-magnitude estimate of light-density line losses that might be avoided by the solvent railroads if the service is subsidized or abandoned.

B. Discriminatory Taxation

Several legislative proposals contain provisions which would bar the taxation of transportation facilities at rates that exceed those applicable to other commercial or industrial facilities. Because of the disruptive effect that such legislation might have on local taxing jurisdictions which have historically relied on revenues from high tax rates on, or assessments of, rail property in particular, the proposals generally provide for a period of several years before the prohibition of discriminatory taxation becomes effective Although no quantitative analysis of the extent of this practice has been unearthed, it appears from discussion with knowledgeable industry sources that such legislation might eliminate about $25 million to $30 million of the industry's $200 million estimated annual property tax bill.

c. Summary and Observations

Two key observations emerge here:

- The gains to the railroads through the elimination of light-density line losses by subsidy or abandonment, and the prohibition of discriminatory taxation, are direct cash gains.

- Although less complex and more limited in scope than the . major legislative options explored above, the gains from these two lesser steps, totaling perhaps $100 million annually, are significant in relation to the total cash shortfall projected in Part H, above.