Regulation Review

Revised Safety Standards for Tank Cars and Trains

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The Pipeline and Hazardous Materials Safety Administration (PHMSA) recently released a new set of standards for certain trains and tank cars at risk for accidents involving flammable liquids. The agency states that these revised regulations come as a response to recent high-profile accidents. The unofficial, pre-publication version of the proposal is 197 pages.

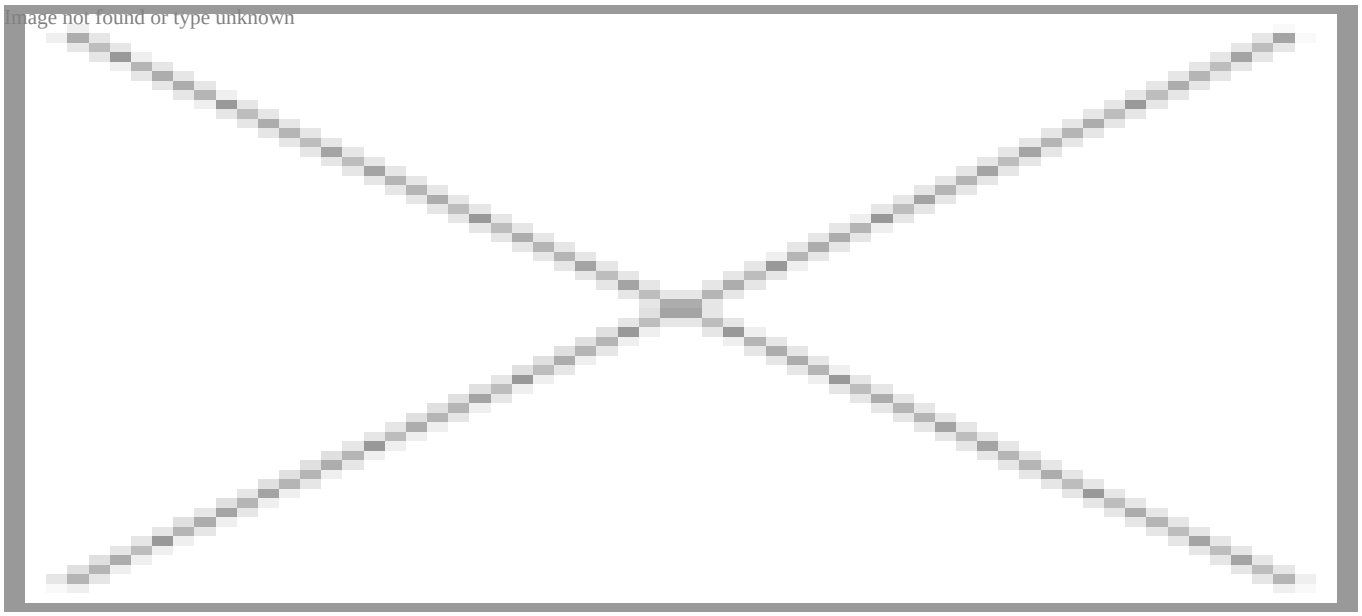
The proposed rule focuses on "high-hazard flammable trains," (HHFT) or those that carry at least 20 tank cars "of a Class 3 flammable liquid." PHMSA directs its attention to both train operations as well as tank car construction. In each sector, it describes three potential options for public input. Interested parties have 60 days after formal publication to submit comments.

BREAKDOWN

- Total Potential Costs: $2.1 to $5.8 billion ($104 to $291 million annualized)
- Total Potential Benefits: $400 million to $4.4 billion ($20 to $219 million annualized)
- Annual Paperwork Burden: 93,808 hours

ANALYSIS

The potential total costs of this rule could exceed $5.8 billion over a 20-year period. That would make it the seventh most expensive rulemaking promulgated in 2014. Distributing those costs over 20 years yields roughly $290 million in annual costs. Thus, this proposal reaches the definition of "economically significant" and triggers the Unfunded Mandates Reform Act. However, that is only one of nine possible cost-benefit scenarios PHMSA produces. The table below demonstrates the rule's variability.



The range in benefits comes from uncertainty regarding the amount of avoided incidents PHMSA anticipates. While there are some less expensive options than the highest end cost-estimate, most of them fail to create a positive cost-benefit balance. Only two high-end benefits figures, “PHMSA and FRA Design Standard + 40 MPH in 100K” and “PHMSA and FRA Design Standard + 40 MPH in HTUA,” produce quantified net benefits – at $456 and $584 million, respectively. All options produce net costs when using either the low-end or mid-point benefits figures, with “AAR 2014 Standard + 40 MPH System Wide” imposing nearly $4.5 billion in net costs.

This rule largely impacts the manufacture and operation of specific rail units. Using Census data on the geographic distribution of different industries, one can find the impact this regulation may have on certain states.

State	Potential Cost Share
Texas	$618 million
California	$427 million
Illinois	$265 million
Ohio	$215 million
Georgia	$212 million

The administration has reason for concern over the potential for dangerous, explosive incidents. However, what if there were an alternative that mitigated the far-reaching economic implications of this rule? Last year, American Action Forum research found that the safest, most efficient way to transport crude oil was via pipeline.

Among the most visible options in that area is, of course, the Keystone XL pipeline that has languished for more than five years. Perhaps it should not be shocking at this point, but the administration would rather impose an expensive regulatory regime over exploring the development of a mode of transportation that is both within our grasp and helps relieve some of the recent safety concerns.