

Executive Director

Scott Wigger

Member Railroads

- B & H Rail Corp.
- Batten Kill Railroad, Inc.
- Buffalo & Pittsburgh Railroad, Inc.
- Buffalo Southern Railroad, Inc.
- CSX Transportation, Inc.
- Canadian National Railway Co.
- Canadian Pacific- D & H Railway
- Central New York Railroad, Inc
- Clarendon & Pittsford Railroad Co.
- Depew Lancaster & Western RR
- Falls Road Railroad Co. Inc.
- Finger Lakes Railway Corp.
- Genesee & Mohawk Valley RR Co.
- Genesee & Wyoming Railroad
- Livonia, Avon & Lakeville Railroad
- Lowville & Beaver River RR Co.
- Massena Terminal RR
- Middletown & New Jersey Railroad LLC
- Mohawk, Adirondack & Northern RR
- New York & Atlantic Railway Co.
- New York & Lake Erie Railroad
- New York New Jersey Rail, LLC
- New York & Ogdensburg Railway Co.
- NY Susquehanna & Western Railway
- Norfolk Southern Railway Co.
- Ontario Central Railroad Corp.
- Ontario Midland Railroad Corp.
- Owego & Harford Railway
- Providence & Worcester Railroad
- Rochester & Southern Railroad
- SMS Rail Lines of New York
- Saratoga & North Creek Railway
- Somerset Railroad Corporation
- South Buffalo Railway Co.
- Syracuse, Binghamton & NY RR
- Wellsboro & Corning Railroad
- Western New York & Pennsylvania RR

Associate Members

- Atlantic Track & Turnout Co.
- Atlas Railroad Construction Co.
- Bergmann Associates
- Bowers & Company CPA's, PLLC
- Brookhaven Rail, LLC
- CHA LLP
- C & S Engineering, Inc.
- Casella Waste Systems, Inc.
- Delta Railroad Construction Inc.
- Erie County IDA
- Frank Tartaglia, Inc.
- Greenberg Traurig, LLP
- HDR Engineering, Inc.
- HNTB Corporation
- H.W. Lochner, Inc.
- Louis Berger Group
- McCarthy Rail Insurance Managers
- RailWorks Track Services, Inc.
- Southern Tier Extension Railroad Authority
- Stella-Jones-BFB Corp.
- Stone Consulting, Inc.
- Tectonic Eng. & Surveying Consultants
- The West Firm, PLLC
- V & H Inc.
- W.J. Riegel Rail Solutions

Contributing Members

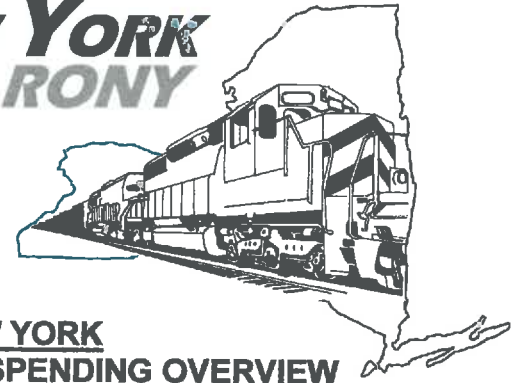
- A & K Materials, Inc.
- Cortland County IDA
- D.A. Collins Companies
- Delaware & Ulster Railroad
- Hardesty & Hanover, LLP
- Koppers Inc.
- Lincoln Transportation Insurance Brokers
- Nisus Corporation
- Omega Rail Management, Inc.
- Orgo-Thermit, Inc.
- Pocono Mohawk Construction Inc.
- Railroad Construction Co. Inc.
- Saratoga Railroad Engineering
- Star Headlight & Lantern Co. Inc.
- Steuben County IDA
- Unitrac Railroad Materials
- Vossloh Corporation
- W.D. Burt Transportation Consulting

Governmental Relations

Plummer & Wigger, LLC

RAILROADS OF NEW YORK

RONY



RAILROADS OF NEW YORK 2015 INFRASTRUCTURE CAPITAL SPENDING OVERVIEW

NYS Freight Rail Industry Overview

Railroads of New York, Inc. (RONY) is a statewide association that represents the freight rail industry in New York State. RONY's members include four Class I Railroads (CSX, Canadian National, Canadian Pacific and Norfolk Southern) and 33 short line and regional railroads. Together, these railroads employ over 3,700 individuals and carry nearly 77 million tons of freight in 2 million carloads annually statewide. RONY's membership is also supported by dozens of Associate and Contributing Members which represent a variety of freight rail-related businesses, including material suppliers, contractors, engineers, surveyors and industrial development agencies.

RONY's member railroads provide access to the nation's 140,000-mile freight rail network, enabling many of New York's commercial, manufacturing and agricultural businesses to reach markets across the country and throughout the world via all U.S. ports and to realize a substantial competitive advantage over other businesses that lack access to the rail network. In addition to providing considerable economic benefits to the New York-based customers our railroad members service, freight rail also offers many environmental benefits, including reduced pollution, increased fuel efficiency and reduced highway congestion.

NYS Freight Rail Infrastructure Capital Program Overview

According to the 2009 NYS Rail Plan issued by the NYS Department of Transportation, there is a need to invest approximately \$390 million per year in the state's freight rail infrastructure over a five-year period, totaling over \$1.9 billion, with nearly half of these identified needs relating solely to keeping the current rail system in safe operating condition and a state-of-good-repair. The Rail Plan also estimated the needs in the freight rail system over a 20-year period of time, which totaled just over \$5.1 billion, or approximately \$255 million per year. The Rail Plan broke these needs down as follows:

<u>FREIGHT RAIL NEED CATEGORY</u>	<u>5-YEAR NEEDS</u>	<u>20-YEAR NEEDS</u>
Maintain Existing Conditions	\$242,000,000	\$911,000,000
Develop State-of-Good Repair	\$597,000,000	\$1,235,000,000
System Enhancement	\$545,000,000	\$1,658,000,000
System Expansion/Economic Development	\$580,000,000	\$1,357,000,000
TOTAL	\$1,964,000,000	\$5,161,000,000

In addition, RONY recently conducted a survey of its freight rail members to identify projects in need of state funding in order to commence. As shown on the enclosed chart, this informal survey produced a sample listing of 61 shovel-ready freight rail infrastructure projects totaling over \$160 million all across the state.

Office 518-463-2603 • Fax 518-463-5991
www.railroadsfnv.com

111 Washington Avenue, Suite 602, Albany, New York 12210



These state investments in freight rail infrastructure are integral to maintaining the state's rail network in a state-of-good-repair, especially for the Class II and III railroads. Over the years, many of these railroads were created when the larger Class I railroads spun off these operations and sold them to local operators because they were unprofitable and in need of heavy capital repair. The 2009 Rail Plan further states the following:

"The ability to maintain the existing infrastructure to a state of good repair is a challenge for the Class II and Class III railroads. Many of these lines suffered from years of deferred maintenance before being spun off by the larger carriers. These lines typically lack the resources of the larger railroads but are forced to catch up to bring the railroad back to a state of good repair. Unfortunately, many of these lines find it difficult to catch up as their limited resources are expended in making emergency repairs."

Infrastructure investment needs in the state's freight rail system are only expected to grow in the future. According to the U.S. Department of Transportation, the demand for freight rail transportation is expected to increase by approximately 88% by 2035. To meet this expected rise in freight rail utilization, almost 90% of railway capacity will also need to be upgraded by 2025. A significant amount of these projects will include upgrades to the existing rail infrastructure so that the rail network can accommodate the modern 286,000-pound rail cars that are now the industry standard and which our customers have come to expect.

The freight rail industry is highly capital-intensive and requires constant infrastructure improvements. According to the Association of American Railroads, freight railroads invest approximately 17% of their annualized revenue on capital expenditures, compared to only 3% of the average U.S. manufacturer's revenue. These ongoing investments are necessary to keep the existing infrastructure assets in a state-of-good-repair and provide for infrastructure upgrades that are necessary to adhere to new Federal regulations. Moreover, such investments can allow existing businesses to grow their customer base and lead new businesses to locate their operations in NYS where accessible and reliable freight rail service is provided.

To help address these needs, the past two state fiscal years have included funding for the state's freight rail infrastructure capital program which has led to 26 essential projects commencing across the state. This funding was especially critical since the previous three state fiscal years provided no funding for freight rail infrastructure projects, as all state funding was instead directed towards passenger and high speed rail projects.

Going forward, RONY wishes to further build on the success of the state's recently revived freight rail infrastructure program and is requesting that the final 2015-16 NYS Budget provide a total of at least \$50 million for this critical program. Enhanced funding for investments will allow our state's freight railroad operators to undertake many projects that will continue to upgrade and improve the state's freight rail network. These projects would not only help ensure the safety of the state's rail network, they would also help contribute to local, regional and statewide economic development efforts.

It is also important to keep the state's freight rail infrastructure program as it is currently structured, with NYSDOT responsible for the scoring of these projects as opposed to having them evaluated through the Regional Economic Development Council process. Given the interconnectedness of the state's rail network, evaluating freight rail projects on a regional basis fails to give proper consideration to the impacts any one particular project would have on the entire rail network. In addition, freight rail infrastructure projects often do not lead to the creation of direct new jobs with the sponsoring railroad or, for that matter, within the region where the project is located. Instead, the job creation and retention benefits provided by these projects are most often realized by our customers throughout the State's rail system, another factor why NYSDOT is uniquely qualified to properly evaluate and score project submissions.

Freight Rail Transportation Benefits

The benefits of freight rail transportation are primarily three-fold: One, it provides economic benefits to our customers and state economic development efforts as a whole; Two, it provides environmental benefits in the form of reduced pollution and increased fuel efficiency; and Three, it provides security benefits when transporting hazardous materials when compared to other modes of transportation.

The economic benefits afforded by freight rail transportation are significant to the hundreds of customers served by freight rail across the state. It is essential to be able to provide cost-effective, efficient and reliable freight rail service to our state's commercial, industrial and agricultural businesses that have come to rely on the state's rail network to connect them with major markets both within the U.S. and Canada. These customers, who themselves employ thousands of people, often rely on dependable freight rail service to keep their businesses economically viable by allowing them to connect with their suppliers and customers in the most competitive manner possible.

In addition to helping maintain the existing system in a safe operating condition for our existing customers, network expansion projects are key drivers of economic development efforts in many areas of the state. Such projects help create jobs and lure industries in areas of the state that may have been previously overlooked as a result of inadequate transportation infrastructure. As such, while rail service is not typically the reason a new factory or expanded distribution center is built, access to rail service is often the reason a specific site is selected.

For example, in 2007, when Barilla Pasta (the world's largest pasta maker) established a \$100 million manufacturing plant in Avon, Livingston County, company officials stated that one of their siting requirements was the presence of a rail freight line that would be able to accommodate 286,000-pound rail freight cars. Thanks to rail freight capital grants previously issued by NYS to upgrade a local rail line, the operating railroad was able to accommodate this request and the Barilla factory was built. This rail investment also helped hatch a "food corridor" in the region that is now home to companies such as Kraft Foods, Perdue, Cargill and Archer Daniels Midland. The end result has proven to be a significant economic catalyst for the region that has led to the addition of hundreds of new jobs in the area.

With respect to environmental benefits, the inherent efficiency freight rail provides over truck transportation results in benefits including reduced pollution, increased fuel efficiency and less damage to our state's roadway system. On a ton-mile basis, railroads emit four-times less pollution than trucks and a typical freight train carries the capacity of more than 280 trucks. In addition, according to the Federal Railroad Administration, freight railroads can move a ton of freight close to 500 miles on one gallon of fuel, making them approximately four-times more fuel-efficient than trucks. Overall, according to the 2009 NYS Rail Plan, a 1% shift in goods traffic from trucks to rail freight would save approximately 111 million gallons of fuel each year and reduce greenhouse gases by 1.2 million tons.

Regarding security benefits, investment in the state's rail network also helps contribute to the freight rail industry's commitment to safety. Moving freight by rail, particularly hazardous materials that are necessary for our resident's quality of life, is by all measures significantly safer than truck transportation. According to the Association of American Railroads, since 2000, the rate of train accidents per million train miles has dropped 42%. Furthermore, the freight rail industry is making record investments in its infrastructure, having spent \$14 billion in infrastructure improvements in 2012 and 2013. Because of these significant safety benefits, many classifications of hazardous materials are required to be transported by rail pursuant to Federal law.

In addition, this commitment to safety is a continually ongoing and evolving process. Freight railroad companies are constantly working with Federal and state officials to update laws and regulations that are designed to ensure that all goods transported by freight rail are moved in the safest way possible.

Conclusion

As previously stated, RONY fully supports the expansion of the state's freight rail infrastructure capital program to a level of at least \$50 million annually. As shown in the enclosed chart, there are more than three-times that amount in shovel-ready projects that have already been identified as in need of state funding in order to commence.

In addition, RONY also wishes to express its support for two additional infrastructure-related economic development initiatives contained within the 2015-16 Executive Budget proposal: the \$1.5 billion Upstate Revitalization Account; and, the \$115 million general infrastructure capital project fund. As these programs are intended to receive funding from the recent bank settlement agreements, we support the idea that these one-time revenues are most appropriately spent on our state's infrastructure network. In addition to requesting that freight rail infrastructure projects be eligible to compete for this funding, we also wish to reiterate our position that NYSDOT should play a key role in the scoring of any proposed freight rail infrastructure projects so that they may be properly evaluated.

Investing in our state's freight rail network will continue to lead to proven economic and environmental benefits across the state that will further allow the NYS business community to grow and remain competitive in the global economy. This will help enable our state's freight rail operators to continue making investments in the rail system that our many customers depend on to reach their customers and suppliers throughout the U.S. and Canada in the safest, most efficient way possible.

RONY 2015 Executive Committee

Michael Fesen, President (Norfolk Southern Railway)
Nathan Fenno, Vice President (New York, Susquehanna & Western Railroad)
David Monte Verde, Secretary (GVT Rail System)
Jane Franz, Treasurer (Buffalo Southern Railroad)
Herb Jones, Member-at-Large (Canadian Pacific Railway)
John McCreavy, Member-at-Large (SMS Rail Lines)
Maurice O'Connell, Member-at-Large (CSX Transportation)

RONY Staff

Scott Wigger, Executive Director
Dan Plummer, Legislative Counsel
Marge Wigger, Executive Assistant
Mike Doyle, Consultant
Government Relations - Plummer & Wigger, LLC

Railroads of New York, Inc.

111 Washington Avenue, Suite 602
Albany, New York 12210
(518) 463-2603
Fax: (518) 463-5991
www.railroadsofny.com