

**RAILROADS OF NEW YORK, INC. (RONY) - TESTIMONY TO THE LEGISLATIVE
FISCAL COMMITTEES**

**2014-15 TRANSPORTATION BUDGET HEARING
JANUARY 30, 2014**

Good afternoon. My name is Scott Wigger and I am the Executive Director for Railroads of New York (RONY), a statewide association that represents the rail freight industry in NYS.

RONY represents four Class I Railroads (CSX, Canadian National, Canadian Pacific and Norfolk Southern) and 33 short line and regional railroads that directly employ over 3,700 individuals in New York State. RONY's member railroads provide access to the nation's 140,000-mile freight rail network, enabling many of New York's industrial, manufacturing and agricultural businesses to reach markets across the country 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 provide service to, freight rail also offers many environmental benefits, including reduced pollution, increased fuel efficiency and reduced highway congestion.

RONY wishes to express its support for the infrastructure capital funding levels that are included in the Governor's Executive Budget proposal, including the \$10 million in funding that is proposed to be appropriated to NYSDOT for freight and passenger rail projects and the \$25 million NYSDOT appropriation that is proposed to go towards a mix of rail, aviation and mass transit projects.

In the 2013-14 NYS Budget, the freight rail infrastructure capital program was reestablished within NYSDOT and was provided with \$20 million in funding, which led to 14 essential rail projects being selected for funding. In the prior three state fiscal years, all statewide NYSDOT capital funding for rail infrastructure projects was directed exclusively toward passenger and high-speed rail projects, leaving freight rail with no statewide capital funding for the first time in many years. Reestablishing this important funding source within last year's budget represented a significant step towards efforts to keep our state's freight rail network in a state-of-good-repair. According to the 2009 NYS Rail Plan completed by NYSDOT, there is a need to invest approximately \$375 million per year in the state's freight rail infrastructure over a five-year period, totaling nearly \$1.87 billion, with approximately half of these identified needs relating solely to keeping the current rail system in operation and in a state-of-good-repair. This year, RONY wishes to build on the success of this program and is requesting a total of \$30 million in funding for this statewide freight rail infrastructure capital program. For your reference, attached is a chart listing over \$53 million in shovel-ready freight rail projects that are in need of state assistance in order to commence.

It is also important to keep the state's freight rail capital program as it is currently structured, with NYSDOT responsible for the scoring of these projects instead of having them be evaluated through the Regional Economic Development Council process. This is because many rail freight projects are "network" in nature and cannot be fully valued or appreciated only on a local or regional basis. In addition, investments made in one particular area often generate positive benefits across a larger region or the entire state. That is why other states, such as Pennsylvania which has a freight rail infrastructure capital program that is funded with approximately \$30 million annually, administer programs that allocate funds for freight rail infrastructure projects using a statewide evaluation process.

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. Because of the limited revenues these short line railroads produce, continuing funding for the state's freight rail capital program is essential in helping to maintain the state's rail network in a safe operating condition.

New York's freight railroads are reliant on the state's rail infrastructure being in a state-of-good-repair in order to allow these lines to remain operational so they can effectively serve their customers. These customers, who themselves employ thousands of people, rely on dependable freight rail service to keep their businesses financially viable. Moreover, a viable freight rail network helps promote statewide economic development efforts by allowing these businesses to grow their customer base and expand operations. In addition, 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.

Improving and expanding freight rail service in NYS can also help open up land for investment and remove obstacles to development, which in turn fuels economic growth and helps create and retain jobs all across the state. For example, in September 2013, the completion of the Rail Relocation Project at the former Bethlehem Steel site in Lackawanna was announced. This project entailed the installation of approximately two miles of rail track, including removing rail tracks that had hindered access to the site in the process, opening up approximately 300 acres of land for development and new investment. Supported with \$4.4 million in funding from the NYS Department of Transportation, this project transformed this site into a fully-functioning intermodal transportation center, with Port of Buffalo and interstate access on the I-90 corridor, access to international bridge crossings located nearby and direct rail connections with four Class I railroads. This site, one of the largest brownfield sites in Upstate New York with over 1,000 acres, is the only site in Erie County with rail, port and easy highway access and is one of the few available sites in Erie County zoned for heavy industry.

In addition, increasing access and utilization of the state's freight rail network by NYS businesses helps reduce the use of trucks for freight transportation needs, resulting in less pollution and congestion on the state's roads and highways. 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.

An additional environmental benefit of utilizing rail is the tremendous fuel efficiency freight rail offers. 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. In addition, according to the 2009 NYS Rail Plan, a 1% shift in goods traffic from trucks to rail freight would save about 111 million gallons of fuel each year and reduce greenhouse gases by 1.2 million tons.

Reestablishing the state's freight rail infrastructure capital program within the 2013-14 NYS Budget represented a significant step towards maintaining the NYS rail network as a world-class system. It is essential to continue to build upon these efforts and further expand this capital program so that the state's entire rail network is brought up to a state-of-good-repair. This in turn will allow the NYS freight rail industry to effectively help support economic development initiatives all across the state.

RONY fully supports the expansion of the state's freight rail infrastructure capital program to a level of \$30 million so that the state's freight rail operators can continue to partner with NYS in the development of such important projects. These investments in New York's economic future will further benefit the state's manufacturing, industrial and agricultural businesses that depend on freight rail service to remain competitive.

Thank you for your consideration.

RAILROADS OF NEW YORK 2014-15 SAMPLE PROJECT LIST

<u>RAILROAD</u>	<u>LOCATION</u>	<u>PROJECT DESCRIPTION</u>	<u>PROJECT BENEFITS</u>	<u>TOTAL PROJECT COST</u>
B&H Rail	Steuben County	Would rehabilitate two miles of track, including crosstie replacement	<ul style="list-style-type: none"> • Would strengthen the rail infrastructure for all customers on the line and reduce the risk of derailment 	\$1,100,000
Batten Kill RR	Washington County	Would repair a severely damaged 12-mile segment of rail line to bring it up to a state-of-good-repair	<ul style="list-style-type: none"> • Would help reduce dairy farmer costs by approximately \$1 million in comparison to truck delivery of feed and fertilizer to the farms • Would help prevent derailments (segment has had five separate derailments since 2006 due to the poor condition of the line) 	\$3,500,000
Batten Kill RR	Washington County	Would conduct engineering evaluations to determine the load capacity ratings of 26 bridges	<ul style="list-style-type: none"> • These load ratings are mandated by the FRA, causing a financial hardship for the RR to comply with 	\$120,000
Batten Kill RR	Washington County	Would clean scale and decay from 19 RR bridges	<ul style="list-style-type: none"> • Would extend the service life of these bridges, allowing for continued RR operations over them 	\$300,000
Buffalo Southern RR	Erie County	Would perform bridge ratings as required by the Federal Railroad Administration	<ul style="list-style-type: none"> • Would allow 286,000-pound railcars to operate over the line, giving customers choice regarding the size of railcars to ship commodities in • Would use the information to prioritize all future repairs and restoration projects so that the useful life of each bridge may be significantly extended 	\$275,000
Buffalo Southern RR	Erie County	Would repair the Rush Creek Stone Arch located on the rail line	<ul style="list-style-type: none"> • Would provide the needed integrity on the right-of-way in order to provide continued rail service to the customers on the line and service to a connecting RR (NY & Lake Erie RR), allowing for access to the national rail network 	\$375,000

Buffalo Southern RR	Erie County	Would restore a segment of rail line, including a total reconstruction of sidings and switches	<ul style="list-style-type: none"> • Would stabilize the industries on the line by providing critical storage and safer switching of hazmat cars, improving operations at the customer's location 	\$875,000
Canadian Pacific RR	Saratoga County	Would upgrade a segment of rail line, including installing 8.26 miles of new welded rail	<ul style="list-style-type: none"> • Would support the increase in rail traffic as a result of new crude oil and ethanol volumes moving into Albany and increased traffic due to auto compounds moving into Mechanicville 	\$3,304,000
CSX Transportation	Albany County	Would create a new rail corridor that would provide benefits to customers from the Port Authority of NY/NJ, as well as to most of the freight rail customers served in NYS	<ul style="list-style-type: none"> • Would create a state-of-the-art rail corridor (Selkirk Bypass) that would provide a more efficient, environmentally-friendly transportation solution improving the connectivity of three of the largest metropolitan areas in the Eastern United States – NYC, Boston and Chicago – with U.S. and world manufacturing, distribution and consumptive centers • Through its increased ability to absorb the anticipated growth in freight tonnage, project would remove approximately 270,000 trucks from U.S. highways over the next 30 years, saving more than 13 million gallons of fuel and eliminating nearly 160,000 tons of carbon dioxide emissions 	\$18,000,000
Depew, Lancaster & Western RR	Genesee County	Would expand the successful DL&W RR transload facility, including adding pavement lighting and providing enhanced security for stored products	<ul style="list-style-type: none"> • Would provide a system by which rail is used for the long haul portion of the trip and local trucking is used to get goods to end users that are not located directly on the rail line, allowing an existing national transloader and other companies located on the line to serve industries in the area that are without direct rail access 	\$996,000

Falls Road RR	Niagara, Orleans & Monroe Counties	Would repair a series of bridges, as well as inspecting and repairing culverts along 42 miles of the RR	<ul style="list-style-type: none"> • Would assist the growing train-to-truck transload operations and showcase to area businesses the economics of freight rail • Would provide for the safe passage of trains carrying frozen foods to Brockport, cars for various fertilizer dealers, unit trains of corn going to and ethanol coming from the Western NY Energy ethanol plant in Medina and for the safe operation of passenger excursion trains operated by the Medina RR Museum 	\$503,500
Finger Lakes RR	Seneca County	Would reposition the mainline track away from adjacent homes onto RR-owned property, rebuild 6 crossings on the new alignment and reduce the total curvature of the track	<ul style="list-style-type: none"> • Would eliminate the weakest portion of the RR's mainline, greatly improving the safety of operations through Seneca Falls, including reducing the probability of grade crossing accidents • Would enhance the property values of adjacent properties 	\$1,250,000
Finger Lakes RR	Cayuga County	Would install two storage tracks in Auburn to position RR cars for loading and unloading and install two supporting runaround tracks	<ul style="list-style-type: none"> • Would remove the switching process to a location away from multiple grade crossings through the city, improving RR efficiencies, enhancing customer switching activities and improving public safety 	\$3,168,000
Livonia, Avon & Lakeville RR	Monroe County	Would rehabilitate a 5-mile segment of their rail line, including associated crosstie replacements	<ul style="list-style-type: none"> • Would strengthen the rail infrastructure for all customers on the rail line with a 40+ year project benefit period and reduce the risk of derailment through a heavily-populated area 	\$2,600,000
Middletown & NJ RR	Orange County	Would replace 4,000 ties (inc. ballast and surface), install a transload track, loading dock and access road in Warwick Yard, replace two road crossings, replace rail and various bridge repairs	<ul style="list-style-type: none"> • Would bring the infrastructure up to a state-of-good-repair and improve service reliability for new and existing customers • Would reestablish previously lost rail-to-truck transload capabilities for area shippers and farmers 	\$1,820,000

Middletown & NJ RR	Orange County	Would replace 2,000 ties (inc. ballast and surface) and install a 500-foot runaround track to better serve the Hudson Crossing Industrial Park	<ul style="list-style-type: none"> • Would bring the infrastructure up to a state-of-good-repair and improve service reliability for new and existing customers • Would reestablish previously lost rail-to-truck transload capabilities for area shippers and farmers 	\$390,000
Middletown & NJ RR	Orange County	Would replace 1,500 ties (inc. ballast and surface), install a transload track, loading dock and access road in Warwick Yard, replace two road crossings, replace rail and various bridge repairs	<ul style="list-style-type: none"> • Would bring the infrastructure up to a state-of-good-repair and improve service reliability for new and existing customers • Would reestablish previously lost rail-to-truck transload capabilities for area shippers and farmers 	\$315,000
Middletown & NJ RR	Orange County	Would replace bridge timbers and install new yard track	<ul style="list-style-type: none"> • Would bring the infrastructure up to a state-of-good-repair and improve service reliability for new and existing customers • Would reestablish previously lost rail-to-truck transload capabilities for area shippers and farmers 	\$95,000
Middletown & NJ RR	Orange County	Would reconstruct the roof and interior of the RR's engine house	<ul style="list-style-type: none"> • Would bring the structure to a state-of-good-repair and reduce operating costs • Would enable the RR to vacate the historic station building, permitting the property to be repurposed for other uses 	\$75,000
Middletown & NJ RR	Orange County	Would acquire two low-emission GenSet locomotives	<ul style="list-style-type: none"> • Would reduce emissions and fuel consumption, improve reliability and reduce operating costs 	\$2,750,000
Mohawk, Adirondack & Northern RR	Lewis & Oneida Counties	Would evaluate and repair a series of culverts located along the rail line	<ul style="list-style-type: none"> • Would provide for continued economic development in the area, as a number of customer facilities located along the line have recently either improved or built entirely new buildings • Would allow for safe passage of tourists on the Adirondack Scenic RR, including allowing for an 	\$595,000

New York & Lake Erie RR	Cattaraugus County	Would rehabilitate 10 miles of track between Dayton and Cattaraugus	<p>increase in the frequency and speed of passenger excursion trains</p> <ul style="list-style-type: none"> • Would restore reliable freight service to the Setterstix Corporation located on the line which has suffered lengthy embargoes due to track conditions and washouts • Would restore popular excursion train service to Cattaraugus which was discontinued in the early 1990's due to the condition of the line 	\$1,500,000
New York & Lake Erie RR	Cattaraugus County	Would rehabilitate 6.3 miles of track between Conewango Valley and Waterboro which has been out of service for 30 years and upgrade 9 miles of track from South Dayton to Conewango Valley	<ul style="list-style-type: none"> • Would create a useable connection with the WNYP RR and Norfolk Southern RR as a first phase to creating a viable Buffalo-to-Jamestown rail corridor for freight and tourist train service • Would provide capacity between Jamestown and the Buffalo gateway by restoring service over the shortest rail route between the two • Would create commercially-competitive connections to four Class I RR's at Buffalo and provide corridor shippers with an international gateway to Canada via the Canadian National RR and Canadian Pacific RR 	\$3,500,000
New York, Susquehanna & Western RR	Oneida County	Would rehabilitate a bridge that runs over NYS Route 12 in Waterville	<ul style="list-style-type: none"> • Would ensure the continued safe operation of the line and allow for continued service to the five agricultural customers and one asphalt customer located south of the bridge 	\$250,000
Ontario Midland RR	Wayne County	Would restore and open up old out-of-service RR-owned sidings and yards for new and existing customers	<ul style="list-style-type: none"> • Would restore the sidings to a condition where they could handle 286,000-pound rail cars • Would bring back into use the only end dock in this area of NYS for heavy equipment offloading • Would stabilize the infrastructure and provide critical storage and safer switching of hazmat cars for customers 	\$1,053,625

SMS Rail Lines	Albany County	Would create a 2,400-foot turnaround with two switches for access from both ends on the Delanson Branch	<ul style="list-style-type: none"> • Would create immediate fuel and labor savings of approximately \$52,000/year as a result of the dramatic increase in rail car interchange velocity for both SMS and the Canadian Pacific RR • Would positively impact customer service and permit more reliance on the Canadian Pacific RR interchange for businesses looking for freight services from Canadian Pacific and Norfolk Southern RR origins 	\$801,709
Somerset RR	Niagara County	Would tie and surface 15.5 miles of rail line, including raising, repairing and tamping five public crossings	<ul style="list-style-type: none"> • Would create a safe and reliable rail system serving customers in northern Niagara County, including an electric generating station 	\$2,600,000
South Buffalo RR	Erie County	Would rehabilitate a segment of their rail line, including installing three new greasers	<ul style="list-style-type: none"> • Would improve the condition of the existing rail infrastructure, enabling the RR to continue to provide efficient service as a terminal railway for its customers as well as for the four Class I RR's with which it interconnects, as well as the Buffalo & Pittsburgh RR for which it classifies cars and assembles trains 	\$600,000
Western New York & Pennsylvania RR	Cattaraugus County	Would rehabilitate a segment of their rail line, including crosstie replacements	<ul style="list-style-type: none"> • Would allow for continued, efficient service to the customers located along this segment of their rail line that handles approximately 90% of the RR's overall business 	\$1,200,000