

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

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Delta Railroad Construction Inc.
Erie County IDA
Frank Tartaglia, Inc.
Greenberg Traurig, LLP
HDR Engineering, Inc.
HNTB Corporation
H.W. Lochner, Inc.
Hatch Mott McDonald
McCarthy Rail Insurance Managers
Michelson & Company
Power Drives Inc.
Southern Tier Extension Railroad Authority
Stone Consulting, Inc.
Tectonic Eng. & Surveying Consultants
The West Firm, PLLC
V & H Inc.
W.J. Riegel Rail Solutions

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Lincoln Transportation Insurance Brokers
Nisus Corporation
Omega Rail Management, Inc.
Orgo-Thermit, Inc.
Pocono Mohawk Construction Inc.
RailWorks Track Services, Inc.
Saratoga Railroad Engineering
Star Headlight & Lantern Co. Inc.
Stella-Jones-BPB Corp.
Steuben County IDA
Unitrac Railroad Materials
Vossloh Corporation
W.D. Burt Transportation Consulting

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RAILROADS OF NEW YORK

RONY



RAILROADS OF NEW YORK – 2014 FREIGHT RAIL INFRASTRUCTURE CAPITAL SPENDING OVERVIEW

RONY Overview

Railroads of New York (RONY) represents the freight rail industry in New York State, comprised of four Class I freight railroads (CSX, Canadian National, Canadian Pacific and Norfolk Southern) and 33 Regional (Class II) and Shortline (Class III) railroads. Together, these railroad members directly employ over 3,700 individuals and carry nearly 77 million tons of freight in 2 million rail carloads annually statewide. RONY is also supported by its Associate and Contributing Members which represent many businesses that provide goods and services to the freight rail industry, including engineers, surveyors, contractors and material suppliers.

The total rail freight network in NYS consists of approximately 4,200 route miles of track and interconnects all areas of the state, as well as with all neighboring states and Canada, and provides access to the nation's 140,000-mile freight rail network. This enables 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 served by RONY's railroad members, 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 completed by the NYS Department of Transportation (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. Approximately half of these identified needs relate solely to keeping the current rail system in operation or bringing it up to a state-of-good-repair. The other identified projects are designed to facilitate expansion of the state's rail network, thereby promoting economic development activities, improving service to existing customers and allowing for access to the rail network for new customers.

In the 2010-11, 2011-12 and 2012-13 state fiscal years, all statewide NYSDOT capital funding for rail infrastructure projects was directed exclusively towards passenger and high-speed rail projects, leaving freight rail with no statewide capital funding for the first time in many years. Yet in a positive development, the 2013-14

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NYS Budget included \$20 million in capital funding for freight rail infrastructure projects, a significant step towards permanently reestablishing this essential funding source for our state's freight railroad operators.

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. A majority of RONY's 33 non-Class I railroad members have less than 350 miles of track and less than \$40 million in annual revenues, classifying them as Class III operations. Of these Class III railroads, 20 of them have operating revenues of less than \$5 million per year, with 10 of those having annual operating revenues of under \$1 million. 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.

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 states, including Pennsylvania (approx. \$30 million annually) and New Jersey (approx. \$13 million annually), administer programs that allocate funds for freight rail infrastructure projects using a statewide evaluation process.

Going forward, RONY will work to build on the success of this reestablished program by seeking to not only maintain, but increase the amount of state funding available for future freight rail infrastructure projects to a \$30 million funding level. These investments will help ensure that the state's freight rail network will be able to continue to serve customers all across the state and maintain its status as one of the nation's premiere freight rail networks. Attached is a chart listing a series of sample shovel-ready freight rail infrastructure projects from across the state that RONY's railroad members have identified that are in need of state funding in order to improve the state's freight rail network.

Economic Benefits of Freight Rail Transportation

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.

Providing freight rail service to New York's manufacturing, industrial and agricultural sectors gives them a significant competitive advantage over other businesses that are not connected to the state's rail network. Moreover, a viable freight rail network helps promote statewide economic development efforts by allowing these businesses to grow their customer base and expand operations.

Improving and expanding freight rail service in NYS can also help open up land for investment and remove obstacles to development. This fuels economic growth and helps create and retain jobs all across the state. 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.

Connectivity to other major U.S. and Canadian cities is also important to help keep NYS businesses competitive in the global economy, which can be achieved through the development and maintenance of the state's rail corridors. NYS manufacturers and distributors often demand access to U.S. rail freight services to ensure their ability to access their suppliers and customers in the most competitive manner possible.

For example, in September 2013, the completion of the Rail Relocation Project at the former Bethlehem Steel site in Lackawanna was announced. This project involved the installation of approximately two miles of rail track, including in the process the removal of rail tracks that had hindered access to the site, opening up approximately 300 acres of land for development and new investment. Supported with \$4.4 million in funding from NYSDOT, 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.

Environmental Benefits of Freight Rail Transportation

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.

Because of their higher safety level as compared to trucks, freight railroads are required by Federal law to be the carriers for certain classifications of hazardous materials. According to the U.S. Department of Transportation (USDOT), railroads have been found to be approximately 16 times safer than trucks in carrying hazardous materials. Additionally, according to USDOT, 2012 was the safest year in rail history, with train accidents down by 43% over the previous 10 years, and accidents involving a hazmat release down 16%.

To help maintain the exceptional safety record that freight rail provides, it is essential to keep the state's rail network in a state-of-good-repair so that trains can safely and efficiently move goods. The customers served by the state's freight railroads depend on timely, efficient and dependable service, resulting in increased cost-effectiveness for these businesses.

Conclusion

According to USDOT, the demand for freight rail transportation will increase by approximately 88% by 2035. To meet this expected rise in demand, almost 90% of railway capacity will also need to be upgraded by 2035. A significant amount of these projects involve upgrading the rail infrastructure to be able to handle the modern 286,000-pound rail cars that are now the industry standard.

The freight rail industry is a highly capital-intensive industry that requires continued infrastructural improvements and acquisition of capital assets. 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 capital projects help RONY's railroad members provide safe, dependable service to existing customers and expand the rail network to new customers in support of economic development activities. Additionally, such projects also allow New York's freight rail operators to upgrade their infrastructure in order to meet new Federal regulations.

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. In addition, these investments will help build the necessary infrastructure needed for railroads to survive and remain competitive in an environment that includes not only the freight rail industry, but also other modes of transportation including trucks, barges and cargo airlines.

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.

RONY 2014 Executive Committee

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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	increase in the frequency and speed of passenger excursion trains	\$1,500,000
			<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 	
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 runaround 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