

Testimony by
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to the
Committee on Transportation
Pennsylvania
House of Representatives

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This testimony provides information on Class II and III railroads in Pennsylvania.

- What are Class II and III railroads?
- Update on GWI in Pennsylvania
- Successes of Pennsylvania Public - Private Partnerships with Class II and III railroads
- An area of unfulfilled need
- Possible next steps



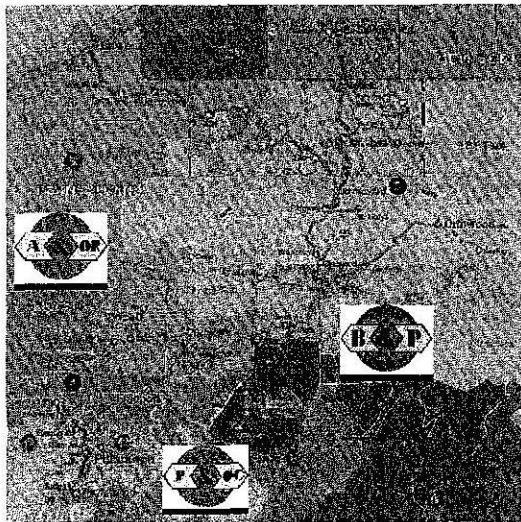
Class II and III railroads are the "First Mile / Last Mile" of the freight railroad network.

- Class I freight railroads: \$401.4+ million annual revenues } Only 7 freight railroads, smallest with \$1.8 billion in 2008 revenues
- Class II ("Regional") railroads: <\$401.4 million to \$32.1 million annual revenues } 33 railroads
- Class III ("Short Line") railroads: up to \$32.1 million annual revenues } Over 520 separate U.S. freight railroads

With 54, Pennsylvania has more Class II/III freight railroads than any other state. Second is Texas, with 45.



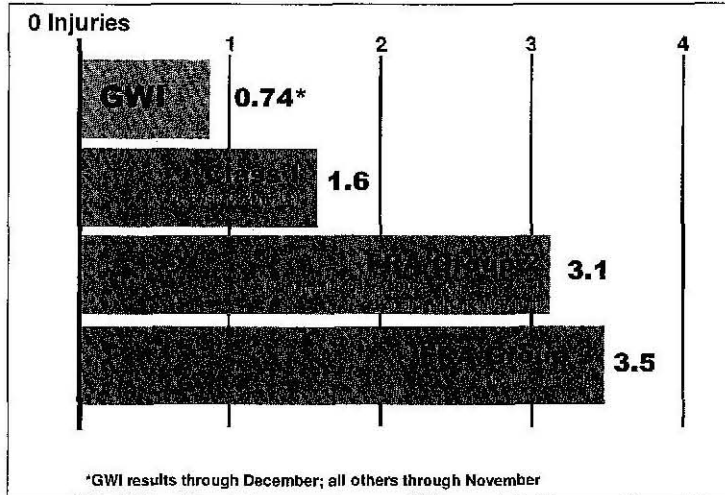
GW operates four separate Class II and III railroads in Pennsylvania.



- Buffalo & Pittsburgh: Pittsburgh area to Erie, Buffalo and Rochester
- York Railway: York County area
- Pittsburgh & Ohio Central: McKees Rocks area to Washington County
- Aliquippa & Ohio River: Aliquippa area



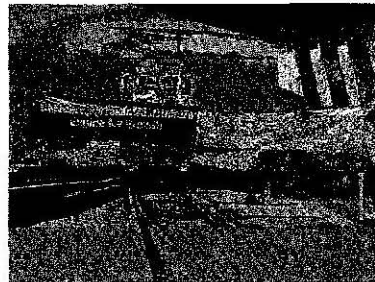
As demonstrated in our 2009 results, safety is the Number 1 priority at GWI.



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Pennsylvania maintains a leadership position in developing Public-Private Partnerships for investments in rail freight infrastructure projects.

- The Rail Transportation Assistance Program (RTAP) and Rail Freight Assistance Program (RFAP) both fill important needs for rail investments.
- Public benefits are significant: Maintain or grow jobs, reduced highway congestion, less pollution and fuel use.
- Pennsylvania made very significant commitments to CSX and NS multi-state corridor projects.



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Current state programs do not fully address an area of growing concern: Viable Class II/III lines with a significant infrastructure investment requirement.

These requirements are often bridge related.

- Line can be in good shape, other than bridge(s).
- Cash flow generated by the line adequate for most requirements, but does not provide enough for bridge replacement.
- Bridge issues also typically limit weight capacity of the line to less than 286,000 lbs., the national standard.



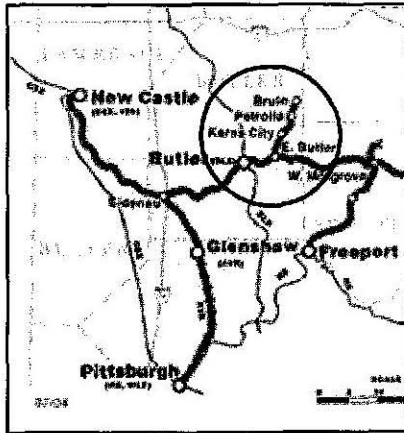
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Case Study of this issue:
Buffalo & Pittsburgh Railroad Northern Sub.



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The BPRR Northern Sub provides a critical rail connection to northeastern Butler County.

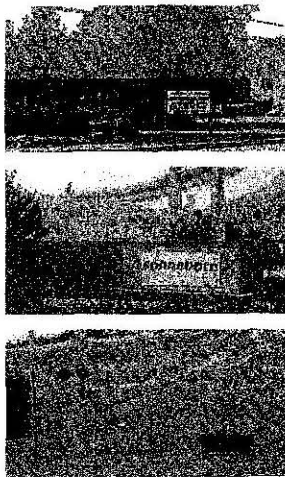


- 15.1 mile long branch line, connecting Petrolia and Karns City to the B&P main line
- Provides critical freight service to three petro-chemical customers
- Line includes 14 bridges, including four major wood trestles that need replacement

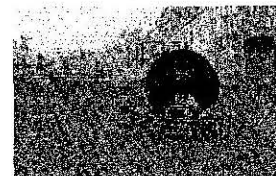
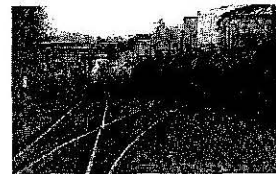


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Three major industrial employers depend on the Northern Sub for competitive access to their markets.



- Approximately 1,000 industrial sector jobs
- All three companies face extremely intense worldwide competition
- B&P rail service critical, due to economics and safety concerns



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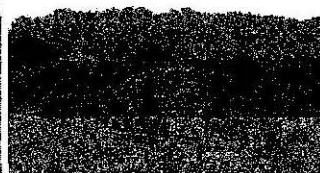
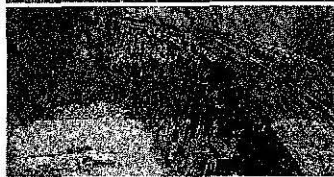
Four major wood trestles connect these customers with the rest of the U.S. rail network.

- The four bridges identified in need of replacement:
 - 80 to 100 years old
 - not built to modern industry standards
 - bridge capacities currently well below rail industry standard 286,000 pound freight car shipments
- Cost of replacing each bridge ranges from \$2.5 to \$4.8 million



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A May, 2006 act of arson destroyed one of the major Northern Sub wooden trestles.



- Loss of the bridge completely cut off all three customers on the line.
- With tremendous support from PA DEP, PennDOT, and the US Corps of Engineers, the line reopened on June 22, 2006.



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What is the solution for the Northern Sub?

- A combination of federal, state and private funding will be required.
- Innovative approaches by the state will allow this project to move forward in a faster manner.
 - Use of federal stimulus funding?
 - Use of Economic Development funding?
 - Combination of Railroad, County and State funding sources?



New Bridge No. 420, replaced in 2009 with the assistance of a \$245,000 2008 THUD Appropriations project grant.



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Two specific actions can assist projects like the Northern Sub bridge replacement effort.

1. Commonwealth of Pennsylvania should consider using future federal infrastructure stimulus funds for non-highway projects.
2. A joint Transportation Committee - PennDOT - Industry task force could evaluate this Class II / III issue and produce recommended courses of action.



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