

## **RONY TESTIMONY TO THE LEGISLATIVE FISCAL COMMITTEES**

### **2013-14 TRANSPORTATION BUDGET HEARING**

**JANUARY 31, 2013**

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. In the past three state fiscal years, this funding source has been directed exclusively towards passenger and high-speed rail projects, leaving freight rail with no statewide funding. Unlike in previous years, in a positive step, this year's Executive Budget proposal separates out the Amtrak operating subsidy from this funding source. Given the lack of a statewide funding program for freight rail the past three years, RONY respectfully requests your support in committing this \$10 million in funding exclusively for freight rail projects.

In addition, RONY is also supportive of the \$100 million NYSDOT capital appropriation that is proposed for transportation infrastructure projects. We request your support in committing a portion of this \$100 million appropriation for freight rail projects as well. For your reference, attached is a 2009 NYSDOT rail freight assessment on the rail freight infrastructure needs in the state. We include this so you can see the magnitude of the need in the state's rail network.

Because of the current lack of a statewide infrastructure funding program for freight rail, freight rail infrastructure projects have been directed through the Regional Economic Development Council process which analyzes and scores projects on a regional basis. 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 network. In addition, the Regional Councils' matching funds and jobs requirements often prove too high a threshold for many NYS railroads, especially the short line operations. For example, unlike more traditional economic development projects, freight rail infrastructure projects often support industrial sector job retention as opposed to the creation of new jobs.

For rail freight infrastructure projects to effectively compete for state funding from these two NYSDOT transportation infrastructure funding opportunities as mentioned previously, RONY believes it is important that NYSDOT be primarily responsible for evaluating and scoring these projects. NYSDOT is better able to take into account the statewide nature of the rail network and how the economic benefits of one particular project may be realized across the entire statewide system and not just locally. Their scoring metrics, based on years of experience appropriating rail freight infrastructure funding, also include established matching funds and jobs requirements that are more suitable for infrastructure projects, which in turn will enable our railroad members to effectively compete for this statewide funding.

A majority of freight rail infrastructure projects are essential in order to enhance existing infrastructure assets into a state-of-good-repair and to allow for continued rail service to the customers located along the lines. In addition, other projects represent improvements to freight rail infrastructure

which are important to allow railroad companies to expand their customer base and support local economic development efforts. Related to this, our state's freight railroads are also prepared to help assist in current state efforts designed to promote New York-made products by offering local manufacturers and agricultural businesses with efficient, cost-effective access to expanded markets via the state's rail network.

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. Across a very wide range of commodities and products, 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.

As one example of an economic development project that benefitted from the presence of freight rail services, in 2007, Barilla Pasta, the world's largest pasta maker, established a \$100 million manufacturing plant in Avon, Livingston County. When Barilla company officials were scouting different locations in the Northeast United States, they said that one of their siting requirements was the presence of a rail freight line that would be able to accommodate the 286,000-pound rail freight cars that have now become the industry standard. Thanks to rail freight capital grants issued by NYS to upgrade this particular rail line a few years prior, the railroad was able to accommodate this request. Without these upgrades, the freight rail infrastructure would not have been able to handle these heavier freight cars and Barilla would not have located its manufacturing plant in NYS.

In addition to Barilla, the presence of the railroad has resulted in further direct economic development impacts in the region. With customers like Kraft Foods, Archer Daniels Midland, Cargill and Perdue, the railroad helped hatch a "food corridor" in the region that has employed hundreds of individuals over the years. By offering high-volume shipping advantages to these businesses, the railroad has proven to be a significant economic catalyst for this region.

Without state assistance, many of our state's railroad companies, especially the short lines, may be unable to upgrade their rail infrastructure to meet modern standards, which could jeopardize their ability to serve their customers. RONY respectfully requests the support of the Legislature in keeping these transportation infrastructure capital funds in the final enacted budget and in committing funding for essential freight rail infrastructure projects in NYS. In addition, if freight rail funding is kept separate from other competing demands for funding and projects are evaluated and scored by NYSDOT, many essential rail freight infrastructure projects will be able to be completed to the benefit of the state's entire rail network.

RONY is not opposed to working with the Regional Councils, and in fact we welcome the opportunity to work with them. They have a very important role in making state capital investment decisions more responsive and efficient. However, it is our position that it is important that NYSDOT be directly involved in the evaluation and scoring process for the projects that will come from the \$10 million rail infrastructure appropriation and the \$100 million transportation infrastructure appropriation included in the Executive Budget. This is not unlike other state agencies and authorities when incentives and program funding are reviewed through the Regional Council process. This will allow our railroad members to continue to provide rail service to their customers and to help support state and local economic development efforts across New York State.

## ATTACHMENT

### 2009 NYS RAIL PLAN – FREIGHT RAIL FUNDING NEEDS OVERVIEW

According to the 2009 NYS Rail Plan completed by the NYS Department of Transportation, there is a need of approximately \$375 million per year in investment in the state's freight rail infrastructure over a five-year period, totaling nearly \$2 billion.

As the table below shows, a substantial portion (47%) of freight rail's identified needs relate solely to keeping the current system in operation or bringing it up to a state-of-good-repair. In addition, the Plan calls for rail freight system enhancements and system expansions for economic development.

<u>CAPITAL NEEDS CATEGORY</u>	<u>5-YEAR FREIGHT NEEDS</u>	<u>5-YEAR JOINT PASSENGER &amp; FREIGHT NEEDS</u>
Maintain Existing Conditions	\$225,000,000	\$31,000,000
Develop State-of-Good-Repair	\$559,000,000	\$76,000,000
System Enhancement	\$445,000,000	\$201,000,000
System Expansion/Economic Development	\$448,000,000	\$264,000,000
<b>TOTAL NEEDS</b>	<b>\$1,677,000,000</b>	<b>\$572,000,000</b>

In addition, with respect to rail freight, the plan calls for:

- Increasing freight rail market share by 25 percent to reduce growth of truck traffic and energy consumption;
- Allowing modern freight cars to access the New York City metro area and Long Island along routes east of the Hudson River;
- Adding at least three new intermodal facilities/inland ports across the State (including at least two upstate) to serve the rapidly growing container segment of rail traffic, which will help remove long-haul trucks from highways and deliver products to consumers faster;
- Creating the first "green" short line fleets in the nation;
- Incorporating rail sidings, rail-truck transfer facilities and "last mile" connections serving all rail terminals and shippers who need access to the rail network to facilitate economically competitive industries throughout NYS;
- Transporting hazardous commodities by rail by taking advantage of the well-documented safety benefits of rail; and,
- Serving business Upstate as well as Downstate via an integrated rail network that is restored to good condition and maintained in a state-of-good-repair.