Attachment 1 to Appendix A
RECOMMENDATIONS FOR OHIO’S STATE RAIL PLAN

The Ohio Railroad Association welcomes the opportunity to provide these comments and recommendations for your consideration as the state develops its initial state rail plan. The recently released draft plan provides important background on the state’s rail history and current state programs and policies. The inclusion of some specific examples of how Ohio’s freight railroads are providing services and benefits to the state would give the reader an even better understanding of why the relationship between the freight railroads and Ohio’s economy calls for continued emphasis on partnership between the railroad companies and the state. While those examples may be developed in discussions between the state and individual railroads, this document is intended to provide the team developing the rail plan some general recommendations on how the state and the freight railroad industry can work together for mutual benefit. Therefore, we ask your consideration for these recommendations to be included in the final plan not as the recommendations of only the freight railroad industry, but as the recommendations of the state as well.

Rail Investment: A Foundation for Job Creation

One needs not look far around Ohio to see examples of how recent combined public and private investment in modern freight rail facilities has sparked new economic activity and job creation. As our state seeks to reverse the job losses due in large part to the decline of multinational corporations’ manufacturing investment, one of the proven ways to attack the problem of attracting new capital is provided by the example of the Ohio Rail Development Commission (ORDC) and its record of investing in improved rail freight facilities and infrastructure. In support of this practice by the ORDC, a study by the American Association of State Highway and Transportation Officials (AASHTO) found that “relatively small public investments in the nation’s freight railroads can be leveraged into relatively large public benefits for the nation’s highway infrastructure, highway users, and freight shippers.” Seeking to realize the benefits of an improved rail system, Ohio railroads have cooperated with the state in compiling a list of projects that would improve both individual railroad operations and the freight rail network as a whole. In addition, Ohio is poised to reap new benefits from public-private partnerships that have resulted in major national freight rail infrastructure investments (the Norfolk Southern Heartland Corridor and the CSX National Gateway). Further leadership by Ohio in both national projects like these and in local projects that create regional economic growth along Ohio’s short lines will continue to position Ohio at the forefront of freight rail facility development, with the result being new economic growth and job creation opportunities.

We encourage Ohio to examine both macro- and micro-level opportunities to partner with private freight railroad companies and rail users to obtain both significant public benefits while laying the foundation for job creation and additional statewide private investment. Let’s take a look at some of the recommendations for additional consideration for inclusion in the state rail plan.

Statement from the Ohio Railroad Association to ORDC
March 2010
PUBLIC BENEFITS DRIVE PUBLIC SHARE OF PROJECT FUNDING

Jobs & Economic Benefits
As shown above (Rail Investment: Foundation for Job Creation), investment in freight rail infrastructure has proven to be a near-direct connection to additional private sector job creation, increased commercial property values, and new construction of nearby private freight handling and other industrial facilities. These developments lead to additional employment in retail and service sectors that grow to support these facilities and their employees. Ohio’s practice of supporting freight rail investments when the new economic opportunities and resulting public benefits recommend involvement is a strategy that should be continued. Of some concern to Ohio should be the fact that several of our neighbor states already appreciate this connection between freight rail and job creation and are making a much larger financial commitment annually to these types of projects.

But economic development and job creation/retention are only two of the public benefits obtained through improved freight rail infrastructure.

Safety Benefits
The more goods that move by rail, the fewer trucks there are on the roads. When commercial truck volume increases, there is a corresponding increase in the rate of highway accidents. This was proven when the Ohio Turnpike Commission increased tolls and trucks fled the Turnpike for other routes, where accidents and fatalities skyrocketed to a degree that led to a rescission of the toll increases. On a ton-mile basis, moving freight by rail is a much safer practice for the public. Fatalities involving rail freight operations are only one-tenth that of commercial trucks. The congestion that accompanies the movement of freight over Ohio’s roadways can be mitigated by utilizing the existing capacity of many corridors in today’s freight rail system. In addition to helping reduce highway congestion and improve public safety, freight rail also is a preferred mode for hazardous materials shipments because of its positive safety record. Developing a broader awareness of these safety benefits, concomitant with a strategy to maximize the movement of freight by rail, could result in the delivery of significant safety improvements for the traveling public.

Environmental Benefits
Ohio continues to be challenged to improve its air quality performance. Several regions of the state annually face health concerns due to poor air quality. The most problematic areas occur generally where there is a heavy concentration of highway users. Railroads can be part of the solution to these problems on a regional basis. A freight train moves a ton of freight an average of 457 miles on a single gallon of fuel. According to the Federal Railroad Administration, railroads are 1.9 to 5.5 times more fuel-efficient than trucks, depending on the commodity carried and length of the haul. Railroad fuel efficiency is up 94 percent since 1980. Ohio freight railroads are leading the effort to employ more modern, fuel-efficient diesel locomotives, and through
partnership with the state have introduced cleaner and “greener” locomotives into operations in some rail yards in Ohio. Because greenhouse gas emissions are directly related to fuel consumption, railroads have a lower carbon footprint. In fact, depending on the commodity and distance traveled, moving freight by truck can emit more than 5 times more carbon dioxide than moving the same freight by rail. While rail can’t always serve as the “last mile” of a freight movement, greater emphasis on moving goods via rail will clearly be good for Ohio’s environment.

**Highway Building & Maintenance Cost Savings**

Public studies from around the nation have shown that freight rail operations relieve the costs the public must bear for both the maintenance of the existing highway system as well as the need to massively expand that system. In Ohio alone, tens of millions of trucks (and billions of dollars) would be needed to replace the freight services provided by railroads. Ohio’s transportation project investment criteria rightly examine the public benefits that may be derived from specific investment choices, but at the moment, this formula does not consider the real savings available to the public by adopting policies that encourage the movement of more freight via the private rail system instead of those that encourage freight moving over the public highways. As commercial truck configurations attempt to grow longer and more numerous, the pressure will build to add more highway capacity (such as the truck-only lanes being considered as a part of the Interstate 70 highway corridor) and to build roads and bridges to a higher and more expensive engineering standard necessary to handle the increased commercial volume and tonnage hauled by trucks. Under this scenario, both the cost of building these kinds of super-roads and the cost of maintaining what we have built and are building will become an even greater burden on the taxpayer. At present, fuel tax revenues and existing road and bridge conditions continue to decline. This confluence of events is creating a financially unsustainable system today, and the future holds no better outlook. Now is the time to establish criteria that consider the savings in public tax dollars that will result from less growth in the volume of commercial truck freight by creating policies that encourage more shippers to move goods of all types via rail.

**SAFETY**

While safety benefits can accrue to the public simply by moving more goods via rail, thus reducing the number and size of trucks on the roads, there are also several critical rail safety-related issues that bear consideration at this time.

**PTC**

Positive train control (PTC) describes technology designed to automatically stop or slow a train before an accident occurs. In particular, PTC is designed to prevent train-to-train collisions, derailments caused by excessive speed, unauthorized incursions by trains onto sections of track where repairs are being made, and movement of a train through a track switch left in the wrong position. Nationally, approximately 70,000-80,000 rail miles will be affected by the PTC mandate. Freight railroads will have to spend more than $5 billion just to install PTC systems, plus pay
hundreds of millions of dollars more each year thereafter to maintain them. The total cost of PTC to freight railroads over 20 years is estimated at $10 billion to $14 billion. The Federal Railroad Administration’s cost-benefits ratio for PTC is estimated to be $1 of benefits for approximately every $20 spent by the railroad. This federal mandate will require the expenditure of funds from all of the major railroads operating in Ohio. While both the railroads and the federal agencies responsible for the implementation of this mandate are moving forward toward the goal of full implementation by 2015, the acknowledgment by the FRA that the expenditure of private funds on this program will not obtain benefits commensurate with its cost is gaining attention. Ohio has an opportunity to raise questions about the value of this mandate versus the need for increased investment in rail capacity. In the event the federal agencies do not rescind this mandate, we encourage the public to partner with railroads in a direct cost-sharing for the implementation of PTC or to extend a full tax credit to railroads against their property tax/commercial activities tax liability. Failure to share this cost places a heavy burden on the state’s railroads and forces investment away from the needed capacity improvements and maintenance of the state’s existing rail infrastructure. The loss of the investment in improved freight rail infrastructure, due to the required investment in PTC, will likely lead, at best, to a delayed realization of the public benefits previously identified. At worst, it could lead to a reduction in the ability of some railroads to continue to operate over the extended rail network, with a resulting decrease in service for Ohio shippers.

**Surfaces**

Poor grade crossing surface conditions can be a source of frustration for some communities in Ohio. Railroads are required under existing state law to maintain in good repair the crossing surface at every public road crossing along their system, and do this well in most cases. Commercial trucks are the cause of a disproportionate amount of the damage to crossing surfaces. As these heavy vehicles traverse the crossings, they degrade the surface at a much greater pace than if the crossing were simply used by lighter vehicles. Both the increasing numbers and the increasing weights of commercial trucks are leading to premature degradation of crossing surfaces, and the situation is worsening. Over the past twenty years, Ohio has enacted laws that have allowed an increasing number of heavy commercial vehicles hauling different commodities to use the public roads, without any apparent concern for the impact these vehicles have on the condition of roads and bridges, including the grade crossings that intersect the public roads. Therefore, ironically, under today’s laws in Ohio, freight railroads are required to pay for the damage caused by heavy commercial trucks. Legislation now under consideration in the Ohio General Assembly could make this situation untenable by increasing the liabilities of railroads to repair the damage largely caused by trucks. Rather than require railroads to effectively pay for the damage to these crossings caused by heavy commercial trucks, we recommend the state apply a share of the funds obtained from the sale of special hauling permits to the costs of building and maintaining grade crossing surfaces.

**Grade Crossing Signage/Visibility**

Ohio’s record on driving downward the number of crashes that occur at grade crossings is laudable. And there are many parties who have played an important
role in this effort, including state agencies, local and state law enforcement, and the railroads themselves. From nearly 900 crashes a year in the early 1980s, the number of crashes failed to reach 100 last year. Regrettably, the percentage of crashes where active warning devices are in place remains at an unacceptably high number. Passive crossings have been a focus of unique statewide programs in Ohio since the early 1990s. Now, the federal government has moved forward to initiate a new national standard for passively-warned grade crossings. The state should take the necessary steps to begin to move forward with the implementation of the MUTCD-required changes at crossbuck only grade crossings. In addition, the control of vegetation and structures on non-railroad private property near grade crossings should be examined as a new means to improve the safety of the motoring public, and the steps necessary to implement such a program should be promoted by the state.

INFRASTRUCTURE

Public-Private Partnership

The state, through the Ohio Rail Development Commission, has an established program whereby the state partners with railroads and others to share in the cost of maintaining and improving rail lines, with a special focus on the maintenance needs of the state’s many short line railroads. This partnership has allowed many railroads to maintain both a competitive economic development position within a region while also assisting in the maintenance of safe freight operations on these railroads. In addition, the state often has partnered with railroads, rail shippers, and local governments to provide the “last dollar” necessary to leverage increased investment in Ohio’s rail transportation system. However, Ohio’s annual level of investment in freight rail projects is dwarfed not only by the annual investment provided for freight rail system projects in several of our neighbor states, but by the current needs for maintenance improvements. Based on the many success stories generated by Ohio’s existing program and in order to help leverage the economic and public advantages offered by freight rail, the state should increase its level of investment in these rail freight programs, based on the public benefits procured via that investment. In addition, the state should seek to obtain greater flexibility in its public funds available for transportation projects. The “silencing” of these programs and monies has proven to be a problem for the state in various rail projects, as well as those dealing with other non-highway modes.

Support Federal Tax Credits Legislation

There are bills pending in the Congress to provide freight railroads with federal tax credits based upon the railroad’s investments in its infrastructure. These investments remain in the states where they are made, providing precious improvements to the state rail infrastructure. While both measures have considerable congressional support, active support from Ohio’s state government would serve to bring new energy to the effort to pass this legislation. When the tax credits are enacted, Ohio railroads would be in a better individual financial position to improve and expand their infrastructure, thus improving the ability of Ohio businesses to ship goods economically to both
domestic and world markets. And, these tax credits will deliver to Ohio the public benefits that are inherent in the services provided by railroads.

Oppose Congressional Re-regulation Legislation

Congress is considering legislation that would impose unnecessary regulatory controls on the freight railroad industry. These controls would hamper the recovery railroads have made since the Staggers Act removed much of the direct government control of railroads nearly thirty years ago. Rail service and infrastructure condition has improved dramatically in that period while real rates have remained relatively flat. The re-regulation of railroads proposed under the existing legislation would potentially deprive railroads of the ability to make the investments necessary to maintain their system, as well as make the significant new capacity investments needed to handle the expected future growth in freight. Ohio should step forward and express its concern with this legislation and oppose its passage.

ECONOMIC DEVELOPMENT

Connecting Ohio with World Markets

Ohio’s job base includes many varied and important industry sectors, such as manufacturing, agriculture, and mining. And approximately one-third of the production from Ohio is exported around the world, making efficient connections to global markets critical for our future ability to compete. As other states and nations build new transportation assets, Ohio’s focus on connecting producers with markets through the efficient national rail network will allow those Ohio industries to maintain both access and flexibility as they compete for market share. The state’s ability to provide access or enhance producers’ existing connection to the freight rail system should be an important part of the state’s rail plan strategy.

Maximizing the Advantage of Ohio’s Location

Ohio’s central location and topography have provided an advantage in attracting both public and private transportation infrastructure investment over the years. This past investment has leveraged increasing new investment by the private sector’s logistics and distribution industry. A strategy that recognizes these advantages, and focuses on expanding the reach and capacity of the state’s rail infrastructure will both increase the opportunity for new business investment in all parts of the state, but also strengthen the ability of Ohio’s freight railroads to provide competitive freight service to every corner of the state.

SUMMARY OF RECOMMENDATIONS

The freight railroad industry delivers significant public benefits in Ohio. These benefits can be expanded or they can be narrowed, depending on the actions and involvement of
Ohio’s state government and federal or congressional decisions. The active partnership of Ohio’s state government in seeking to expand the benefits of the state’s freight rail system leads to the following recommendations:

**THE** inclusion of some specific examples of how Ohio’s freight railroads are providing services and benefits to the state would give the reader (of the state rail plan) a better understanding of why the relationship between the freight railroads and Ohio’s economy calls for continued emphasis on partnership in many areas between the companies and the state.

**OHIO’S** practice of supporting freight rail investments when the economic opportunities and resulting public benefits recommend involvement is a strategy that should be continued.

**GREATER** awareness of the public safety benefits obtained through the movement of freight via rail, concomitant with a strategy to maximize the movement of freight by rail, could result in the delivery of significant highway safety benefits for the traveling public.

**WHILE** rail doesn’t always serve as the “last mile” of a freight movement, greater emphasis on moving goods via rail will clearly be good for Ohio’s environment. Transportation policies should be reviewed and amended to support this outcome.

**NOW** is the time to establish criteria that evaluates the savings in public tax dollars that will result from less growth in the volume of commercial truck freight by creating or amending highway use and investment policies that encourage more shippers to move goods of all types via rail.

**OHIO** has an opportunity to raise questions about the value of the PTC mandate versus the need for increased investment in rail capacity. In the event the federal agencies do not rescind this mandate, we encourage the public to partner with railroads in a direct cost-sharing for the implementation of PTC. Alternately, the state may decide to extend a full tax credit to railroads against their tax liability as a means of paying for the costs of implementation and maintenance.

**RATHER** than require railroads to effectively pay for the damage to grade crossing surfaces caused by heavy commercial vehicles, we recommend the state apply a portion of the funds obtained from the sale of special hauling permits to the costs of building and maintaining grade crossing surfaces.

**THE** state should take the necessary steps to begin to move forward with the implementation of the MUTCD-required changes at crossbuck-only grade crossings. In addition, the control of vegetation and structures on non-railroad private property near grade crossings should be examined as a new means to improve the safety of the motoring public, and the steps necessary to implement such a program should be promoted by the state.
BASED on the many success stories generated by Ohio’s existing program and in order to help leverage the economic and other public advantages offered by freight rail, the state should increase its level of investment in rail freight, and such investment should be based on the public benefits procured. In addition, the state should seek to retain flexibility in both state and federal funds available for transportation projects.

OHIO’S state government leaders should actively support congressional efforts to pass tax credit legislation that would benefit infrastructure investment by Ohio railroads and oppose congressional efforts to pass legislation that would impose dramatic re-regulation on the freight railroad industry that would threaten the ability to make infrastructure investments.

AS other states and nation’s build new transportation assets, Ohio’s focus on connecting producers with markets through the efficient national rail network will allow those Ohio industries to maintain both access and flexibility as they compete for market share. The state’s ability to provide access or enhance producers’ existing connection to the freight rail system should be an important part of the state’s rail plan strategy.

A strategy should be developed that recognizes the advantages of Ohio’s geographic location and focuses on expanding the reach and capacity of the state’s rail infrastructure. Implementing this plan within Ohio will both increase the opportunity for new business investment and strengthen the ability of Ohio’s freight railroads to provide competitive freight rail service to businesses in every corner of the state.