BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Sarah G. Yurasko, Senior Vice President – Law and General Counsel,
American Short Line and Regional Railroad Association

Testimony of Kennan H. Beard III, President and CEO,
Sierra Northern Railway

Testimony of Shannon Drown, Vice President, Commercial & Industrial Development,
R. J. Corman Railroad Company

Testimony of Henry Posner III, Chairman,
Iowa Interstate Railroad

Testimony of Marlon Taylor, President,
New York & Atlantic Railway

Testimony of Kimberly C. Thompson, Vice President, Sales & Marketing,
Genesee & Wyoming Railroad Services, Inc.

Sarah G. Yurasko
American Short Line and
Regional Railroad Association
50 F Street, NW Suite 500
Washington, DC 20001
Counsel for the American Short Line and Regional Railroad Association

August 30, 2024

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Sarah G. Yurasko, Senior Vice President – Law and General Counsel, American Short Line and Regional Railroad Association

Good morning. My name is Sarah Yurasko, and I am the Senior Vice President of Law and General Counsel of the American Short Line and Regional Railroad Association (ASLRRA). The ASLRRA is a national trade association representing the interests of about 600 short line and regional railroad members in legislative and regulatory matters. Short lines operate nearly 50,000 miles of track in the United States, or nearly 30% of the national freight network, touching in origin or destination one out of every five cars moving on the national railroad system, serving customers who otherwise would be cut off from the national railroad network. Both in legislative matters before Congress and in regulatory and legal proceedings before the Board, other federal agencies, and the courts, ASLRRA advocates for enlightened public policies which promote a strong regional and short line rail component for the national transportation infrastructure. We like to say that, as an industry, short lines punch above their weight class. Although the typical short line employs about 30 people, serves 18 shippers, and transports freight about 50 miles for those customers, we have an outsized impact – particularly in small town and rural America – in getting our customers' goods to market.

Growth in the freight rail business is essential to short line railroads. Carload volume is the lifeblood of the short line industry. Short lines keenly focus on retaining and growing carload volume – and will partner with anyone to better serve a customer or build out a rail option for a new customer. Whether it is one carload of scrap metal a year that is hauled for a one-man scrap processor who hand loads rail cars with specialty aluminum, chicken feed, lumber through a transload site, steel on a shortcut, unit trains of ethanol, or several hundred carloads of grain a week – there is NO customer that our industry will not work with to serve and grow their business. ASLRRA firmly believes that the way short lines do business is the reason short lines grow business so successfully.

Growing business where little existed before is at the heart of the short line story. Growth is what the short line railroad executives go to bed and wake up thinking about. Since the Staggers Act jumpstarted the modern short line industry, short lines have turned the most neglected rail lines in America into a thriving collection of small businesses where carload growth has been the lifeblood of success.

Today, we've brought representatives from five short line railroads who will detail their strategies to retain and attract more business to short lines, ultimately delivering more volume to our Class I partners and the rail network as a whole.

- Ken Beard, President and CEO of Sierra Northern Railway, will discuss his railroad's Inland Port and Transload Facility.
- Shannon Drown, Vice President of Commercial & Industrial Development at R. J. Corman Railroad Company, will talk about R. J. Corman's unique service connecting two industrial metals industry customers.
- Henry Posner, Chairman of Iowa Interstate Railroad, will discuss his railroad's project benefitting Pattison company's aggregate transload for western Iowa markets.
- Marlon Taylor, President of New York & Atlantic Railway, will talk about growth involving the New York City aggregate market.

- Kimberly Thompson, Vice President of Sales and Marketing for Genesee & Wyoming, will speak to a project on the Puget Sound & Pacific Railroad in western Washington state.

ASLRRA's member short line railroads commonly highlight four components as critical to short line freight rail growth and success:

1) A deep understanding of our customers – their pain points, their growth strategies – and the ability to provide efficient rail service that is responsive to their specific needs.
2) Investment in infrastructure – always with private funds, but also often supported by state or federal funding. Short lines are willing to invest with the long term in mind and are eager and willing to work with public partners when the opportunity arises.
3) Working closely with local business development groups such as Chambers of Commerce and government groups such as Economic Development Agencies to develop rail-served commercial properties such as business and industrial parks.
4) Strong partnerships with the community and Class Is to develop and efficiently deliver the white-glove excellent customer service our customers depend upon.

The short line rail industry is nimble, necessary, and noted for its attentive and customized service. Shippers rely on local rail service, often a short line, for access to markets regionally and nationwide. By working with local partners, Class Is, other short lines, or economic development agencies, short lines drive growth for the local communities and for the freight rail system one creative solution at a time.

I thank you for your time and am happy to answer any questions.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Kennan H. Beard III, President and CEO,
Sierra Northern Railway

Good morning. My name is Ken Beard, and I am the President and CEO of Sierra Northern Railway. I appreciate the opportunity to speak before the Board today and share my perspective about operating a short line railroad. The Sierra Northern Railway is an integral asset to the state of California. The success of Sierra Northern is fueled by the passion its employees have for rail and serving their community, as well as its loyal shippers and customers on the line. The growth of Sierra Northern Railway and the innovative strategies implemented over the years has far surpassed what anyone could have anticipated when our parent company, Sierra Railroad Company, acquired its very first railroad interest in 1995.

Throughout my presentation, I will reflect on the past and present, while also looking toward future efforts to serve and accommodate our shippers' needs. My hope is that by the end of this I will have conveyed to you that the true key to success in operating a successful short line is driven by the partnerships formed with its customers and balancing their needs with those of the railroad.

Past: 1995-2013

Our story began in 1995, when Mr. Mike Hart, current CEO and founder of Sierra Railroad Company, purchased the 49 miles of rail line that now make up one of the two subdivisions of the Sierra Northern Oakdale Division. At the time Mr. Hart acquired this track, it served zero customers. The acquired track had not been well-maintained to the point that it was neither possible nor safe to service any customers. Immediately, Mr. Hart began work on rehabilitating the line and started serving a few customers. The initial success seen as a result of these rehabilitative efforts and the clear interest in the use of the line by shippers inspired Sierra Railroad Company to expand and in 2003, Sierra Northern Railway was formed through the merger of Sierra Railroad Company and the Yolo Shortline Railroad.

When Sierra Northern was formed, the Oakdale Division moved less than 2,000 carloads. As things got up and running, SNR invested its efforts by first focusing on building back up to the historic levels of business that had been lost in the decades before and then, strategizing ways to surpass those historic levels of business. As part of SNR's plan to improve service and attract new business, we undertook a number of transactions and projects, including that SNR sold the Clarksburg Branch that had been part of the Yolo Shortline Railroad to the City of West Sacramento.

In 2001, SNR undertook construction to expand switching operations at McClellan Park, a former Air Force base that was privatized and took advantage of the existing railroad tracks to aid in the commercial development of the park by introducing common carrier rail service.

<u>2003-2014:</u>

From 2003 to 2014, SNR quickly strategized on business expansion efforts and quickly implemented them to both improve its current service on all divisions as well as attract new business. SNR dedicated itself to making as many repairs as it had the capacity to take on to bring its Line into a state of good repair to better serve its customers.

<u>Past: 2014-2020</u>

In November of 2014, I joined the Sierra Northern team. When I joined Sierra Northern, I brought with me 20 years of railroad operating and management experience, as I am a fifth-generation railroader. Prior to Sierra Northern, I served as the COO of the Modesto and Empire Traction Company, which has been owned by my family for generations since they founded it in 1911. My prior experience and overall upbringing in the family rail industry helped me to aggressively and successfully improve short line operations. I was able to apply my knowledge of how to build a business and implement a business model after both witnessing and involving myself in my family's business. Additionally, I had worked with all divisions of the railroad, so I understood how to repair tracks, how to build and manage a reliable team, and had overall operational knowledge of the daily ins and outs of successful short line service.

There were approximately 4,579 carloads and 41 customers when I joined. SNR had managed to successfully repair much of the business that these lines had lost in the previous decades, but the carloads and customers currently served at this time were not enough to provide sufficient revenue to fully bring the Line into a state of good repair. I began to identify certain infrastructure needs and growth opportunities. I started thinking about the Sierra Northern business model and avenues to acquire the needed revenue.

In 2017, my efforts and strategizing led me to begin exploring state and federal grant opportunities and, in particular, the FRA's CRISI program. In 2019, SNR was awarded approximately $17 million to replace 90,000 of the line's 175,000 railroad ties and to improve safety at 10 crossings. Being awarded this CRISI grant in 2019 was a major turning point for SNR, as it advanced our goals of ensuring that the line was an engine for continued economic growth in the region and globally for decades to come.

Current: 2020-2024

Shortly after the excitement of our 2019 CRISI award, the global pandemic hit and posed many economic threats and setbacks to our recently acquired momentum. However, SNR overcame this adversity and in July of 2020, we broke ground on the projects that were awarded funding in our 2019 CRISI. We also purchased the 116 acres of property that is now home to our Oakdale Division's transload facility and inland port. The results of these two noteworthy events in July of 2020 can be appreciated by looking back at the preceding years.

In 2017, we shipped 5,980 carloads and served 47 customers. In 2020, we shipped 6,812 carloads and we directly served 45 customers. And as of our most recent data, we are projected to ship 15,100 carloads, this includes 45 customers and over 300 dairy and feed customers via transloading operations conducted over the Lines in 2024. In addition to these projects, SNR also began pursuing several hydrogen locomotive projects. In 2021, we were awarded nearly $4 million to fund the design, integration, and demonstration of the first Sierra hydrogen fuel cell switching locomotive. This project is currently underway, and we are eager for the switching locomotive to be implemented into regular operations.

In July of 2023, we received an additional funding of approximately $19.5 million from California to expand these efforts with three additional switching locomotives. We are optimistic that this project will be underway by October of 2024. With these two transformative projects, SNR is leading the industry in environmentally friendly rail-based solutions and by 2027, SNR will have a fleet of four zero-emission hydrogen-fueled switching locomotives operating in the Sacramento region. This is only the beginning, as SNR's goal is to transform its entire fleet, and the more than 260 switchers operated by short lines throughout California.

In January 2024, SNR (and its affiliate) became the first and only railroad to close a joint loan under the Build America Bureau's RRIF Express program. The loan process which began at the beginning of the Covid-19 pandemic took just under four years. With respect to SNR, the RRIF Express Loan allowed the company to develop and expand capacity and car storage by adding four critical new sidings.

SNR recognizes that it would not have been able to overcome the many hurdles faced by short line railroads without these funding opportunities. Most short lines struggle with aged infrastructure and lack the capital to efficiently address the needed repairs. The cost of short line infrastructure improvements cannot be spread over a vast rail system or large customer base like that of the Class I railroads and loss of even a portion of the revenues from a single shipper can have significantly adverse effects on the short line and its ability to serve its customers. These grant and federal loan opportunities make it possible for short lines to more heavily invest in their rail infrastructure and operations.

Future:

SNR's recent success in using federal and state funding as a tool to facilitate its business goals has inspired us to continue pursuing these opportunities for our future endeavors. We recently applied for a CRISI grant that would fund a groundbreaking project involving what we call, the Freight Rail Triangle.

The Freight Rail Triangle is an innovative triangular freight pattern that accommodates both unit train and container traffic operations. In the case of container traffic, loaded containers are brought into the Port of Los Angeles and head for the southeastern United States. Once there, the containers are emptied, reloaded, and routed to our Oakdale facility, where they are, once again, emptied and then reloaded with agricultural products which are then exported to Asia via the Port of Los Angeles. The Freight Rail Triangle is particularly innovative in that it involves three loaded movements that are almost entirely transported by rail. The container train traffic has grown so large that additional infrastructure is needed to support the operations and enhance the multi-modal connections for continued economic growth. The Freight Rail Triangle will take trucks off the road over the entire route, reducing congestion at port entrances, while also stimulating additional international trade, including additional foreign markets for businesses in the region of SNR's Oakdale facility.

Conclusion:

The growth and innovation of SNR is something I take great pride in as a fifth-generation railroader. These projects have increased revenues and grown our business significantly and because of this, we only continue to grow and undertake additional projects to accommodate the growing capacity and volume. Our enthusiasm is what drives us, as ultimately our goal is to serve the needs of our customers. They are the true driving factor in all these business ventures. Each customer depends on SNR to provide them safe and efficient service and we try our hardest to accommodate any and all of their requests. SNR's experience in growing the business has taught us that the key to operating a successful short line is that every carload matters.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Shannon Drown, Vice President, Commercial & Industrial Development, R. J. Corman Railroad Company

First, I want to thank Chairman Robert Primus and the Surface Transportation Board for their inclusion of short lines in their invitation to speak to growth in the freight rail industry. As I am sure you will hear today, the short line industry's expertise lies in customer-centric service that yields sustainable growth and I look forward to sharing our unique perspective.

My name is Shannon Drown. I am the Vice President of Commercial and Industrial Development for R. J. Corman Railroad Company. We proudly serve approximately 235 customers across eleven states on our nineteen short lines, and I have personally had the opportunity to work firsthand with many of our customers through shared successes, challenges, and everything in between. It's demanding but it's rewarding – we know our customers' businesses inside and out. That's what short lines do.

R. J. Corman's origin story is well known to most in the industry. Founded in 1973, Richard J. 'Rick' Corman's legacy exemplifies a mandate for growth. Starting out on borrowed money and a backhoe, a tireless work ethic, the fortitude to put plans to action, and a whole lot of charisma, he built a burgeoning railroad services and operating company that stands 51 years young today. R. J. Corman Railroad Group has grown to serve all six Class I railroads, many regional and short line railroads, as well as rail-served industries with services spanning railroad construction, emergency response, industrial switching, signal design and construction, track material logistics, an excursion train, distribution centers, and short line railroad operations. This mandate for growth is why we are all convened here today.

We, as an industry, can champion growth by working together as partners - Class I railroads, regional railroads and short lines - to provide superior service through leveraging our unique strengths within the complex, but robust North American freight rail network. If Class I railroads are the backbone of the rail network, short lines are the opposable thumb, creating additional support and flexibility in service offerings that can be extended to our current and prospective customers to innovate and then execute complex transportation and logistical solutions. These are the types of solutions needed to deliver sustainable growth for our industry and that is the growth story I will share with you today.

R. J. Corman's Central Kentucky Line, referred to as the RJCC, was acquired from CSX Transportation, when it sought to short line the "Old Road" that ran between Louisville, KY and Winchester, KY. At the time, Rick Corman was specifically interested in this railroad line due to its close proximity to his hometown and company headquarters. However, with the line's existing business sitting around 5,000 carloads of traffic annually on a 100+ mile rail line, the business case for the acquisition remained tenuous without new ideas for growth. However, R. J. Corman did have new ideas for growth - the booming industrial metals supply chain in Kentucky.

A Metals Producer, one of the world's largest recyclers of industrial metals had a facility located on CSX's CC Subdivision, less than 50 miles from the newly acquired RJCC. Equally of note, a Metal Toll Processor, one of the industry's largest, was located on R. J. Corman's Memphis Line, or the RJCM. These two massive facilities had historically shipped tens of thousands of truckloads of raw industrial metal between themselves as the Metals Producer supplies the ingots that the Metal Toll Processor refines. This presented a prime opportunity for

R. J. Corman to explore how it could team up with their Class I partner, CSX Transportation to leverage each organization's unique strengths to convert this high-tonnage traffic to rail.

Working extensively with both the Metals Producer and the Metal Toll Processor, R. J. Corman and CSX were able to craft a custom, unit-train service that not only satisfied the transportation requirements for the Metals Producer's ingot shipments, but also added additional value to the Metal Toll Processor's finished coil supply chain. A 40-railcar unit train was realized utilizing custom fabricated railcars and multiple trackage rights agreements between CSX and R. J. Corman, enabling rail service to overtake the value proposition of truck. This very lane now moves more carloads of rail traffic as a single, standalone account than the entire RJCC railroad did at the time of acquisition.

Each aspect of this successful collaboration in service is unique, but more relevant to our discussion, is the fact that this success story is capable of replication under the right conditions. The 40-car unit train is a short unit train (by most any measure) in the railroad industry. This high level of dedicated service is often reserved for commodities with traffic moving in consists of 90+ carloads. However, in this case, the strategic decision by both R. J. Corman and CSX enabled this new-to-rail customer to receive highly consistent service while minimizing the risk of in-transit disruptions allowing for logistical predictability and peace of mind. Furthermore, the dedicated fleet of custom fabricated railcars allowed for ease and speed of loading and unloading and did not require any resources for additional securement, such as banding of the ingots. Lastly, freight rail transportation was able to compete directly with truck by utilizing trackage rights agreements to reduce transit time between origin and destination. As mentioned previously, the Metals Producer's facility is located on CSX's CC subdivision (which runs between Corbin, KY and Cincinnati, OH). A typical service design might include CSX servicing the Metals Producer directly at origin, transporting their carloads north to Cincinnati, OH, then southwest to Louisville, KY and then further southwest to Memphis Junction, KY, before interchanging with the RJCM for final delivery at the Metal Toll Processor. This routing had the potential to add multiple days to the transit time; however, CSX made the strategic decision to extend R. J. Corman trackage rights allowing for R. J. Corman to directly service the Metals Producer resulting in transit time being shortened from a 2-to-3-day transit to an 18-hour transit between origin and destination. A win/win for the railroads and customers alike.

With R. J. Corman Railroad Group having expertise in a wide swath of railroad services in addition to our railroad operating company, we were able to offer intra-plant switching services at both the origin and destination. This worked to streamline the customer's rail experience as R. J. Corman is the provider of both first mile and last mile freight transportation services, as well as the provider of switching services at each facility to support loading and unloading operations. Finally, R. J. Corman constructed a 200K ft^2 warehouse on the RJCM to provide rail-served warehousing and inventory management for the Metal Toll Processor's finished metal coils. These metal coils are the finished product created by the Metal Toll Processor's mill using the ingot feedstock received from the Metals Producer by unit train. Specialty equipment including a 30 Ton overhead crane and 35 Ton capacity forklift, paired with expert material handling provided improved customer inventory cycle times and quality assurance.

By working hand in hand with our Class I partner and customers, we were able to offer a completely integrated freight rail transportation and supply chain solution. And, most importantly, using the same logistics methodology, R. J. Corman and CSX are partnering again to compete with trucking and win on traffic between additional facilities of these same customers with new rail traffic anticipated to start in 2025.

Thank you again for your time today. We appreciate the opportunity to share our perspective on how short lines can work alongside our Class I partners to provide customer-centric service that yields sustainable growth.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Henry Posner III, Chairman,
Iowa Interstate Railroad

My name is Henry Posner III, and in the context of today's hearing I am serving in my capacity of Chairman of Iowa Interstate Railroad (IAIS). But to the extent it would be interesting to the STB I am also prepared to talk about our experience in other rail freight markets, such as Peru and France, in my capacity as Chairman of Railroad Development Corp. For example, if you drink a bottle of Evian water in the USA it came on one of our electric, single-person freight trains in France.

To summarize IAIS, we are a Class II regional railroad, operating over nearly 580 miles; approximately 450 miles is owned, with the balance through leases and trackage rights. We have 240 employees, in Iowa and Illinois. Carloads have increased from approximately 53,000 in 1991 to around 140,000 in 2023.

We are not a Class I spin-off: rather, we were formed from the partially abandoned main line of the Rock Island after its liquidation in 1980. This is especially relevant as we are one of four main lines between Chicago and Omaha. The thinking at the time was that there was no need for that many lines between those cities, but please keep in mind that it is the intermediate points which determine our franchise: This is especially true for short lines.

Nontraditional for railroads of our size, we offer terminal to terminal intermodal services. This is a legacy of when Maytag was both a shareholder and our largest customer. Maytag no longer exists for us but was a good example of how a smaller company can develop custom services. Intermodal is not our most profitable business but is incremental, which allows us to stay in it, and is an important part of our tool kit.

And now for something completely different, we will be the Amtrak route to Moline, IL; not bad for a formerly abandoned railroad that 'back in the day' was considered unnecessary!

But the example I'd like to discuss today is our relationship with Pattison Company, a family-owned producer of aggregates in Northeast Iowa, specifically Clayton, located on CPKC. Working with CPKC, we have created geographic competition (as opposed to intermodal or intramodal competition) to open new markets for Pattison as they compete in western Iowa with truck-served producers. To put it another way, thanks to rail service we are opening new markets for them and at the same time relieving stress on local roads as Pattison's trucks are used for the last miles as opposed to the complete haul. We have been working with Pattison since 2017 and now have five locations on our west end and have grown to over 2,500 cars per year.

I will end my comments without additional detail but will appreciate detailed questions. But before I close, let me add that it is our experience that having a consistent story as far as both a railroad's strategy and its ownership is critical in getting customers to make commitments to rail. We're asking them to realign their supply chains around rail, which is…complicated…as compared with trucking; they need comfort that the railroad's strategy will not be changing based on short term perspectives. This is linked with ownership: in our case, family ownership in partnership with iCON Infrastructure Partners, which shares our long-term perspective and has been very helpful in exposing us to, among other things, best practices as regards safety, and insight into potential new markets.

Again, I look forward to the opportunity to answer any questions that you might have.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Marlon Taylor, President,
New York & Atlantic Railway

Good morning, my name is Marlon Taylor, and I am President of the New York & Atlantic Railway, a short line railroad on Long Island, New York.

<u>The Importance of NYA and P&W in the NYC Aggregate Market</u>

The New York City aggregate market is a critical component of the broader U.S. construction aggregates sector, driving the city's ongoing urban growth and infrastructure development. As NYC continues to expand and modernize, the demand for construction materials, particularly aggregates, remains immense. This market growth highlights the city's urgent need for resources to support new construction, infrastructure upgrades, and revitalization efforts.

The aggregate market on Long Island is underserved by rail, with no local quarries available. To address this, transportation methods are strategically diversified. Approximately 85% of NYC's aggregates are transported by barge, utilizing the city's waterways for bulk deliveries. However, rail has become an increasingly important solution, efficiently transporting 15% of the aggregate supply.

Rail offers a sustainable and flexible alternative for moving materials into areas like Long Island, where barge access is restricted. This method ensures consistent and timely deliveries across the region, supporting NYC's infrastructure needs while reducing road congestion and minimizing environmental impacts. The adaptability of rail transportation makes it an indispensable component of the NYC aggregate market.

Enhanced Customer Service and Operational Flexibility

Short line railroads, including New York & Atlantic Railway (NYA) and Providence & Worcester Railroad (P&W), are critical players in the NYC aggregate market. These short lines offer personalized, adaptable service to meet the specific requirements of their customers. In dynamic urban environments like NYC, where timing, volume, and routing complexities are prevalent, short lines provide the agility that larger railroads often struggle to achieve.

For example:

- In March 2000, NYA and P&W began facilitating Tilcon's shipments to Prima Asphalt, marking the start of their involvement in the NYC aggregate market. Over time, they expanded their services to other customers, such as Nicolia Yaphank in April 2008 and Nicolia Babylon in April 2009.
- In October 2007, they facilitated Rawson Materials' shipments to Astro Aggregate, and by November 2009, they began moving Rawson's aggregate to another customer in Maspeth.

These examples highlight NYA and P&W's adaptability, enabling them to accommodate new customers and logistical needs swiftly. Their ability to adjust schedules and handle smaller shipment sizes ensures flexibility, providing cost-effective, reliable transportation solutions for companies like Rawson, which began its aggregate movements with just twenty railcars.

Critical Role in the Logistics Ecosystem

NYA and P&W exemplify how short line railroads collaborate to create comprehensive logistics solutions for the aggregate market. By working together, they amplify their collective value and ensure that aggregate suppliers, such as Tilcon and Rawson, benefit from reliable transportation over long distances coupled with localized service.

These short lines manage the "first-mile" and "last-mile" logistics for aggregate shipments, bridging the gap between rural sources and urban construction sites. This cooperation results in efficient, cost-effective transportation while maintaining high service quality and reliability.

Impact on the Rail Industry

In urban environments like NYC, construction projects often operate on tight timelines where delays can lead to significant costs. NYA and P&W play a critical role by ensuring that aggregate shipments are not delayed due to congestion, scheduling conflicts, or operational disruptions. Their ability to provide reliable service is crucial to keeping construction projects on track and avoiding costly delays.

For instance:

- In March 2012, NYA and P&W began handling Tilcon’s shipments for Kings Material, reinforcing their importance in the aggregate supply chain.
- In March 2021, they facilitated Rawson’s shipments to Astro Hicksville, showcasing their ongoing adaptability and reliability in serving new customers.

By addressing critical logistical challenges and delivering reliable service, NYA and P&W ensure that construction companies can maintain smooth operations, further underscoring the indispensable role short lines play in the aggregate supply chain.

Long-Term Value and Impact in the NYC Aggregate Market

The timeline of shipments in the NYC aggregate market highlights the sustained importance of NYA and P&W in supporting construction and infrastructure projects. Their involvement, spanning over two decades, demonstrates their ability to provide long-term value to customers.

Consider the growth in shipment volumes:

- In 2000, at the onset of their partnership, NYA and P&W moved approximately 1,000 carloads.
- By 2023, this volume had grown to 7,000 carloads, reflecting the increasing demand for their services and the crucial role they play in supporting NYC's infrastructure needs.

This growth exemplifies how short line railroads foster long-term partnerships that evolve alongside their clients' needs. NYA and P&W have proven their adaptability by expanding services to new destinations and adjusting operations to meet the demands of an ever-changing market, further solidifying their value over time.

<u>Conclusion: The Strategic Role of NYA and P&W in the NYC Aggregate Market</u>

NYA and P&W highlight the crucial role short line railroads play in the NYC aggregate supply chain. Their operational flexibility, adaptability, and strategic partnerships with larger railroads position them as key players in the efficient transportation of materials within the NYC market. By addressing critical problems, providing enhanced customer service, and serving a vital role in the logistics ecosystem, NYA and P&W ensure that companies like Tilcon and Rawson can reliably meet the demands of the construction industry.

Through their long-standing partnerships and continued innovation, NYA and P&W offer comprehensive logistics solutions that enhance operational efficiency, reduce costs, and strengthen the entire supply chain in the NYC region. Their ongoing involvement in aggregate shipments underscores their lasting impact on the rail industry and their irreplaceable role in supporting the infrastructure needs of one of the world's largest urban markets.

A special thanks to Jeff Rawson (Rawson Materials), Jim Laske (Tilcon CT), and Frank Rogers (Vermont Rail System) for their help telling this story.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

Testimony of Kimberly C. Thompson, Vice President Sales & Marketing,
Genesee & Wyoming Railroad Services, Inc.

Good morning and thank you, Chairman Primus and members of the Board, for the opportunity to speak today about growth in the freight rail industry. My name is Kimberly Thompson, and I am the Vice President of Sales and Marketing for Genesee & Wyoming. Genesee & Wyoming is the largest short line railroad holding company in North America, and our affiliates handle approximately 1.5 million carloads annually for 2,000 customers with roughly 4,000 employees and 110 rail operations in the US and Canada.

Today I'd like to talk about our Puget Sound & Pacific Railroad (PSAP) in western Washington state. PSAP is located between Seattle and Portland and is just under 160 track miles running from Centralia, WA north to Bangor, WA and then west to the coast with service to the Port of Grays Harbor in Aberdeen, Washington. As a result of continued investment, we are 286K weight capable across the entirety of the line and PSAP's 55 employees handle a variety of commodities for 25 customers. PSAP primarily handles shipments of agricultural products with the cooperative AG Processing (AGP), lumber and wood products with Sierra Pacific, and municipal solid waste (MSW) with Waste Management. PSAP connects with both BNSF and Union Pacific and directly serves the deepwater Port of Grays Harbor, which is the closest mainland port to the Pacific Rim.

I'm pleased to share with you the growth story of PSAP to highlight how short lines work with our Class I partners, our strategic ports, and existing and new customers to secure incremental freight to the national rail network, provide a stellar service product to link domestic and international markets, and further diversify commodity portfolios moving over railroads.

We are excited that PSAP is projected to grow carload volumes by 50% over the next five years in two key areas, first with new import automotive business and second with increased soybean meal shipments as PSAP's largest ag products shipper expands export capabilities at the Port of Grays Harbor. As a result of this significant carload growth, PSAP is planning to dedicate more than $50 million in capital investments. These investments are expected to start in 2024 and include capacity expansions at the interchange with our Class I partners, as well as the addition of two new sidings to accommodate incremental unit train growth.

One key way that short lines deliver value is having deep local knowledge of their customers and providing dedicated and flexible service that allows for them to react nimbly when a problem needs to be solved. One recent challenge faced by the industry has been congestion at West Coast ports, which has been particularly problematic for automotive importers. To find an efficient and reliable solution, PSAP is working closely with both Union Pacific and BNSF, the Port of Grays Harbor, two major OEMs, and the onsite vehicle processor to provide a timely solution to offload, stage, and transport import vehicles by rail to inland US destinations. This successful new PSAP auto business, which began in early 2024, will bring thousands of new rail carloads to our short line and enhance the efficiency of the supply chain for the automotive industry.

Another growth success story is with AGP. In 2022, AGP's Board of Directors approved a major expansion and upgrade of its agricultural export facilities at the Port of Grays Harbor. The plans included upgrades to the current facilities at their Terminal 2 and the addition of a new ship loader at Terminal 4. These upgrades and expansions will provide AGP with the capability to load two ships simultaneously for exporting soybean meal to growing Asian and South Asian markets. PSAP has already seen freight volume gains with incremental Terminal 2 traffic, and we expect to see the most significant volume gains starting in late 2025 with the opening of Terminal 4. PSAP is excited to participate in the growth of thousands of new export grain rail cars with this long tenured customer and has dedicated sales and operational team members who are collaborating with all parties to ensure a successful volume ramp up.

With that, I'll conclude my commentary and again, I appreciate opportunity to talk about our PSAP short line growth story with you today and to reinforce how much we value our partnerships with both BNSF and Union Pacific, as well as with the Port of Grays Harbor. Thank you.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. EP 775

GROWTH IN THE FREIGHT RAIL INDUSTRY

ATTACHMENT

SLIDES FOR PUBLIC HEARING

Growth in the Freight Rail Industry: STB Docket No. EP 775

American Short Line and Regional Railroad Association

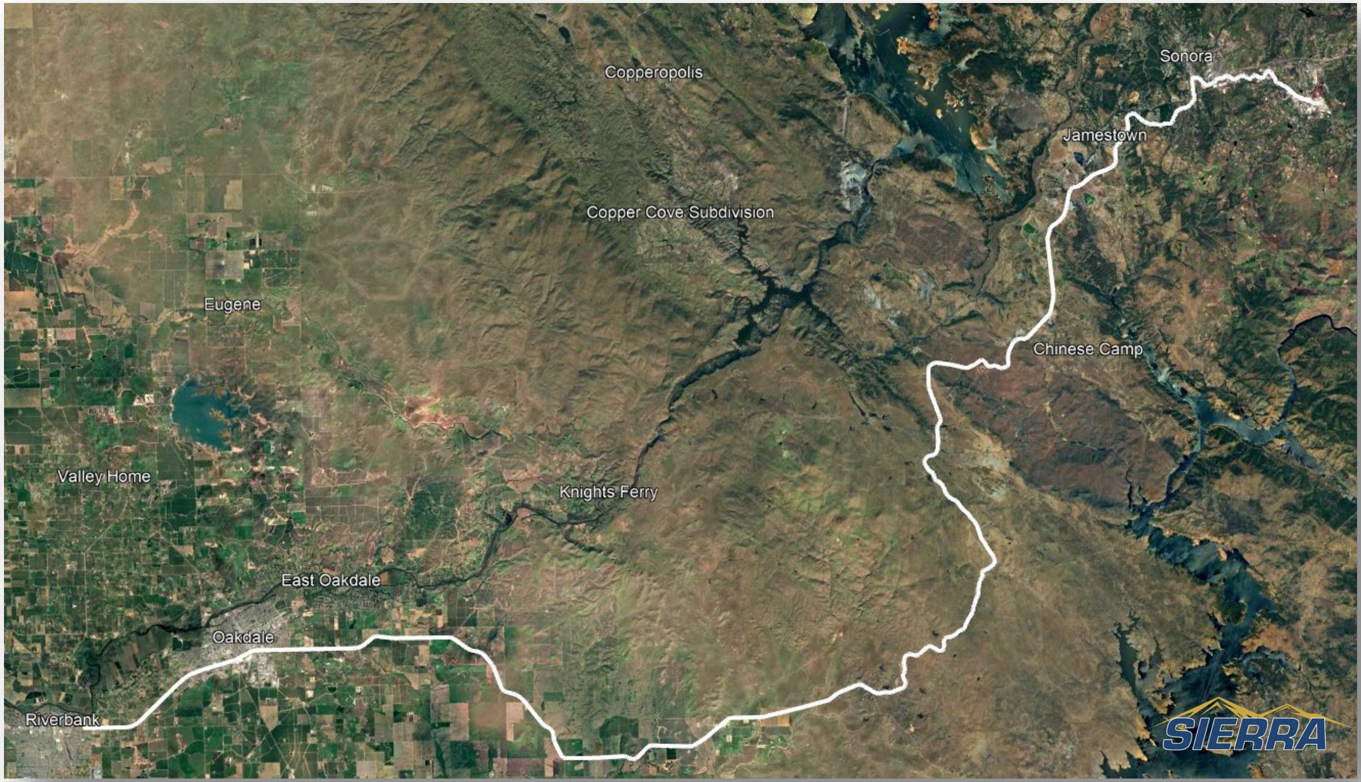
Growth in the Freight Rail Industry

- Sierra Northern Railway
- R. J. Corman Railroad
- Iowa Interstate Railroad
- New York & Atlantic Railway
- Puget Sound & Pacific Railroad

ASLRRA

Sierra Northern Railway

Sierra Northern Oakdale Division



Before & After CRISI Improvements

Oakdale Inland Port and Transload

R. J. Corman Railroad

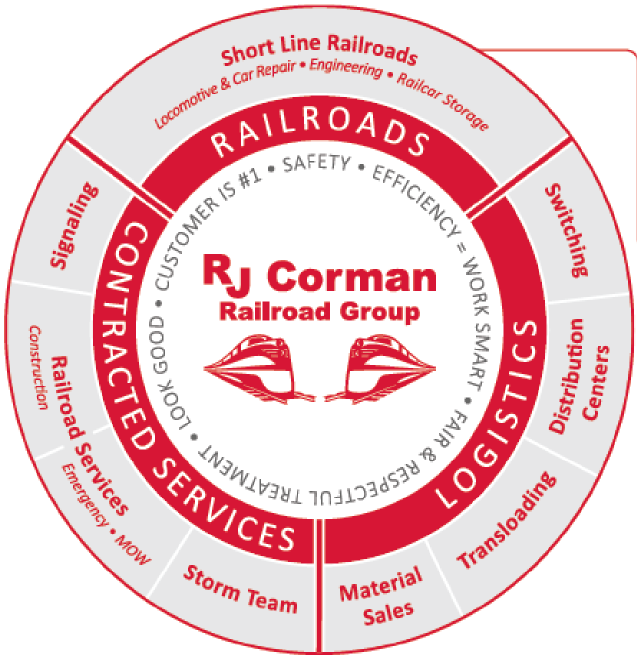
R. J. Corman Railroad Company

Surface Transportation Board, Public Hearing on Growth in the Freight Rail Industry

At a Glance

19 Short Lines
Totaling 1,400 Miles of Track
In 11 States

Over 300 Employees
Approximately 132,000 carloads annually



- Allentown Lines (RJCN)
- Bardstown Line (RJCR)
- Carolina Lines (RJCS)
- Central KY Lines (RJCC)
- Childersburg Line (RJAL)
- Cleveland Line (RJCL)
- Knoxville & Cumberland Gap (KXCG)
- Lehigh Line (LRWY)
- Luzerne & Susquehanna Line (LS)
- Memphis Line (RJCM)
- Nashville & Eastern Line (NERR)
- Nashville & Western Line (NWR)
- Owego & Harford Line (OHRY)
- Pennsylvania Lines (RJCP)
- Raleigh and Fayetteville Railroad (RFCC)
- Tennessee Terminal (RJCK)
- Texas Lines (RJCD)
- Western Ohio Lines (RJCW)
- West Virginia Line (RJCV)

8

R. J. Corman Railroad Company

Surface Transportation Board, Public Hearing on Growth in the Freight Rail Industry

Partnership

Working extensively with our aluminum customers, R. J. Corman Railroad and CSX offer a completely integrated freight rail transportation and supply chain solution

9

Iowa Interstate Railroad

Iowa Interstate Railroad

- Uniquely, **not a Class I spinoff**

1980 – Rock Island liquidation

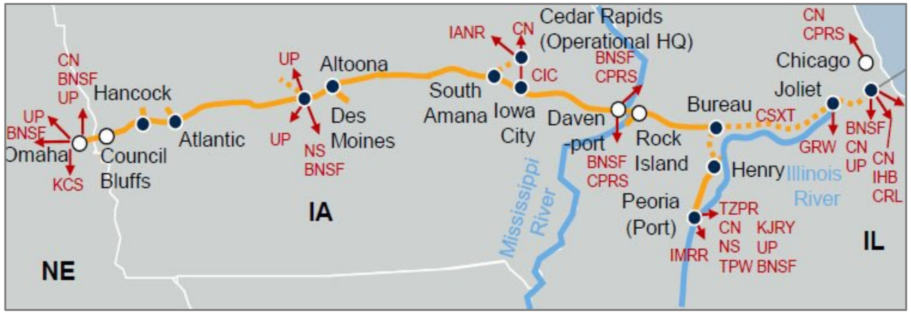
1984 – IAIS **founded by customers** on **partially abandoned line**

1991 – RDC initial investment

2004 – RDC control

2020 – iCON **partnership**

- 580 miles; Chicago (Blue Island) and Omaha (Council Bluffs). Owns 450 miles;130 miles trackage rights or leased
- **Connects to every Class I** (and several short lines)
- **One of four parallel routes Chicago / Omaha** (UP, BNSF, CN, IAIS)
- Double stack **intermodal** terminals in Chicago and Omaha markets
- 240 employees
- Access to Mississippi and Illinois Rivers
- Primary Commodities
  - Ethanol
  - Grain
  - Agricultural Products
  - Aggregates
  - Paper / Forest Products
  - Intermodal
- **Future Amtrak route** to Moline, IL

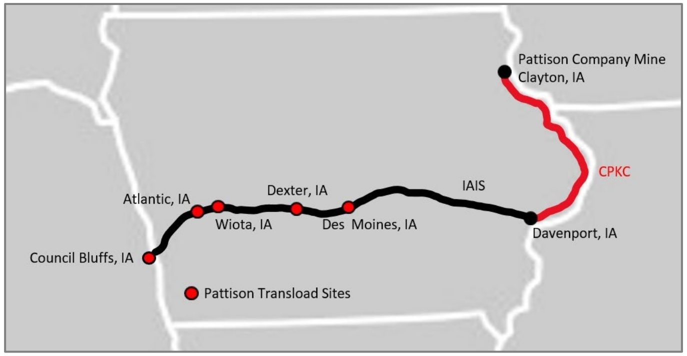


IAIS and Pattison Growth Story

- Pattison: **family-owned** company, Clayton, IA
- **Central and Western Iowa identified as growth opportunities** for aggregates such as rip-rap and construction stone due to **IAIS and CPKC** rail service via Davenport
- **2017: Pattison's first** IAIS transload site -Wiota, IA
- **Today, 5 sites on IAIS**: 2,500 cars/year
- Growth due to

high quality of Pattison's products, and

competitive service and rate packages by **IAIS and CPKC as partners**



IOWA IAIS INTERSTATE

PATTISON AGGREGATES PROPPANTS RAIL TRANSPORT RAILCAR STORAGE & REPAIR

Other Items of Note

- Other RDC Railroads

Peru (FCCA)	Freight	Mining
Germany (RDC-Deutschland)	Passenger	Local, Overnight, Auto Shuttles
France (Eurorail)	Freight, Logistics	Evian, Michelin, etc.

- RDC **Business Model: Family ownership, based on long term partnerships**
- HP3 industry service:

Undergraduate course on Rail Deregulation at Carnegie Mellon University

Member of **STB PRAC**

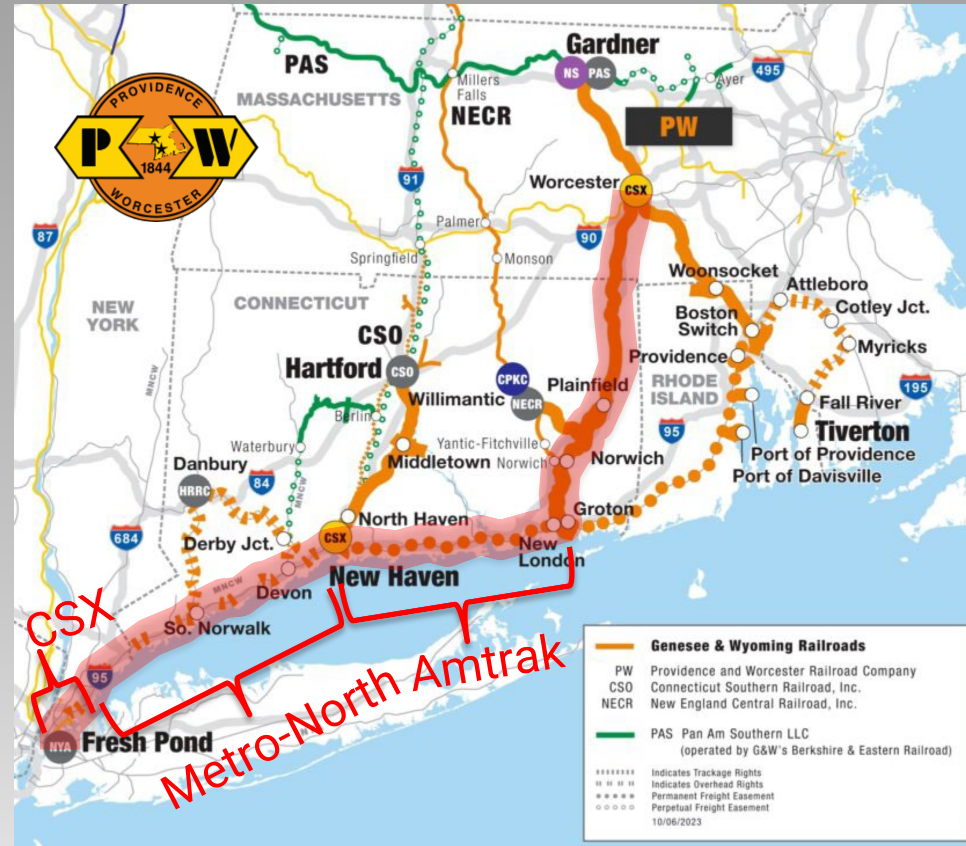
Chairman of **East Broad Top Railroad** (industrial history)

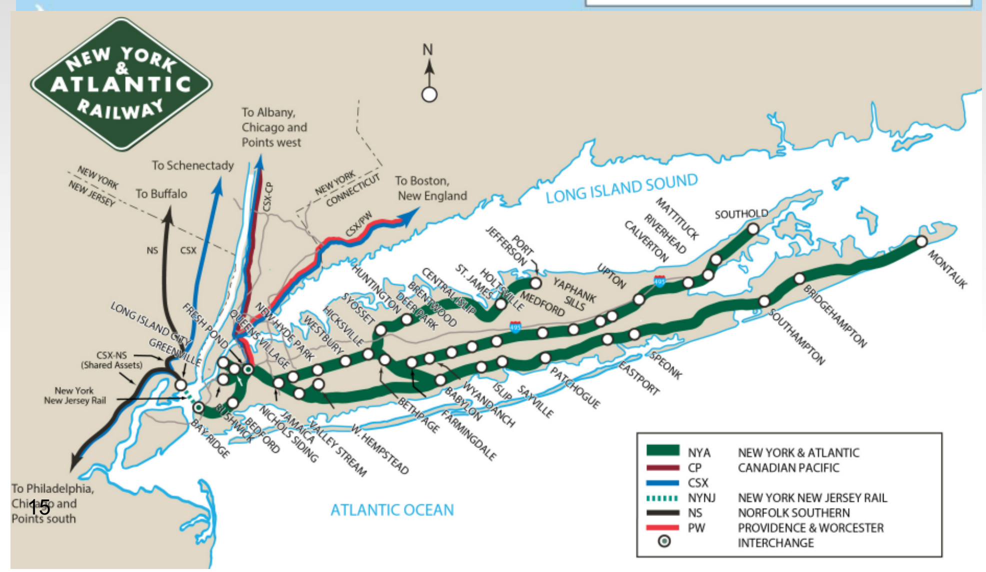
New York & Atlantic Railway

The Importance of NYA and P&W in the NYC Aggregate Market

NYA At a Glance

- 270 route miles
- 286k capacity (263k east of Huntington to Port Jefferson)
- 62 Employees
- 80 customers: lumber, paper, building materials, plastic, aggregates, food products, waste and recyclables
- Connecting Railroads: BRT, CP, CSX, NS, NYNJ, P&W
- Serves Nassau and Suffolk Counties, Brooklyn and Queens, New York





NYA and P&W partnering to meet customers' needs in NYC

- Demand for construction materials
  - Aggregate market on Long Island underserved by rail
- Customer service and operational flexibility
  - Personalized and adaptable service to meet customer requirements
- Service Iteration – play a critical role to address problems
- Growth
  - Shipment volumes grew from 1,000 carloads in 2000 to 7,000 carloads in 2023
- Long Term Value
  - Partnerships evolve with clients' needs
- Partnership
  - Address **critical problems** for local and long-distance shipping needs
  - Provide **enhanced customer service** with flexibility and reliability
  - Serve a **vital role in the logistics ecosystem**

NEW YORK & ATLANTIC RAILWAY

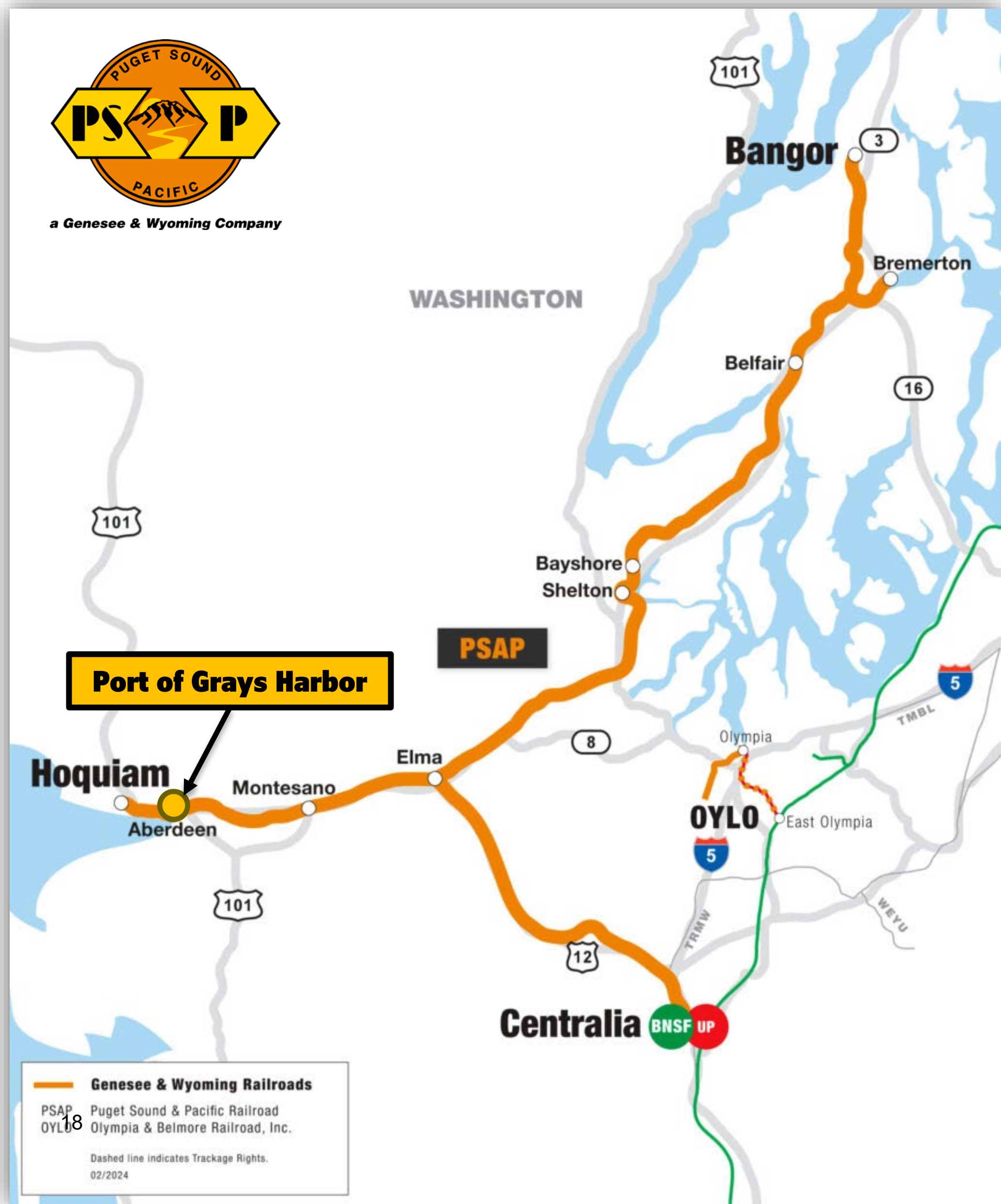
PROVIDENCE P W 1844 WORCESTER

Puget Sound & Pacific Railroad

Puget Sound & Pacific Railroad (PSAP)

At a Glance

- 158 owned or leased miles
- 286k capacity
- 55 employees
- Primary commodities
  - Agriculture Products
  - Lumber and Wood Products
  - Municipal Solid Waste
- Class 1 connections:
  - BNSF and Union Pacific interchange with PSAP at Centralia, WA
- PSAP serves the deepwater Port of Grays Harbor in Aberdeen, WA (closest mainland port to the Pacific Rim)



PSAP Short Line Success

Significant growth projected in the next 5 years

a Genesee & Wyoming Company

- Expecting a 50% growth in carloads by 2029 primarily from two key sectors
- As a result, PSAP is investing more than $50M in capex through 2029
- Autos by rail:
  - In early 2024, PSAP secured several thousand new import vehicles from a major OEM at the Port of Grays Harbor
- AGP export grain facility expansion:
  - AGP investments at Terminal 2 and Terminal 4 include increased storage capacity and a new state-of-the-art ship loader
  - Port investments include expanded rail capacity to the Port and improvements to the deepwater berth at Terminal 4
  - PSAP investments include two new sidings and additional interchange track capacity

Photo: Ag Processing Inc

Port of Grays Harbor
On Washington's Pacific Coast

Thank you!