

10/6 Albany

Good afternoon Council members. I thank you for the opportunity to appear before you today to discuss the Short Line Railroading industry in the state of Georgia. My name is Giles Perry and I am the Southern Region Vice President of Operations for OmniTrax. OmniTrax operates over 500 miles of freight railroad in the state of Georgia, which include the GFRR (Albany) FCRR (Atlanta) and the GWD (Washington). We provide service to over 85 companies representing approximately 4000 to 5000 jobs, and furthermore we generate revenue for local communities by way of purchasing materials and services from the local businesses.

Short Lines Railroads exist as the result of the larger Class 1 railroads spinning off portions of their systems which they deemed non-profitable. The Short Line industry has evolved over the last several years to not only maintain this critical transportation infrastructure, but to provide growth in the outlying areas that otherwise would be "forgotten". Right here in Albany, the Short Line industry thrives. GFRR services the likes of P&G, Miller/Coors, and the Marine Corp Logistics Base just to name a few.

As Short Lines have acquired rail corridors that were once part of the Class I system we have spent millions of dollars in capital expenditures to rehabilitate the track infrastructure. The changing demands of the market place have dictated that we upgrade our track to handle 286,000lbs railcars from 263,000lbs. This is required to maintain the capability of interchanging cars with our Class 1 business partners.

To give you an example of how capital intensive our line of business is it takes 3168 cross-ties per mile of track at a cost of \$70 per tie to install. This equates to \$221,760 per mile in railroad ties alone. To accommodate the 286,000 pound rail cars that are now becoming the industry standard, heavier rail is also required. For 115 pound rail, which is the minimum weight requirement, 202 tons of rail would be required per mile at a round figure cost of \$160,000 per mile.

These figures do not reflect cost for ballast, labor and other miscellaneous materials. As you can see, costs can run upward of \$100 per foot to maintain good infrastructure.

New business is even more challenging. The cost of building one mile of new track is \$561,000.00 dollars(not including crossing signals/bridges). For grade crossing signals add another \$250,000.00, and \$50,000.00 for the road crossing itself. If bridge construction is involved, add another \$4000.00 per foot for the construction of the bridge. As you can see, the cost can be staggering. I walked approximately 45 feet to this podium, in bridge construction, that's \$180,000.00 dollars. Bridges can be much longer than 45 feet.

How do we do it? Whereas a Class 1 railroad pays up to \$100,000 a year to an engineer as a result of labor agreements, that engineer would be allowed to only function as an engineer. On a Short Line railroad the individual might work as an engineer in the morning and perform maintenance on locomotives or track work in the afternoon and yes, even Vice Presidents work in the field. Through these work practices we have not only preserved these critical transportation lines and jobs in the state of GA; we have enhanced growth to local businesses thus, creating jobs and an increased tax base for cities and towns.

The reason I pointed out the cost of maintaining our own infrastructure is to shed light on the fact that railroads are the only transportation industry that bears the full cost for the support of its assets. For example, the airports that the airlines use are largely funded with tax revenues. The roads used by truckers are paid for with tax dollars primarily from the fuel that we all purchase. Waterways are free to all and ports are funded by tax dollars. Railroads pay for the maintenance and expansion of fixed assets (track and signals most notably) and rolling stock (locomotives and freight cars). A study by Cambridge Systematic found that the rail industry will need to invest almost \$150 billion dollars over the next 25 years to meet the ever increasing demands for freight

transportation services. Because of its desirable economy and geographic location, a large portion of such increased demand is going to happen right here in Georgia.

One of the biggest problems facing Georgia today is congestion in the metropolitan areas. Short Line railroads are and will be capable of drawing industry and jobs to these non- metropolitan areas of the state where labor and land are available at a lower cost. This will directly have a positive impact on the congestion issue. One train car equates to four trucks that do not have to operate on the highways of the state. This truck number can double when the fast growing intermodal aspect is taken into account as a truck is required to deliver the container and another truck is required to return the empty back to the intermodal yard. It should also be noted that a freight train can move one ton of freight an average of 457 miles on one gallon of fuel. No other mode of transportation is more efficient.

This background brings me to the purpose of this presentation and the tasks that face your Special Council; determining a tax structure that is fair and equitable and in the best interest of Georgia. Railroads have a 4% tax applied on all of our diesel fuel purchases that goes into the general fund and in turn to roads and bridges. This represents fifteen million dollars for the entire rail industry in Georgia that could be put back into infrastructure. We see this as subsidizing the trucking industry while railroads need to reinvest these funds back into our infrastructure. It seems counter intuitive to continue the present system in that railroads are not running on the highways, rather their own infrastructure which they maintain.

Another area of concern where Georgia remains at a competitive disadvantage is taxing energy used in manufacturing. I know the council members have heard a great deal about this

issue. Railroad companies around the state provide products that these manufacturers need such as chemicals, coal, minerals, fertilizer, It is vital that the state be in a position to attract and keep the manufacturers we have and the railroads be able to continue to provide these products. I would like to suggest that as the council considers the effect of removing the sales tax on energy used in manufacturing that you also consider the effect of removing the sales tax on diesel fuel that goes back into the states general fund of which the rail industry sees no benefit. The rail industry in this state is committed to providing efficient, safe, cost effective, and environmentally friendly movement of products that industries in this state need.

The common thread to Atlanta's location and most other major cities in the United States is rail. Rail corridors are and will by necessity be even more important than today in the near future. Government is finding it harder to secure new rights of way and to maintain present highway infrastructure. It is critical that no more rail corridors be lost due to Georgia's failure to keep this state competitive in the global market place. Railroads now have the ability to move large quantities of goods and people more efficiently than any other transportation mode. As a result in your evaluations and analysis, I trust that your recommendations will give full weight to what railroads provide to the economy in Georgia. We need to look at the means to make rail even more of a catalyst for future growth and development.

Railroads in Georgia, good for the economy, good for the environment and good for the state of Georgia

Thank you for your time and effort in making Georgia a better place to do business.