

Good afternoon Council members. I appreciate the opportunity to come and talk with you today about a subject that is near and dear to my heart and that is the Georgia Rail Industry.

My name is Michael Pierce and I am the Executive Vice President of the Georgia Northeastern Railroad and the Blue Ridge Scenic Railway. We operate 100 miles of track from our interchange with CSXT in Marietta (behind Kennestone Hospital) to McCaysville, Georgia. On this line we operate freight from Ellijay south and we also operate excursions out of Blue Ridge, Georgia with the Blue Ridge Scenic Railway. We are what is defined as a Short Line Railroad. Short Line Railroads generally exist as the result of the larger Class 1 railroads spinning off parts of their systems which they deemed as non profitable. Short Lines which have lower operating costs than the Class 1 railroads have evolved over the last several years to maintain and preserved these rail lines and at the same time grow the business on these rail lines.

In the State of Georgia, railroads move almost 200 million tons of freight annually. These railroads operate in the State of Georgia over approximately 5,000 miles of track and pass through virtually all of the state's 159 counties. These railroads provide vital transportation services to over 2,000 customers statewide and these railroads employ over 7,200 Georgia citizens. The Georgia's freight rail network includes 2 class 1 railroads (CSXT and Norfolk Southern) and 22 short lines railroads. The State of Georgia is the third largest owner of rail with 500 miles of track. Some of the state's 500 miles of track are short lines such as the Georgia Northeastern Railroad, the Heart of Georgia Railroad, Georgia Southwestern Railroad and several other short line railroads.

The railroad industry is the most capital intensive industry in the U.S. On average railroads invest 17% of their revenues back into their railroads. In contrast the national average for percent of revenue reinvested in a business is around 5%. 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 such as track and signals and rolling stock such as locomotives and freight cars.

The Railroad industry is also in the process of upgrading the National Freight Rail Network due to demands in the market place which dictated that railroads upgrade from 263,000 pound allowable weight on rail to 286,000 pound allowable weight on rail. In order for short line railroads remain a vital part of the National Freight Rail Network they will need to upgrade their rail to be able to interchange cars with the larger class 1 railroads. In other words the railroads must maintain and upgrade their own infrastructure to remain vital as opposed to the trucking industry which runs on subsidized highway infrastructure.

The rail industry is the most capital intensive industry in the U.S. but at the same time railroads are good stewards of the environment. As I am sure you are aware from the CSXT and Norfolk Southern commercials that you may have seen on TV, one train can transport one ton of freight more than 436 miles on a single gallon of fuel. In addition, trains emit one-tenth the hydrocarbons and diesel particulars of trucks. One railcar equates to four trucks and that would mean four less trucks on the state's highways.

As we sit here today one of the most pressing problems facing Georgia today is congestion in the metro areas. Short line railroads are and will be capable of drawing industry and jobs to these non-metro areas of the state where labor and land are available at a lower cost. While accomplishing this relocation of business to the non-metro areas, we have directly impacted metro congestion. In addition as I mentioned earlier each railcar equates to four less trucks on our state's highways.

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. Georgia Railroads have a 4% tax applied on all of our diesel fuel purchases and this tax goes into the general fund and in turn to roads and bridges. This represents fifteen million dollars for the railroads 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.

Another area of concern is business to business taxes. These taxes serve to only increase the cost of goods and services and to increase the cost of doing business in Georgia. Had these taxes been alleviated, during the last two years our companies would have seen a difference of \$110,780 that could have been put into infrastructure.

In addressing the overall outcome of your Council, I would ask that you seriously consider some type of tax credit incentive or exemption to allow railroad to reinvest in their infrastructure. Without this critical railroad infrastructure, Georgia will suffer economically in the ability to attract new industry and jobs to the state.

While most railroads in the state were built in the mid to late 1800's, the forefathers had no idea what the state would look like as we sit here today. The common

thread to Atlanta's location and most other major cities in the United States is rail. I ask that you evaluate what the state will look like in another one hundred years. Rail corridors will be even more important than today as government is finding it harder to secure new rights of way. 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 that whether we like it or not is going to be driving the future. Rail has the ability to move large quantities of goods and people more efficiently than any other mode. As a result, in your evaluations and analysis I trust that your recommendations will give full weight to what railroads mean to the overall economy of the State of Georgia and look at means to make rail even more of a catalyst for future growth and development.

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