



OHIO RAIL DEVELOPMENT COMMISSION

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JOHN R. KASICH, GOVERNOR • JAMES G. BRADLEY, ORDC CHAIRMAN

Testimony by Chairman James G. Bradley To the Senate Finance Committee

Chairman Widener, Ranking Member Skindell, and Members of the Finance Committee, thank you for the opportunity to testify before you today in support of the Ohio Rail Development Commission (ORDC). My name is Jim Bradley and I am the Chairman of the Commission. The Mission of the ORDC is to plan, promote and implement the improved movement of goods and people faster and safer on a rail transportation network connecting Ohio to the nation and the world. My fellow commissioners and I believe that rail transportation is essential to Ohio's economy and employment. As the former Chairman and CEO of Wheeling-Pittsburgh Steel, I am acutely aware of the importance of the transportation network.

Overview

In 2008, the Federal Government passed a law requiring any state wanting to receive funding from the Federal Railroad Administration to develop a State Rail Plan. We decided to use this requirement to take a broader look at what is going on in the global economy and how Ohio fits. We learned:

- There will be a continuing shift from manufacturing to services that began in the 1980s.
- Liberalization of trade policies among countries and trading blocks like NAFTA mean that supply chains are longer and by necessity multimodal.
- Congestion at West Coast Ports has increased the importance of East Coast Ports.
- Panama Canal Expansion will allow larger, "Post-Panamax" ships to move two and a half times the cargo of current ships through the canal.
- There is an increased use of the Suez Canal for Asian goods creating an "all-water" route between Asian and East Coast Ports.

Everything we saw suggests that low-cost supply chain logistics are and will continue to be key to Ohio's success in the global economy. Additionally, the importance of rail to Ohio's businesses and economy cannot be understated. In raw numbers:

- Ohio ranks 3rd nationally in total rail miles (behind only Texas and Illinois)
- Ohio ranks 8th nationally in rail tons originated by state (61.5 million tons)
- Ohio ranks 4th nationally in rail tons terminated by state (86.6 million tons)
- Ohio ranks 6th nationally in rail carloads originated by state (1.1 million carloads)
- Ohio ranks 5th nationally in rail carloads terminated by state (1.2 million carloads)
- Ohio has 36 operating railroads that employ over 7,800 Ohioans

For my colleagues and me, the question is how ORDC can make Ohio a better place to do business. We see our role in three key areas: Safety, direct financial assistance and sponsorship and administration of special rail infrastructure projects.

The budget before you today, Amended Substitute House Bill 153, contains the appropriations for our freight rail grants. ORDC respectfully requests approval of the House Committee-reported amount of \$2,000,000 per fiscal year in House Bill 153.

There has been much discussion nationally and locally about "public-private partnerships." I applaud the General Assembly's actions in House Bill 114, the Transportation Budget, to give ODOT the tools to partner with the private sector for roadway projects. ORDC was structured specifically to do public-private partnerships and has

been successfully partnering with the private sector on hundreds of projects since 1994. I would like to give you a brief overview of how ORDC partners with railroads, businesses, and communities to promote safety and economic development in Ohio.

Grade Crossing Safety

Many of ORDC’s public-private partnerships involve improving motorist safety at public railroad grade crossings across the state. \$15 million per year in grade crossing safety funds were appropriated in House Bill 114 and we would like to thank the Senate for its support, and particularly Highways and Transportation Committee Chairman and ORDC Commissioner Patton.

Approximately 51% of Ohio’s approximately 6,100 public, at-grade crossings are equipped with flashing lights and roadway gates. As you can see in the table below, the crashes occurring at public grade crossings in Ohio have shown a steady decline and leveling off – a trend that started in the early 1970s.

	Calendar Years										
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
<u>CRASHES</u>	123	120	112	117	122	108	113	82	55	64	1,016
<u>FATALITIES</u>	21	20	11	13	7	15	8	11	6	4	116
<u>INJURIES</u>	41	36	44	32	32	30	40	31	18	14	318

While we are encouraged by the decline in crashes, injuries, and fatalities, safety is our highest priority and we believe these numbers can be reduced even further.

During 2009 and 2010, ORDC funded 161 grade crossing warning device projects statewide. The ORDC also completed 12 crossing reconstruction projects, closed 15 redundant crossings, funded the lion’s share of a grade separation project, and undertook two other major grade crossing safety initiatives.

With the appropriations in House Bill 114, we expect to fund about 150 warning device upgrades over the biennium. The actual number of projects will depend on the cost associated with each project, which can vary based on site conditions and complexity, and the types of projects that we develop with our railroad and community partners.

Direct Financial Assistance

ORDC is the only agency in state government that was established to do business with shippers and railroads by promoting and supporting economic development opportunities that involve rail. The Transportation Budget contained appropriations for our revolving loan fund, however the GRF appropriation in House Bill 153 is the only source of state funds dedicated to freight rail infrastructure grants. While these appropriations are in separate bills, they are used hand-in-hand to bring jobs to Ohio.

During fiscal years 2009 and 2010, ORDC approved grant and/or loan assistance to 33 rail development projects. ORDC contributed a total of \$5.38 million to those projects (\$3.93 million in grants and \$1.45 million in loans), which are expected to:

- Leverage \$112.3 million in additional capital investments, meaning that ORDC leverages \$21 of investment in Ohio for every \$1 we contribute;
- Create an estimated 537 Ohio jobs;
- Assist in preserving an estimated 4,331 Ohio jobs; and,
- Generate an estimated 2,500 carloads of freight, avoiding between 7,500 and 10,000 additional trucks on Ohio’s roads.

ORDC provides grant funding to two general types of projects, rail spurs and rehabilitation, and both play an important role in Ohio's economy.

Rail Spur Projects

Grants for rail spurs typically support facility construction or expansion investments, create/retain Ohio jobs, and generate freight rail traffic. Recent projects have included the construction of new rail spurs, the installation of switches from railroad main lines to company spurs, and the purchase of on-track equipment. There are two primary reasons that ORDC participates in rail spur projects:

1. ORDC's participation completes the funding for a project and moves the project forward, i.e. ORDC provides the "last dollar in."

In 2009, ORDC provided a loan of up to \$50,000 to complete the funding of a rail spur at the New Horizons Baking Company's Norwalk plant. The Ohio Department of Development, Huron County, and the company provided funding but ORDC's loan closed a funding gap and enabled the project to move forward. The project is expected to result in the retention of 110 jobs and the generation of 161 rail carloads per year in Huron County, which had a 15.4% unemployment rate at the time the project was approved.

2. ORDC's participation makes a project happen "bigger, better, faster." The grant funding ORDC provides either makes a project happen on a larger scale, with an improved scope of work, or on a more accelerated timeline than it would otherwise.

U.S. Steel contacted ORDC earlier this year requesting support for rail yard improvements at its Lorain Tubular Operation. U.S. Steel was already expanding its facility and making necessary rail investments, however further rail improvements will improve the efficiency of in-plant rail operations. U.S. Steel is committing to create 90 jobs, retain 523 jobs, and create 800 carloads of rail freight within three years of project completion.

As the economic recovery continues and business expansion resumes, ORDC's staff is working with the industrial development and marketing personnel at Ohio railroads as well as with other state agencies. We have compiled a list of about 20 active rail spur projects in various stages of development. While not every potential project will come to fruition, the current active projects demonstrate the potential for future rail development. If all 20 projects were to move forward, there would be about 1,300 new Ohio jobs created, about 3,300 Ohio jobs retained, and a total rail infrastructure investment of \$18.1 million, with a potential ORDC share of \$2.2 million.

Railroad Rehabilitation Projects

Railroad rehabilitation grants support existing infrastructure and assist in retaining Ohio jobs and maintaining freight rail traffic. These projects address long-term capital needs on rail lines that may be marginal from a railroad's business perspective but provide important connectivity to markets for Ohio employers. ORDC generally expects a dollar-for-dollar match by the railroads in order to maximize investments, however, individual projects are reviewed on their merits. Recent railroad rehabilitation projects have included tie replacements, crossing surface repairs, and bridge repairs.

ORDC learned in early January that Johnson Controls would re-open in Greenfield and that bridge repairs were needed on the city-owned rail line which serves the plant. On January 20th, the Commission approved a \$235,000 grant to the City and work is scheduled for this spring to meet the company's needs. Johnson Controls is hiring 130 people this year with plans to add 80 more soon in a community that the city manager tells us has an unemployment rate of over 30%.

A grant and loan package to the West Central Ohio Port Authority enabled it to complete the rehabilitation of twenty-seven miles of Port Authority-owned track between Springfield and Fayne (near Washington Court House). The track supports local agricultural businesses and serves a 2,400+ acre Job Ready Site that is ready for industrial development.

In looking forward to the next biennium, ORDC staff canvassed Ohio's short-line railroads for rehabilitation projects that maintain and improve rail connections for Ohio businesses. The projects that the railroads and our staff identified involve the improvement of 252 miles of branchline trackage with a positive impact on 6,700 rail-dependent jobs. These projects would involve a total investment of \$12.6 million, with a potential ORDC share of \$5.1 million. As you can tell, there is much work to be done to keep Ohio's rail network a strong and viable part of Ohio businesses' logistics and development.

Sponsorship and Administration of Special Rail Infrastructure Projects

Lastly, I would like to discuss how ORDC is playing a significant role in the "big picture" supply chain I mentioned earlier. Our assistance goes far beyond what we can fund in ORDC's budget alone.

Many of you have heard of the new CSX intermodal yard in North Baltimore, Ohio. The new \$175 million terminal began operations earlier this year and is already exceeding its job creation estimates with 300 employees on site. This development comes on the heels of the Norfolk Southern (NS) investment in the Rickenbacker Intermodal facility in Columbus. ORDC had two important roles to help ensure the success of the important infrastructure investment in Northwest Ohio:

When the project was first being considered, CSX indicated that there were locations in multiple states under consideration for a new intermodal terminal. ORDC worked with CSX to provide \$5 million to enhance and improve public safety around the Ohio site to make it more attractive.

In order for the full economic potential of the North Baltimore terminal to be realized, the facility must be able to efficiently reach many different intermodal yards and ports on the East Coast. To accomplish this goal, CSX, in consultation with the states of Ohio, West Virginia, Pennsylvania, Maryland, Virginia, North Carolina and the District of Columbia developed the National Gateway project. This is an \$842 million public-private partnership that will increase intermodal terminal capacity and allow two intermodal containers to be stacked on rail cars (or "doublestacked") to reach North Baltimore. The work to improve vertical clearances under bridges and through tunnels effectively doubles the capacity of the rail line. The ORDC was the lead applicant for a \$258 million TIGER (Transportation Investment Generating Economic Recovery) Grant request to the U.S. Department of Transportation for the project. The U.S. DOT awarded the project \$98 million for the first segment of the project between North Baltimore, Ohio and the intermodal yard in Chambersburg, Pennsylvania, and the ORDC is the lead agency for this four-state corridor. ORDC was able to enter into all of the necessary agreements including accepting funds from CSX and granting them to the U.S. DOT to cover the costs of federal administration of the work in Ohio, West Virginia, Maryland and Pennsylvania. One U.S. DOT official commented that ORDC's contracting authority avoided difficult issues that have occurred with other projects in other states.

At the time that NS was considering the initiative that is now the Rickenbacker Intermodal Yard and the Heartland Corridor, ORDC saw its potential and partnered with the West Virginia Port Authority to fund a study by Marshall University to determine the feasibility of clearing a doublestacked container route from Virginia seaports to Central Ohio. We are happy to report that both the Rickenbacker Intermodal Yard and the Heartland Corridor were completed last year.

ORDC is collaborating on other projects where a public agency sponsor or recipient is needed. These projects include the administration of \$9.2 million in Diesel Emission Reduction Grants, more than \$70 million in American Recovery and Reinvestment Act awards, and rail infrastructure projects in Zanesville, Portsmouth, and Perry County. Among the projects underway are an intermodal project with the City of Toledo and NS to double the intermodal capacity of a terminal in Toledo, and another project with NS and the Ohio-Kentucky-Indiana Council of Governments that expands and enhances the benefits of the Rickenbacker Intermodal Yard in Columbus by doublestacking the corridor between Columbus and the NS intermodal yards in Cincinnati.

The Commission Structure

There are four key provisions in ORDC's structure that allow the Commission to work effectively and efficiently to promote safety and prosperity.

1. **Flexibility**: Our statutory authority allows ORDC to partner with anyone (public, private, or non-profit) on any project that has a rail nexus and defined public benefits. This authority is a critical and necessary tool for ORDC to perform its mission. Our recent partners have included private developers, manufacturers, logistics companies, railroads, cities, port authorities, and other public economic development entities.
2. **Responsiveness**: ORDC's structure and small size allow staff to identify and respond to economic development opportunities based on project need. Rail infrastructure is often the last component of a project to be completed because all rail needs may not be "inside the fence line" of the development and require more coordination. As a result, ORDC often must respond quickly to project needs rather than follow rigid timelines to ensure that economic development projects are not delayed.
3. **Accountability and Representation**: ORDC's structure is designed to provide transparency and accountability, with governance by a group of volunteers with backgrounds in manufacturing, railroading, engineering, labor, and public finance. The Commissioners receive no salary for their work. The Directors of the Departments of Transportation and Development serve as ex-officio members of the Commission, which helps to ensure consistency with the policies of the administration. Additionally, four legislators are appointed to the Commission as non-voting members.
4. **Perspective**: As an independent body, ORDC can provide a unique perspective for rail-related issues affecting Ohio. Over the years, ORDC Commissioners and staff have developed an expertise in rail issues.

Like other aspects of Ohio's infrastructure, the needs for investment in the freight rail network are great, but the resources are limited. ORDC looks forward to continuing our strong track record of working with railroads, business, and communities.

Mr. Chairman, I thank you again for the opportunity to testify today. I look forward to working with you to support the benefits of freight rail to Ohio's jobs and economy. The ORDC's Executive Director, Matt Dietrich, and I are pleased to answer questions from you and your colleagues.