

Georgia's Freight Rail Advantage

ACCG

Transportation Mobile Classroom

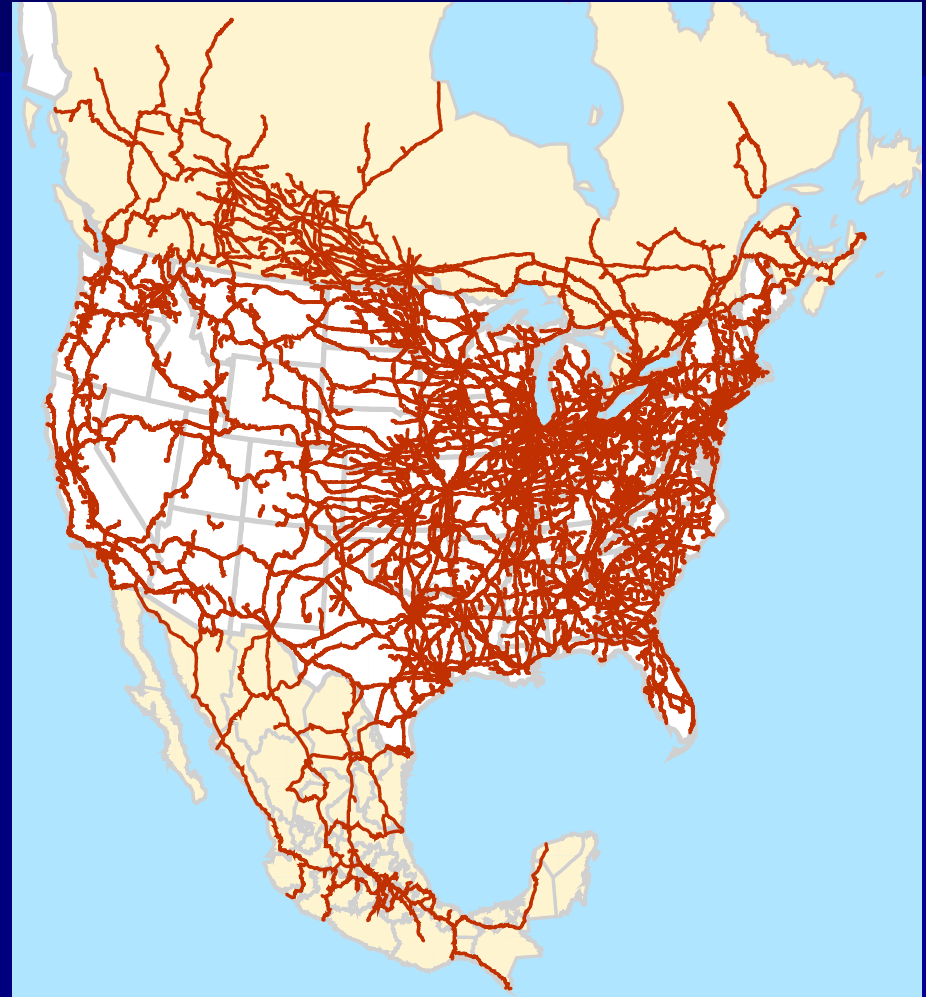
May 17, 2012

Freight Railroads Are Critical to the Economy

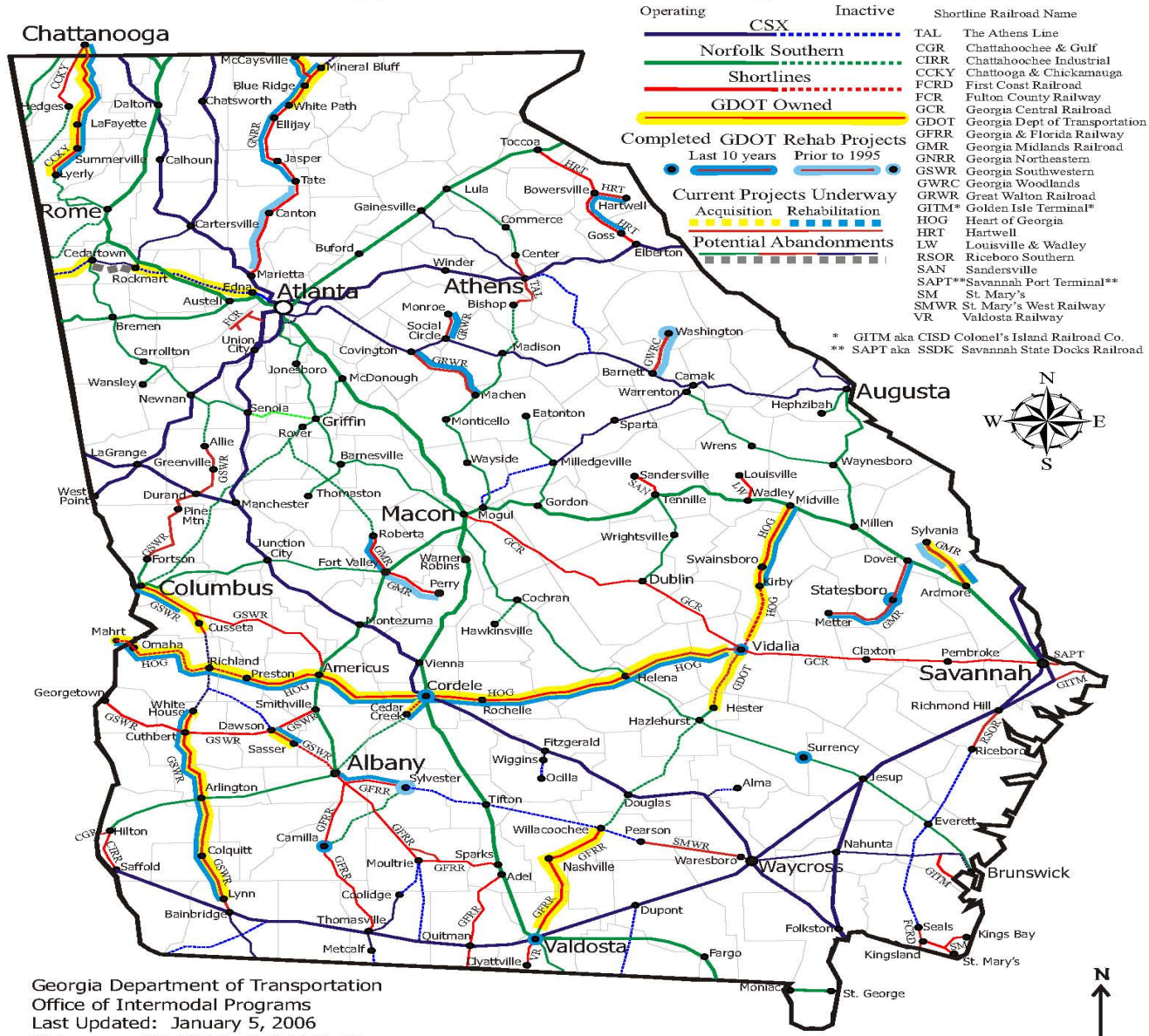
- Indispensable link connecting markets here and abroad – huge global competitive advantage
- Billions of dollars per year in:
 - Savings in shipping costs
 - Taxes and purchases that support tens of thousands of additional jobs
 - Avoided highway construction and maintenance costs

Integrated Rail Network

- U.S. freight rail network
~140,000 route-miles;
~40,000 in Canada &
Mexico
- Every U.S. state but Hawaii
- ~ 1.5 million freight cars,
~ 31,000 locomotives in
service in N. America
- Seamless across borders
except for Customs



Georgia Rail System



Georgia Department of Transportation
Office of Intermodal Programs
Last Updated: January 5, 2006
Visit us at: WWW.DOT.STATE.GA.US
Or Search for us online, enter: "GDOT RAIL"

Freight Railroads in Georgia

Number of railroads: 23
(U.S. rank: 13th)

Miles of railroad: 4,700
(U.S. rank: 7th)

Tons carried by rail*:
196.5 million (U.S. rank: 15th)

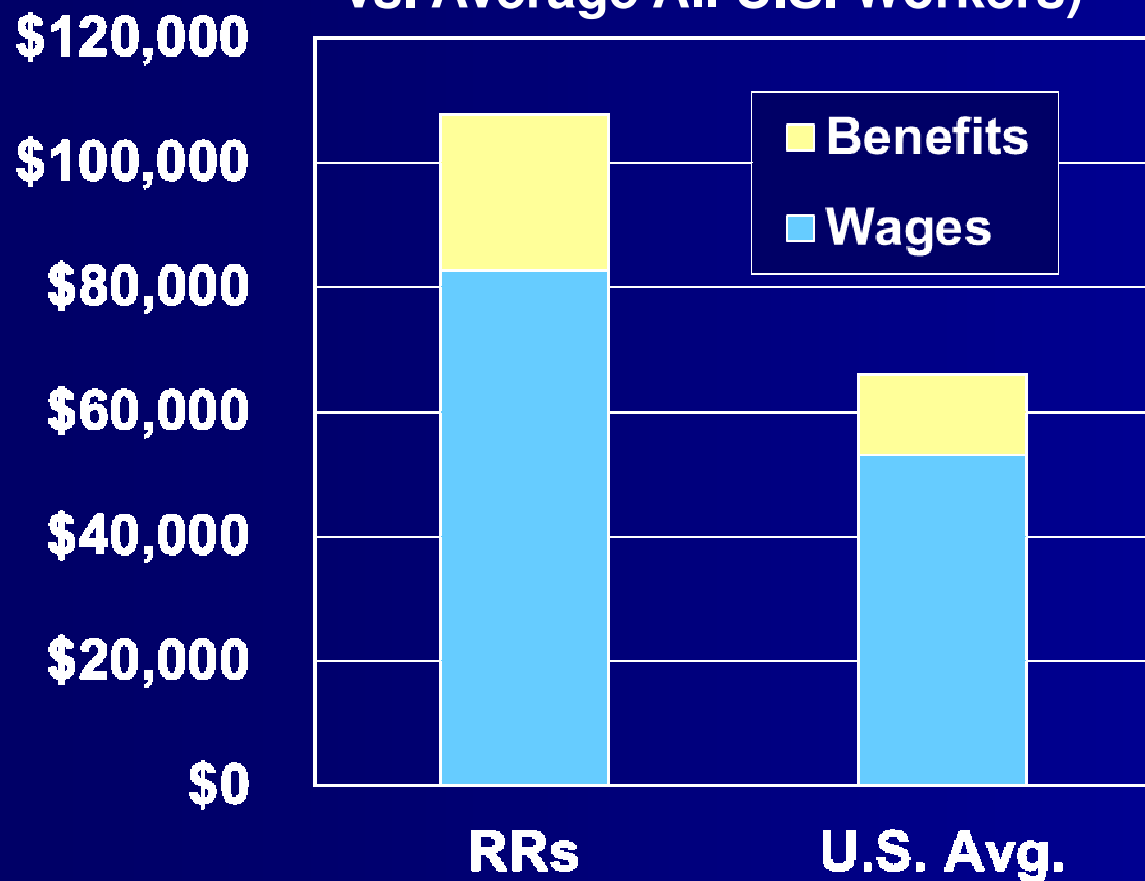
Number of employees: 6,753
(U.S. rank: 6th)

RR Retirement beneficiaries:
15,614
(U.S. rank: 10th)

Average compensation per
employee: @\$100,000

RR Employee Compensation is Far Higher Than Average

(U.S. Railroad Average vs. Average All U.S. Workers)



Data are 2010 and include union and non-union freight and some passenger employees. Source: Bureau of Economic Analysis

Class I Railroads in Georgia

NS

- 1,800 + miles of road operated
- 4,000 + employees
- \$300 + million payroll
- Serve ports at Brunswick, Savannah
- Inland terminals at Atlanta, Macon, Augusta, Valdosta, Albany, Columbus, Rome and Austell
- Main operating headquarters in Atlanta
- Georgia Division headquarters in Atlanta

CSX

- 1,600 + miles of road operated
- 2,900 + employees
- \$200 + million payroll
- Major rail yards in Atlanta, East Savannah, Waycross
- Intermodal terminals in Atlanta, Savannah, Fairburn
- Major training center for all employees in Atlanta

In a Typical Year, U.S. Freight Railroads Carry Enough...

- • Coal to supply electricity to nearly every home in America
- • Wheat to make a loaf of bread for every man, woman, and child in America every day of the year
- • Newsprint to print billions of newspapers
- • Trailers and containers to equal one load every 2.7 seconds



Carrying the Things America Depends On



**Intermodal:
11.3 million
trailers and
containers**



**Coal:
829 million tons**



**Plastics, fertilizers,
and other chemicals:
178 million tons**



**Farm products:
152 million tons**



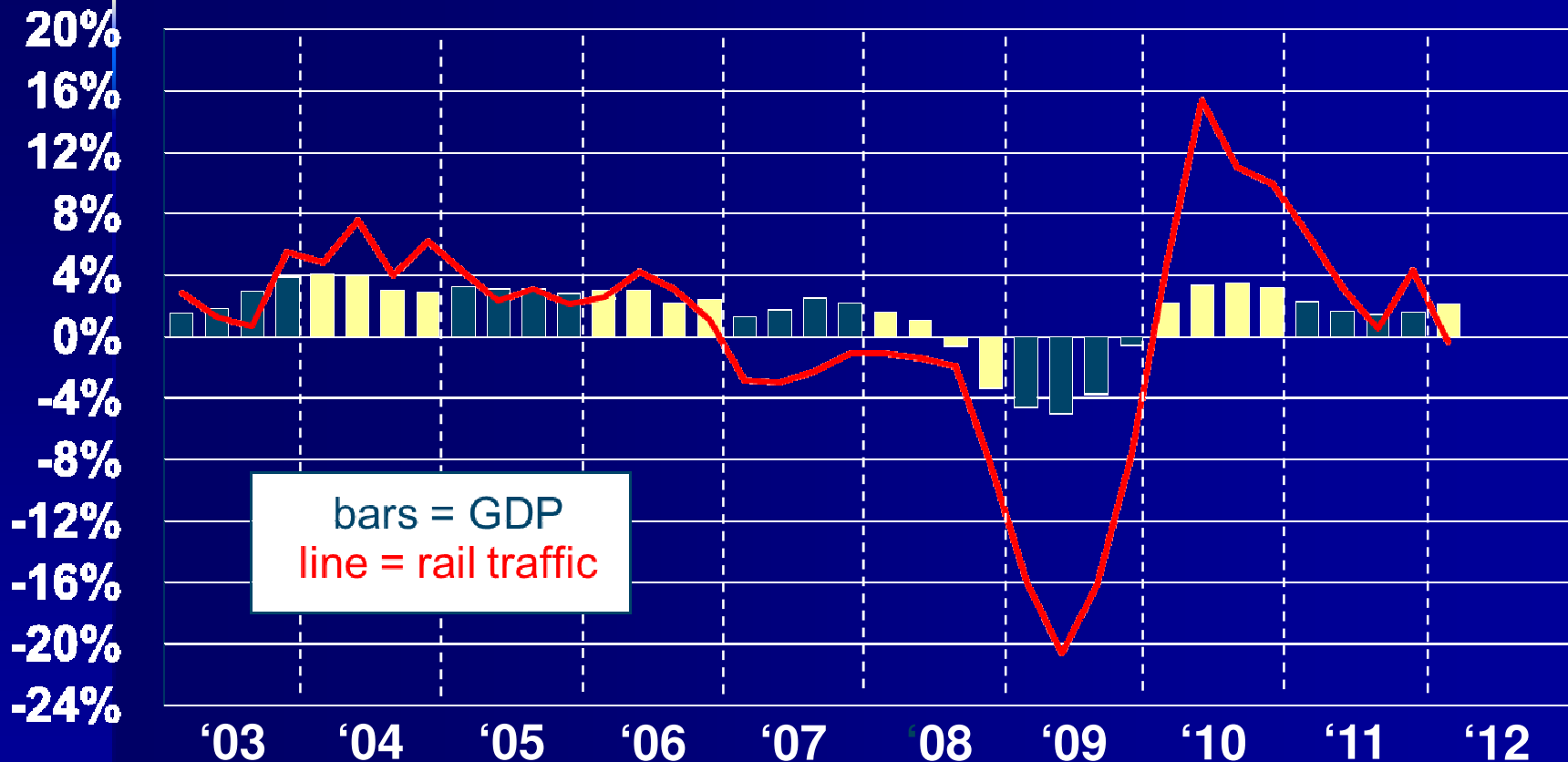
**Stone, sand, gravel:
125 million tons**

And much more!

Data are 2007-2011 averages.

As the Economy Goes, So Goes Railroads

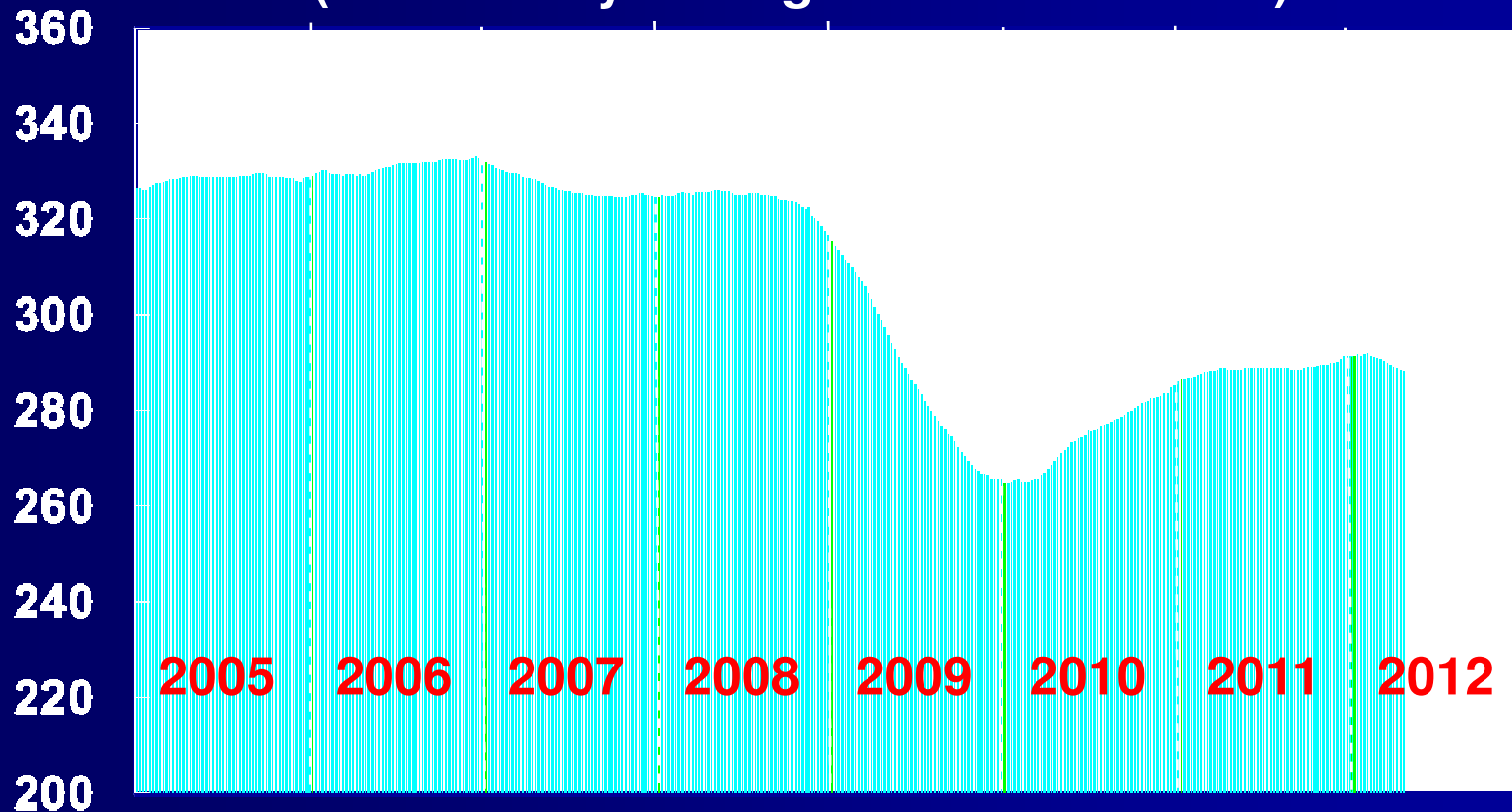
Annualized Real U.S. GDP Growth vs. Rail Traffic*



*Year over year annualized. Source: Bureau of Economic Analysis, AAR

Carloads Still Far From Pre-Recession Level

(U.S. Weekly Average Carloads in 000s)

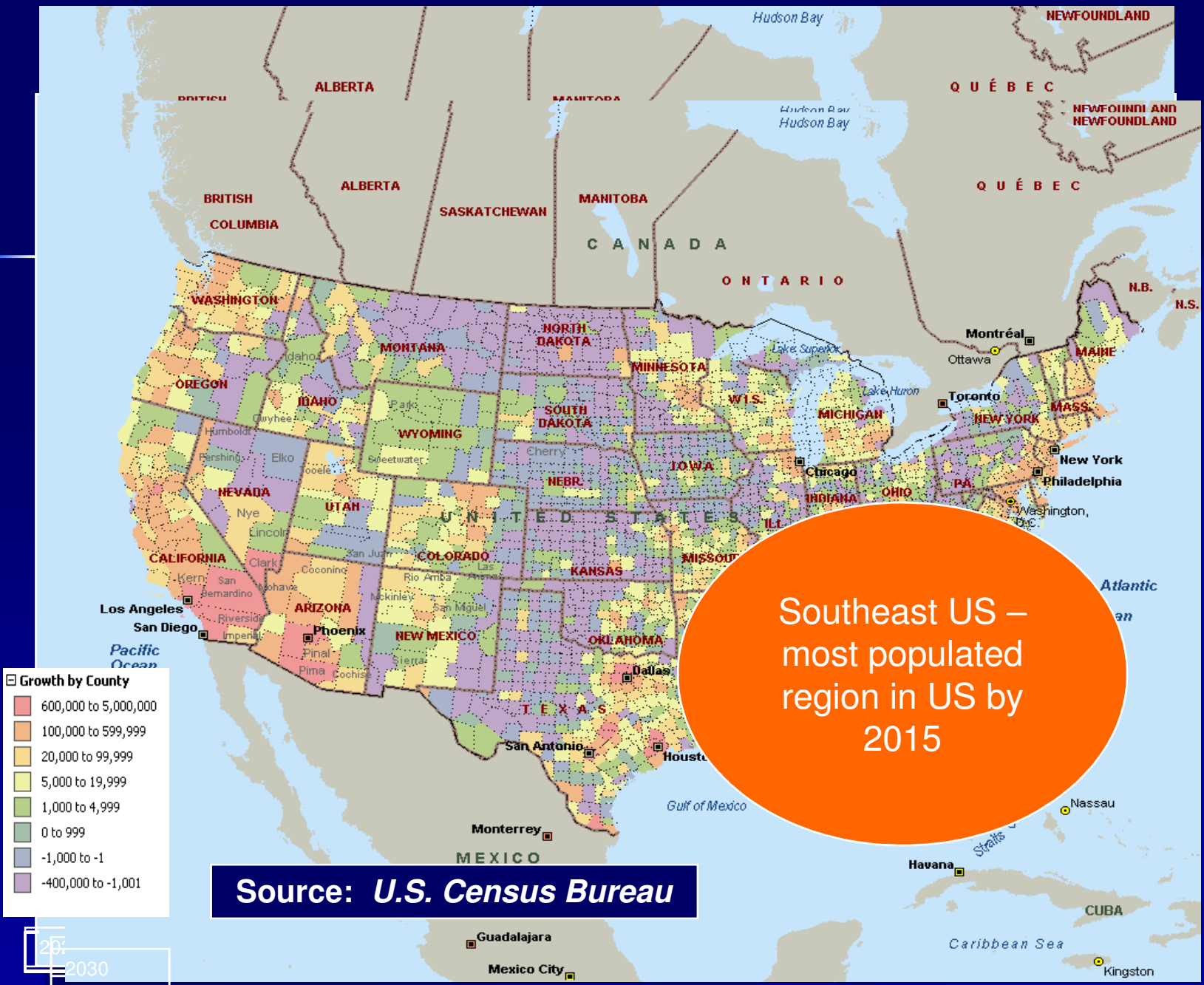


Data are 52-week moving averages. Source: AAR *Weekly Railroad Traffic*

Basics of Railroad Economics

- ● Railroads are networks: what happens in one place affects many others.
- ● High fixed costs - tracks can't be easily picked up and moved.
- ● Focus on traffic density.
- Huge differences in customer demands and options.
- Someone has to pay for it all.





Freight RRs in Georgia

TONS ORIGINATED (millions)		TONS TERMINATED (millions)	
Stone, gravel, sand	10.1	Coal	36.4
Kaolin	4.1	Stone, gravel, sand	7.8
Intermodal	3.6	Chemicals	7.5
Lumber and wood	3.2	Farm products	6.3
Chemicals	2.8	Food products	4.5
Pulp and paper	2.6	Intermodal	4.4
Waste and scrap	1.9	Kaolin	2.8
Food products	0.9	Pulp and paper	2.8
All other	3.9	All other	9.7
TOTAL	33.2	TOTAL	82.2

Why Freight Rail?

- • Affordable
- • Efficient
- • Environmentally responsible
- • Fights highway gridlock, cuts highway spending
- • Safer
- • Foundation for passenger rail



Freight Railroads = More American Jobs

- Directly or indirectly support 1.2 million jobs*, including 175,000 well-paid rail employees.
- Generate nearly \$265 billion in total annual economic activity.*
- Average rail rates have dropped by 45% since 1981. Lower shipping costs = more competitive companies = more American jobs!



*Based on U.S. Department of Commerce model of the U.S. economy.

Why Freight Rail? Safe & Getting Safer

RR Safety Trends: 1980-2011

Train accident rate	↓ 76%
Employee injury rate	↓ 84%
Grade crossing collision rate	↓ 82%
Hazmat accident rate*	↓ 90%
*through 2009 Source: FRA, AAR	



Investment by the railroads = Jobs in Georgia

- Since 2007, the industry combined has worked to secure new industries in Georgia that have led to over 2,700 new jobs and over \$2.5 billion in investments in the state.

Growing with Georgia's Ports

- Garden City Terminal and Colonel's Island Terminal – NS and CSX have on dock facilities.
- Combined 83,000 ft of track for storage and working
- In 2009, moved 230,000 containers by rail at Garden City Terminal alone and 812,220 tons of agribulk at Colonel's Island.

Highway-Rail Grade Crossings Are a Major Safety Concern

- ● Highway safety issue
- ● States establish priorities
- ● ~219,000 crossings nationwide (~55,000 fewer than 1990)
- Section 130, Operation Lifesaver
- Railroads spend hundreds of millions of dollars each year on crossings.



Railroads Spend More Than Most State Highway Agencies!

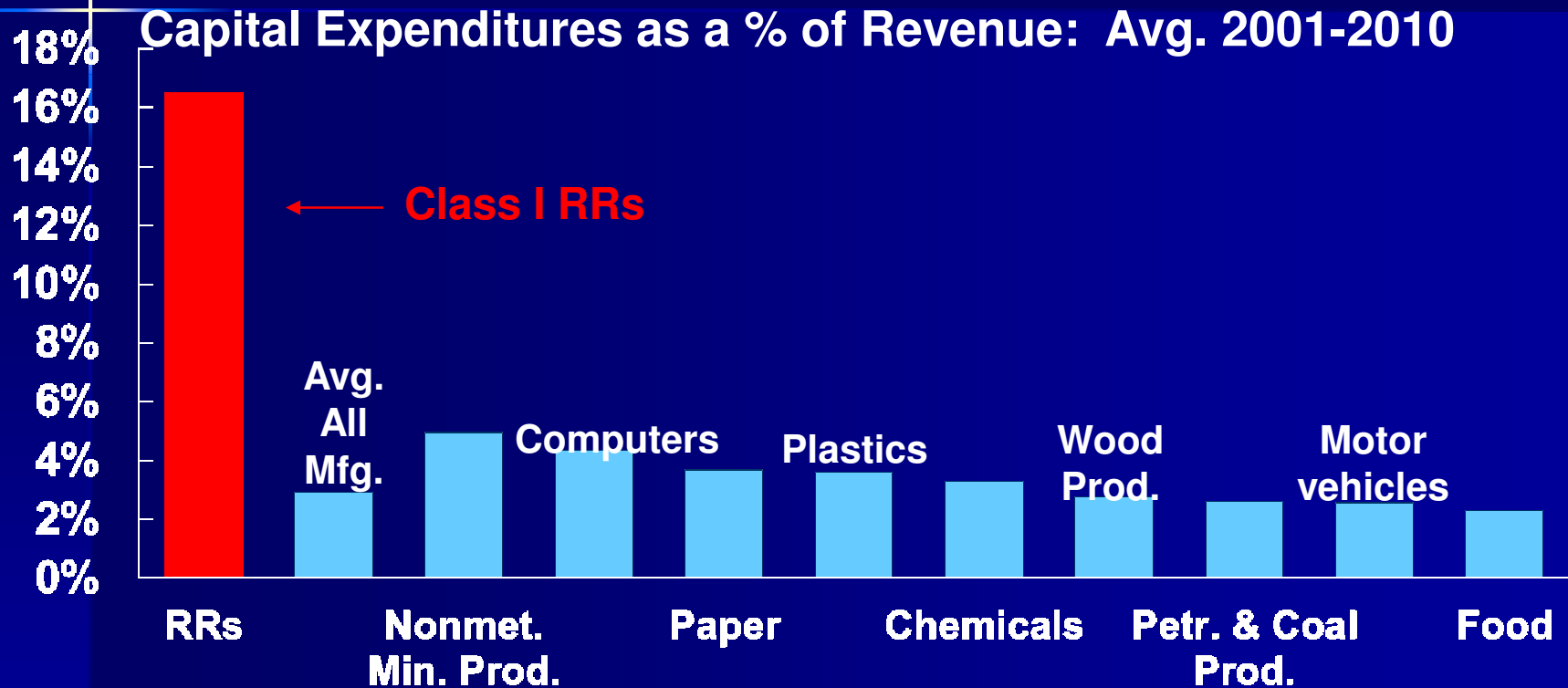


RR Spending on Way & Structures vs. State Highway Agency Spending - 2009 (\$ billions)

		<u>Total</u>
1.	California	\$7.16
2.	Texas	\$6.50
3.	Florida	\$5.27
4.	Pennsylvania	\$4.66
	BNSF	\$4.27
	Union Pacific	\$4.27
5.	New York	\$3.93
6.	Illinois	\$3.43
7.	Louisiana	\$3.20
8.	North Carolina	\$2.60
	Norfolk Southern	\$2.53
	CSX	\$2.52
9.	Washington	\$2.49
10.	Michigan	\$2.45

Data include capital outlays and maintenance expenses. Sources: FHWA, AAR

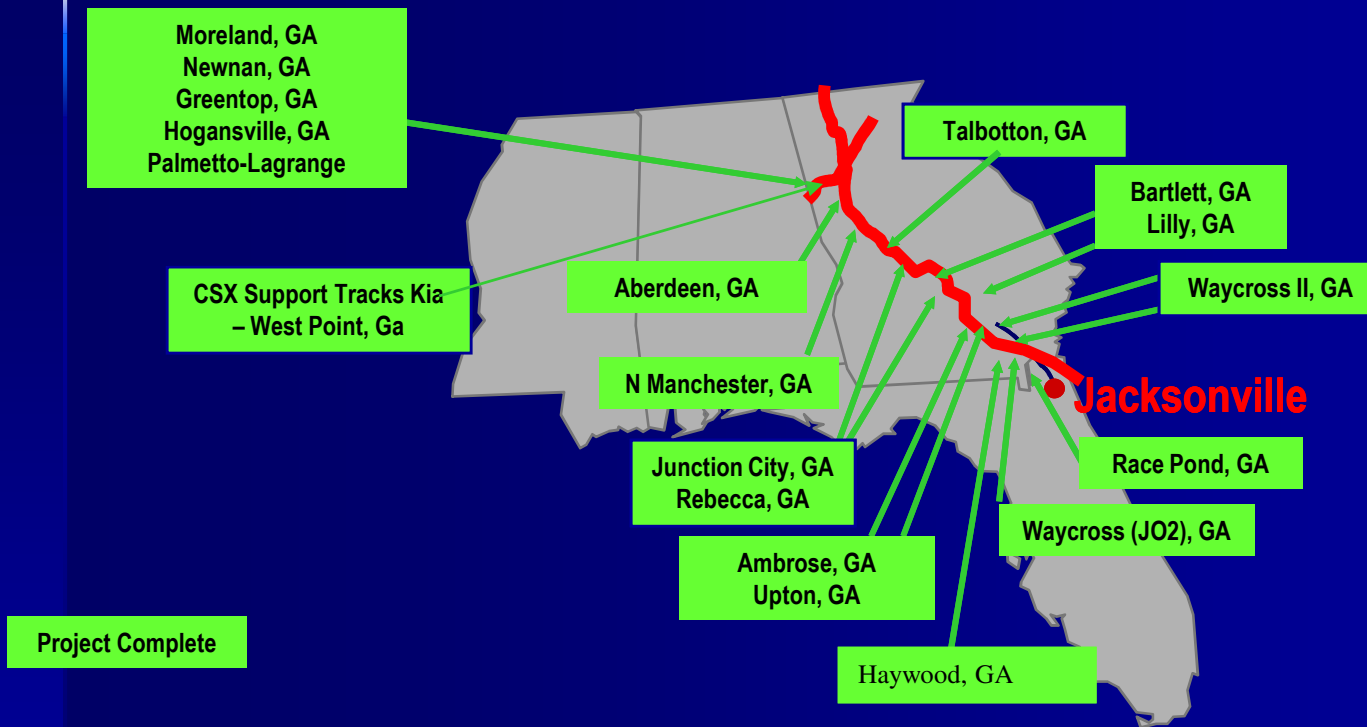
Railroads: Far More Capital Intensive Than Other Industries



Sources: U.S. Census Bureau, AAR

CSXT capacity projects in Georgia

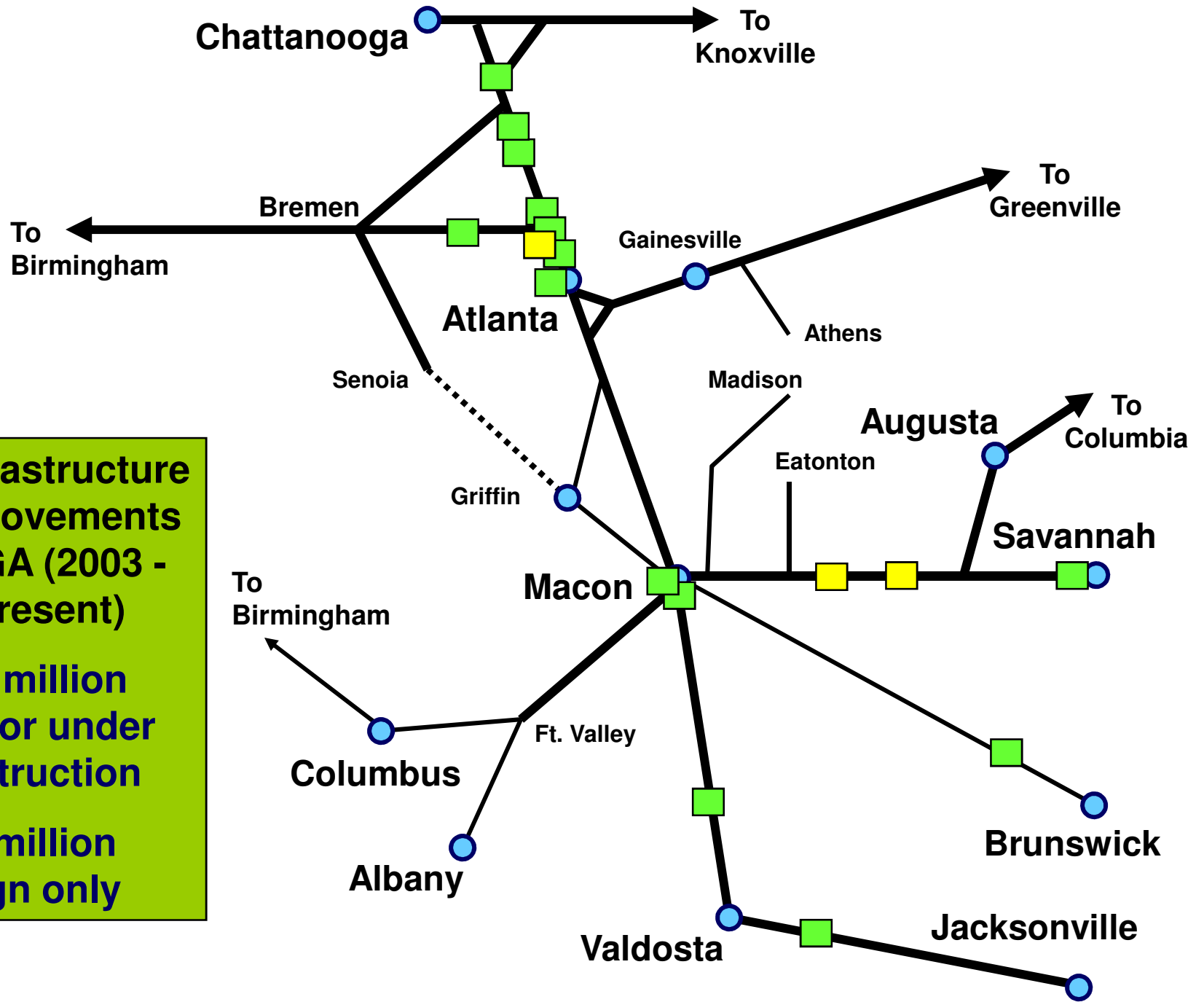
Fitzgerald, Manchester, A&WP Subdivisions



CSX Georgia Investment = \$115 million

NS Infrastructure Improvements in GA (2003 - present)

- \$105 million built or under construction
- \$1.9 million design only



Shortlines Need Assistance

- State is third largest owner of rail lines in Georgia
- Heavier rail car requirements present potential competitive disadvantages without maintenance and upgraded tracks.
- Railroad Bridges, if not properly maintained, become unsafe and unusable.

Public-Private Partnerships Can Also Help

- Best used for projects whose main purpose is to meet public needs.
- RRs pay for their benefits and public pays for public benefits.

“Relatively small public investments in the nation’s freight railroads can be leveraged into relatively large benefits for the nation’s highway infrastructure, highway users, and freight shippers.” – AASHTO

If Railroads Can't Move the Freight, It Will Move by Highway



Capacity is Needed Across Transportation Modes

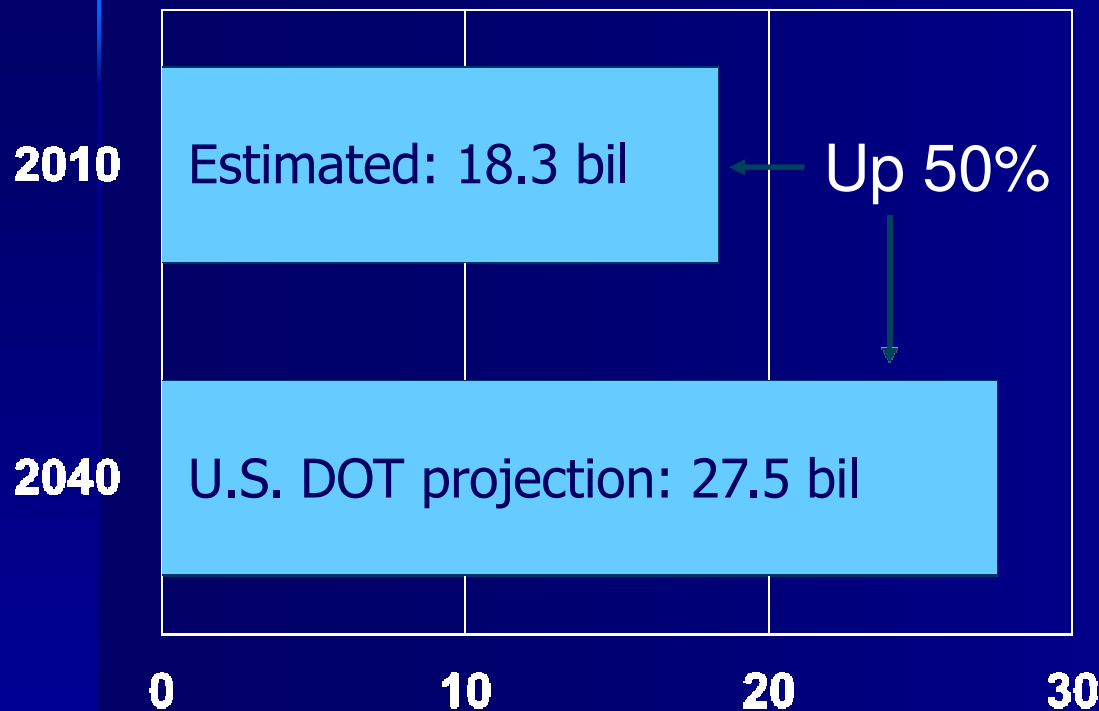
“Without efficient transportation routes, economies stagnate. We need to protect, preserve, and invest in our transportation infrastructure to ensure that it can meet our present and future demands.”

-U.S. DOT Secretary Ray LaHood



Long-Term Demand for Freight Transportation Will Surge

Billions of Tons of Freight Transported in the U.S.



The U.S. DOT expects total U.S. freight movements to rise from around 18.3 billion tons in 2010 to 27.1 billion tons in 2040 – a 50% increase.

Source: FHWA - Freight Analysis Framework, version 3.2

Challenges Ahead Require Pro-Rail, Pro-Recovery Policies

- Reasonable regulation
- Corporate tax reform
- Responsible climate change policies
- Passenger and freight rail growing together
- Oppose bigger and heavier trucks



Excessive Regulation = Reduced Capacity and Service

- ● Goal = cost-based (rather than market-based) rates for certain shippers.
- ● Result = lower rail revenue, capital drain, disinvestment.
- ● Would mean less rail capacity and capability when we need more.



New Challenges Ahead: Positive Train Control



- • Must be in place by 2015.
- • >\$5 billion to install, ~\$700 million per year to maintain.
- • Total costs: >\$10 billion over 20 years
- • Implementing regulations made it even worse.
- • \$20 in costs for every \$1 in benefits.
- • Means less \$ for other projects, including capacity and service improvements.

What Would Longer and Heavier Trucks Mean?

- ● More trucks on the highways as traffic diverts from rail.
- Damage to roadways and bridges increases.
- Existing truck underpayment gets worse; higher highway damage costs paid for by other highway users or taxpayers.
- More pollution and greenhouse gas emissions.
- ● Lower rail revenue, reduced ability to reinvest in new rail capacity.



New Challenges Ahead: Passenger Rail

- The need for more and better passenger rail has never been higher.
- Major passenger rail expansion can happen only if freight rail tracks are used.
- Freight railroads already own 97% of the 22,000 miles over which Amtrak operates.
- Big potential for conflicts if not done right.



Four Commuter Rail Principles

- It must be safe for passengers and freight rail employees.
- Any relationship with commuter rail must ensure capacity for current and future freight rail service.
- Liability protection must be provided for the protection of freight rail service.
- Commuter rail operations must stand on own financial merit.