



RONY TESTIMONY TO THE NYS LEGISLATIVE FISCAL COMMITTEES

2012-13 TRANSPORTATION BUDGET HEARING

JANUARY 26, 2012

Good afternoon. My name is Scott Wigger and I am the Executive Director for Railroads of New York (RONY), a statewide association that represents the rail freight industry in New York State.

RONY represents four Class I Railroads (CSX, Canadian National, Canadian Pacific and Norfolk Southern) and 33 short line and regional railroads. RONY members directly employ over 3,700 individuals and carry nearly 77 million tons of freight in 2 million rail carloads annually statewide. RONY members serve many of New York State's key businesses, including major manufacturers that employ tens of thousands of individuals.

The services our member railroads provide to the state and local communities are many: We provide safe, economic and environmentally sensitive movement of freight while directly supporting high quality, family-sustaining jobs across the entire state. Every rail car of freight we handle is three to four trucks kept off of New York State highways. We are four times as efficient in the use of fuel on a ton-mile basis compared to highway transportation, and emit a quarter of the pollution. Instead of being a drain on state and local government budgets through the subsidized use of the highway network, we own and maintain our own right-of-ways and pay a significant amount of property and other taxes every year in the state.

Needs

Unlike any other form of common carrier transportation, freight railroads build, own and maintain almost all of their own infrastructure. According to the 2009 NYS Rail Plan completed by the NYS Department of Transportation, there is a need of approximately \$375 million per year in investment in the state's freight rail infrastructure over a five-year period, totaling approximately \$1.87 billion. After factoring in the level of investment that the private sector railroads estimate they could support on their own, there is an \$800 million shortfall over that same five-year period, or approximately \$160 million per year. Approximately half of the needs identified by DOT relate solely to keeping the current rail system in operation or bringing it up to a state-of-good-repair. This funding is especially critical for our state's short line railroads that have very limited revenues and depend on these state funds to maintain their systems and to continue to serve the business community in NYS. These short lines serve areas of our state that would not have access to the national rail network without their presence.

2005-2010 Five-Year Capital Plan

In the 2005-2010 Five-Year Capital Plan, freight rail projects received an average of approximately \$35 million per year, totaling approximately \$175 million. This \$35 million per year was comprised of Bond Act funds and state capital assistance. While less than the \$160 million in annual needs as identified in the NYS Rail Plan, these funds helped maintain the freight rail infrastructure in NYS and allowed many railroads to continue to serve their customers. This \$175 million has either been spent on projects specific to rail freight or is currently in the process of being finalized with NYSDOT.

2010-2012 Two-Year Capital Plan

In the current 2010-2012 Two-Year Capital Plan, it had been represented that approximately \$10 million per year was set aside for freight rail projects. We now understand that this \$20 million in funding is being set aside for high speed rail projects and is not going to be used for freight purposes. This effectively means there is no funding set aside for freight rail projects in the current Two-Year Capital Plan.

2012-2013 NYS Executive Budget

In the 2012-2013 Executive Budget proposal, total rail funding would be approximately \$26 million for the fiscal year. This includes funding for freight, passenger and high speed rail projects. After accounting for the Amtrak subsidy, approximately \$10 million is left over and is being designated for an unknown combination of freight and high speed rail projects. However, given that this same scenario existed in the current Two-Year Capital Plan and resulted in all of the funding going towards high speed rail, we are concerned that this will occur again, leaving freight rail with little to no state funding for the 2012-13 fiscal year.

Beyond the 2012-13 fiscal year, the Executive Budget projects funding levels to increase from \$26 million in the 2012-13 fiscal year to approximately \$54 million in the 2016-17 fiscal year. These projections also include funding for freight, passenger and high speed rail projects (see chart below). However, all of these increases are being allocated solely for passenger rail purposes as NYS is being required by the Federal government to assume increased funding responsibilities for Amtrak. This leaves freight and high speed rail projects with approximately \$10 million per year left over to be split in a manner to be determined. We would like to work with you to increase the freight rail capital funding levels in the 2012-13 NYS Budget and in these projected out years to follow.

OVERVIEW OF RAIL FUNDING INCLUDED IN THE PROPOSED 2012-2013 EXECUTIVE BUDGET AND PROJECTED 2013-2017 FUNDING

<u>State Fiscal Year</u>	<u>Total Proposed Rail Funding</u>	<u>Total Proposed Passenger Rail Funding (Amtrak subsidy)</u>	<u>Total Proposed Freight and High Speed Rail Funding*</u>
2012-13	\$26,620,000	\$16,620,000	\$10,000,000
2013-14**	\$44,360,000	\$34,360,000	\$10,000,000
2014-15**	\$54,330,000	\$44,330,000	\$10,000,000
2015-16**	\$54,330,000	\$44,330,000	\$10,000,000
2016-17**	\$54,330,000	\$44,330,000	\$10,000,000

* Exact amounts unknown, as these funds are currently proposed to be split between freight and high speed rail projects according to an unidentified formula

**Projected funding

Summary

Although the 2005-2010 Five-Year Capital Plan fell short of the identified rail freight needs at the time, it did provide a level of funding that was essential for maintaining our state's freight rail system. The real problem begins with the lack of any funding for freight rail projects in the 2010-2012 Two-Year Capital Plan and the unknown amount of funding in the proposed 2012-2013 NYS Budget, including the projected future years. Without these funds, many of our state's rail companies, especially the short lines, may not be able to maintain their infrastructure which will jeopardize their ability to serve their customers.

Request

RONY respectfully requests your support in releasing the \$10 million per year (\$20 million total) originally set aside for freight rail projects in the 2010-2012 Two-Year Capital Plan and committing it to freight projects. In addition, we also request your support in providing for designated funding in the 2012-2013 NYS Budget, and in the subsequent out years, for freight rail capital projects at a level more consistent with the 2005-2010 Five-Year Capital Plan.

These funds are necessary to maintain our state's rail infrastructure and for serving the business community in New York State. Thank you for providing RONY with an opportunity to participate in today's hearing. If you have any questions or require additional information, we would be pleased to provide it.