

NEWS

OHIO RAIL DEVELOPMENT COMMISSION

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Moving More Freight On Less Track: *Lack of Rail Capacity Hurting Our Economy*

(Columbus) – The good news: Ohio’s economy is on the rebound, business is ramping up and moving raw materials and finished goods by rail at record levels. The bad news: We’re in danger of see the good news go bad. Why? Both nationally and here in Ohio, our railroads are being overwhelmed by the volume of freight traffic that is steadily increasing. This is already causing delays and has even forced one railroad to tell major customers to switch shipments to trucks while the railroad (Union Pacific) works to hire and train new engineers and conductors and run more trains.

This is no small problem and the timing could not be worse. Consider what the *Wall Street Journal* (July 22, 2004) found when it reported that “railroads carry more than 40-percent of the nation’s freight volume and Union Pacific carries nearly a third of that business, or about \$300-billion dollars a year of raw materials and finished goods.” As the Journal’s headline read, “Woes at Union Pacific Create A Bottleneck for the Economy.” But the lack of rail capacity is more than a product of not having enough people and trains.

“Though the railroads themselves have some internal issues to deal with such as having enough locomotives and trained crews to run them, the larger causes here are the lack of investment in both Ohio and the nation’s railroad infrastructure and the shrinking of that same infrastructure”, says ORDC Executive Director James Seney. “For two years running, the amount of requests we get for railroad improvement projects totally outstrips the funding ORDC has available for such projects. That tells me there is a dire need for a far greater investment in our rail systems by state and federal government.”

Seney says it is a particular problem not only for the major railroads operating in Ohio, but even more so for the well over 30 short-line railroad operators in the state. "These short-line operators are experiencing the same increases in freight traffic as their big brothers like Norfolk Southern and CSX, but they don't have the capital resources to upgrade the tracks, bridges and signals they took over from the big railroads who either abandoned or sold off the rail lines. Most of these lines fell victim to years of deferred maintenance, or have bridges that are reaching or passing their 100-year life spans. We are assisting with funding on a priority basis, but we could have double the funds we have now and still not meet the need."

Chairman and CEO Larry Parsons of the Ohio-based Wheeling and Lake Erie Railway agrees saying, "Traffic levels have increased to the point that it is critical to find funding sources to improve track structure in order to maintain operations at consistent service levels." Parsons points eastward toward the State of Pennsylvania as an example of "how rail infrastructure should be regarded as a public/private asset and an economic development engine worth investing in." Pennsylvania DOT just announced it is spending \$7.4 million this quarter on a range of railroad improvement projects that are expected to produce almost 2,000 new jobs. In making that announcement, PennDOT Secretary Allen D Biehler said. "Transportation is an important ingredient in the economic- development mix. Keeping short-line and regional railroads in good operating condition means we're keeping the freight moving, supporting employers, jobs and families."

Parsons says he's encouraged about legislation now before Congress such as one bill that would allow railroads to take a tax credit for rehabilitating or otherwise improving tracks and signal systems. But at the state level, Parsons says he is "hopeful Ohio will find a way to increase funding for its railroad resources."

But until action is taken at either the federal or state levels for long term rail infrastructure funding, Ohio and the nation must still face a volume of freight shipments that threatens to stifle the comeback being made by our economy.

Bob Edwards is President of Cincinnati-based Eastern Transport & Logistics. In a recent report for Transport Canada by the National Association of Rail Shippers, Edwards offered that the increase in lease rates for covered hopper cars for grain and other dry cargo is at its highest level in almost 30 years. "The Union Pacific and CSX railroads continue to have service-related problems and delays", says Edwards. " Many shippers are telling us their trucking capacity is maxed out, but are finding little success switching to rail. The railroads are attempting to either rationalize the increased traffic through price increases or are flatly refusing to take on additional traffic.

Facing the fall harvest season, when grain shipments hit their peak, only adds to the problem says Edwards. "The U.S. corn crop is projected to be 10.4 to 10.6 billion bushels. Last year it was 10.2 billion bushels. With a number of ethanol plants being built or coming on line, including here in Ohio, the volume of rail freight traffic is only going to continue to rise."

Concern over capacity-related railroad delays is also forcing a major Ohio utility to divert coal shipments from rail to trucks. The *Toledo Blade* (Aug 10, 2004) reports at least 60,000 tons of coal is being offloaded from ships to trucks at the Port of Toledo and driven to Toledo Edison's nearby generating station in Oregon, Ohio. The paper quotes utility spokesman Mark Durbin as saying, "There is general rail congestion and a shortage of locomotives. We're still getting some shipments by rail. We just want to make sure the coal gets here." But that diversion to trucks is also causing increased traffic on local streets, even if only on a temporary basis.

There is no "quick fix", says ORDC Executive Director Seney. But he says the current situation demands that state and federal government must begin long-term and heavy investment in our national rail infrastructure. "Each year, community, business and railroad requests for funding rail improvements far outstrip the funds ORDC has available," says Seney. "All of these projects are deserving and could potentially improve not only the flow of rail traffic in Ohio, but act as an engine that helps generate business and jobs for Ohio's economy. But this kind of positive economic growth is stymied by a system of transportation development and funding that fails to meet the demands of an emerging global economy. How ironic is it that Ohio is 5th in the nation with over 5,000 miles of operating railroad track and yet we are next to last (Kentucky) in the dollars we devote to improving and expanding our rail capacity?"

Seney points out there are currently a half-dozen bills now before Congress having to do with rail infrastructure that would benefit both freight and passenger rail service in Ohio and the nation. But little action on any of it is expected until after the 2004 elections, says Seney, "despite the fact of rising oil and gasoline prices and ample evidence that the lack of rail capacity is already having a negative impact on moving the raw materials and finished products that are key to our economy."

(The Ohio Rail Development Commission is an independent agency operating within the Ohio Department of Transportation. ORDC is responsible for economic development through the improvement and expansion of passenger and freight rail service, railroad grade crossing safety and rail travel & tourism issues. For more information about what ORDC does for Ohio, visit our website at <http://www.dot.state.oh.us/ohiorail/>)