

NEWS

OHIO RAIL DEVELOPMENT COMMISSION

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More Bang for The Buck(eyes): *The State of the Railroads in Ohio* *An Annual Statement from ORDC Executive Director James Seney*

(Columbus) – Did you know?:

- Ohio ranks 4th in the U.S. in total miles of railroad track?
- Ohio ranks 3rd nationally in tons of freight brought in by rail and 6th in tons of freight shipped out by rail?
- Ohio is the nation's 4th largest port of entry and that much of what gets shipped in or out by boat or barge is loaded from or unloaded to rail?
- Or that railroads employ over 9,000 Ohioans at total annual wages of over a half-billion dollars?

Railroads helped build Ohio. Railroads still play a major role in almost every aspect of Ohio's economy and quality of life. But railroads have the potential to do so much more as Ohio faces a changing and challenging economy.

More and more Ohio's economy is turning again to its railroads as a development tool to create new business, jobs and prosperity. But the demands we face as a state to move both freight and people are growing at a pace beyond the state and federal dollars currently available to meet these demands.

Unlike our highway and aviation systems, our rail infrastructure has no dedicated source of funding or a large national trust fund for major capital projects. And make no mistake: Ohio and the rest of the nation are now facing a critical need to upgrade and expand the capacity for moving our goods and ourselves by rail. Just the projected growth of over 50% in freight traffic on our highways over the next 20 years will be enough to put a choke-hold on our already congested roadways. Increasing the capacity and fluidity of Ohio's rail lines will help take some of that load off the roadways, reduce congestion and the cost of maintaining roads from such a literally crushing load.

Despite a limited budget, the Ohio Rail Development Commission (ORDC) is getting much of that job done. Some like to talk about doing more with less. Here's what ORDC is doing:

- **Developing a statewide master plan for reestablishing and expanding rail passenger service in Ohio and enhancing our state's mobility and economy with rapid rail connections both between Ohio's cities and to metropolitan areas in our neighboring states.**
- **Funding railroad improvement projects by teaming local businesses, government and the railroads to secure state and federal grants and/or loans. These improvements are directly tied to economic development, job creation and greater mobility options for all Ohioans.**
- **Partnering with ODOT to significantly improve safety under Governor Taft's \$200-million dollar railroad grade crossing improvement program. This includes upgrading existing crossings, eliminating dangerous crossings by separating the highways or closing crossings and adding state of the art warning lights and gates to previously unprotected crossings. This year, ORDC will improve its 1,000th grade crossing.**

All of this activity is getting Ohio ready to handle future demands for moving people where they need to go, raw materials to factories and finished products to markets in Ohio, the nation and around the world. Despite this progress, Ohio, like the rest of the nation, has a fundamentally unbalanced transportation system that is threatened with certain gridlock.

Over fifty years of heavy state and federal funding of highways and commercial aviation have produced Interstate Highways and air traffic systems that are second to none. They have given us fast, affordable and convenient access to anywhere we wanted to travel or ship. But today, as road and air congestion grows, we find ourselves taking longer to travel fewer miles both on the ground and in the air.

During the same fifty years, our railroad infrastructure has shrunk. Decades of abandonments and downsizing of what were viewed as redundant rail lines have left railroads operating more trains on less miles of rail. This atrophy of rail infrastructure has been true both here in Ohio and across the United States. Compare Ohio now to where it was less than 40 years ago...

Ohio Rail Mileage:

- **(1968) 9,098 miles**
- **(1978) 6,700 miles**
- **(2004) 5,230 miles**

(Source: Association of American Railroads)

Compounding the problem: so-called "spot abandonments" of former mainline rail corridors by the major railroads have also chopped up potentially useful corridors to the point of being useless. There is a great need and public benefit for a national policy to prevent this practice and preserve strategic rail corridors for future freight and passenger service needs. Once we lose even a portion of a rail corridor, it is pretty much gone forever... and so is the opportunity to redevelop the rail line for the economic and mobility benefit of the area it serves.

If shrinking rail infrastructure isn't enough of a problem, railroads must operate on tracks they own and must maintain on their own dime. Yet they have to compete with trucks and air carriers who operate and benefit from an infrastructure of highways and airports funded by taxpayer dollars. This is fundamentally unfair and handicaps any effort to balance our transportation system for the benefit of our economy.

But our systems of roads and airways are themselves being strained to capacity at a time when demand for greater capacity is growing. The sheer load of heavier highway and air traffic is costing billions of dollars just to try to keep up with maintaining or modernizing what we already have, much less building new infrastructure. Even Ohio's DOT Director as publically stated we cannot pave our way out of the problem.

Bringing back some balance by properly funding the redevelopment and expansion of our state's and our nation's rails can not only shift some of that load from highways and air, but can reduce the costs of maintenance, lengthen the operating life of these systems and enable fast, efficient intermodal connections for people and freight between rail, highways, air and waterways.

But in order to achieve that balance it will take a major effort to increase capacity and fluidity on both the existing mainline tracks of the major railroads and providing greater assistance to short-line railroads to rehabilitate their rail lines. ORDC is already providing some of this assistance to the 3 major Class-1 railroads and 34 shortlines that serve the state. It is a task the railroads cannot do by themselves as most do not have the necessary capital funds to undertake anything more than limited upgrades or maintenance. State and federal funding on a significant and long-term scale is needed and action on this issue is needed now.

ORDC is working toward that goal by working with business, government and community leaders to help them recognize the need for investing in our rail infrastructure the same way we have for other modes over the last half-century. It could be one of the largest public works projects since the construction of the Interstate Highway System. But more than that, it would be an economic engine that will drive positive, productive economic development and create jobs for decades to come.

Feel free to contact me personally if you'd like to know more about what we can do to improve Ohio's rail systems and economy. You may reach me through the contact information below.

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What follows is snapshot of Ohio's railroad industry and what they do. We hope you will use this information to prompt a deeper look into the important role railroads play in our economy and daily lives now and in the future.

OHIO AS A RAIL HUB

- ❑ Ohio is a crossroads of commerce. While Ohio ranks 35th in size and 7th in population nationally, its rail transportation system ranks much higher in many areas. (*Source: Association of American Railroads: www.aar.org*)
 - **3rd in Rail Tons Terminated (97,618,621)**
 - **4th in Total Rail Miles (5,230)**
 - **5th in Total Rail Carloads Carried (6,147,342)**
 - **5th in Number of Railroad Workers (7,970)**
 - **6th in Number of Railroads (34)**
 - **8th in Rail Tons Originated (62,925,030)**

- ❑ The leading rail carried commodities *originating* in Ohio are chemicals, farm products, mixed freight, metallic ores, nonmetallic minerals, primary metal products, and transportation equipment.

- ❑ The leading rail carried commodities *terminating* in Ohio are coal, chemicals, food products, metallic ores, mixed freight, nonmetallic minerals, petroleum products, primary metal products, pulp and paper products, and stone & glass products.

- ❑ Freight railroads carry about 40% of all *intercity* freight ton-miles (tonnage multiplied by miles carried) and 16% of *all freight* by total tonnage.

- ❑ Ohio's two major railroads, Norfolk Southern and CSX, account for the overwhelming majority of the rail freight handled in Ohio. AAR reports that these two railroads control 4,516 track miles in Ohio. Another major railroad, Canadian National operates 9 miles of track in the Toledo area.

- ❑ Short Line and Regional Railroads operate on 1,997 miles of Ohio tracks. Of these small railroads, the largest are listed below: (Mileage figures include miles operated over other carriers via trackage rights as well as miles owned or leased.)
 - Wheeling & Lake Erie Railway/Akron Barberton Cluster: 626 miles
 - Indiana & Ohio Railway System of Railroads: 455 miles
 - Ohio Central System of Railroads: 383 miles
 - RJ Corman System of Railroads: 163 miles

VALUE OF AMERICAN RAILROAD SYSTEM

- America's railroads carry 16% of all freight tonnage transported in the United States.
- When measuring freight transport in terms of "ton-miles" (one ton moved one-hundred miles = 100 ton miles) the importance of railroads in America's transportation network is more clear. Railroads handle 28% all ton-miles of total freight moved.
- Railroads handle 40% of all ton-miles of freight moving from city to city, i.e. excluding the local delivery portion of total ton-miles.
- If all rail shipments were stopped and shifted to trucks, it would put 92 billion more vehicle miles of travel on the roads over the next 20 years.** The extra highway investment needed to handle this extra traffic would be as much as \$128 billion over this time period.
- If all freight rail were shifted to trucks, shippers would lose a lower cost transportation option and experience increased freight costs of \$1.4 trillion over a 20 year period.
- By the year 2020, it is estimated that total *domestic freight* movements will increase by 57%, *international freight movements in and out of the U.S.* will increase by 100%, and *overall national and international freight* movement within the U.S. will increase by 67%.
- Railroading is one of the most capital intensive industries in the world. The return on investment for the railroad industry has historically been less than its cost of capital.
- Because of its economic situation, the railroad industry will only be able to expand its capacity enough to handle about one-half of the projected increase in total freight movement demand. That is why we need a strong national policy to redevelop and expand our rail infrastructure.
- With the railroads handling only about one-half of its share, truck traffic would increase by 15 billion vehicle miles over a 20 year period. Switching to trucks would cost shippers about \$162 billion, and increase highway maintenance costs up to \$20 billion over this time span.

RAIL RELATED ECONOMIC DEVELOPMENT ISSUES IN OHIO

- ❑ A rule of thumb in the economic development community is that 5 to 10% of all new business development requires rail service.
- ❑ Generally, large manufacturing plants producing/processing ethanol, steel, coke, plastics, chemicals, and other materials, or large distribution facilities, require rail service.
- ❑ In most cases, manufacturing plants requiring rail service provide high paying jobs.
- ❑ For new or expanding plants requiring rail, state incentives for new off site and on site rail infrastructure can be as vital a component in site selection criteria as the availability and price of sewer, water, gas, and electric utilities, or the quality of the serving road system.
- ❑ Ohio competes for new plants with other states which offer rail related incentives.
- ❑ The Ohio Rail Development Commission has historically partnered with the Ohio Department of Development (ODOD) to provide incentives for companies to locate or expand in Ohio.
- ❑ ORDC has in the past acted independently of ODOD to encourage companies to increase use of rail services on marginally profitable rail lines so that the rail business on the line would be sufficient for continued investment by the railroad in the line.
- ❑ ORDC also provides technical expertise to help companies expand and locate in Ohio. ORDC often works with companies and the serving railroad to determine if the railroad can offer per car rebates off of rail rates to create a stream of revenue which the company can use to pay off ORDC or other loan funding.

(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 www.dot.state.oh.us/ohiorail)