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Testimony of the Ohio Railroad Association

House Bill 166

Chairman Greenspan, Ranking Minority Member Skindell, and members of the Ohio House Finance Subcommittee on Transportation, thank you for providing this opportunity for the Ohio freight rail association to present its comments on House Bill 166. I am Brendan Keener, the current Chairman of the Ohio Railroad Association. I am also the manager of business development for two shortline railroads in Ohio, and I'll share more about my role in the industry in a moment.

My comments today will address the importance of freight rail to economic development in Ohio and the positive contributions of the Ohio Rail Development Commission to the State's rail network.

Ohio's Freight Rail Network

As a state with a significant industrial, natural resource, and agricultural base, Ohio has a freight rail network to match. It boasts the third highest rail mileage of any state, at over 5,100. Ohio also ranks in the top ten among states for both originating and terminating tonnage hauled. A healthy, dynamic freight rail network has, and will, support Ohio's position as an economic hub of the country.

Ohio's freight rail lines are owned and operated by private companies which are responsible for maintaining the infrastructure and operating the trains over their own tracks with their own resources. Roughly 60% of the rail mileage in Ohio is operated by two major rail carriers covering the eastern U.S. with their networks, referred to as Class I railroads – CSX Transportation and Norfolk Southern Railway. Additionally, there are over thirty regional and shortline (local) railroads with operations in the State, which may operate as few as five, or up to several hundred miles of track. Overall, freight railroads directly employ over 7,000 Ohioans.

Class I Railroad Networks

Class I railroads are the primary rail carriers that connect major markets across the country. Ohio has benefited from Class I railroad investments in intermodal terminals, where shipping containers can be transferred from railcars to trucks, as well as large rail yards for sorting, or classifying, railcars according to destination. The continued investment by Class I railroads in their infrastructure has made Ohio a nationwide hub for logistics.

Overview of Shortline Railroads

I am currently the manager of business development for two shortline railroads in Ohio: Camp Chase Railway in Columbus, and Youngstown & Southeastern Railroad in the Mahoning Valley. In addition, I'm also a train conductor, locomotive engineer, and track maintenance laborer. While I may be running a train on the west side of Columbus on any given day, I spend much time building relationships with each one of our railroads' customers. I know what's important to their businesses, and work to adjust our service product to bring them success. It's common for shortline employees to be cross-trained in labor and administrative tasks, so the people involved take ownership in the health of their railroad operation. I'm proud to count myself among the ranks of railroaders, and to share the story of our profession.

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Shortline railroads manage light density branch line routes that would otherwise have been abandoned as unprofitable by larger Class I operators. These branch lines are often the only connection to the national network for rural communities, and rail customers depend on shortlines to remain competitive. Railroad assets cannot be relocated, so railroads are committed to investing and developing business in the communities they serve. Our success is tied to the success of those communities.

In order to provide safe, reliable freight service to customers, railroads must invest large portions of their revenue back into capital projects, to preserve and improve their infrastructure. Here's an example of the capital challenges that shortlines face. There are about 3,300 wood crossties per mile of track. With a lifespan of 30 years, and an installed cost of $100 per tie, the cost to maintain track even to its current capacity is significant, considering the opportunities for new business are limited by both the reach of our tracks and the success of our customers. Shortline railroading on light density branch lines is not an easy business. But watching freight cars, and more importantly, employees, moving in and out of a customer's facility in a rural community makes is a very fulfilling industry to be a part of.

Rail and Economic Development

Many industries in Ohio are dependent on rail transportation due to its ability to move large quantities of material over long distances, and at a lower price than alternative modes. Examples are steel, agriculture, chemicals, and energy production. Access to rail is an important variable to site selectors in these, and other industries. As supply chains have become more flexible, prospective businesses have been able to expand their radius for site selection over multiple states, rather than a targeted location. Rail infrastructure incentives, through private and public support, are a swing factor in these decisions.

As an example, there have been many rail-dependent developments in Eastern Ohio's shale gas industry. As downstream processing expands, there will likely be a continued proliferation of new industrial facilities. But because of the industry's concentration near the Ohio River, these rail-dependent plants will have sites to choose from in Ohio, Pennsylvania, and West Virginia. Ohio needs to put itself in a position to secure these future developments with a robust rail project funding program.

The Role of the Ohio Rail Development Commission

I had the privilege to work at the Ohio Rail Development Commission (ORDC) for three years as I entered the rail industry. The ORDC primarily affects Ohio's freight rail network in three areas: railroad crossing safety, rail line rehabilitation, and providing rail access for new business developments. Over the last twenty years, safety at Ohio's railroad crossings has improved dramatically due in large part to crossing upgrade projects undertaken by ORDC.

In addition to safety projects, ORDC is allocated funds from Ohio's General Revenue Fund to assist in rehabilitating branch line railroad infrastructure and offering funds for the construction of rail spurs to new rail customers. The branch line rehabilitation projects are a critical aid to shortline railroads seeking to get ahead of the curve and invest for growth, rather than simply in routine maintenance. This leads to improved rail service opportunities for rural communities. The projects to provide access to new rail customers are a competitive advantage for Ohio versus other states and cannot be understated.

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ORDC grant funding leverages significant private investment, because it is utilized in many cases to incentivize site selection in Ohio and allow shortlines to improve their infrastructure more than would be otherwise feasible. The expertise of its staff combined with the resources available to promote job creation and commerce make the ORDC a competitive advantage to Ohio. However, Ohio's freight rail programs face strong financial competition from those of neighboring states and must be restored to historic levels to regain parity.

Ohio Rail Development Commission Funding

The Ohio Rail Development Commission was formed in 1994 to plan, promote, and implement the improved movement of goods, faster and safer, on a rail transportation network connecting Ohio to the nation and the world. At that time, ORDC's funding allocation was approximately $6 million per year. The resources and expertise of the ORDC were instrumental in preserving and improving rail service to countless communities and customers along rural branch lines. Considering the inflation factor, this funding level today would equate to just over $10 million dollars.

However, the reality has been progressive cuts to ORDC's yearly allocation, decreasing from $6 million in 1994 to only $1 million in fiscal year 2019. This allocation is falling far short of rail infrastructure needs in the State. For perspective, industry stakeholders polled in the recently-finalized Ohio Rail Plan have identified nearly $650 million in strategic freight rail project needs in Ohio. Neighboring states allocate up to $32 million per year for strategic freight rail projects. Other states in the region offer similarly competitive freight rail programs. The Administration's state general revenue appropriation for rail upgrades and investments is $2 million per fiscal year. This represents a return to the recent funding levels prior to the reduction from the last two-year budget. The Ohio Railroad Association appreciates the proposed increase contained in House Bill 166 and strongly supports reversing the trend of reduced funding to the ORDC. However, it is clear that a return to long-term historic levels will prove both necessary and beneficial if the State of Ohio is to capitalize on modal balance and the strategic value of its rail network.

Ohio's freight rail industry is poised to spur economic development, job creation, and logistical advantage throughout the State. We respectfully urge your support of these efforts, and approval of this restoration funding for the Ohio Rail Development Commission.