

**State of Ohio Legislature Transportation Task Force
Infrastructure Financing Testimony Summary**

Daniel L. Van Epps
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Good afternoon, my name is Daniel Van Epps. I appreciate Sen. Schuring, Rep. Reinhart, and the Task Force's time today to accept my testimony regarding transportation infrastructure financing. The following is a brief summary of my more extensive report that can be found on your attached CD.

I believe we are meeting here today because the excessive traffic being incurred by the State's highway system is due largely in part to the rail industry's decision in the last century to downsize, rationalize, abandon, and liquidate its networks. Except for Cleveland's Rapid Transit Authority, the State's interurban/trolley network has also been almost completely abandoned.

To illustrate the problem, [Map #1](#) in your packet shows most all of Ohio's rail line routes that ever existed over time. [Map #2](#) shows what routes remained c.2004, an estimated loss of 50% of network capacity.

The New York Central RR and Pennsylvania RR Cos. had extensive networks in Ohio and adjacent states and provinces. [Maps #3](#) (Courtesy Trains Magazine 3-2007 pp42-44) and [#4](#) (Courtesy Trains Magazine 2-2006 pp40-42) show the routes abandoned after subsequent mergers indicated by the dashed lines.

[Maps #5](#) (Courtesy Trains Magazine 6-2006 pp42-43) and [#6](#) (Courtesy Trains Magazine 1-2006 pp54-55) show main rail line capacities in terms of the number of tracks for 1950 and 2006. Note the loss of multiple tracks that hampers efficient operations. The inserted map shows 3- and 4-track main lines even as they were being downsized in 1950.

In terms of annual tonnages, [Map #7](#) (Courtesy Trains Magazine 3-2003 pp60-61) shows NYC + PRR's successor Penn Central's 1974 tonnages per route as being distributed vs. PC's successor Conrail's 1998 tonnages per route as being more consolidated. [Map #8](#) shows Conrail's 1982 tonnages confirming they consolidated their routes, and [Map #9](#) (Courtesy Trains Magazine 2-2007 pp52-53) shows national tonnages for 1980 and 2005.

These maps clearly show the remaining rail network today suffers from downgraded and abandoned capacity compared to earlier years.

To place rails and highways into perspective, an Ohio Legislature Local Transportation Needs and Funding report said two tracks have the same capacity as 16 lanes of highway apparently referring to passenger service.

In terms of equating freight tonnages and frequencies via rail and trucks, for a sample rail line segment that hosts 50M tons rail freight annually and assuming each train car weighs 100 tons:

$50\text{M tons per year} / 100 \text{ tons} = 500\text{K train cars/year}$

Assume one 100 ton train car = four 25 ton trucks:

$500\text{K train cars/year} * 4 = 2\text{M trucks/year}$

Thus:

$2\text{M trucks/year} = 5479.5 \text{ trucks/day}$
 $5479.5 \text{ trucks/day} = 228 \text{ trucks/hour}$
 $228 \text{ trucks/hour} = 3.8 \text{ trucks/minute}$

Costs to construct new rail lines per mile: \$528K - \$5M.
Cost to construct new highway lanes per mile: \$10M - \$100M.
These prices and ranges fluctuate, but regardless rail costs a fraction of that for highway lanes, takes much less time to construct, and has far greater capacity.

Because of the surge in traffic ODOT and the railroads want to build more capacity. But in the case of the railroads some desire public assistance to help restore their capacity and routes they or their predecessors have liquidated. In the former Conrail's case, the federal government poured \$Bs into helping them rebuild from Penn Central's bankruptcy, only to see Conrail arbitrarily tear out many of those improvements and subsequently downsize, consolidate, and abandon many routes.

So should the federal and state governments help finance improvements to those private companies lines? Should the State continue to hope for federal subsidies in the face of impending conflict with Iran, continued hostilities and reconstruction programs in other countries, and funding priorities for other programs? Or is there a better business and governance model that the State could use to make improvements on its own?

An analysis of the Ohio Turnpike Commission reveals the following:

- OTC constructed the I-76/I-80/I-90 Project #1 using \$326M in tax-free revenue bonds, and has not been subsidized by the federal or state government except for a few minor programs. (\$326M in 1949 dollars equals \$2,637,739,349 in 2006 dollars.)
- OTC assesses users based upon ton-mile tolls and is consist-neutral except for hazmats and special other special shipments.
- It provides openly accessible roadway to all qualified users without engaging in carriage service.

- It is public utility real and personal property tax-free.
- It is non-profit and adequately finances its administration and maintenance needs.
- According to its 2005 CAFR, OTC had debt ratings from Standard & Poors of AA, Moody's of Aa3, and Fitch of AA making it one of the best-rated turnpikes worldwide.
- Fitch's rating scale is: AAA, AA, A, BBB, BB, B; CCC, CC, C, DDD, DD, D, and + & - may be added to each rating other than AAA or below CCC.
- Moody's rating scale is Aaa, Aaa1, Aaa2, Aaa3, Aa, Aa1, Aa2, Aa3, A, A1, A2, A3, Baa, Baa1, Baa2, Baa3, Ba, Ba1, Ba2, Ba3, B, B1, B2, B3.
- S&P's rating scale is AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-.

I believe there is no technical reason why OTC could not additionally engage in public railway turnpike provision as it does public highway turnpike provision. The Alameda (CA) Corridor Transportation Authority is a 20-mile investment grade quasi-public railway turnpike connecting the Ports of Long Beach and Los Angeles. Likewise a rail division within OTC would be ideal to administer various public, abandoned, threatened, and spin-off candidate rail lines without the threat of forcefully Nationalizing private rail lines. OTC rail lines could be open access, universal service, and consist-neutral – ideal to address the congestion and capacity crises while providing attractive infrastructure necessary for economic retention and development.

Permitting OTC to provide rail right of way, infrastructure, and certain facilities without engaging in carriage service is fairly simple and straightforward. I re-wrote ORC 5537 Turnpike Commission sections to include rail as shown in your handout by the underlines and strikeouts. Obviously there are some differences that would have to be addressed such as patrolling responsibilities and rules, but those could be investigated and implemented.

The following rail segments might be candidates for acquisition or restoration-

- Panhandle Rail Line (Caprail I's 161-mile Gould Tunnel-Columbus plus various short branch lines)
- Panhandle Line East (abandoned Pittsburgh-Weirton; Norfolk Southern's Weirton-Gould Tunnel)
- Youngstown-Cleveland (former Erie Lackawanna RR main line from Pymatuning, PA-Latimer, OH; Levittsburg-Aurora; restored freight trackage and interchanges from E. 37th St.-Whiskey Island; restored passenger route interchanges into Cleveland Union Terminal)

- Panhandle Line West (abandoned Dayton-Indianapolis via Richmond, IN)
- Panhandle Line Northwest (abandoned Columbus-Chicago via Hilliard-Bradford, OH)
- Ft. Wayne Line (Pittsburgh-Chicago via Canton-Lima-Ft. Wayne, IN) (The US Surface transportation Board split this former high capacity, high speed main line in half at Crestline with the eastern half awarded to Norfolk Southern and the west to CSX. CSX net leases Crestline-Chicago to Class II Chicago, Ft. Wayne & Eastern RR, and that line is single line and 25 MPH at best. Administration under one agency would restore open access, universal service, and through service and significantly relieve CSX's and NS's consolidated Pittsburgh-Cleveland-Chicago northern Ohio routes. NS uses the line segment between Pittsburgh-Alliance as part of its Pittsburgh-Cleveland main line, which is not recommended for acquisition. The Bayard Branch route of the NS ex-Cleveland & Pittsburgh RR line between Rochester, PA-Yellow Creek, OH-Alliance should instead be acquired, and the abandoned Beaver Valley Industrial Track connection be restored to connect the Bayard Branch into CSX's ex-Pittsburgh & Lake Erie RR main line at West Bridgewater, PA so that both NS and CSX have equal access to the east end of the line. Various track configurations will be necessary to connect the west end of the line into both NS and CSX networks.)
- Other east-west routes between the problematic rationalized area between Port Huron, MI to Cincinnati

A Bloomberg article profiling J.B. Hunt notes "A typical J.B. Hunt intermodal shipment may arrive at the Port of Long Beach in California on a container ship from Asia and get loaded onto a Burlington Northern train, which hauls it to Chicago, the biggest U.S. rail hub. The container is then transferred to a J.B. Hunt truck that moves it to its final destination, as far away as Indianapolis or Columbus, Ohio." We need intermodal shipments via rail not only from here to Chicago but bypassing their congestion via St. Louis, and permitting trucking companies, shippers, and receivers to own and operate their own trains to provide truly intermodal service options. We also need interstate/intercity passenger rail, commuter, and excursion/tourism service returned to the other areas of the State that have lost those services.

Thus I would ask the Task Force to 1) consider validating my public railway turnpike claims, perhaps by requesting the Legislative Service Commission, the US Government Accountability Office via a Congressional delegation request, or an unbiased independent institution or researcher to run a cost estimate on the business model scenarios enclosed on the CDs, and also 2) to consider the proposed OTC legislation. Regardless of your decision, please do not let your final report sit on the shelf as these problems are real, their consequences are dire, and unfortunately it looks like the States are

going to have to initiate action to solve the transportation problems themselves.

Again I thank the Task Force for its time and I can be contacted for any questions or clarifications.

Sincerely,

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