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## **The Role of Short-line Railroads in Virginia**

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# Role of Short-line Railroads in Virginia

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## Short-line Railroads: Who We Are

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- 9 short-line railroads operate in Virginia
- They comprise the Virginia Railroad Association, a group dedicated to the support and expansion of freight rail as a viable transportation mode in the delivery of materials and products to and from businesses throughout the Commonwealth. See [www.varail.com](http://www.varail.com)



# Nine Active Members

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- Bay Coast Railroad
- Buckingham Branch Railroad
- Chesapeake and Albemarle Railroad
- Chesapeake Western Railroad
- Commonwealth Railroad
- Norfolk & Portsmouth Belt Line
- North Carolina & Virginia Railroad
- Shenandoah Valley Railroad
- Winchester & Western Railroad



# What are Short-line Railroads?

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- Independently operated freight railroad companies that operate over a relatively short distances
  - Operate over 500 miles of track in Virginia
  - Serve more than 150 customers in Virginia
    - Customers include small businesses and large corporations (Ex.: Ford, Perdue, BASF)
  - Payrolls upward of \$8.5M
  - Annual operating costs upward of \$22M
  - Provide "last mile" connections
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# What Short-lines Haul

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- Peanuts
- Printing ink
- Fertilizer
- Finished steel
- Stone
- Grain
- Wood chips
- Industrial sand
- Corn
- Soy
- Lumber
- Propane
- Auto parts
- Lime
- Wood pellets
- Railroad ties
- Plastics



# Public Benefits Offered By Short-lines

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1. Provide transportation services for economic development
2. Reduce highway maintenance costs
3. Reduce highway congestion and enhance motorist safety
4. Reduce air pollution
5. Reduce dependence on foreign oil



# Public Benefits Offered By Short-lines (cont'd.)

## 1. Provide transportation services for economic development

- Alternative overland service
- Access to distant markets for Virginia products
  - Ex.: Short-lines enable Buckingham County to supply wood to North Carolina, South Carolina and Ohio
- Bay Coast Railroad ("BCR") transports liquefied petroleum gas ("LPG") that cannot be trucked across the Chesapeake Bay Bridge Tunnel to three Virginia sites
  - Ex.: 166 rail tank cars of LPG is equivalent to 600 tanker trucks
- Stella Jones in Goshen
  - Ties are delivered to east coast states
- Martin Marietta Quarry in Verdon.
  - Stone carried by Buckingham Branch Railroad ("BBR") from Illinois to Florida





## Public Benefits Offered By Short-lines (cont'd.)

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### 2. Help reduce highway maintenance costs

- Transportation Research Board: one heavy truck is equivalent to about 90 passenger cars in terms of impact on highway maintenance cost (or 1 truck = 9,500 cars)
  - One full railcar carries equivalent of 3-4 truckloads
    - The diversion of a 40-car freight train could potentially result in road damage equal to traffic of over 1 million automobiles
  - Interstate 81 designed to carry 15% heavy truck traffic, yet about 40% of vehicles using that corridor are heavy trucks
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## Public Benefits Offered By Short-lines (cont'd.)

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### 4. Help reduce air pollution

- EPA estimates that for every ton mile a typical truck emits roughly three times more nitrogen oxides and particulates than a locomotive
- Norfolk Southern: diverting 700,000 long-haul trucks to rail in the Crescent Corridor will reduce carbon dioxide by 110,000 tons per year



## Public Benefits Offered By Short-lines (cont'd.)

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### **5. Help reduce dependence on foreign oil**

- Offers a more fuel efficient alternative
- If just 10% of freight currently moved by truck were diverted to rail, fuel savings would approach one billion gallons per year
- Railroads can move a ton of freight 480 miles on one gallon of fuel.



# Challenges to Short-lines

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- Inherent Inequity
  - must compete with trucks operating on public highway systems
  - railroads must acquire or lease their track and make private investments in rail infrastructure
  - railroads must pay local real estate taxes and maintain their railways
- Heavy on-going capital needs and increased maintenance costs force some short-lines out of the market
- Difficult to qualify for federal railroad tax credits
- Without funding from DRPT, short-lines would be unable to bear infrastructure capital needs in serving 150+ customers throughout Virginia, including agribusinesses, warehouses, manufacturing facilities, etc.

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*Competition is good, fair competition is better*



# DRPT Rail Programs and Short-lines

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- Four rail funding programs:
    - Rail Enhancement Fund (freight/passenger)
    - Rail Preservation Fund (freight)
    - Rail Industrial Access Fund (freight)
    - Intercity Passenger and Rail Operating Capital Fund (passenger)
  - In theory, short-lines benefit from first three programs
  - In practice, short-lines receive the most benefit from Rail Preservation Fund and Rail Industrial Access Fund



## Access to Other Funds

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- ❑ Governor's Development Opportunity Fund (about \$24M for FY12-14)
- ❑ Up to 10% of highway funds (for "mitigation of highway congestion")
- ❑ Transportation Partnership Opportunity Fund (includes rail, if used for public right-of-way)



# DRPT Rail Programs and Short-lines

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## 1. Rail Enhancement Fund

- ❑ Created in July 2005
- ❑ Provides approximately \$23M annually for freight and passenger rail improvements in VA (3% of gross proceeds from motor vehicle rental tax)
- ❑ Under HB3202 (2007 Session) an additional \$12.9M annually for rail capital, either through this rail program or the Rail Preservation Fund (minimum of 4.3% of transportation bond proceeds)
- ❑ Must meet a “public benefits” test
- ❑ Requires a 30% match to state funds



# DRPT Rail Programs and Short-lines (cont'd.)

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## 2. Rail Preservation Fund

- ❑ Provides assistance to short-lines since 1991, last codified in 2006
- ❑ \$20M (including local match in FY13-14) for rail upgrade projects, including additional capacity at terminals and interchanges, 24-month projects
- ❑ A tool for economic development and preservation of rail service to localities and regions





# DRPT Rail Programs and Short-lines (cont'd.)

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## Rail Preservation Fund: Examples of Projects

- Central Piedmont: Buckingham Branch Railroad
  - Tie and rail replacement, major yard interchange rehabilitation at Doswell
- Eastern Shore: Bay Coast Railroad
  - Tie and rail replacement, yard rehabilitation at Cape Charles
- Hampton Roads:
  - Commonwealth Railway, Inc.
    - Marshalling yard and APM/Maersk connection
  - Norfolk and Portsmouth Belt Line Railroad Company
    - Tie replacement



# DRPT Rail Programs and Short-lines (cont'd.)

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## 3. Rail Industrial Access Fund

- Created in 1987 – \$3M annually
- Provides access to rail transportation for businesses
- Helps to achieve:
  - Investing in Virginia communities
  - Creating and sustaining jobs
  - Taking trucks off the road



# DRPT Rail Programs and Short-lines (cont'd.)

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## 3. Rail Industrial Access Fund (cont'd.)

- ❑ A key component of Governor's incentive package to attract and retain business and industry
- ❑ Tracks and facilities from such funds "shall be the property of the Commonwealth for the useful life of the projects" (Va. Code § 53.1-221.1:1)



# Growing Concerns About Programs

- ❑ Strong competition for Rail Enhancement Fund money
- ❑ Annual appropriation for Rail Preservation Fund has been unchanged for many years, while short-line trackage in Virginia has doubled
- ❑ Threat of new Intercity Passenger Rail Operating and Capital Fund:  
*2012 Appropriation Act diverts over \$26M from Rail Enhancement Fund to this new fund, with no matching requirement, because no new funding source has been identified*



# Future of Short-lines in Virginia

- ❑ Heavier railcars threaten short-line viability
- ❑ More money is needed to adequately fund rail maintenance and construction projects essential to supporting increased rail traffic in Virginia
- ❑ Failure to maintain and upgrade short-line infrastructure will bring more heavy trucks to our highways, secondary roads and city streets
- ❑ Failure by General Assembly to establish separate funding source for passenger rail operations will deprive funds for long-term capital improvements



## Future of Short-lines in Virginia (cont'd.)

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- ❑ Short-line railroads are a viable component in Virginia's overall transportation network
  - ❑ Short-lines' future is exciting because the need for its service is clear. Short-lines accept the risk and the challenge, but need basic support to compete with other publicly-assisted modes of transportation
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# Thank you.

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