

Freight Rail in Washington State

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State Freight Rail Policy and Program Management is Moving to the WSDOT Freight Systems Division

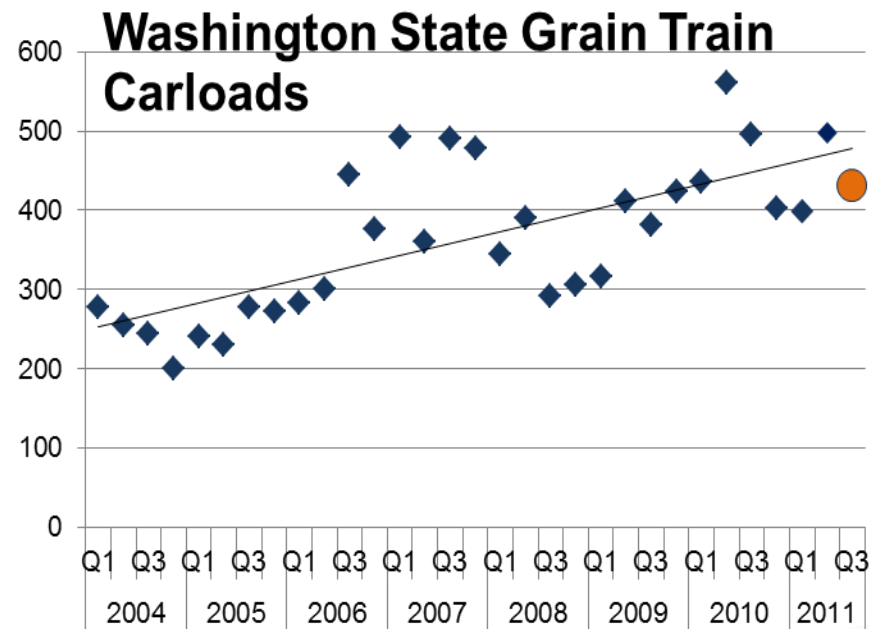
- WSDOT Rail Division will continue to focus on the delivery of \$800 million in federal projects to improve the Cascades passenger rail corridor in coordination with the Federal Railroad Administration (FRA) and the BNSF Railway Company.
- WSDOT Freight Division will focus on strategic freight rail policy development, strategic planning for multimodal freight systems, and state investments in freight rail systems including management of the Palouse River and Coulee City (PCC) rail system, the Washington Grain Train program, and the State Freight Rail Assistance and Freight Rail Investment Bank programs.

Washington State Grain Train Program

The Washington Grain Train is a financially self-sustaining freight transportation program that began operations in 1994. Currently, the state owns 100 Grain Train cars and the Port of Walla Walla owns 18 cars.

Benefits:

- Moves Washington-grown products from farm reliably and efficiently to domestic and international markets.
- Helps preserve short-line railroads by generating revenue that supports short- and long-term rail infrastructure needs.
- Supports Washington State air quality improvement initiatives.
- Helps reduce wear and tear on local roadways.



Data source: WSDOT Grav Note Book

Graph shows actual number of carloads & trend line.

Freight Rail Assistance Program (Grant) and Freight Rail Investment Bank (Loan) Program History

Biennium	2007-2009	2009-2011	2011-2013	2013-2015
Grant projects	6	7	6	22 applications
Grant funding	\$3.2 million	\$2.8 million	\$3.07 million	\$2.75 million projected
Total grant request in 2013-2015				\$24.93 million
Loan projects	12	2	10	7 applications
Loan funding	\$2.5 million	\$1.31 million	\$5.18 million	\$8.58 million projected
Total loan request in 2013-2015				\$2.25 million
Total available funding for grants and loans	\$5.7 million	\$4.11 million	\$8.25 million	\$11.33 million projected

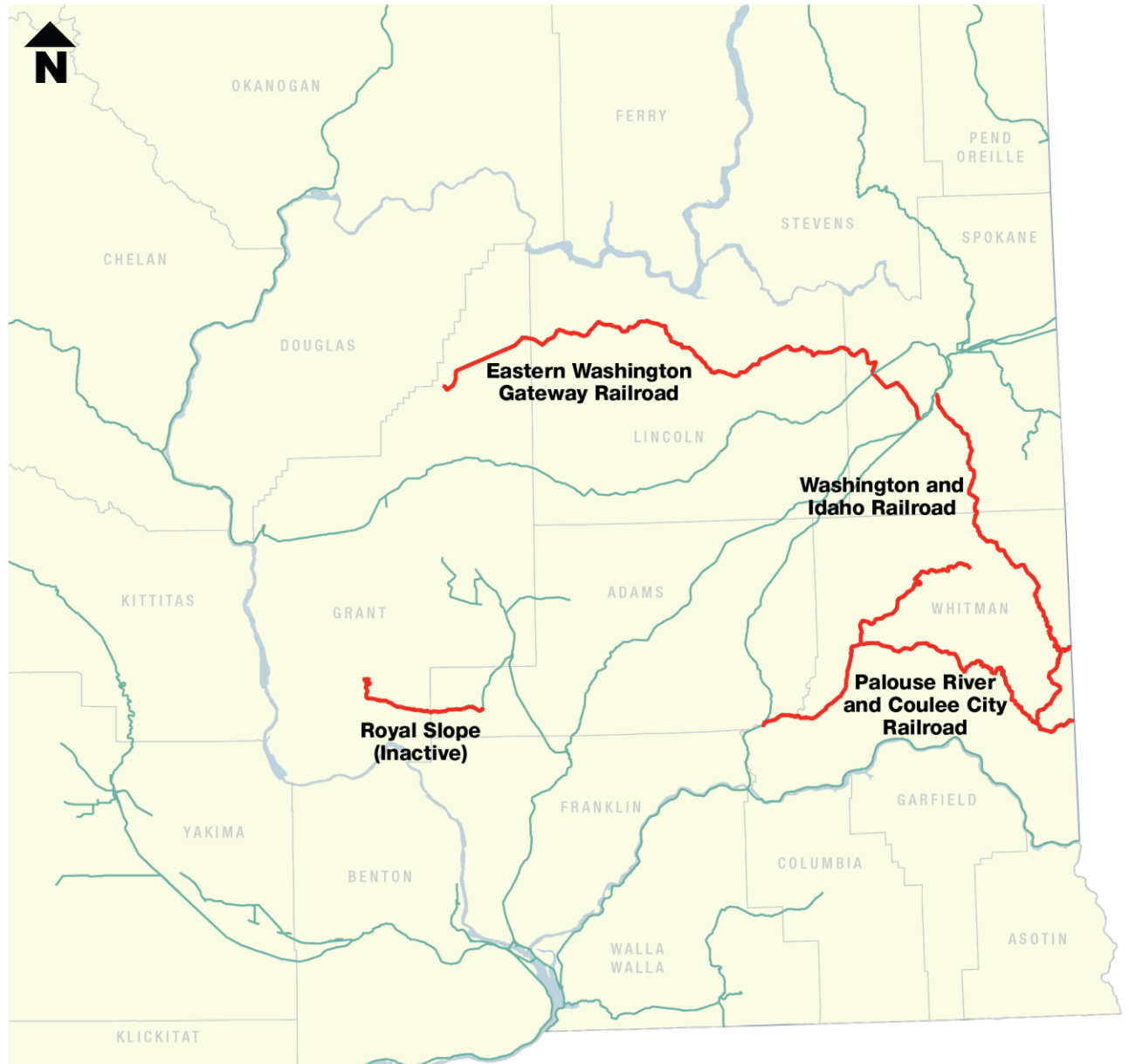
Washington State owns the PCC Rail System and the Royal Slope Railroad

Ownership

- WSDOT
- Other rail lines



Source: WSDOT Freight Systems Division
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PCC Rail System

- Is a 297-mile rail line comprised of three separate branch lines spanning four eastern Washington counties.
- 20% of Washington-grown wheat was shipped on the PCC Rail System in 2011.
- The PCC Rail System was responsible for removing 36,911 truckloads from Washington state roadways in 2011.
- The Washington State Department of Commerce funded \$3.95 million in rehabilitation project. Work began October 2012 and will be completed in 2014.
- Commodities shipped by rail include wheat, barley, legumes, crop inputs, liquid propane gas and lumber.



PCC Rail System -

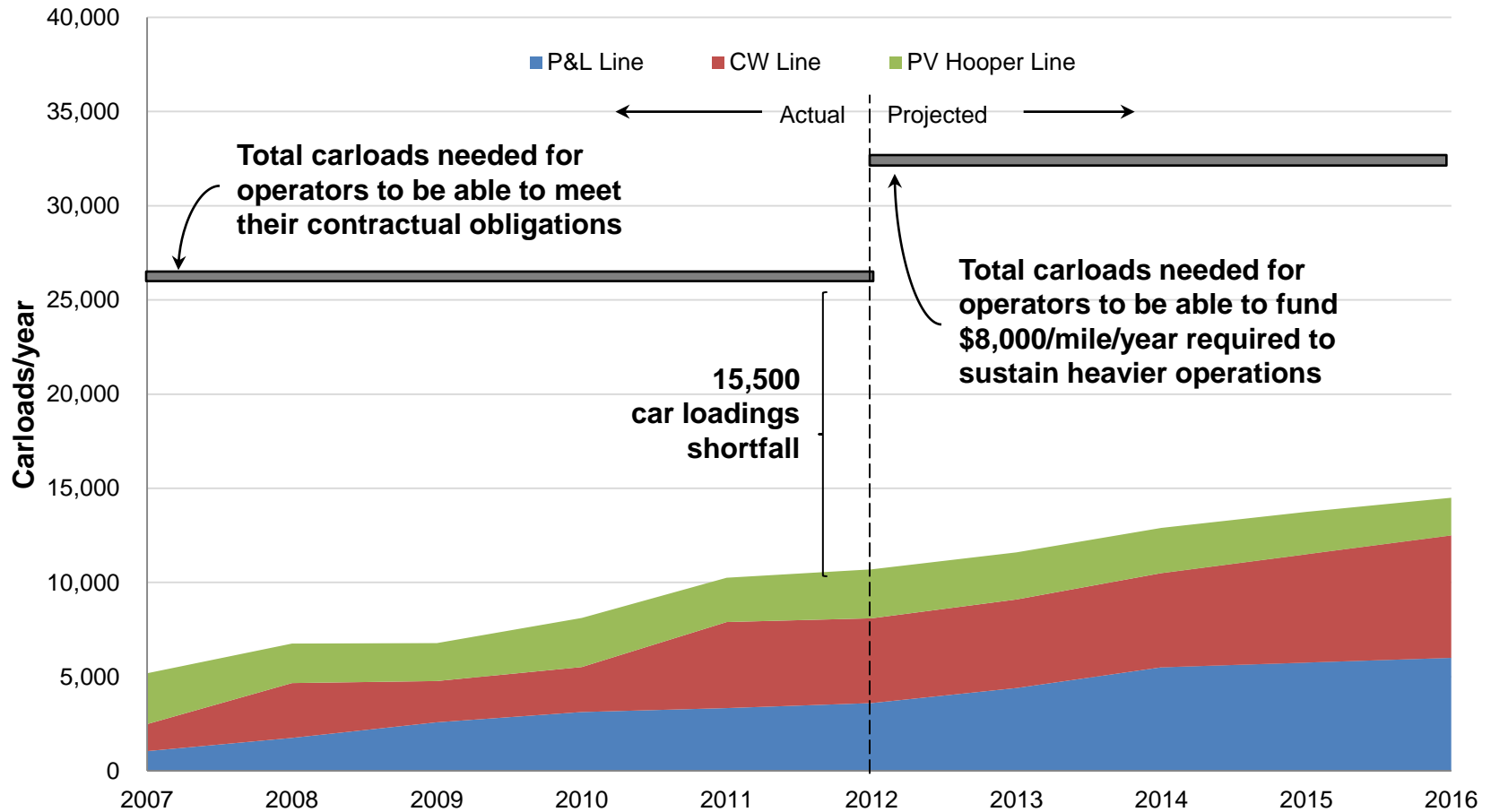
1. Safety and Risk Issues

- Fourteen percent of the CW branch rail line road crossings have been cited as hazardous, creating a known hazard and state liability.
- Derailments threaten the BNSF Railway Company's confidence that their railcar equipment will be returned to them safely. This equipment is vital to the viability and growth of the PCC.



First of two derailments on the PCC Rail System in April, 2012.

2. What is the Gap Between the Operator's Ability to Fund Track Preservation and the Total Amount Needed for Preservation?



Current PCC Operating Agreements require rail operators to invest \$3,000/mile/year into the PCC Rail System.

Preservation cost assumptions are based on the national industry standard that eight to 12 percent (dependent on traffic) of carload revenue needs to be reinvested in system preservation.

3. Economic Viability of the PCC Rail System Depends on Connectivity to Mainline Railroads

- Farmers and PCC rail operators must meet mainline railroad efficiency requirements to get competitive rail prices and sell to global markets.
- They've adapted in the past; in 2007 farmer co-ops began to ship in 65-car unit trains on the PCC.
- By 2013 to 2014, the mainline railroads will require PCC shippers to build longer trains, faster, with larger and heavier rail cars, to continue to receive competitive rates. This is why farmer co-ops have invested \$18 million in a new rail shuttle near McCoy; it will be able to load 110 railcars in eight hours.
- WSDOT and the PCC Rail Authority are developing a strategic plan to define which portions of the PCC Rail System should be improved to carry heavier, 286,000 pound, rail cars to the shuttles.

How Can We Address the Needs of the PCC Rail System Into the Future?

1. Safety and Risk

- WSDOT is developing a grade-crossing evaluation and prioritization plan for the PCC Rail System. As state or federal funds become available we will be prepared to apply for them.
- WSDOT is ensuring that PCC rail operators are meeting their maintenance obligations.

2. Preservation

- As funding becomes available, WSDOT will work to ensure that 25 mph operations can be achieved so PCC rail operators can operate safely and efficiently.
- WSDOT and operators have developed a Bridge Management Plan. We will work with rail operators to finalize actionable items and the timeline.

3. Economic Viability

- Through development of a strategic plan, WSDOT and the PCC Rail Authority will identify key sections of the system that will benefit from the capability to handle railcars with a load-bearing capacity of 286,000 pounds.

Cost to Address Issues

Program/Project Detail	Project Costs - when applicable	Funding Timeline			
		2011-2013 Current Funding	2013-2015 Using Revenue Only	2013-2015 Revenue & Funding Request	2015-2017 Revenue & Funding Request
Revenue					
Property Leases (including one-time transfer from Grain Train in 2011-2013)		\$500,000	\$144,000	\$144,000	\$144,000
Expense					
#1 Safety & Risk					
PCC Grade Crossing Inventory Plan		\$30,000			
PCC Grade Crossing Rehabilitation - Phase I (20% of known deficiencies)		\$409,791			
PCC Grade Crossing Rehabilitation - Phase II (80% of known deficiencies)				\$795,105	\$795,104
-Project timeline (% complete)				50%	100%
#2 Preservation					
Bridge Management Plan (FRA requirement)		\$20,000			
PCC Rail System Operations Management		\$217,200	\$144,000	\$217,200	\$217,200
Property Disposition		\$80,000		\$186,400	
PCC Rail System - 25 mph operations		\$1,908,266*	\$1,149,455*	\$2,696,551*	\$1,529,096
- Goal of 25 mph operation currently at 41% complete system wide		54%	64%	71%	80%
#3 Economic Viability					
P&L Bridge Repair - 12 bridges - MP 6-31	\$639,114*	complete			
P&L Bridge Replacement - 11 bridges MP 12-30	\$2,030,000	\$0			
CW Line Bridge Repair - 7 bridges MP 1-32	\$1,220,000	\$0			
CW Line Rail Relay - Phase I - MP 1-15	\$7,000,000	\$0			
CW Line Rail Relay - Phase II - MP 15-32	\$8,500,000	\$0			
PV Hooper Bridge Repair & Replacement	unknown	\$0			
Assumptions:		complete funding			
Includes \$3.95 million Department of Commerce Grant*		partial funding			
Additional funding for grade crossing rehabilitation has been applied for		no funding			

Questions?

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