TIGERGRANT

Application for Transportation Investment Generating Economic Recovery

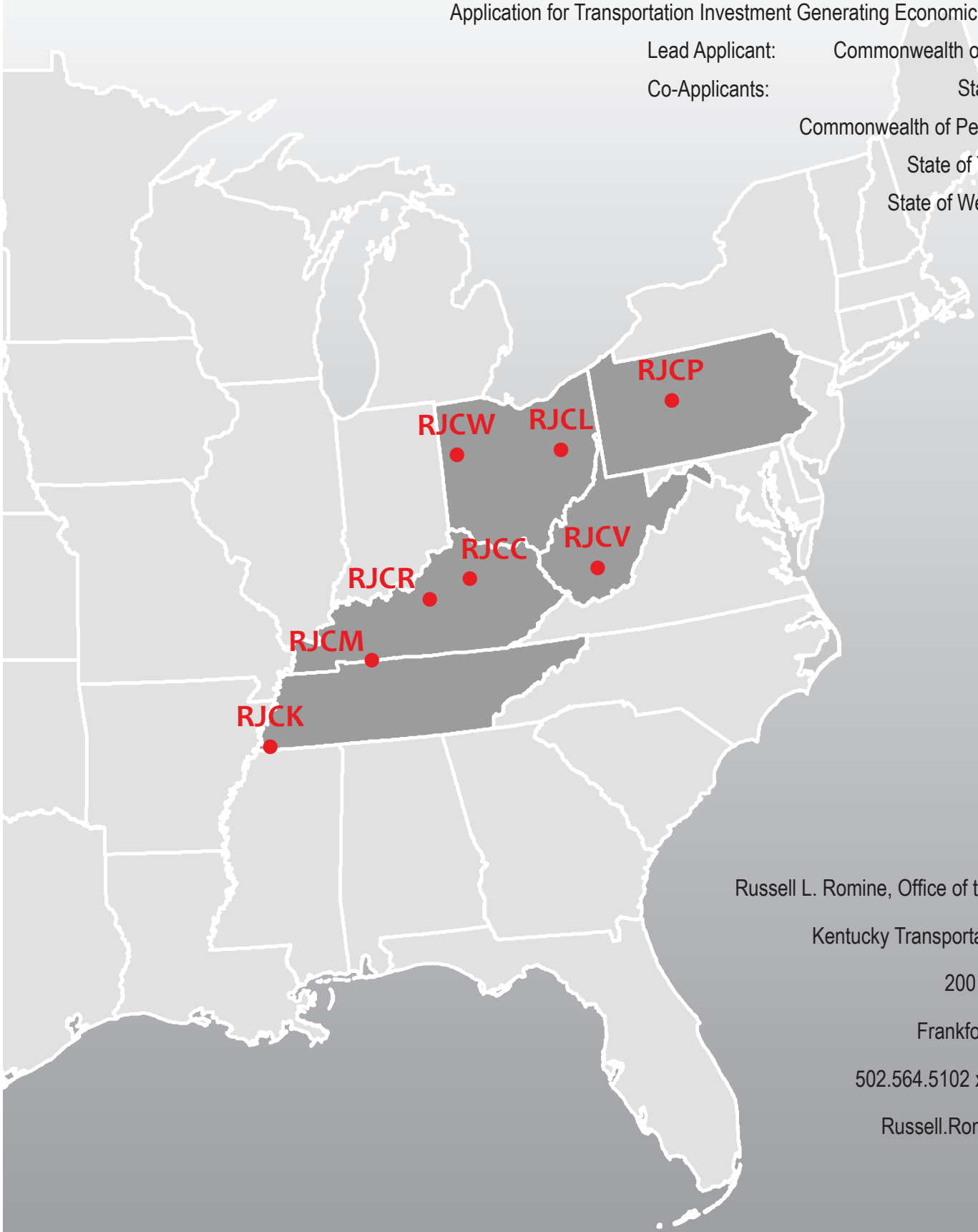
Lead Applicant: Commonwealth of Kentucky

Co-Applicants: State of Ohio

Commonwealth of Pennsylvania

State of Tennessee

State of West Virginia



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July 24, 2009

The Honorable Ray H. LaHood, Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Secretary LaHood:

I am pleased to write you in support of the Appalachian Regional Short Line Project (the "Project") that is competing for a Transportation Investment Generating Economic Recovery ("TIGER") Discretionary Grant created by the American Recovery and Reinvestment Act ("ARRA"). The Commonwealth of Kentucky is honored to take the lead in the multi-state effort to secure grant funding for the Project.

The R.J. Corman Railroad Group's ("RJ Corman") short lines run throughout Appalachia, including Ohio, Pennsylvania, Tennessee, West Virginia, and my home state, the Commonwealth of Kentucky. Having met and spoken with RJ Corman representatives about the TIGER guidelines, I could not think of a more ideal project that warrants ARRA funding. In Kentucky alone, the Project will make various improvements to 246 miles of aging short line track along the Memphis (a portion of the Memphis line runs into Tennessee), Central Kentucky, and Bardstown lines, all of which are in need of immediate rehabilitation.

In Kentucky, these lines currently serve 81 customers and carry over 28,500 outbound carloads of aluminum, sand, and other goods annually, keeping approximately 100,900 trucks off of Kentucky roads and highways each year. These improvements will facilitate locations for new customers and avoid new road congestion and pollution. Specific rehabilitation efforts include the replacement of 93,200 crossties and 53,500 tons of ballast, the construction of seven miles of new rail, the resurfacing of 170 miles of line, and the repair of 91 bridges and underpasses. RJ Corman will contribute 20 percent of the total $18,536,210 Kentucky Project cost. These tasks will require 93,404 man-hours of work in 13 counties currently experiencing high unemployment rates (seven of the counties are designated as economically distressed). Based on 8 hour days and 250 work days per year, this translates to 47 new jobs, and RJ Corman is committed to recruit for these jobs in the counties where the railroads operate.

While Kentucky has assumed the lead in this regional TIGER grant application effort, it could not do so without the assistance and backing of the other participating states. In total, this Project will significantly improve the transportation infrastructure of Appalachia, which is often neglected, and will create much-needed economic stimulus. In my opinion, the Project meets and exceeds every TIGER grant criteria. With respect to long-term benefits, the improvements will spur regional economic development and will promote proven environmentally friendly transportation. In the short term, the Project will create a total of almost a half-million man-hours in thirty-two counties, 66 percent of which are economically disadvantaged. These are hours directly associated with the Project. In addition, there will be significant jobs created through the cascade effect. I applaud RJ Corman for making a commitment to hire workers from each of the counties in which it operates. This produces the added benefit that unemployed workers will be trained for new skill sets. Lastly, the almost 200 customers that are currently served by the Project and those anticipated to increase production or locate new plants will benefit from having more reliable connections to the national rail network including ports and intermodal terminals. This means these small and middle-sized companies can access markets more quickly to expand their production and employment bases.

I wholeheartedly approve of the vision of the Obama Administration and the U.S. Congress in creating this discretionary program as well as your leadership in administering it so quickly. Knowing that there is a premium for projects that are "shovel-ready," this Project again proves to be the perfect candidate. No permits or environmental work need to be completed, and therefore, construction will start as soon as personnel are hired and trained and materials are sourced from U.S. companies. RJ Corman, for example, is a Caterpillar-only company, so it will be leasing or buying equipment from a company that will grow its employee base right in the U.S.

I hope you share my enthusiasm for the RJ Corman application, and I would be happy to personally discuss the merits of this grant application.

Sincerely,

Steven L. Beshear

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Project Summary

A $37,295,566 Transportation Investment Generating Economic Recovery (TIGER) grant for the Appalachian Regional Short Line Project (the "Project") will significantly improve the transportation infrastructure of the often neglected Appalachian region and will create much-needed economic stimulus.

With respect to long-term benefits, the improvements will spur regional economic development and will promote proven, environmentally-friendly transportation. Short-term, the Project will create almost 200,000 man-hours in 31 counties, 61 percent of which are economically distressed areas. In addition, there will be a significant number of jobs created through the multiplier effect, both from the materials sourced and from the reinvestment of wages in economically distressed areas. A significant percentage of wages earned will be reinvested in economically distressed areas due to R.J. Corman Railroad Group's (R.J. Corman) commitment to hire employees from these counties that are suffering from high unemployment rates as opposed to moving in labor from other regions of the country. As discussed in greater detail in the application, R.J. Corman's initial survey of the markets in which it operates has concluded that currently there is not enough rail labor available to complete the Project. This means that a commitment to recruit labor from within the Appalachian region will produce the benefit that unemployed workers will be trained with a new skill set. This is a competitive advantage for the grant proposal.

There are approximately 200 customers that are currently served by these short lines, and each is anticipated to be able to increase its production output, creating additional long-term job opportunities. The Appalachian states in this proposal—Kentucky, Ohio, Pennsylvania, Tennessee and West Virginia—will aggressively recruit new distribution centers and production facilities along the rail lines by marketing reliable connections to the national rail network, intermodal terminals, seaports, and airport cargo facilities. In short, the Project allows small and middle-sized companies, the companies that will fuel the economy's rebound, to expand their employment bases by accessing new markets quickly.

Recognizing there is a premium for projects that are "shovel-ready," this Project is a perfect candidate. No permits or environmental work need to be completed, and construction will start as soon as personnel are hired and trained. Materials will be sourced solely from U.S. companies. For example, because R.J. Corman uses Caterpillar equipment exclusively, it will be leasing or buying equipment from a company that will grow its employee base in the U.S. The same will be true for the companies that manufacture the rail, crossties, signal safety devices, and ballast.

This Project will change the face of rural America in these five states by creating jobs, some of which will remain at the conclusion of the project. The return on investment for the federal government will include lower greenhouse gas emissions, less dependence on foreign oil, a rail infrastructure in the Appalachian region that will be an economic engine for growth, improved intermodal connections for businesses, and jobs that will provide an increase in economic

confidence throughout the region. This is important in the Appalachian region, which has been hit hard by job losses, increased pollution, and a staggering economy.

This Project is a perfect candidate for funding from the American Recovery and Reinvestment Act of 2009 (ARRA). It creates jobs (e.g., almost 200,000 new man-hours are created), promotes economic recovery (e.g., gives many small businesses access to new markets and the ability to grow their operations), invests in transportation infrastructure that provides long-term benefits to an entire region (e.g., provides dependable intermodal connections by bringing deteriorated rail lines up to a state of good repair), and provides opportunities for those hardest hit by the economic downturn (e.g., R.J. Corman's commitment to hire people from economically distressed areas ensures that stimulus funds are targeted to those that need it most).

Additionally, the states and R.J. Corman are committed to satisfying the ARRA's transparency and accountability objectives as outlined by President Obama in his memorandum dated March 20, 2009.

Quantitative Facts

The $46.6 million in freight rail infrastructure investment will yield $139.8 million in economic output for this region.[1] The average unemployment in the counties where the short lines operate is 0.574% higher than the national average,[2] and 61 percent are economically distressed as defined by the Federal Highway Administration.[3]

Railroads are extremely fuel efficient, which reduces our dependence on foreign oil and shrinks our carbon footprint. A freight train, on average, can carry one ton of cargo 457 miles on a single gallon of fuel. That is close to four times as far as it could move by truck.[4] According to

[1] AAR studies indicate that every dollar invested in freight-rail infrastructure created by investment tax incentives generates more than three dollars in total economic output due to investment, purchases and employment occurring among upstream suppliers. http://www.aar.org/Home/AAR/IndustryInformation/InfrastructureTaxIncentive/~/media/AAR/PositionPapers/819.ashx.

[2] According to the U.S. Bureau of Labor Statistics, the national unemployment rate for May 2009 was 9.4%. *See* BUREAU OF LABOR STATISTICS, LABOR FORCE STATISTICS FROM THE CURRENT POPULATION SURVEY, http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LNS14000000 (last visited Sept. 8, 2009). Using Bureau of Labor Statistics data (http://data.bls.gov/PDQ/outside.jsp?survey=la), the average unemployment of the counties where the short lines operate during this same time period was 9.974%. Also see Appendix E for county unemployment data.

[3] *See* U.S. DEP'T. OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION, ECONOMICALLY DISTRESSED AREAS PLANNING, ENVIRONMENT, REALTY (HEP), http://hepgis.fhwa.dot.gov/hepgis_v2/GeneralInfo/Map.aspx (last visited Sept. 8, 2009).

[4] *See* ASSOCIATION OF AMERICAN RAILROADS, ENVIRONMENT, http://www.aar.org/Environment/Environment.aspx (last visited Sept. 8, 2009).

2008 fuel receipts, the short line railroads in this application consume 1,808,100 gallons of diesel fuel each year. According to the American Association of Railroads (AAR), railroads are more than three times more fuel-efficient than trucks.[5] If the short line infrastructure did not exist, trucks would haul the same freight using 5,424,300 gallons of fuel—a difference of 3,616,200 gallons each year! This provides a transportation cost savings of $9,572,081 million (using an average price of $2.647/gallon for diesel fuel as of September 7, 2009).[6] Over a 20 year period, the fuel savings is valued up to $101,406,762 using a 7% discount value (using a 3% discount value would yield a cost savings of $142,408,394 over 20 years). Lower fuel costs will enable shippers to pass cost savings on directly to consumers.

The Appalachian Short Line Railroads move 7,238,800 tons of freight per year using over 84,000 carloads (see Appendix H). This equates to an estimated 329,000 trucks being kept off the national highway system each year, which, assuming one truck takes the space of four automobiles, is equivalent to 1.32 million cars being taken off the road. The immediate benefit is an increase in livability standards for Appalachian residents due to a reduction in congestion and improved air quality. Each ton of freight moved by rail instead of truck reduces greenhouse gasses by two-thirds or more.[7] This fact is especially important since these short line railroads operate in parts of Appalachian states identified by the EPA as being in non-attainment for National Ambient Air Quality Standards (NAAQS). Trains currently operating in western Pennsylvania, the only state in the Northeast suffering from non-attainment for all three pollutants,[8] are helping the region combat pollution. The other four states that are part of the Project will benefit as well.

Project Name: Appalachian Regional Short Line Project

- The project is regional in scope and is located in rural parts of the country.
- The project will rehabilitate eight short line railroads.
- The project is located in the following five states: Kentucky, Ohio, Pennsylvania, Tennessee and West Virginia.

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[5] *See* Id.

[6] *See* ENERGY INFORMATION ADMINISTRATION, GASOLINE AND DIESEL FUEL UPDATE, http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp (last visited Sept. 8, 2009).

[7] *See* ASSOCIATION OF AMERICAN RAILROADS, *supra* note 4.

[8] According to the U.S. Environmental Protection Agency, the Agency "uses six 'criteria pollutants' as indicators of air quality, and has established for each of them a maximum concentration above which adverse effects on human health may occur. . . . When an area does not meet the air quality standard for one of the criteria pollutants, it may be subject to the formal rule-making process which designates it as non-attainment." U.S. ENVIRONMENTAL PROTECTION AGENCY, GREEN BOOK CRITERIA POLLUTANTS, http://epa.gov/air/oaqps/greenbook/o3co.html (last visited Sept. 9, 2009).

- The project runs through the following 31 counties (61 percent of which are economically distressed) with a total estimated population in 2008 of 4,517,088:[9]
  - Kentucky Counties
    - Bullitt, Clark, Fayette, Franklin, Jefferson, Logan, Nelson, Shelby, Scott, Todd, Warren, Woodford
  - Tennessee Counties
    - Montgomery, Shelby, Stewart
  - Ohio Counties
    - Allen, Auglaize, Darke, Mercer, Stark, Summit, Tuscarawas, Van Wert, Wayne
  - Pennsylvania Counties
    - Cambria, Centre, Clearfield, Clinton, Indiana, Jefferson
  - West Virginia Counties
    - Fayette
- The project runs through or near the following cities:
  - Kentucky Cities
    - Louisville, Shelbyville, Frankfort, Lexington, Winchester, Versailles, Bardstown, South Union, Russellville
  - Tennessee Cities
    - Clarksville, Memphis
  - Ohio Cities
    - Warwick, Massillon, Dover, New Philadelphia, Uhrichsville, Wooster, Minster, St. Mary's, Celina, Lima, Elgin, Ansonia, Greenville
  - Pennsylvania Boroughs
    - Cresson, Clearfield, Keating
  - West Virginia Cities
    - Thurmond, Mt. Hope, Pax
- The project runs through the following Congressional districts:
  - Kentucky
    - Senator Jim Bunning
    - Senator Mitch McConnell
    - Representative Ed Whitfield – District 1
    - Representative Brett Guthrie – District 2
    - Representative John Yarmuth – District 3
    - Representative Geoff Davis – District 4
    - Representative Harold Rogers – District 5
    - Representative Ben Chandler – District 6
  - Tennessee
    - Senator Lamar Alexander
    - Senator Bob Corker
    - Representative Jimmy Duncan – District 2

[9] U.S. CENSUS BUREAU, POPULATION ESTIMATES, http://www.census.gov/popest/counties/CO-EST2008-01.html (last visited Sept. 9, 2009).

        - Representative Jim Cooper – District 5
        - Representative John Tanner – District 8
        - Representative Steve Cohen – District 9
    - Ohio
        - Senator Sherrod Brown
        - Senator George Voinovich
        - Representative Jim Jordan – District 4
        - Representative John Boccieri – District 16
        - Representative Zack Space – District 18
    - Pennsylvania
        - Senator Robert Casey
        - Senator Arlen Specter
        - Representative Glenn Thompson – District 5
        - Representative Bill Shuster – District 9
    - West Virginia
        - Senator Robert Byrd
        - Senator Jay Rockefeller
        - Representative Nick Rahall – District 3
- Total amount of ARRA funds requested: $37,295,566.
- Total amount to be expended (including a 20% match from state and private sector contributions): $46,619,458.
    - The Commonwealth of Kentucky is contributing $200,000.
    - The State of Ohio is contributing $1.3 million.[10]
    - R.J. Corman is contributing $7,823,892.
- ARRA State Funding Request Breakdown:
    - Kentucky: $ 12,964,443
    - Ohio: $ 4,823,872
    - Pennsylvania: $ 14,920,666
    - Tennessee: $ 2,820,458
    - West Virginia: $ 1,766,127
- The Project will create 189,768 new man-hours.
- A cascade effect will create demand for a significant number of new jobs in companies that manufacture and supply equipment and track materials needed for this project. For instance, the Railway Tie Association has concluded that an additional 360 job will be created in the sawmill industry as a result of the Project (see Appendix M).
- The Project saves, at a minimum, over 3,616,200 million gallons of fuel each year, at a cost of $9,572,081 million per year. Over a 20 year period, the fuel savings is valued up to $101,406,762 using a 7% discount value (using a 3% discount value would yield a cost savings of $142,408,394 over 20 years).

[10] OHIO DEP'T. OF TRANSPORTATION, RJ CORMAN WESTERN LINES, http://www.dot.state.oh.us/Divisions/Communications/Federal%20Stimulus%20Projects/07-STW-RJCormanWesternLines.pdf (last visited September 9, 2009).

- The Project reduces greenhouse gas emissions by 66% by moving freight by rail instead of truck.
- The Net Present Value (NPV) of the reduction in carbon emissions is at minimum $60,068,061 depending on the discount rate used.
- The NPV of the reduction in NO_x emission is at minimum $9,543,448 depending on the discount rate used.
- The Project currently removes 329,000 trucks from the national highway system each year (see Appendix H).
- The estimated savings on highway maintenance costs is $18.4 million/year.
- The Project will add safety devices to 469 at-grade crossings that currently have no mechanical protection, such as flashing lights, bells and crossing gates.
- The project's geospatial data can be located on maps in Appendix B.

Project Overview

The Region

The Appalachian region's transportation network suffers from limited connections to the national highway system, and capacity in specific corridors is constrained. Rehabilitating these short lines will provide customers continued access to the national rail network, keeping hundreds of thousands of trucks off the national highway system. The Appalachian region is suffering from significant unemployment. Using data from the Bureau of Labor Statistics and the U.S. Census Bureau, the five states combined have lost approximately 2,124,377 jobs from January 2008 to July 2009.[11] Sixty-one percent of the counties the short lines operate in are economically distressed (see Appendix C), and nearly all are considered rural. Although the initial transportation formula funds provided by the American Recovery and Reinvestment Act of 2009 (ARRA) have been put to excellent use by the five states, urban areas have been able to successfully compete for New Starts funds and are currently competing for High-Speed Rail and Intercity Passenger Service grants. A TIGER discretionary grant is the last opportunity for the Appalachian region to get a stimulus boost from transportation infrastructure investments.

Project's Long-Term Outcomes

The Appalachian Regional Short Line Project is the ideal candidate for grant funding because it creates a long-term economic growth engine for the five states supporting this funding request. First and foremost, this project creates 189,768 new man-hours during the construction period (see Appendix F). Additionally, many jobs will be created in the rail supply industry, including 360 jobs in the sawmill industry, which manufactures the necessary crossties (see Appendix M). After the initial construction phase, rail customers on these lines will be able to expand their employee base as they access new markets with greater efficiency. The Project invests in a strategic piece of transportation infrastructure that allows the Appalachian region to continue to take trucks off the national highway and rural road systems. Lastly, the project is located in

[11] See Appendix E for state population and county unemployment data used to compile this figure.

economically distressed areas ("EDA") of the country and includes a commitment to hire unemployed people from those EDAs. The Project's strengths correlate to the policy objectives of the ARRA.

As discussed below, the long-term outcomes of this project will help the near-term economic recovery of the region, create new jobs, significantly improve the environment, and provide maximum long-term economic benefits to the region. This will directly assist those most affected by the recent, unprecedented economic downturn.

State of Good Repair

In order to appreciate the current challenges of the short line industry, a little historical context is important. Following World War II, rail volumes began to decline over a period of 50 years. This decline was exacerbated by the construction of the interstate highway system in the 1950s and 1960s. The nation's large railroads identified rail branch lines where traffic had fallen to financially unsustainable levels. The railroads were largely unable to sell or abandon these lines due to the Interstate Commerce Commission regulations. In addition, labor contracts were a constraining factor. As these "economically challenged" lines were identified, railroads significantly reduced all repair and maintenance work. Rail lines once operating at 60 MPH (FRA Class 4) were downgraded and forced to operate at 25 MPH or 10 MPH (FRA Class 2 and FRA Class 1).

In 1980, Congress passed the Staggers Act. This Act dramatically changed the rules and regulations governing large railroads and provided a mechanism to divest branch lines that could not justify reinvestment. While some short lines have existed since the 1800s, the short line industry, as we know it today, was born as a result of the capabilities provided by the Staggers Act. Today there are over 500 short line railroads operating 50,000 miles of track in 49 states, which is more than one-third of our nation's total rail network. These short lines continue to suffer from the historic lack of investment spanning decades.

Over the past 20 years, R.J. Corman, like other short lines, has reinvested profits, to the extent possible, to repair and rehabilitate these lines, in spite of the sparse number of shippers per line. However, given the extensive deferred maintenance that existed at the time of acquisition, cash flow has not been sufficient to meet customer demands. Capital infusion is needed to rehabilitate the infrastructures of rail, ties, bridges, tunnels, and culverts. Many of the bridges and tunnels are over 100 years old, running through mountainous Appalachian terrain, thus increasing the cost of these improvements. R.J. Corman handles a great deal of hazardous materials, which necessitates a high level of capital expenditure to maintain a safe track structure.

Today, there are 17 slow orders on the R.J. Corman short line railroads. This means that there are 17 specific areas along the track where trains must run slower than usual due to current subpar track conditions. This project will eliminate each of the slow orders, increasing train velocity, improving safety, and reducing at-grade road crossing wait times for vehicles.

Currently, 14 miles of welded rail need to be installed, 344 additional miles of track need to be resurfaced, 136,800 tons of ballast need to be installed, over 309,400 ties need to be replaced, 3,257 feet of track at-grade crossings need to be renewed to improve roadbed conditions for the track and safety improvements for vehicular traffic, and ten bridges need significant repairs or major rehabilitation work to accommodate heavier carloads. An additional 132 bridges need rehabilitation work to improve roadbed conditions. Other associated repairs include replacement of switch ties, bolts tightened, field welds made and miles of ditching to improve drainage for the roadbed. Four tunnels require critical drainage improvements.[12]

The collection of infrastructure projects being proposed would reduce the lifecycle costs of all the short lines allowing for funds to be focused on maintaining track conditions instead of temporarily fixing the infrastructure for short-term benefits. Cash flow committed by R.J. Corman will ensure that a dedicated revenue stream is available to maintain the infrastructure in a state of good repair.

Economic Competitiveness

The Appalachian region is important to commerce in that it bridges two major mega-regions of the country: the Midwest and East Coast. Approximately two-thirds of the nation's economic growth will occur in these regions over the next few decades.[13] The challenge for the Appalachian region is to continue to serve as a transportation link between the major economic markets, thereby fueling its own growth. The R.J. Corman short lines provide that bridge, moving products such as aluminum, sand, coal, and chemicals. There are approximately 200 businesses served by these short line railroads. Just the top five customers on each rail line collectively employ approximately 5,000 people (see Appendix H). As the map illustrates in Appendix B, the railroads connect to Class I railroads giving these companies and their products access to domestic and international markets through seaports and airports. The rehabilitation of these short lines will allow R.J. Corman to convert truck traffic to rail by providing time competitive service. Additionally, as evidenced by the support letters from existing shippers in Appendix L, businesses utilizing R.J. Corman will be able to capitalize on significant growth opportunities.

There is a population of 4,517,088 within the counties that this Project traverses.[14] All of these citizens and the businesses for which they work will benefit from the R.J. Corman short lines providing opportunities for additional market penetration. For example, improvement of the short line located in West Virginia will provide coal companies the ability to ship more of their product to domestic and international markets. By lowering transportation costs for shippers,

[12] *See* Appendix F.

[13] ANGELOU ECONOMICS, ECONOMIC DEVELOPMENT OPPORTUNITIES FOR U.S. MEGA-REGIONS, http://www.angeloueconomics.com/megaregions.html (last visited Sept. 10, 2009).

[14] See Appendix E.

U.S. goods will be more competitive in the marketplace and less expensive for consumers. Good examples are two new ethanol plants, one that recently opened on the Western Ohio Line and one that will soon open on the Pennsylvania Line. These rail improvements will allow ethanol and byproduct shipments to be moved by rail instead of truck. These two customers will collectively move 20,000 carloads per year, which will keep more than 70,000 trucks off the highway every year.

Retaining the workforce base in the Appalachian region is vital to regional economic competitiveness. The R.J. Corman recruitment and training program will target this population sector, keeping them gainfully employed within the region.

The elimination of slow orders on the R.J. Corman lines also will increase the velocity of service, allowing goods to reach markets more quickly. As our economy has become a just-in-time supply chain model, the increase in velocity will be important for companies who must keep their inventory costs low to stay competitive through this economic downturn.

Livability

Increasing railroad capacity is a highly effective way to enhance the livability of communities. Each railcar is equivalent to removing three trucks off the highway system. And for certain commodities, such as coal, aggregate, and sand, five trucks are eliminated from the highway for every railcar transported by R.J. Corman. Today, R.J. Corman eliminates the need for nearly 329,000 trucks that would otherwise be on the road delivering the goods each year. This reduction in truck traffic has a significant impact on congestion in the Appalachian region. According to studies that calculate the congestion savings per truck mile eliminated from the road system,[15] this Project saves $10.73 million in marginal congestion costs ($.0327 per mile). This has a NPV of $133.67 million using a 7% discount rate.

An additional benefit of removing heavy trucks from the highway system is the reduction in damage to the national highway infrastructure, especially the aging bridges throughout the Appalachian region. It is estimated that each truck removed from the highway saves $.056 per mile of highway maintenance costs.[16] This means the 329,000 trucks R.J. Corman keeps off the road each year saves, at minimum, $18.4 million in highway maintenance costs annually. Both of these calculations are conservative in that they assume at minimum, that each truck would travel 1,000 miles roundtrip. This has a NPV of $194.93 million using a 7% discount rate.

Highway congestion in the United States costs $87 billion in wasted travel time (4.2 billion total hours or nearly a full week for every traveler) and results in 2.8 billion gallons of wasted fuel per

[15] *See* U.S. DEP'T. OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION, ADDENDUM TO THE 1997 FEDERAL HIGHWAY COST ALLOCATION STUDY FINAL REPORT U.S. DEPT. OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION MAY 2000, http://www.fhwa.dot.gov/policy/hcas/addendum.htm (last visited Sept. 8, 2009).

[16] *See* id.

year.[17] As mentioned, R.J. Corman transports 7,238,800 tons of cargo by rail, removing 329,000 trucks from the national highway system. The conversion of these trucks to rail intermodal carloads makes room for an additional 1,316,000 cars to travel comfortably on the existing road system. The cost to build highway capacity for these additional vehicles would be significantly more than the funds needed for the Project.

In addition, over 3,300 carloads of hazardous material ("HAZMAT") are transported by rail every year (see Appendix H). According to the U.S. Department of Transportation, "rail transportation of hazardous materials in the United States is recognized to be the safest method of moving large quantities of chemicals over long distances."[18] Since rail is 16 times safer than trucks, and approximately 99.997 percent of all rail-shipped HAZMAT is delivered safely[19], it is in the public interest to keep HAZMAT on the rail lines. R.J. Corman plans to continue to capture additional hazardous materials (such as anhydrous ammonia, chlorine, and phosphorous trichloride, which are all toxic inhalants) to make the rural road system safer.

The improvement of these lines will allow R.J. Corman to continue to convert additional truck traffic to rail carloads. Each truck conversion makes the highway less congested and the air cleaner.

Sustainability

The Project has significant environmental benefits resulting from moving freight by rail as opposed to trucks. Railroads are more than three times more fuel-efficient than trucks and are able to move one ton of freight 457 miles on one gallon of fuel.[20] A single truck requires the same highway capacity as almost four automobiles. Additionally, the EPA estimates that for every ton-mile, a typical truck emits roughly three times more nitrogen oxides and particulates than a locomotive.

Pollutants of Concern

Most freight transportation is powered by diesel engines, which are major sources of emissions of nitrogen oxides (NO_x) and particulate matter (PM). NO_x reacts with volatile organic compounds (VOC) to form ground-level ozone, commonly known as smog. Ground-level ozone can trigger a variety of health problems, including aggravated asthma, reduced lung capacity,

[17] TEXAS TRANSPORTATION INSTITUTE, ECONOMIC FACTORS TAP THE BRAKES ON TRAFFIC CONGESTION (July 8, 2009), http://tti.tamu.edu/infofor/media/archive.htm?news_id=5206 (last visited Sept. 9, 2009).

[18] *See* U.S. DEP'T. OF TRANSPORTATION FEDERAL RAILROAD ADMINISTRATION, HAZARDOUS MATERIALS TRANSPORTATION, http://www.fra.dot.gov/us/content/137 (last updated Dec. 16, 2008).

[19] Bud Shuster, Pittsburgh Tribune-Review, The Railroads' Burden, http://www.pittsburghlive.com/x/pittsburghtrib/news/specialreports/s_491336.html (last visited Sept. 10, 2009).

[20] *See* ASSOCIATION OF AMERICAN RAILROADS, *supra* note 4.

and increased susceptibility to respiratory illnesses like asthma, pneumonia, and bronchitis. Many scientific studies have linked breathing PM to a series of significant health problems including aggravated asthma, difficult breathing, chronic bronchitis, myocardial infarction (heart attacks) and premature death. Diesel exhaust is of specific concern because it is likely to be carcinogenic to humans by inhalation and may additionally cause non-cancer respiratory effects.[21]

Trains are more than three times more fuel efficient and two to three times cleaner than trucks on a ton-mile basis.[22] Based on a Transportation Research Board presentation using EPA Fleet Average Projections for 2010, trucks will produce approximately .83g/ton-mile of NO_x and locomotives approximately .24g/ton-mile.[23] In a 12-month period, the Appalachian railroads will move 7,238,800 tons of cargo an average of 114 miles (or 825,223,200 ton-miles). Utilizing this freight shipment data assuming this cargo were transported by heavy trucks, it would produce an additional 537 tons of NO_x annually. Currently, state and federal emissions programs value the cost of NO_x reduction to be approximately $10,000 a ton per year.[24] Over a 20 year period, the reduction in NO_x emissions could be valued up to $60,068,061 using a 7% discount value (using a 3% discount value would yield a benefit of $84,355,282 over 20 years).

Freight transportation is also a major source of greenhouse gas (GHG) emissions, which contribute to global climate change. By far the most important greenhouse gas to monitor is carbon dioxide (CO_2).[25] In 2003, truck freight accounted for more than three-quarters (77%) of freight-related GHG emissions, while rail freight accounted for only 8.7%, the balance being from marine and air transportation modes.[26] Several Class I Railroads have CO_2 Emissions Calculators included in their websites for rail versus truck comparisons. For the same freight shipment data above, using CSX Carbon Calculator[27], over-the-highway trucking would produce

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[21] *See* ICF CONSULTING, ASSESSING THE EFFECTS OF FREIGHT MOVEMENT ON AIR QUALITY AT THE NATIONAL AND REGIONAL LEVEL HOME CHAPTER 2: NATIONAL FREIGHT TRANSPORTATION TRENDS AND EMISSIONS - FREIGHT MOVEMENT AND AIR QUALITY, (April 2005), http://www.fhwa.dot.gov/environment/freightaq/chapter2.htm (last visited Sept. 9, 2009).

[22] *See* ASSOCIATION OF AMERICAN RAILROADS, FREIGHT RAILROADS & GREENHOUSE GAS EMISSIONS (June 2008), http://www.aar.org/~/media/AAR/BackgroundPapers/466.ashx (last visited Sept. 9, 2009).

[23] *See* Southern California's Good Movement System: Policy Options and Implementation Challenges, http://onlinepubs.trb.org/onlinepubs/archive/conferences/jointsummer/2006/ports/Session6Marckwald.pdf (last visited Sept. 10, 2009)

[24] *See* THE RAILROAD COMMISSION OF TEXAS, DIESEL TO PROPANE SCHOOL BUS REPLACEMENT, www.rrc.state.tx.us/programs/dieseltopropane.xls (last visited Sept. 9, 2009).

[25] *See* Federal Highway Administration, Chapter 2: National Freight Transportation trends and Emissions, http://www.fhwa.dot.gov/environment/freightaq/chapter2.htm (last visited Sept. 10, 2009)

[26] *See* ICF CONSULTING, *supra* note 21.

[27] http://www.csx.com/?fuseaction=customers.emissions_carboncalculator

an additional 27,298 tons of CO_2 per year. Using a cost of $33.00 per carbon ton as stated in the Federal Register Notice, the reduction in CO_2 emissions is valued at approximately $9,543,448 over the next 20 years using a 7% discount value (using a 3% discount value would yield a benefit of $13,402,135 over 20 years).

The R.J. Corman short line railroads travel through the following eight counties (see Appendix D for maps) that are currently in EPA non-attainment for the pollutant listed in the table below:[28]

State	County	Pollutant
Tennessee	Shelby	8 hour Ozone[29]
Ohio	Summit	8 hour Ozone and $PM_{2.5}$[30]
Ohio	Stark	$PM_{2.5}$
Kentucky	Bullitt	$PM_{2.5}$
Kentucky	Jefferson	$PM_{2.5}$

[28] U.S. ENVIRONMENTAL PROTECTION AGENCY, GREEN BOOK NON-ATTAINMENT AREAS FOR CRITERIA POLLUTANTS, http://www.epa.gov/air/oaqps/greenbk/ (last visited Sept. 8, 2009).

[29] According to the U.S. Environmental Protection Agency,

> Ozone is the prime ingredient of smog in our cities and other areas of the country. Though it occurs naturally in the stratosphere to provide a protective layer high above the earth, at ground-level it is the prime ingredient of smog. When inhaled, even at very low levels, ozone can: cause acute respiratory problems; aggravate asthma; cause significant temporary decreases in lung capacity of 15 to over 20 percent in some healthy adults; cause inflammation of lung tissue; lead to hospital admissions and emergency room visits [10 to 20 percent of all summertime respiratory-related hospital visits in the northeastern U.S. are associated with ozone pollution]; and impair the body's immune system defenses, making people more susceptible to respiratory illnesses, including bronchitis and pneumonia. U.S. ENVIRONMENTAL PROTECTION AGENCY, GREEN BOOK CRITERIA POLLUTANTS, http://www.epa.gov/air/oaqps/greenbk/o3co.html#Ozone8 (last visited Sept. 8, 2009).

[30] According to the U.S. Environmental Protection Agency,

> Particles less than 2.5 micrometers in diameter ($PM_{2.5}$) are referred to as "fine" particles and are believed to pose the largest health risks. Because of their small size (less than one-seventh the average width of a human hair), fine particles can lodge deeply into the lungs. Health studies have shown a significant association between exposure to fine particles and premature mortality. Other important effects include aggravation of respiratory and cardiovascular disease (as indicated by increased hospital admissions, emergency room visits, absences from school or work, and restricted activity days), lung disease, decreased lung function, asthma attacks, and certain cardiovascular problems such as heart attacks and cardiac arrhythmia. Individuals particularly sensitive to fine particle exposure include older adults, people with heart and lung disease, and children. Sources of fine particles include all types of combustion activities (motor vehicles, power plants, wood burning, etc.) and certain industrial processes. Particles with diameters between 2.5 and 10 micrometers are referred to as "coarse." Sources of coarse particles include crushing or grinding operations, and dust from paved or unpaved roads. (emphasis added). U.S. ENVIRONMENTAL PROTECTION AGENCY, GREEN BOOK TECHNOLOGY TRANSFER NETWORK NATIONAL AMBIENT AIR QUALITY STANDARDS (NAAQS) PM 2.5 NAAQS IMPLEMENTATION, http://www.epa.gov/ttn/naaqs/pm/pm25_index.html (last visited Sept. 8, 2009).

Pennsylvania	Cambria	$PM_{2.5}$
Pennsylvania	Indiana	$PM_{2.5}$

Fuel Savings

The short line railroads in this application burn 1,808,100 gallons of fuel each year. According to the American Association of Railroads (AAR), railroads are more than three times more fuel-efficient than trucks.[31] If all of the freight on the targeted Appalachian railroads were diverted to trucks, 5,424,300 gallons of fuel would be required—a difference of 3,616,200 gallons each year. This provides a transportation cost savings of $9.572 million (using an average price of $2.647/gallon for diesel fuel as of September 7, 2009).[32] Over a 20 year period, the fuel savings is valued up to $101,406,762 using a 7% discount value (using a 3% discount value would yield a cost savings of $142,408,394 over 20 years).

A specific example of how R.J. Corman has been able to eliminate both America's dependence on foreign oil and improve air quality in the region is its partnership with companies, like Logan Aluminum, in the Aluminum Corridor. RJC currently operates aluminum freight unit trains along the Aluminum Corridor (between Berea and Bowling Green, KY via Lexington and Louisville). This unit train handles approximately 2.8 million lbs. of aluminum ingots every other day which had previously been moving via overweight trucks on Kentucky's highways. This equates to over 11,000 specially permitted heavy shipments off state and federal highways. Prior to the conversion to rail, these loads traveled state and federal highways for 18 years. Logan Aluminum will be able to increase its rail throughput when these rehabilitation projects are completed, allowing for additional congestion relief on the highway system and improved air quality.

A key goal of the Obama Administration is to reduce America's dependence on foreign oil, which will serve the purpose of increasing the country's energy security, while at the same time reducing the carbon footprint caused by transportation modes. The improvement of air quality in these regions is a direct result of this goal and the "green" nature of rail is a perfect complement to existing policies that address non-attainment regions. The investment to rehabilitate the R.J. Corman short lines will directly affect the $PM_{2.5}$, GHG, and Ozone levels in the regions in which the railroads operate. The proposed Project is one small step towards energy independence and a cleaner environment.

Safety

Although rail is one of the safest modes of transportation, there have been 61 derailments on R.J. Corman's short lines since January 1, 2006. There is a constant focus on reducing the

[31] *See* ASSOCIATION OF AMERICAN RAILROADS, *supra* note 4.

[32] *See* ENERGY INFORMATION ADMINISTRATION, *supra* note 6.

number of incidents. The rehabilitation projects proposed in this application will assist in ensuring that the track condition on the short line properties is improved to reduce the possibility of derailments.

As mentioned previously, short line railroads have suffered from a lack of investment in infrastructure for decades. Rail ties and the track structures have deteriorated creating a maintenance backlog that has been difficult to address with low cash flows. By addressing the underlying track structure, trains will operate over dependable infrastructure.

Additionally, R.J. Corman has embraced U.S. DOT's recent Rural Safety Initiative and understands the importance of improving safety in areas of the country that have suffered from reduced funding during these challenging budget times.[33] R.J. Corman's short lines have 469 crossings without gates or flashing lights. This Project will install reflective tape on wood masts at each of these crossings as well as add reflective tape on crossings that have existing protection. The safety benefits of adding protection to 469 crossings is difficult to quantify, but given that most rail-car accidents result in fatal injuries, lives ultimately will be saved by this Project. In 2008, 92 accidents took place at unprotected crossings resulting in six fatalities and 17 injuries according to the most updated FRA data.

The marginal crash costs averted by taking 329,000 trucks off the highway system each year is approximately $.0047 per mile or $1.55 million for the Project.[34] Using a 7% discount rate, the NPV would be $16.42 million.

Bridges, tunnels and at-grade crossings have their own unique safety requirements. Bridges vary in design (such as concrete, steel or wood structures) and type (such as open deck, ballast deck, thru truss, thru girder, and draw bridges). The structural integrity of bridges is important not only for the safety of railroad employees, but also for the general public. While some bridges span water, many also span streets and highways. The ability of a bridge to safely support its rail loads requires regular upgrades in addition to routine maintenance.

Tunnels generally pose very serious and costly problems with drainage and falling rocks from the tunnel ceiling. Due to the clearance issues in most tunnels, replacement of crossties and rail adds additional cost and labor. Slow orders remain in effect in tunnels for extended periods of time due to these restraints, which exacerbates safety issues and service to customers.

At-grade crossings require high maintenance due to drainage problems and vehicular traffic, including heavy loaded trucks. The collection of water under crossties and the roadbed cause a pumping action of the crossing resulting in the possibility of derailments and vehicular

[33] *See* U.S. DEP'T. OF TRANSPORTATION, RURAL SAFETY INITIATIVE, http://www.dot.gov/affairs/ruralsafety/ruralsafetyinitiativeplan.htm (last updated Feb. 29, 2008).

[34] *See* U.S. DEP'T. OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION, *supra* note 15.

accidents. Additionally, water draining from ditch lines adjacent to the tracks, local streets, and adjacent highways creates critical safety issues for railroad employees and the public.

As previously stated, R.J. Corman moves over 3,300 carloads of hazardous materials (including TIH (Toxic Inhalation Hazard) and PIH (Poison Inhalation Hazard) each year, including anhydrous ammonia, denatured alcohol, ammonium nitrate, ethanol, and sulfuric acid. It is critical that the short lines receive the necessary funds to upgrade the infrastructure to provide the continued safe transport of these products. R.J. Corman has moved these products since 1985 without a single leak or spill.

Financing

The Appalachian Regional Short Line Project will cost a total of $46,619,458. The $37,295,566 TIGER grant requested would be the last piece of funding needed to start this project. The Commonwealth of Kentucky, the State of Ohio and R.J. Corman have already committed funds ($200,000, $1.3 million, and $7,823,892, respectively). No legislative or executive branch approvals are needed by the Commonwealth of Kentucky or the State of Ohio for its share of funding. The Project will be fully funded upon award of a TIGER grant and can start immediately.

Jobs Creation and Economic Stimulus Data

Each of these projects will create significant, high wage jobs in economically depressed counties. In total, 189,768 man-hours are required. R.J. Corman is committed to doing its part to stimulate the economy; therefore, R.J. Corman will hire new employees from the regions in which the short line operates to help address unemployment challenges. In addition, all materials and capital equipment will be purchased from U.S. manufacturers, creating additional jobs. For instance, the 300,000 crossties for these projects will create an additional 360 jobs (see Appendix M). The entire project will require over 136,800 tons of ballast, which will create additional jobs in the quarry industry. The top five companies on each of these rail lines collectively employ over 5,000 people. These projects will give each the ability to expand their workforce and bring additional product to market.

In addition, 13 maintenance-of-way (MOW) jobs will be created and maintained over the life of the railroad. The proposed work will also create the opportunity for additional customer growth that is difficult to quantify at this time. One example illustrates the potential. In 2005, R.J. Corman initiated rail service from Nugent Sand between Lexington and Louisville, Kentucky. Until this service was established, the Lexington sand market was supplied only by trucks which originated near Cincinnati, Ohio and traveled on the highway system. Since 2005, Nugent has moved over 2,000,000 tons of product, which is equivalent to 95,000 trucks or 17,000,000 truck miles being eliminated from the highway system. The Project will also allow economic development groups in the Appalachian region to compete for new business that want to locate along a rail line with limited capital investment in real estate.

All of the man-hours will be sourced from economically disadvantaged counties. R.J. Corman has made a commitment to work with local government agencies to identify, recruit, and train workers. It is assumed that there will not be enough rail labor to complete this project; therefore, the added benefit will be the training of workers with a new skill set. At the end of this project, employees who worked on this project will be more marketable due to their additional skills. In addition, each new employee will be certified in railroad safety practices, as required by the Federal Railroad Administration (FRA).

All machine operators who will be in charge of a rail gang and all foremen will have to complete additional FRA certifications. The test involves issues such as track standards, how to coordinate with dispatchers, and rules on when one can occupy track. In addition, car inspectors, track and signal maintainers, and locomotive engineers will receive a training certificate upon completion of the appropriate courses. These certifications will allow workers to compete for jobs throughout the rail industry after this project is complete.

The five states that are part of this application are grateful for R.J. Corman's commitment to stimulating the local economies as opposed to attracting labor from other regions of the country. The following community based organizations have been consulting with and are in support of this project (see Appendix J):

- Nelson County Economic Development Agency, Kentucky
- City of Bardstown, Kentucky
- The Employment Source, Stark County, Ohio
- ACCENT of Allen County, Ohio
- North Central Workforce Investment Board, Pennsylvania
- Pennsylvania CareerLink, Clearfield County, Pennsylvania
- Workforce Investment Network, Tennessee
- Region 1 WorkForce, West Virginia

Each of these groups has provided a letter confirming their intention to assist R.J. Corman in securing unemployed individuals for the projects. These new hires will supplement R.J. Corman's current railroad employee base of 139.

As stated earlier in the application, in addition to creating jobs, studies have shown that every $1 invested in transportation infrastructure generates an additional $3 in total economic activity. By providing opportunities to site new companies along the rail corridor, communities will be given the opportunity to increase their tax base. By funding projects that improve traffic flow at at-grade rail crossings, this Project will save money for highway users by reducing gasoline wasted from idling.

R.J. Corman and its subcontractors will source all materials and equipment used for this project from U.S. firms. This means the cascade effect of the grant will take place throughout the U.S. For instance, the Railway Tie Association estimates that 300,000 new ties would add about $12

million of economic stimulus into the rural Appalachian economies by providing opportunities for companies involved in the manufacture of wooden ties. This is the equivalent of about 12 new sawmills being created. The average mid-sized saw mill supports approximately 30 workers. Therefore, the R.J. Corman project should add around 360 new jobs just in the sawmill industry. Additionally, an unquantifiable number of jobs will be created in the railroad equipment industry since new equipment will need to be purchased to complete these infrastructure projects. Since R.J. Corman has been a Caterpillar-only company for almost 35 years, these jobs will all be created in the U.S.

Innovation

As discussed above, R.J. Corman's commitment to hire only people from economically distressed counties where the projects are located is a unique way to ensure that stimulus dollars are targeted to those who need it most. While other projects may recruit labor from various regions, all of the projects built on R.J. Corman's railroads will be completed by local hires that will have the opportunity to learn a new skill set. This is a major competitive advantage for the application.

R.J. Corman has also been an innovator by actively pursuing projects to reduce pollutants from diesel emissions. From 2005 to 2008, biofuel testing was conducted on the R.J. Corman Railroad Company/Cleveland Line. In an effort to reduce locomotive emissions, R.J. Corman's testing found that its locomotives, when fueled by 100% biodiesel, were not emitting any SO_2 and a record-breaking 14% reduction in NO_x emissions took place along the Cleveland line. At lesser levels of biodiesel, there was still significant improvement to the region's air quality.

Currently, in partnership with the Ohio Rail Development Commission, R.J. Corman is placing a Generator Set locomotive that meets Tier II standards on the Cleveland Line. This locomotive will dramatically reduce NO_x emissions by 80%. This locomotive will work in Stark and Summit Counties, both of which are in non-attainment. Going forward, R.J. Corman plans to add additional Generator Set locomotives on additional short lines in the Appalachian region to further reduce emissions.

Partnership

This project is a partnership between five states and R.J. Corman. The Commonwealth of Kentucky is contributing $200,000, the State of Ohio is contributing $1.3 million and R.J. Corman is contributing $7,823,892. A federal government grant in the amount of $37,295,566 will provide the final funds needed to complete this project. R.J. Corman is also committed to providing the funds necessary to maintain the improvements in a state of good repair. Letters from other states supporting the project are attached as Appendix A. Additionally, support letters from 27 shippers that currently utilize rail transportation to move their goods are attached in Appendix L. The top five companies on each of these rail lines collectively employ over 5,000 people and will expand their current operations with these rail improvements. This means more jobs and access to new markets. These companies and jobs are dependent on the

short lines to connect their products to the national rail network, seaports, intermodal terminals, and airport cargo terminals.

This project also enjoys tremendous state and Congressional support as shown in Appendix K due to all major stakeholders being involved in developing this proposal.

Lastly, as mentioned above, R.J. Corman already has contacted organizations in the five states that will assist in identifying and recruiting unemployed citizens in the Appalachian region. This will help provide stimulus funding directly to economically distressed areas.

R.J. Corman has also partnered with economic development agencies to help site new facilities alongside its rail lines. One example is a new ethanol plant in Pennsylvania that will come online by November 2009. By partnering with these types of agencies, R.J. Corman is able to help keep additional trucks off the highway. In order for companies to build their distribution facilities near short lines, they need assurances that the rail line will be upgraded in order to move 286,000 pound railcars, the new industry standard.

Start and Completion Date

Each of these projects will be started within 60 days of the grant award as shown in the Gantt chart in Appendix G. All the work will be performed within the existing right-of-way; therefore, no permits are needed. The 60 days will be spent procuring the materials and hiring labor in the specific regions as outlined above. Each project will be completed within 18 months of the grant award, in time to meet the statutory deadline of February 17, 2012.

Technical Feasibility

R.J. Corman has worked with each of the five states and has discussed the proposed Project in depth. The Project is limited to work on existing railroad right-of-way, has no environmental issues, and no additional permits are needed. The scope of work proposed would meet the objectives discussed earlier in the application—allow more trucks to be converted to rail to reduce congestion on the highway system, decrease greenhouse gas emission, provide a safer highway system, and provide needed jobs for local communities.

Financial Feasibility

R.J. Corman has developed a detailed cost estimate for the Project and has vetted it with an engineering firm and a railroad construction company to ensure that the cost estimates are realistic. In addition, R.J. Corman has committed funds from existing cash flows to maintain the infrastructure improvements for the life of the materials installed. The Commonwealth of Kentucky and the other four states involved with the application continue to support investments in rail infrastructure and other intermodal projects, which will ensure that R.J. Corman's short lines continue to have better connections to other modes of transportation.

The matching funds committed by R.J. Corman are identified and can be expended immediately. All funds will be expended prior to February 17, 2012.

Transparency and Accountability

Kentucky, Ohio, West Virginia, Tennessee and Pennsylvania support the Administration's desire to have full transparency for all ARRA projects. The TIGER discretionary grants require regular updates on job creation numbers, funds expended, percentage or work completed, the number of indirect jobs created etc. R.J. Corman has committed to send monthly figures to the respective state Departments of Transportation, so accurate reporting can be provided to U.S. DOT. R.J. Corman also has committed to providing data certified by an independent consultant to give states additional assurance that funds are being committed and expended as proposed in the application and that the commitments made by R.J. Corman are adhered to throughout the life of the project.

Additionally, federal wage certification letters are attached as Appendix I.

Specific Project Summaries

Memphis Line, Kentucky & Tennessee

This line runs 98 miles from South Union, *Kentucky* to Cumberland City, Tennessee and serves 33 customers. It connects to CSX at two locations. The largest customer on this line, Logan Aluminum, moves 11,000 overweight (special permit) trucks of aluminum ingots from Berea, Kentucky to Bowling Green, Kentucky across various Kentucky roadways. In conjunction with CSX, Corman now moves 100% of this traffic via The Aluminum Corridor. This route is home to unit trains traveling between Berea and Bowling Green, Kentucky via Lexington and Louisville daily. Most of Logan's outbound production now moves via truck. Increased weight capacity and improved service would offer a chance to convert several thousand more trucks to rail. The largest five customers—Logan Aluminum, South Union Elevator, Quebecor, Sun Products, and Precision Strip—shipped over 8,200 carloads by rail last year, keeping over 24,000 trucks off the highway. These five customers have a total of 1,650 employees.

- **Rehabilitation needed includes 65,800 crossties, 13,000 tons of ballast, 64 miles of surfacing, and repair of 25 bridges.**
- **34,600 man-hours will be created in counties currently experiencing 8.20% to 11.60% unemployment.**
- **The total cost of this project is $7,056,856.**
- **The project will require the purchase of $480,000 of new capital equipment.**
- **R.J. Corman will contribute 20% of the funds.**

Central Kentucky Line, Kentucky

This line runs 128 miles from Winchester through Frankfort to Louisville and serves 42 customers. It connects with CSX at Winchester and Louisville and with Norfolk Southern at Lexington. This line has been a success story. When it was acquired from CSX in 2005, it handled 5,000 carloads a year. This year it is projected to handle over 20,000 carloads. The additional 15,000 carloads came from the conversion of truck traffic, which keeps approximately 45,000 trucks off of Kentucky's highways each year. The savings in road repair, increased road safety and reduced carbon emissions in Kentucky have been significant. This line is part of the "Aluminum Corridor" that was discussed above under the Memphis Line. In addition, R.J. Corman also operates a sand freight unit train handling approximately 3,500 tons of sand every other day between Louisville and Lexington, Kentucky. The traffic handled by the sand train removes over 32,000 trucks per year from Interstate 64 and Interstate 75. By diverting the aluminum and sand traffic to rail, the surrounding communities and the state of Kentucky have benefited from reduced traffic congestion, reduced pollution, reduced wear and tear on the roadways, and increased safety. Additionally, this short line provides CSX the ability to reroute trains between two of its main lines to mitigate congestion.

- **Rehabilitation needed includes 80,000 crossties, 35,000 tons of ballast, 79 miles of surfacing, and repairs to 66 bridges and underpasses.**
- **39,848 man-hours would be created in counties currently experiencing 7.40% to 10.50% unemployment.**
- **The project will require the purchase of $550,000 of new track machinery.**
- **The total cost of this project is $10,105,190.**
- **R.J. Corman will contribute 20% of the funds.**

Bardstown Line, Kentucky

This 20-mile line connects with CSX, runs to Bardstown and serves six customers. In addition to freight, R.J. Corman also operates "My Old Kentucky Dinner Train," which is a significant tourist attraction for the state of Kentucky and is considered recreational transport. The top five customers—Orbis Corp, Fuji, Constellation Spirits, Jim Beam Brands, and Polyair—moved over 300 carloads last year. This line, which was once slated for abandonment by CSX, needs new ties, surfacing, road crossing renewal, and bridge repairs. This rail line keeps over 900 trucks off the highway each year.

- **Rehabilitation needed includes 16,000 crossties, 10,000 tons of ballast, 20 miles of surfacing and bolt tightening, and repairs to two bridges.**
- **10,256 man-hours would be created in counties currently experiencing 11.30 to 14.20% unemployment.**
- **The total cost of this project is $1,971,260.**
- **R.J. Corman will contribute 20% of the funds.**

Cleveland Line, Ohio

This 55-mile railroad serves 12 customers and runs north from Uhrichsville to Warwick (near Akron) where it interchanges with CSX. It has an interchange at Massillon with Norfolk Southern and connections to two other short line railroads. The largest five customers—National Lime & Stone, Dover Chemical, Arizona Chemical, Frito Lay, and New Altivity Packaging—shipped 2,860 carloads last year, most of which were hazardous chemical products. These five customers have a total of 712 employees and keep approximately 9,000 trucks off the highway each year.

- **Rehabilitation needed includes 24,500 crossties, 37 miles of surfacing, welding of 200 open rail joints, and repair of five bridges.**
- **18,424 man-hours will be created in counties currently experiencing 9.60% to 10.80% unemployment.**
- **The project will require the purchase of $480,000 of new capital equipment.**
- **The total cost of this project is $3,530,568.**
- **R.J. Corman will contribute 20% of the funds.**

Western Ohio Line, Ohio

The Western Ohio cluster of lines runs 105 miles serving 19 customers. Its physical condition had deteriorated to such a state that it had been proposed for abandonment by Norfolk Southern and CSX. R.J. Corman bought and leased segments of the cluster, and three Ohio counties formed a Port Authority to purchase the remainder (R.J. Corman operates the rail lines for the Port Authority). Customers such as The Andersons, Mercer Landmark, Crop Production Services, Precision Strip and Omnisource, who collectively shipped over 3,900 carloads last year, are dependent on this line to connect to the national rail network.

- **Rehabilitation needed includes 30,700 crossties, 23 miles of surfacing, and repair of 11 bridges.**
- **11,096 man-hours would be created in counties currently experiencing 9.00% to 14.60% unemployment.**
- **The project will require the purchase of $480,000 of new capital equipment.**
- **The total cost of this project is $2,499,272.**
- **The State of Ohio has committed $1,300,000.**

Pennsylvania Line, Pennsylvania

This short line runs 254 miles, serves 16 customers, and carries over 16,000 outbound carloads of coal mined by small, rail-dependent producers. The line requires immediate rehabilitation due to the aging infrastructure. R.J. Corman has recently financed drainage improvements, but problems persist. Rehabilitation is necessary to increase capacity for existing customers and to help attract new customers to locate on the line. Upgrades to the line will position these coal

producers to take advantage of the recent surge in the export coal market – a 37.8% increase over last year. This line keeps approximately 50,000 trucks off the highway each year.

- **Rehabilitation needed includes 77,000 crossties, 14 miles of new rail, 48,000 tons of ballast, 101 miles of surfacing, and repair to 31 bridges and tunnels.**
- **56,728 man-hours would be created in counties currently experiencing 5.90% to 11.30% unemployment.**
- **The project will require the purchase of $480,000 of new capital equipment.**
- **The total cost of this project is $18,650,832.**
- **R.J. Corman will contribute 20% of the funds.**

West Virginia Line, West Virginia

This short line runs 16 miles and serves four customers—Pioneer Coal Fuel Corporation, Georgia Pacific, Austin Powder and Tanner Industries—that moved 11,600 carloads last year, most of which was coal destined to power plants and export markets. This line keeps 34,800 trucks off the highways each year. Since this line moves over 1,000,000 tons of coal per year, it requires a track structure that can safely handle large six-axle locomotives and coal cars loaded to a gross weight of 286,000 lbs.

- **Rehabilitation needed includes 12,000 crossties, replacement of one mile of curved rail, 6,500 tons of ballast, 15 miles of surfacing, installation of 14,000 rail anchors, 2,200 welds of open rail joints, and repair of five bridges.**
- **14,536 man-hours would be created in a county currently experiencing 7.90% unemployment.**
- **The total cost of this project is $2,207,660.**
- **R.J. Corman will contribute 20% of the funds.**

Tennessee Terminal Line, Tennessee

R.J. Corman took over terminal switching from BNSF in 2006. The operations serve over 40 customers handling a large variety of commodities in the Memphis, TN and Olive Branch, MS areas. Last year, R.J. Corman handled over 5,000 carloads for the top five customers, including Solae, Wagner Industries Inc., Macaroy Enterprises, Meritex Logistics, and Quebecor World USA. This line keeps 15,000 trucks off the highway each year. As the Memphis region secures its position as a leading national logistics center, the yard's role in maximizing intermodal movements there grows more important every day. A seamless intermodal system of goods movement offers these two states, and the country, a source of future economic growth.

- **Rehabilitation needed includes 3,400 crossties, 2,500 tons of ballast, and five miles of surfacing.**
- **4,280 man-hours would be created in counties currently experiencing 7.50% to 8.90% unemployment.**

- **The total cost of this project is $597,820.**
- **R.J. Corman will contribute 20% of the funds.**

R.J. Corman Railroad Group, LLC (Company Background)

R.J. Corman is headquartered in Nicholasville, Kentucky. It owns/leases and operates nine short line railroads, totaling roughly 722 miles, all of which are spin-offs from Class I Railroads. The short line operations are located in Kentucky, Ohio, Pennsylvania, Tennessee, and West Virginia, where rail offers small businesses a low cost option to ship goods. In addition to these rail companies, R.J. Corman is the owner of several independent business entities providing a full array of services to the rail industry, including railroad construction, derailment services, logistics and distribution services, and railroad material management.

Grant Request Supporters

R.J. Corman's request for ARRA funds is supported by a diverse group of elected officials, shippers and rail stakeholders due to the significant economic impact the Project will have on the region. This list of supporters includes:

The Honorable Joseph B. Scarnati III (R-PA)

The Honorable Mitch McConnell (R-KY)
The Honorable Ben Chandler (D-KY)
The Honorable Brett Guthrie (R-KY)
The Honorable Harold "Hal" Rogers (R-KY)
The Honorable Bill Shuster (R-PA)
The Honorable Zack Space (D-OH)
The Honorable Geoff Davis (R-KY)
The Honorable John Boccieri (D-OH)
The Honorable Glenn Thompson (R-PA)
The Honorable Ed Whitfield (R-KY)
The Honorable Sherrod Brown (D-OH)
The Honroable George Voinovich (R-OH)
The Honorable Arlen Specter (D-PA)
The Honorable Jim Bunning (R-KY)
The Honorable John Duncan (R-TN)
The Honorable Alan Mollohan (D-WV)

Note: Some of the support letters from the people listed above are attached in Appendix K while others were sent directly to U.S. DOT.

Kentucky Transportation Cabinet
Ohio Rail Development Commission
Tennessee Department of Transportation
West Virginia Department of Transportation

Advanced Drainage Systems, Inc.
American Fuji Seal, Inc.
ARCO Aluminum, Inc.
Arizona Chemical
BioEnergy International, LLC
Bluelinx
Bruns Building & Development Corp.
Cresson Steel Company
Douglas Explosives, Inc.
Foundation Energy Sales, Inc.

Harrod Concrete and Stone Co.
Haynes Trucking, LLC
J-Lok Company
Macaroy Company
Marietta Corporation
McCauley Bros., Inc.
Mercer Landmark, Inc.
Nugent Sand Company
Nyrstar
Orica USA Inc.
Precision Strip, Inc.
PSC Metals, Inc.
Scot Lubricants of PA, Inc.
Temple Inland
Veyance Technology, Inc.
W. T. Young, LCC
Washington Penn Plastic Co., Inc.

Appendix

Please visit http://www.rjcorman.com/tigergrant/.