



OREGON EASTERN RAILROAD ♦ 164 WASHINGTON ST E ♦ VALE, OREGON 97918

June 5, 2017

Oregon Joint Committee on Transportation Preservation and Modernization

Dear Co-Chairs and Members of the Committee,

I want to provide some perspective and commentary on proposed changes made by your committee to the Connect Oregon program as part of the comprehensive transportation bill. My primary concern is the proposed change to increase the minimum required matching amount to be provided by the applicant from 30% to 50%. While this proposed increase is intended to address concerns about the amount of commitment that some entities would have in these projects, I do think it could have a deleterious effect on some of the smaller potential applicants, especially the smaller shortline railroads that have been greatly assisted by this program in previous years. These smaller shortline railroads are key to the economy in their rural communities even though their small traffic volumes also translate to very low revenue generation. In past years, some of the shortlines have found participation in the Connect Oregon program somewhat challenging due to the required match. This situation worsened with the change in the last Connect Oregon round from 20% to 30%. The OERR did ultimately submit a successful application to address some bridge issues but it was very hard to justify our required match given our small operation. Any increase in the required match would likely make participation more challenging and would result in much fewer opportunities to put this program to work in some of the rural areas of greatest need.

This situation is definitely true for our railroad in the eastern Oregon. The railroad serves one of the larger employers in Malheur County, Eagle Picher Minerals, as well as several agricultural customers. It has been a successful applicant in past Connect Oregon programs albeit with small scale projects dictated primarily by its ability to fund the required match. It needs additional investment to ensure that its basic infrastructure is adequate for today's larger 286,000 lb railcars. Our ability to submit a meaningful project application under the program will be further negatively impacted by raising the minimum match amount required.

I understand the goal of the change is to ensure that entities participating in the Connect Oregon program make an appropriate commitment of their own funds as well. This is a laudable goal and for Oregon's larger railroads, this change should not have a significant negative impact as many projects have been submitted with greater than the minimum required match. For several of Oregon's smaller railroads, this will not be the case however. Based on my experience with the program since its inception, I know of at least 3-4 other railroads that would likely struggle to submit meaningful projects under the proposed change. These railroads all serve very rural areas of the state and have been some of the best examples of the success of the Connect Oregon program. The communities that they serve desperately rely on rail service to connect them to national and global markets. They would be devastated should they lose that rail service.

My other concern with the proposed revisions to the Connect Oregon program related to the creation of Part 1 and Part 2. Although it appears that Class III railroads can apply under either Part, the wording of the criteria would appear to put small Class III shortlines at a significant disadvantage to the other eligible modes in both parts. The original genesis of the Connect Oregon program was in part to ensure a funding source for the small shortlines to preserve and enhance this network of rural rail service that was at significant risk. Traditional infrastructure preservation and improvement projects which have made up the bulk of previous successful shortline applications would appear to fall under Part 1. The stringent rail criteria under Part 2 coupled with the change in match requirements would make funds under this Part virtually inaccessible to the Class III railroads in the state. I can only think of one or two shortline rail projects in the entire history of Connect Oregon that would have scored well under this



OREGON EASTERN RAILROAD ♦ 164 WASHINGTON ST E ♦ VALE, OREGON 97918

criterion and the 50% match requirement would have likely made these projects non-viable for the applicant.

In short, the above described changes will result in reduced access for Oregon's shortline rail network to the highly successful Connect Oregon program. This is especially disappointing as one the greatest elements of for Connect Oregon to date has been the positive impact it has had in retaining and improving Oregon's most at risk rail infrastructure. Thank you for giving me the opportunity to comment and let me know if I can be further assistance.

Regards,

A handwritten signature in black ink, appearing to read "Bruce Carswell".

Bruce Carswell
Senior Vice President
(575) 361-1810