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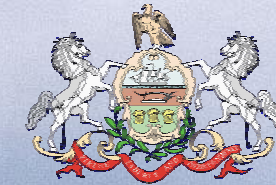
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Project Planner

The State Transportation Advisory Committee (TAC) is an independent body that consults with and advises the State Transportation Commission (STC) and the Secretary of Transportation in planning, development and maintenance programs, and technologies for transportation systems. It includes 30 members: eight ex officio members, the Secretary of Transportation, the Director of the Governor's Office of Policy Development, Chairman of the Public Utility Commission, the Secretaries of Community and Economic Development, Education, Environmental Protection, and Agriculture; two members of the House of Representatives appointed by the Speaker and two members of the Senate appointed by the President Pro Tempore; and 18 additional public members, seven appointed by the Governor, six by the Speaker and six by the President Pro Tempore.

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**Pennsylvania State
Transportation
Advisory Committee**

The Economic Impact of Railroads in Pennsylvania

JANUARY 2005

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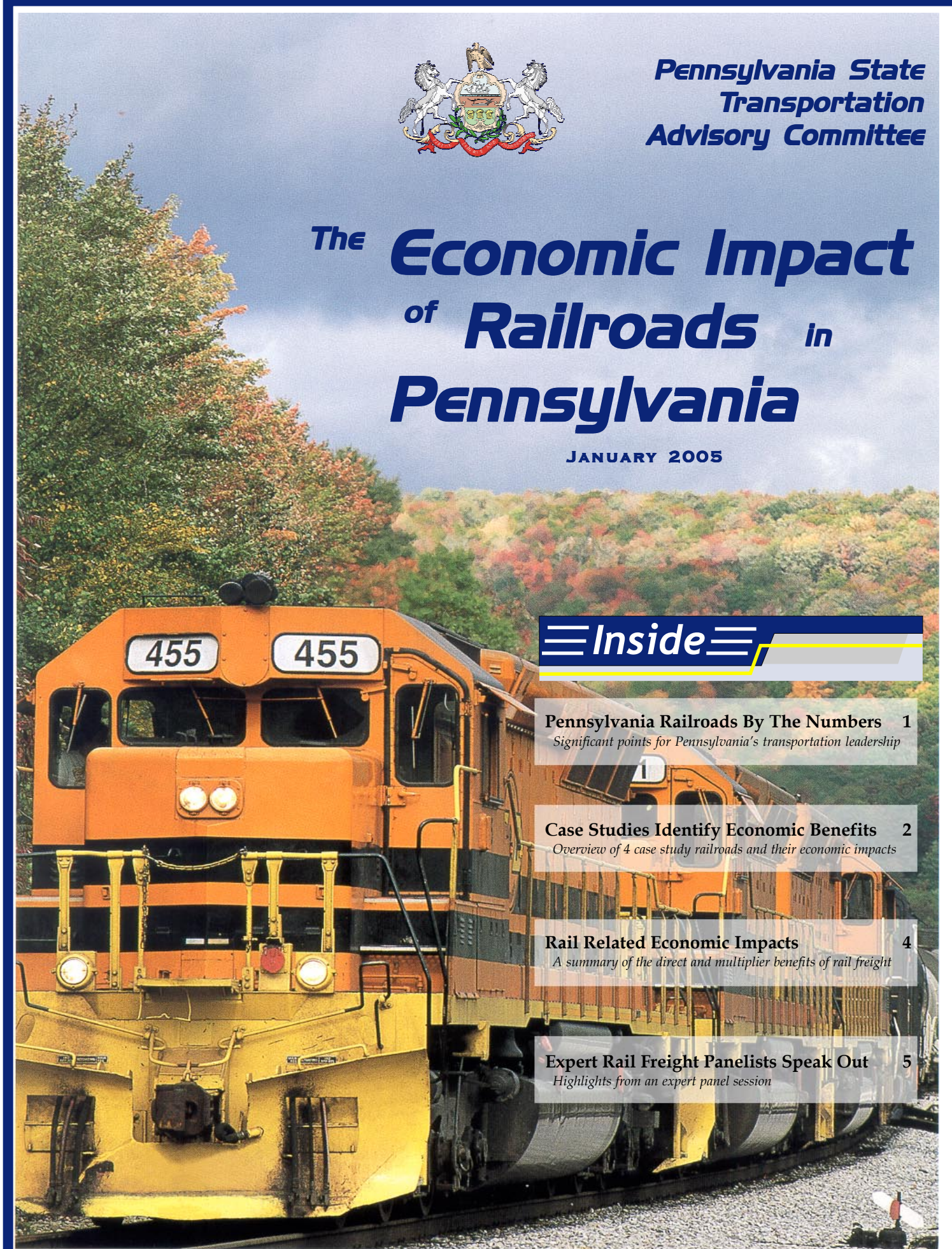
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Since the construction of the first railroad in Pennsylvania in 1809...

...the importance of rail freight to the Commonwealth has grown dramatically. In the 200 years since that first railroad was built in Delaware County, Pennsylvania's railroad industry has weathered many ups and downs, from the rise and fall of the Pennsylvania Railroad, to the era of deregulation, to today's intermodal system - where the door to door convenience of truck service combines with the long distance economy of the railroad.



Through the Great Depression, World War II, mergers and the rise of the trucking industry, Pennsylvania's rail freight industry has not only survived, but thrived.

The Commonwealth remains a leader nationally in several rail freight indicators, not only in the number of rail operators, but in its support of rail freight and rail freight initiatives.

The economic impact of Pennsylvania's railroads can be measured in many ways, not only through the thousands of well-paying jobs they bring, but also through tax revenues and indirectly through the many suppliers which rely on rail freight for their livelihood.

With the ongoing globalization of our economy and the growth that will certainly bring in the volume of goods being moved, Pennsylvania must continue in its role as "the Keystone State", not only from a national, but global perspective. The role and value of the Commonwealth's vast rail freight industry will remain an important part of that story.

This summary highlights the findings of TAC's study evaluating....

For the full report visit the PennDOT website (www.dot.state.pa.us) and go to the Transportation Advisory Committee page or Contact Anita Everhard at 717-787-2913

the economic impacts of railroads in Pennsylvania

Mary Worthington
TAC Economic Impacts of Railroads on Pennsylvania Task Force Chair

Expert rail freight panelists speak out...

On October 6, 2004, the TAC hosted an Expert Panel Forum, with representatives of major rail freight interests throughout the Commonwealth. TAC Task Force Chair Mary Worthington led along with Larry Malski of the Lackawanna County Railroad Authority.

Specific highlights from the panelists' discussion included the following:

on Short Lines...

Pennsylvania's short line and regional railroads...

- Connect rural communities to the global market.

Pennsylvania has 59 short line and regional railroads... more than any other state in the nation

- Provide the customized service that shippers require.

- Collectively employ 3,200 and contribute \$1.6 million annually in state and local taxes.

- Handle 1 in 4 of all rail cars.

...the Commonwealth of Pennsylvania...

A national leader in the support of rail freight operators and rail freight initiatives



- PennDOT's Bureau of Rail Freight Assistance Program (RFAP) provides \$8.25 million of vital assistance annually to regional railroads and short lines.

- The Commonwealth's Capital Budget provides an additional \$20 million.

- Restoring the RFAP to prior budget levels resulted in an improved state rail system.

...Class 1s...

- Pennsylvania has 3 Class I carriers: CSX, Norfolk Southern and CP Rail. The largest of these (NS) employs 5,300 and has invested \$400 million in the state since 1999.

- The Class 1s continue to divest lines for potential short line expansion.

- Intermodal revenues in Pennsylvania grew 17 percent from 2003 to 2004. Half of NS' revenue is generated by 10 stations (5 of which handle coal while 5 handle intermodal shipments).

...and the future:

- Rail deregulation (through the Staggers Act) has been a catalyst for growth in Pennsylvania and nationally.

- Rail freight traffic volumes are increasing at significant rates, with growth in both carloads and revenues.

- Intermodal movements are projected to overtake coal as the industry's top revenue business within the state.

"Pennsylvania is the most rail-savvy state [we] serve."

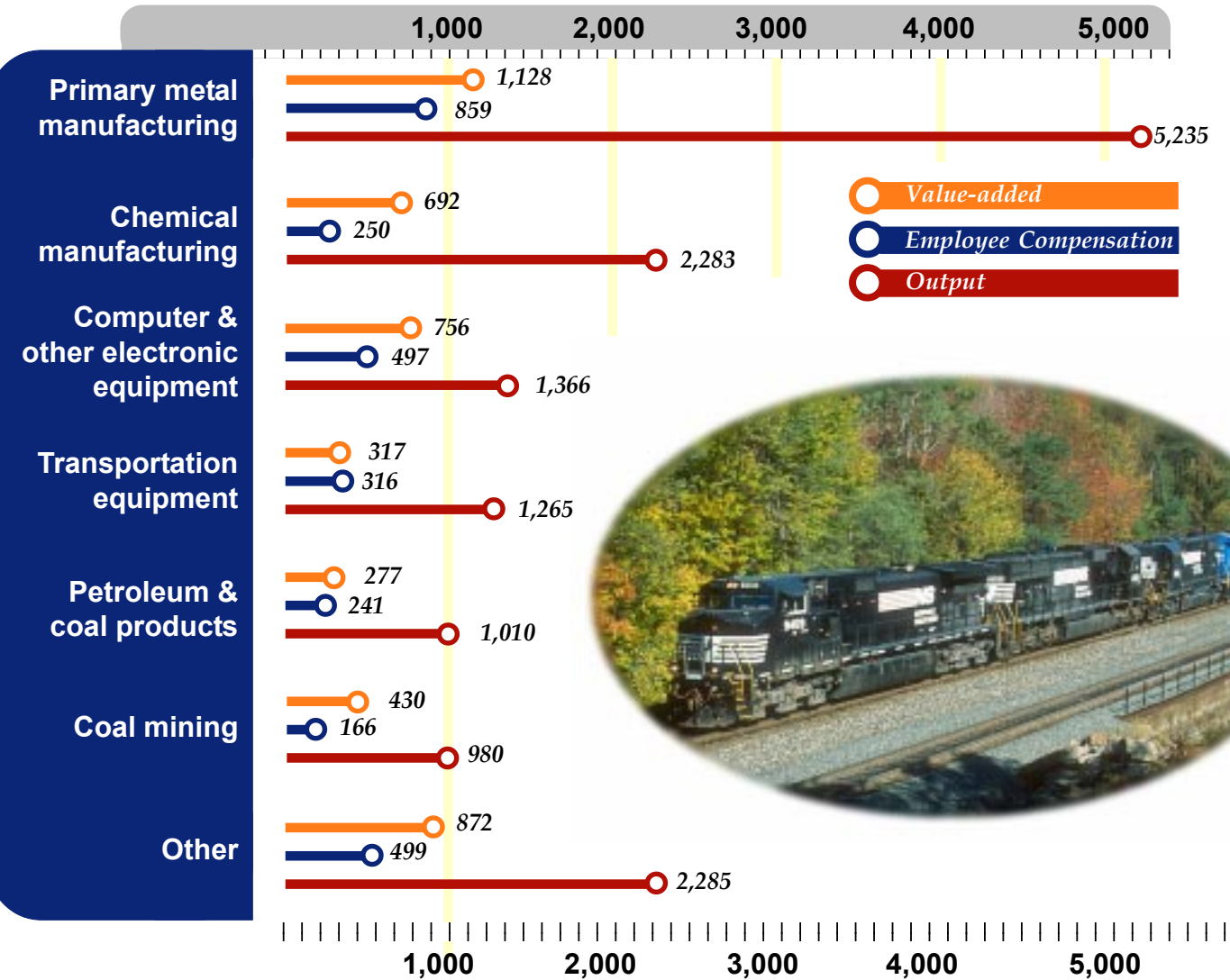
- Class I representative

Pennsylvania Rail rail-related economic impact

The economic impacts of the companies that ship by rail ripple through the state's economy, through the chain of Pennsylvania suppliers to these companies and to their employees and owners. The value of goods and services produced in Pennsylvania in 2003 that are linked to rail via these indirect, ripple effects is estimated to be nearly \$14 billion. The industries linked indirectly to rail employ approximately 107,000 Pennsylvanians and pay out \$3.6 billion per year in employee compensation.

Shipping Goods by Rail ECONOMIC IMPACTS OF PENNSYLVANIA INDUSTRIES

(Economic Impact in \$ millions)



Pennsylvania Railroads by the numbers

62 Number of railroads operating in Pennsylvania (more than any other state in the U.S.)

5,100 Rail miles in Pennsylvania (5th in the U.S.)

4 Average number of trucks each railcar removes from Pennsylvania's highways

7,565 Total number of Pennsylvania rail freight employees

\$54,100 Average 2002 annual wage of a Pennsylvania rail freight employee (compared to the state average of \$35,000)

Millions of dollars Pennsylvania businesses receive annually from railroad purchases **\$586M**

Billions of dollars in total output related to the rail transportation sector in Pennsylvania **\$3.3B**

The value of goods (in billions) shipped by rail originating in Pennsylvania **\$14.4B**

Billions of dollars from rail and rail-related activities within Pennsylvania **\$27.2B**

R.J. Corman, Clearfield, PA



Case Study Railroads Identify

direct & indirect economic benefits

To evaluate the economic impact of rail in Pennsylvania, the TAC selected four railroads as case studies. Each case study revealed a wide range of economic benefits. The case study results demonstrate the vast extent of economic activity and indirect benefits associated with Pennsylvania's rail network. The four railroads included:

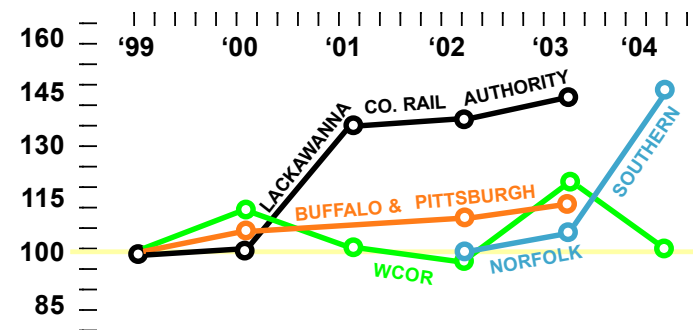
- The **Norfolk Southern** mainline from Philadelphia to Pittsburgh and Reading to Allentown
- The **Buffalo & Pittsburgh** between Punxsutawney and Bradford
- The **Delaware - Lackawanna**, and
- The **Wellsboro & Corning** Railroad.

Significant case study findings:

- Each railroad significantly benefits its shippers and communities.
- Railroad carloadings (and revenues) have increased over the past five years. ▶
- PennDOT's Rail Freight Assistance Program (RFAP) and capital budget assistance program has allowed railroads to make necessary infrastructure improvements that would not otherwise have been completed.
- Without the railroads, jobs would be eliminated and the competitive position of rail-served businesses would be greatly reduced.

Case Study Railroads ANNUAL CARLOADINGS

Annual carloadings have increased across all four case study railroads. Growth in carloadings, by carrier (1999 = 100).



Buffalo & Pittsburgh (B&P)

A regional railroad serving western Pennsylvania. Part of the Genesee & Wyoming.

- Pennsylvania's 2nd largest railroad
- Carloads increased by 13% since 1998
- Supports 31 shippers or receivers between Punxsutawney and Bradford
- State investment of \$3.5 million since 1999
- 16,500 carloadings in 2003

Delaware - Lackawanna

A 65-mile short line traversing the northeastern Pennsylvania counties of Lackawanna and Monroe

- 393 carloadings in 1985
- 7,398 carloadings in 2003
- 9 new industries since the railroad started in 1984
- Supports over 500 jobs
- Revenues increased 53% between 1997 and 2001



Norfolk Southern (NS)

One of four American Class 1 railroads

- Pennsylvania's largest railroad
- Employs 5,300 Pennsylvanians (16% of its corporate total)
- \$254 million in annual payroll in PA
- \$380 million annually in equipment and services to PA-based businesses



Wellsboro & Corning (WCOR)

35-mile short line railroad based in Wellsboro, Tioga County Part of the North Shore family of railroads

- Serves three rail-dependent shippers
- Supports 400 manufacturing jobs
- Nearly half of annual revenue comes from passenger excursion trains
- In existence since Conrail buyout in 1992

