

1. Improved condition of existing transportation facilities and systems

Canadian River

The primary improvement necessary to sustain freight operations on the OKC to Shawnee rail infrastructure is first and foremost would be the stabilization of the roadbed adjacent to the North Canadian River. This area continues to be susceptible to bank erosion during weather events that result in high-water level. The North Canadian River runs adjacent to the Union Pacific route presently operated and maintained by the Arkansas & Oklahoma Railroad for 35 miles between Del City and Shawnee. Nine specific areas have been identified as areas of significant concern based on recent erosion events that continue to result in increased maintenance effort along the Canadian River. These areas have been responsible for the suspension of rail service to the Shawnee area for periods of up to weeks in

adding hundreds of thousands of dollars worth of extra freight cost to local Industries. If the river is not stabilized soon the effects could be irreversible. The railroad has spent close to \$750,000 since 2004 combating flooding and washing away of roadbed. Industries have paid close to 1million in extra freight charges do to the line being out of service for such long periods of time. This hinders the performance and production capabilities of the local manufacturers and creates a negative opinion when the local plant managers talk with other manufacturing prospects.

Tie condition

The next would be the improved track condition. Currently the track is "excepted track" status, meaning a 10mph maximum speed. The railroad must replace a minimum 5000 ties per year to maintain excepted track status. Track speed would be upgraded to class II (25mph) or class III (40mph), trains would be able to move freight 3 to 4 times faster. All 35 miles would receive new ties, and with a life span of 20 - 25 years per tie our current annual maintenance of way budget of \$454,625.80 would be reduced by one-third or more. The heat restriction limiting train movement from June to September during the hours of 11:00 to 22:00 would be a thing of the past. The imposed heat curfew is very costly to everyone because train crews must be rescheduled or may not make it all the way across the line before the trains must stop on the line, tying up the train until the next available window. There are costs associated with calling another crew, Dispatchers must be rescheduled or additional Dispatchers are needed, paying crews for deadhead time, and shuttling crews back and forth from train to depot. In some instances it could take two days to get across the line. Customers are left waiting for their commodities to arrive or arriving at an inconvenient time of day. Cost could be estimated around an additional \$5000 -\$7000 per month in payroll expenditures for the railroad. Manufactures could see losses around \$2000 -\$5000 per month in lost days, waiting on product, or rescheduling employees to unload cars spotted late at night or early in the morning.

Signals

There are over 40 crossing and crossing signals that would require upgrading or replacement. With faster train speeds the new signal technology would be vital. New technology would greatly reduce maintenance cost and allow greater accessibility to signal parts. It would also be an improvement to public safety allowing for additional crossings with gate protection. We are in the process of obtaining bids to provide an accurate cost estimate. The AOK would be able to reallocate a portion of its annual \$120,910.00 signal budget towards investing in new Signal trucks, additional training for signal employees, and increasing employee's salaries and benefits.

Span Bridges

Span type bridge structures will be upgraded from a weight restriction of 263,000 gross pounds per car to 286,000 gross pounds per car. This allows customers to get more products per car and configures this line with the other Class I Railroad's, allowing for smoother transitions between shipper and receiver. The upgrade of the bridges will save the AOK an annual cost of \$45,000 in maintenance cost alone without any planned improvements.

Overall this grant would not only benefit the 35 miles of track between Del City, Shawnee and its existing customers but would be part of a much larger rail corridor between Texas, Oklahoma, and Arkansas allowing three Class I railroads: UP, BNSF and KCS, to bridge traffic from congested lines over a more direct route through the heart of America. Shawnee and communities further south have the potential for major growth due to their low cost of living, availability of large portions of land for development and proximity to major markets, giving way to the potential for car loads to more than quadruple.

Add an additional \$20 million for upgrade to bridge structures increasing tonnage rating to 286,000

AOK: 15 employees in the Shawnee area, 40 system wide

Current annual payroll for Shawnee: \$250,000

We would add 10 new employees and employee contractors for the rehab, generating millions in payroll and subsequently pay roll taxes.

- 2. Long-term growth in employment, production or other high-value economic activity;

Rail is a differentiator and an economic asset to Oklahoma’s manufactures. Business owners are hesitant to consider any capital investments, if one of their transportation systems is in disrepair or has the threat of possible disruption. Our global economy demands that products are made better, cheaper and faster without delay or failure in the system transporting them. To add to the existing employment base of the local manufacturers, (IE, Exxon Mobil, Vanguard, TDK, Wolverine Tube, Shawnee Milling, Carbo, etc), we must assure them that their facility improvements and investments will provide a corporate or business ROI, as it relates to lower cost transportation systems. Many of the companies mentioned above have expressed concern about the growth and stability of their companies if the rail line becomes compromised. Most would not be able to operate without rail service. Growth would come in new storage facilities, warehouse distribution, investing in new technology, product diversity, expansion of existing facilities, and of course the ability for these communities to market their shortline’s service with class II track standards. Below you will find stats on long term employment growth and current data. Most would not be able to compete without rail service and therefore would go out of business or relocate.

Shawnee Economic Development stats;

2,125 employed by rail served manufacturing facilities in Shawnee area with over \$55,250,000.00 in yearly wages.

Average hourly rate of \$12.50

Economic impact from manufactures served primarily by rail ; additional jobs provided by those who serve the manufacturers sales tax on products purchased locally, property taxes by companies and employees, utilities =\$75 to \$100 million.

Improved rail service would allow Shawnee to attract new projects totaling over \$110 million in new capital investment and creating an additional \$153 million in yearly payroll. They know this because they have had not been able to submit proposals on over eight large projects due to lack of adequate rail infrastructure.

Vanguard energy group stats.

5 year expansion Business Plan:

Current Figures

Number of Employees: 85127

Land, Building and Facilities Constructed: \$4,000,000.....\$1,000,000

Monthly Payroll: \$452,000.....	\$675,340
Monthly spend on Supplies: \$985,000.....	\$1,970,000
Monthly spend on Rail, Freight: \$225,000.....	\$550,000
Annual Loc/State Sales Tax Generated: \$1,100,000.....	\$2,200,000
Annual Heavy Vehicle Road Tax Paid: \$30,000.....	\$60,000

Citizen Potawatomi Nation future plans for rail-anchored manufacturing

250 acres of land for rail-anchored manufacturing facilities/industrial park.

Estimates 300-400 manufacturing jobs

Using the Alliance for American Manufacturing multiplier as a source, they anticipate in excess of 1000 jobs will be created for the region. The CPN is integrating this rail project into our Nation’s overall Transportation Improvement Plan. This facility will not be possible without access to the existing Shawnee subdivision rail line.

McCorkle Truck Line “Carbo”

2009/2010 projects increase in car loads by 30% to 50%

Carbo ceramics has eight trans loading sites in the U.S. and adding two in Texas. They operate and maintain over 160 tractor trailers and deliver in all 48 states. It currently has six manufacturing plants in China, Russia and the United States.

TKD /BNSF served via trackage rights on AOK

Currently 200 employees

Exxon Mobil/ BNSF served via trackage rights on AOK

Average 50 railcars of polypropylene pellets per month.

It takes 4 separate truckloads each nominally driving from the gulf coast to Shawnee to equal one railcar.

Trucking of raw material creates a \$5,000 transportation cost penalty, per equivalent railcar.

Shawnee Milling Co.

70 employees

400 carloads annually

Future plans to build flat storage and buy more grain during the summer months, broker grain for local farmers. Approximately 40 to 50 more carloads per year.

Norwesco

Employees 13 people

Sales in excess of \$10 million annually

Without rail their shipping cost would increase by thousands of dollars significantly impacting their business.

Impact of Rehabilitation if the line is opened back to McAlester;

Business impact on future rail line: 980 current manufacturing jobs that have rail access and would want rail service if line was operational for Shawnee to McAlester. These manufactures would utilize the Shawnee subdivision line.

3. Improved livability of communities across the United States;

Lower maintenance cost equally more competitive rates for railroads. Using rail effectively, allows companies to lower the costs of goods brought into the area and lower the costs of goods being shipped out. Businesses can compete and citizens remain or find employment. Adequate rail also helps build upon a strong base of rail users, which adds to employment opportunities, enhancing the quality of life for citizens. Shippers and receivers across the nation will benefit from lower freight rates to and from Oklahoma.

4. Improved energy efficiency, reduced dependence on oil and reduced greenhouse gas emissions;

Trains are 2-3 times cleaner than truck emissions on a ton/mile basis. At 3,000 carloads per year, we reduce oil dependency by 10,000 barrels per year. At full capacity with new shippers originating traffic or utilizing the line as a single line haul between Oklahoma businesses; we should reduce oil dependency by no fewer than 30,000 barrels yearly. Rail is more economical, creates less traffic on major arteries, less wear on roads translating into less maintenance, safer to handle hazardous materials by rail, make our Oklahoma roads safer by reducing truck traffic, and is a greener transportation solution. Railroads consume less fuel per ton than truck resulting in reduced CO2 emissions in Oklahoma. It makes us less dependent on foreign oil.

5. Reduced adverse impacts of transportation on the natural environment;

I-40 corridor is one of the busiest Highways running through the United States. Considering that this section of Railroad alone removes over 32,000 semis per year off the highway system; railroads have a greater positive impact on our natural environment than most people realize. Rail reduces the damage occurring on the already battered roads and greatly reduces the amount of oil/ fuel being used. Streams and water ways are less affected. Highway construction is almost totally paid for by tax payer dollars where the majorities of railroads are privately operated and privately funded costing the tax payer nothing. When the natural environment interferes with transportation a solution must be found; if the Canadian River could be kept within its existing borders the river could flow more efficiently allowing less drift to be collected causing less damage to farmers land, state bridges, rule communities right-of way, and railroad right of way. This river takes hundreds of cubic feet of dirt and trees and relocates it every year causing such natural resources to be lost. Rip rap of this rail line will save millions of dollars to the community and railroad.

6. Reduced number, rate and consequences of surface transportation related crashes, injuries and fatalities;

Reducing the number of trucks on our highways reduces the percentages of accidents and in turn the hazards associated with semi trucks. This rail line has had very few at grade crossing incidences with no fatalities. Once new signals are installed this rail line will have greater protection against transportation related crashes.

7. Greater use of innovative technology and innovative approaches to transportation funding and project delivery;

8. Greater collaboration with state and local governments, other public entities, private;

AOK continues to develop unique partnerships through the redevelopment of this rail line. AOK and ODOT collaborate to secure funds for the protection of the rail line from catastrophic flooding and washing away of railway road bed. AOK and surrounding economic development agencies continue to develop new business and encourage growth of existing business. AOK facilitates ease of accessibility to local utilities, rural water districts, fiber optic companies, and Oil and Gas bore projects. AOK's charges much less for right-of-way easements, flagman protection, and boring permits than the Class I railroads. AOK has a rather unique partnership with local Native American Tribes, helping to encourage their ideas and partner to facilitate rail-anchored manufacturing facilities to benefit not only Native Americans but all Oklahomans. AOK has worked with the Core of Engineers to develop studies on Channelization of the Rivers to protect State bridges and railroad right-of way where the Canadian river threatens catastrophic erosion. AOK has been involved with the State of Arkansas to develop rail movement between our two States.

Shawnee Economic development Foundation provides support to its existing industries. SEDF is unique, in that it is a public/private partnership with the city of Shawnee contribution from \$100,000 per year to \$196,000 per year. They are asking the private sector to step up and increase its contribution as well. This money is used to help get access roads, utilities, etc. for new business. AOK partners with SEDF to provide support to such businesses looking to locate on the rail line.

9. Entities, nonprofit entities, or other non-traditional partners;

Citizen Potawatomi Nation to partner with AOK in developing the first every CPN rail-anchored industrial park.

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Credit to (Burg,Tim /Newman, C.T./McMillan,Marion/Collard,Jim) for some of the above information.