



Mr. William V. Cork
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John Spain
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Gregory B. White
Secretary-Treasurer

June 21, 2018

COMMISSIONERS

Dear Mr. Cork:

We are aware of your June 14 letter to Jim Foote, CEO CSX Transportation regarding the Southern Rail Commission (SRC) proposal to restore passenger rail along the Gulf Coast. We strongly disagree with your conclusion that restoring passenger rail service along the Gulf will negatively impact freight operations. In fact, restoring passenger rail service will provide enormous economic benefits for the region, improved connections and economic opportunities for people and businesses, while also benefiting freight rail operations. This letter describes the benefits of the project, including how the capital investments necessary to restore passenger rail service will improve freight rail operations. Restoring passenger rail service is supported by local communities and businesses from the Gulf, and their continued support will be critical to securing federal funding. Therefore, we believe it is necessary to respond to your June 14 letter, to address your concerns and clarify the enormous economic benefits associated with this project, including benefits to freight operations. We look forward to working with you to address our shared desire to ensure economic opportunity and prosperity for the Gulf Coast region.

ALABAMA
Gov. Kay Ivey
Jerry Gehman
Governor's Designee

Claire H. Austin
Corbett Bennington
Larry Watts
Gregory B. White

LOUISIANA
Gov. John Bel Edwards
Tommy Clark
Governor's Designee

Rep. Stephen Carter
Phil Jones

Rep. Walter Leger, III
Chance McKneely
John Spain

D. Jerome Wall, III
Shawn Wilson
Roy Woodruff

Restoring Passenger Rail Service Will Benefit Port and Freight Operations

Restoring passenger rail service will result in capital upgrades to the existing rail line which will add capacity and improve fluidity to the benefit of freight operations. These upgrades include installing a second track and lengthening the Claiborne siding near the Port Bienville and installing higher speed turnouts at milepost 764.2 which will allow movement at higher speeds. This represents over \$10 million in investments which will dramatically improve freight operations at no cost to the port or CSX. Indeed, this proposal to add capacity is an example of how passenger rail service can be a win-win for all parties.

MISSISSIPPI
Gov. Phil Bryant

Ashley Edwards
Kay Kell

Melinda McGrath
Jack Norris

Alice Perry
Knox Ross

Patrick Sullivan

In addition, as described later, the SRC is seeking funding to conduct a study to solve the current congestion at the New Orleans rail gateway caused by heavy freight traffic. The study, which will be conducted at no cost to CSX or the port, will further our shared goals of reducing congestion at the New Orleans rail gateway.

The SRC is seeking funding from the States of Mississippi, Louisiana and Alabama and the federal government to make siding and track improvements

along the route to improve capacity and fluidity that will benefit both passenger rail and freight trains. The state and local costs are more than offset by the economic benefits of restoring service.

Economic Impact

The proposed project is regionally and nationally significant. Regionally, restored passenger rail service will help to revive the economies of communities and States that have been impacted by Hurricane Katrina and subsequent weather events. The recreation and tourism industries have demonstrated incredible growth in Louisiana, Mississippi, and Alabama and are a key economic engine for the Gulf Coast. New transportation options will help to attract visitors and increase spending in the region. This increase in tourism will generate significant economic impact in the communities of New Orleans, Bay St. Louis, Gulfport, Biloxi, Pascagoula, and Mobile, as confirmed by a study conducted by the University of Southern Mississippi.

The Trent Lott National Center for Excellence in Economic Development and Entrepreneurship at the University of Southern Mississippi (USM), a nationally recognized institution and thought leader on economic development issues, recently released a study which confirmed that the restoration of passenger rail service will bring tremendous economic benefits to communities along the Gulf Coast. According to the study, this service will provide a conservative potential return on investment of 15:1 to the State of Mississippi, which is unheard of for an economic development project. The USM study found that there will be direct jobs created by the construction and operation of this train in addition to the standard and reasonable assumption that increased tourism will create more jobs.

According to the study, restoring Gulf Coast passenger rail will create new construction jobs (direct, indirect, and induced) between 2019 and 2022. Mississippi alone would add 70 more construction jobs per year with \$2.9 million in wages annually. These activities would also generate \$4.2 million annually in business sales.

Further, the study anticipates that tourism to the Mississippi Gulf Coast region will rise by 10% (conservatively) with the introduction of passenger rail service. The economic impact of that increase is upwards of \$242 million annually in Mississippi alone. Dr. Yuanyuan Zhang, who conducted this analysis, has determined that a 5% increase in tourism, resulting from restoring passenger rail service, is of such a high degree of certainty as to be considered “a given”. She further shared that, with an aggressive marketing campaign, a 10% increase in tourism would be readily achievable.

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ANNUAL MISSISSIPPI TOURISM IMPACTS					
Economic Changes		Impacts			
Scenarios	# of New Visitors	New Jobs	Labor Income	Value Added	Output (Direct, Indirect, and Induced)
1% increase	70,000	394	\$8,945,093	\$12,711,757	\$24,296,224
5% increase	350,000	1,969	\$44,725,466	\$63,558,787	\$121,481,120
10% increase	700,000	3,938	\$89,450,932	\$127,117,573	\$242,962,239
20% increase	1,400,000	7,876	\$178,901,864	\$254,235,146	\$485,924,479
<i>Source: University of Southern Mississippi</i>					

New Orleans is likewise a major tourism and recreation destination in the Southern United States with over 700,000 foreign visitors a year to the city. Most of these visitors are familiar with riding trains in Europe and Asia, so rail service would attract these tourists to destinations east of New Orleans and generate trips and commerce that otherwise wouldn't occur. The restored Gulf Coast passenger rail service would only add to the number of visitors to the region and lead to additional economic growth and tax revenues.

Additional Economic Benefits of Restoring This Service

- Serve a growing workforce – Louisiana, Mississippi, and Alabama have seen tremendous economic growth in sectors such as oil and gas (the Gulf Coast region accounts for more than 55% of all upstream oil and gas jobs in the country), aerospace, shipping, seafood, health care, advanced manufacturing, higher education, and the military. Passenger rail service will provide this workforce with new opportunities to travel across the Gulf Coast and make the region a more attractive place for future employers and employees.
- Attract additional sales tax revenue from casino patrons, visitors, and tourists – Casino revenues have fallen in many states across the country. For example, casino taxes in Mississippi Gulf Coast counties have decreased from \$1,258,354,511 in 2008 to \$1,192,054,573 in 2017. Increased transportation access will bring more visitors to Gulf Coast casinos, increase the business viability of these important job creators, and enable the States to generate additional tax revenues.

- Create train manufacturing jobs – The Southern Rail Commission and the three States have the option to purchase two train sets (total cost \$25 million) from Spanish manufacturer Talgo. In exchange, Talgo would site a new railcar maintenance facility, and possibly a new assembly plant, in Mississippi. Construction of the two facilities would bring in \$14.9 million of business sales, supporting 244 jobs with \$10.2 million of wages during the construction period. The total economic output to Mississippi of constructing the maintenance facility would be \$15.1 million while the potential economic output for the assembly plant construction would be \$158.7 million. Ongoing maintenance, overhaul, and assembly plant jobs at the Talgo facilities in Mississippi would create 391 jobs with \$19.7 million of wages annually, generating \$102.9 million of total economic output.
- Aid communities with very high poverty rates – According to the U.S. Census Bureau's *2012-2016 American Community Survey*, poverty rates are significantly higher in Alabama (18.4%), Louisiana (19.7%), and Mississippi (22.3%), as compared to national levels (15.1%). These populations often cannot afford to own a car. A large number of households have no vehicle available in Alabama (6.4%), Louisiana (8.4%), and Mississippi (6.8%), with over 20% of persons in New Orleans and 8% in Mobile lacking a car.¹ New passenger rail service will provide vital mobility options for struggling families with limited means of transportation.
- Improve accessibility for growing senior populations – A significant elderly population (over 60 years old) calls Alabama (22.3%), Louisiana (20.5%), and Mississippi (21.2%) home.² This population often does not feel comfortable travel by vehicle over long distances. Restored passenger rail routes will help to connect seniors to destinations across the Gulf Coast and beyond.

Both freight and passenger rail service are economic drivers and the Gulf Coast needs both. The Southern Rail Commission does not view this proposal as a competition between passenger and freight rail service for funding. There is no public transportation mode (automobile, train, plane, boat) that doesn't operate without some public funding and the state-supported train routes like the New Orleans-Mobile service that have been implemented have been widely successful and generally require limited subsidy, if any. The USM study clearly shows that the passenger train service will become a vital cog of Mississippi's Gulf Coast economy just as the existing freight rail service is currently. The proposal put forth by the SRC provides a viable path for the Gulf Coast to have both economic winners.

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¹ <http://www.governing.com/gov-data/car-ownership-numbers-of-vehicles-by-city-map.html>

² U.S. Census Bureau, *2012-2016 American Community Survey*

Background

In 2015, under the leadership of Senator Wicker and funded by then-Senator Cochran, Congress directed the Federal Railroad Administration (FRA) to convene a working group to evaluate the feasibility of intercity operations between New Orleans, Louisiana, and Orlando, Florida, and to submit a report to Congress identifying plans, costs, funding options, and potential benefits for the restoration of passenger rail service. In response to Congress's mandate, the Gulf Coast Working Group was convened and included representatives of FRA, Amtrak, CSX, the Southern Rail Commission, State departments of transportation, local elected officials, metropolitan planning organizations, businesses, and tribes representing the interests of communities in Louisiana, Mississippi, Alabama, and Florida.

In July 2017, the Gulf Coast Working Group submitted its final report to Congress. The report identified two daily state-supported trains between New Orleans and Mobile on a former Amtrak route as the preferred option among the studied alternatives, with high ridership demand and low operating funding needs. This restored service is also expected to expand Gulf Coast markets for tourism and business travel; reduce vehicular congestion on I-10; improve access to jobs, education, and health care; and serve as an evacuation route for disaster and emergency response in a region susceptible to coastal storm events.

CSX is a member of the Gulf Coast Working Group and has participated in efforts to determine the feasibility of restored passenger rail service between New Orleans and Mobile. CSX owns 140 miles of rail line and will serve as a host for restored Amtrak runs. This segment currently serves only freight rail. Freight operations are largely unscheduled and can vary from day to day based on the needs of local customers, the varying arrival of freight trains from connecting railroads, and general levels of freight traffic. Overall freight traffic on the line is relatively low and, according to CSX's own data, the number of trains traveling this division has been reduced over the last two years. In addition to the reduction in freight train traffic, CSX has closed the intermodal ramps in New Orleans and Mobile (Gentilly and Siebert Yards).

Notwithstanding the low level of freight traffic between New Orleans and Mobile, CSX continues to insist that while the existing infrastructure is adequate for freight operations, any passenger train service, even if it's just one train a day, would cause significant harm to their freight operations because of physical limitations (e.g., limited space within/adjacent to rail yards and bridge crossings) and that it would not be feasible to operate passenger trains on schedule.

CSX engaged the consulting firm HDR, Inc. to perform rail service modeling and identify infrastructure improvements necessary to accommodate on-time passenger rail service. This effort identified more than \$2.3 billion in infrastructure upgrades, including lengthening existing passing sidings throughout the route, installing new tracks and yard improvements, wholesale bridge replacements, and other projects. CSX's entire capital program for 2018 is \$1.6 billion, so this cost estimate is 1.5

times the amount the company will spend on its entire network in 2018. Even with all those potential improvements, CSX said the passenger train service wouldn't reach 80% on-time performance. Although FRA funded the report, CSX refused to release individual projects and cost estimates, claiming it was proprietary information. This action prevented the Gulf Coast Working Group from comparing the different cost estimates and bridging the divide.

Congress rejected the CSX infrastructure estimate as overstated in the [report language](#) accompanying the FY18 Omnibus Appropriations bill ([Public Law 115-141](#)) and directed the Gulf Coast Working Group to continue with FRA/Amtrak's capital estimates. Separately, FRA recommended a list of infrastructure improvements for the CSX-owned line between New Orleans and Mobile that would be necessary to relaunch passenger rail service. This work, valued at approximately \$96 million, includes: additional yard bypass tracks; improvements to passing sidings; addition of higher speed turnouts to existing siding tracks; upgrades to miter joints on moveable bridges, which would allow for higher speeds; and other projects.

FRA, the Southern Rail Commission, and Amtrak have tried to work cooperatively with CSX to jointly assess intercity rail needs and reach an agreement on the equitable distribution of costs for improvements. CSX unfortunately has been a hostile and unwilling partner throughout this entire process, in violation of the law giving Amtrak access to freight tracks as long as they pay the incremental cost. The Southern Rail Commission, however, remains hopeful now that Amtrak has officially notified CSX of its intent to run service, Amtrak and CSX can reach an amicable and reasonable agreement on the level of capital improvements necessary to ensure the smooth flow of freight and passenger trains.

After extensive study, the Gulf Coast Working Group concluded that restoring passenger rail service will not impact freight rail operations. The Federal Railroad Administration was part of that Gulf Coast Working Group and studied the capacity along the line and approved the final conclusion that there was no impact to freight rail operations. In addition, the capital improvements are designed to add capacity and improve fluidity.

Amtrak has extensive experience with starting and operating passenger rail service and currently operates service in 21 states over multiple freight railroads. Over Amtrak's 21,000 mile network, CSX accommodates more Amtrak passenger trains than any freight railroad in the country.

The following responds to the specific concerns outlined in your letter with regard to the impact on freight operations. As outlined below, restoring passenger service will result in improved freight operations today and additional capacity for tomorrow.

- Congestion on our navigable waterways due to closure of movable bridges impacting barge and boat traffic.
 - The Facts: The Coast Guard has committed to work with Amtrak on the timing of bridge closures to minimize impact to barge and boat traffic or passenger and freight trains. The Coast Guard has expressed

confidence that this can be accomplished given the fact that the passenger trains will have regular schedules, unlike most freight operations. In fact this is an improvement over the status quo where freight train and barge/boat traffic are not coordinated often resulting in delays. Ultimately, CSX and the port should benefit from the increased coordination between the Coast Guard, Amtrak, and CSX.

- Unplanned directional changes on the single-track operations required by the passenger train schedule.
 - The Facts: The passenger trains will operate on regularly publicly posted schedules. Like many other routes with both freight and passenger trains, the host railroad, if it chooses, can work effectively with Amtrak to ensure smooth operation of both freight and passenger trains. If CSX and Amtrak work effectively together, there should be minimal unplanned direction changes. Amtrak is committed to working with CSX to ensure minimal disruption to passenger and freight operations utilizing the ten existing controlled sidings between New Orleans and Mobile.
- Accommodating passenger trains slowing at stations east of Port Bienville.
 - The Facts: The passenger trains will operate on regularly publicly posted schedules and it will be widely known when the passenger trains will be making station stops. Similar to unplanned directional changes, host railroads, if they choose to, work in partnership every day with Amtrak across the country to accommodate both passenger and freight trains. The SRC is confident Amtrak could likewise do that here.
- Waiting upon disruptively late passenger trains (previous history indicates a seven percent on time rate).
 - The Facts: The proposed daily service between New Orleans and Mobile is an entirely different concept and is not comparable to the previous 3 day a week long distance train. The New Orleans to Mobile train service will operate over a much shorter distance (~143 miles) and will operate during the day on a regular schedule. State supported routes in other states like Maine and North Carolina have achieved excellent on time-performance and there is every reason expect that this train will have the same outcome.
The previous passenger train service ran 3 days a week from Los Angeles through New Orleans before reaching Port Bienville, usually at night. That distance was several thousand miles and operated over numerous different host railroads, making it difficult to achieve on time performance.
- Slowing or stopping freight to accommodate a passing passenger train.
 - The Facts: Every day across the country, Amtrak works with host railroads to accommodate higher speed passenger rail trains and

slower freight trains. The host railroad, if it chooses, can work effectively with Amtrak to ensure smooth operation of both freight and passenger trains. Finally, as mentioned above, the Southern Rail Commission is proposing to add additional capacity (at no cost to the port or CSX) through sidings to improve fluidity.

- Westbound passenger trains having to slow down or stop before entering the “back belt” of the congested New Orleans rail gateway, where six of the seven largest railroads in North America interchange hundreds of thousands of railcars per year and trains wait to cross the Huey P Long Bridge over the Mississippi River.
 - The Facts: There are many freight trains that operate through the “back belt” in New Orleans on a daily basis. According to the Gulf Coast Working Group, four additional trains operated by Amtrak will not have a significant impact on the congestion experienced at the rail gateway. These Amtrak trains will operate over less than four miles of track on the eastern side of the “back belt”, where Amtrak trains currently operate. The SRC has agreed to seek funding to study this rail gateway in order to solve the current congestion caused by heavy freight traffic. The SRC is working with Members of Congress to ensure that this funding is available. The study, which will be conducted at no cost to CSX or the port, will further our shared goals of reducing congestion at the New Orleans rail gateway.

Thank you for the opportunity to respond to your letter, clarify misconceptions, and explain the economic benefits of restoring Gulf Coast passenger rail, including to freight operations. Please do not hesitate to contact us if we can be of further assistance.

We look forward to working with you to restore this service, for the benefit of our wonderful Gulf Coast region.

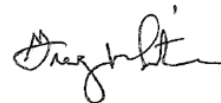
Sincerely,



John Spain
Chairman



Knox Ross
Vice-Chairman



Greg White
Secretary/Treasurer

Cc:

Mr. Jim Foote, CEO CSX Transportation

Phil Bryant, Governor of Mississippi

US Senator Roger Wicker

US Senator Cindy Hyde Smith

Congressman Steven Palazzo

Mr. Glenn McCollough, Executive Director of Mississippi Development Authority

Melinda McGrath, Executive Director of Mississippi Department of Transportation
Rick Gilbrech, Director of NASA Stennis Space Center
Mr. Blaine LaFontaine, President Hancock County Board of Supervisors
Mr. Scotty Adam, Vice-President Hancock County Board of Supervisors
Mr. David Yarborough, Supervisor Hancock County Board of Supervisors
Mr. Greg Shaw, Supervisor Hancock County Board of Supervisors
Mr. Darrin "Bo" Ladner, Supervisor Hancock County Board of Supervisors
Mr. Michael Favre, Mayor City of Bay St. Louis
Mr. Doug Seal, Councilman City of Bay St. Louis
Mr. Gene Hoffamn, Councilman City of Bay St. Louis
Mr. Jeffery Reed, Councilman City of Bay St. Louis
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