

PUBLIC VERSION
(No highly confidential version of Volume II)

222513



BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 35130

CENTRAL OREGON & PACIFIC RAILROAD, INC. – COOS BAY RAIL LINE

REPLY OF THE OREGON INTERNATIONAL PORT OF COOS BAY

VOLUME II – EXHIBITS

ENTERED
Office of Proceedings
JUN - 3 2008
Port of
Public Record

Sandra L. Brown
Michael H. Higgins
David E. Benz
TROUTMAN SANDERS LLP
401 Ninth Street, NW
Washington, DC 20004-2134
(202) 274-2959 Phone
(202) 654-5603 Fax
sandra.brown@troutmansanders.com
michael.higgins@troutmansanders.com
david.benz@troutmansanders.com

*Counsel for the Oregon International
Port of Coos Bay*

June 3, 2008

VOLUME II – EXHIBITS

	<u>TAB</u>
Southport Forest Products letter to STB, dated Oct 19, 2007	1
Port of Coos Bay letter to STB, dated Oct 31, 2007	2
Chairman Nottingham letter to Port of Coos Bay, dated Nov 19, 2007	3
Timeline	4
Shannon & Wilson 1994 Report	5
Richard Shankle (Oregon DOT) e-mail to John Johnson (Oregon DOT), dated Jan 9, 2007	6
Dan Lovclady (CORP) letter to Port of Coos Bay, dated Aug 3, 2005	7
Milbor-Pita 2004 Report	8
Dan Lovclady (CORP) letter to Oregon DOT, dated April 4, 2002	9
Dan Lovclady (CORP) letter to Oregon DOT, dated Feb 7, 2003	10
CORP's ConnectOregon Track Improvements Application, 2006	11
ConnectOregon FAQs	12
Steven Krause (FRA) e-mails, dated Oct 24 and 25, 2006	13
Oregon legislature audio recording instructions	14
Oregon DOT Rail Safety Inspection, dated Feb 21, 2007	15
John Johnson (Oregon DOT) e-mail, dated Jan 19, 2007	16
Funds for CORP under Oregon Short Line Railroad Rail Infrastructure Improvement Program in 2003	17
Funds for CORP under Oregon Short Line Railroad Rail Infrastructure Improvement Program in 2005	18
CORP's ConnectOregon Winchester Yard Application, 2006	19
Union Pacific letter to STB, dated April 29, 2008	20

EXHIBITS (cont'd)

	<u>TAB</u>
Oregon DOT documents regarding pass-through of federal flood damage funds, 1998	21
"Oregon Gateway," published by Southwest Oregon Economic Transportation Team	22
CORP Partnership Presentation, dated Nov 14, 2007	23
Traffic and Revenue Chart	24
CORP Embargo Press Release, dated Sept 21, 2007	25
"DeFazio calls for rail probe" article, dated Sept 28, 2007	26
"Railroad not budging on closure" article, dated Oct 6, 2007	27
"CORP calls for rail partnership" article, dated Nov 15, 2007	28
CORP newspaper advertisement, dated Dec 22, 2007	29
Paul Lundberg (RailAmerica) letter to Oregon Governor Theodore Kulongoski, dated Feb 4, 2008	30
Oregon Governor Theodore Kulongoski letter to Paul Lundberg (RailAmerica), dated Feb 12, 2008	31
Oregon Governor Theodore Kulongoski letter to Paul Lundberg (RailAmerica), dated April 21, 2008	32
Steve Hefley (CORP) e-mail to John Johnson (Oregon DOT), dated Oct 25, 2006	33
Conflicting repair figures exist	34
CORP briefing at Oregon Senate, dated Oct 25, 2007	35
Scott Williams (RailAmerica) letter to STB, Nov 2, 2007	36
CORP pro-forma term sheet proposal #1, Jan 2008	37
CORP pro-forma term sheet proposal #2, Jan 2008	38
Dan Lovclady (CORP) e-mail to Robert Melbo (Oregon DOT), dated Sept 16, 2004	39

**SOUTHPORT
FOREST
PRODUCTS, LLC**



93611 Coos Sumner Lane
P O Box 298
Coos Bay, OR 97420

541-266-0903
541-266-0824 fax

October 19, 2007

The Honorable Charles D. Nottingham
Chairman
Surface Transportation Board
395 E. Street SW
Washington, DC 20423-0001

Dear Chairman Nottingham:

We are writing on behalf of the Oregon International Port of Coos Bay ("Port") and Southport Forest Products ("Southport") to ask your assistance with respect to rail service problems facing the Oregon south coast. Specifically, we are interested in any help that your office of Rail Consumer Assistance Program can provide to us on an expedited and informal basis.

The Port is designated a State Port, consequently members of the Board of Commissioners are appointed by the Governor and confirmed by the Oregon Senate for 4-year terms. An average of 2.5 million tons of cargo move through the Port of Coos Bay each year. The Port owns the railroad bridge known as the Coos Bay Bridge which was donated to the Port by the Union Pacific Railroad ("UP") in 2000 and which the Central Oregon & Pacific Railroad, Inc. ("CORP") operates over via a lease agreement between UP and CORP. The Port has obtained state and federal funding and invested tens of millions of dollars in the rehabilitation of the Coos Bay Bridge and assisted in obtaining significant funding in other rail infrastructure in the area on CORPS behalf. In addition, the Port invested in the rail spur that was built to the new Southport lumber mill and connects to CORP.

Southport operates a small log sawmill and whole log chipping facility in Coos Bay, OR. Southport's products include dimensional lumber, wood chips, planer shavings, hog fuel and logs for resale. Dimensional customers include lumber wholesalers, retailers and big box centers. Chip customers are pulp and paper mills located in the Pacific Northwest as well as Japan. Other by-products are sold to secondary manufacturing facilities in

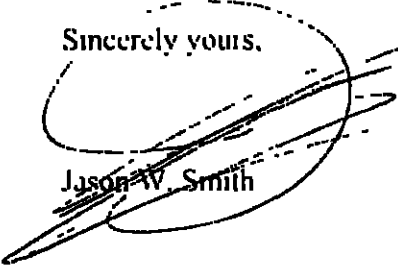
western Oregon. Southport ships approximately two or three carloads a day by rail. Southport employs 80 people in the Coos Bay area.

As you are aware, CORP issued an embargo of its line between Vaughn, OR and Coquille, OR on September 21, 2007. CORP only provided shippers on the line one day notice of the shutdown. The shutdown of this line has threatened jobs and the viability of businesses in Coos Bay. While Southport and other shippers are trying to move product by truck to Eugene for reload on rail, this is not a long term solution. If the line is not re-opened in the near future Southport may be faced with shutting its doors.

Prior to the Sept 21st shutdown, the Port, CORP and the shippers worked together to obtain tens of millions of dollars for rail investments in the south coast to increase traffic and improve, create and maintain rail properties owned by CORP and the Port. Prior to CORP's ownership by Fortress Investment Group and prior to this embargo, there was an open dialog between the parties and a willingness of CORP to put an action plan in place to make any needed repairs. In fact, last November there was a tunnel cave-in which was successfully repaired and put back into service within weeks. In that instance, CORP kept in contact with the Port and shippers. However, with this embargo there has been no discussion. CORP has not provided any plan or any indication that it has any intention of repairing this line to get it back into service. In fact, even though tunnel repairs were made at roughly the same time last year, CORP has stated now that even if money was available repairs cannot be made until next spring because of the "rainy" season.

The Port and Southport have been and continue to be hurt by CORP's problems. While we desperately need a short term fix to the shutdown of rail service, we also need a long term solution to the service problems on the south coast. We appreciate your time in this matter and look forward to additional discussions with your staff in the Rail Consumer Assistance Program.

Sincerely yours,



Jason W. Smith



October 31, 2007

The Honorable Charles D Nottingham
Chairman
Surface Transportation Board
395 E Street SW
Washington, DC 20423-0001

Re Rail Service Issues for the Southern Oregon Coast

Dear Chairman Nottingham

I am writing on behalf of the Oregon International Port of Coos Bay (Port) to ask your assistance with respect to rail service problems facing the Port and industrial rail users on Oregon's south coast. Specifically, we are interested in any help that your office through the Rail Consumer Assistance Program can provide to us on an expedited and informal basis.

This Port is designated as a State Port, consequently members of the Board of Commissioners, while being residents of the port district, are appointed by the Governor and confirmed by the Oregon Senate for 4-year terms. An average of 2.5 million tons cargo move through terminals in the Coos Bay harbor each year. The Port owns the main railroad bridge – the Coos Bay Rail Bridge – crossing the bay, which was donated to the Port by the Union Pacific (UP) Railroad in 2000 and which the Central Oregon & Pacific (CORP) Railroad Inc. operates over via a lease agreement between the UP and CORP. The Port has obtained state and federal funding and invested tens of millions of dollars in the rehabilitation of the Coos Bay Rail Bridge and assisted in obtaining significant funding for other rail infrastructure on CORP's behalf. In addition, the Port invested in the North Spit rail spur that was built to serve the new Southport Forest Products sawmill and which connects to the CORP Coos Bay line.

As you are aware, CORP issued an embargo of its Coos Bay line between Vaughan, OR and Coquille, OR on September 21, 2007. CORP only provided shippers on the line one-day notice of the shutdown. The shutdown of this line has threatened jobs and the viability of businesses in the Coos Bay/North Bend and Coos County region. While Southport and other shippers are trying to move product by truck to Eugene and other points for reload on rail, this is not a long-term solution. If the Coos Bay line is not reopened in the near future, Southport and other industrial operations dependent on rail shipping on the line may be forced to scale back operations or in the case of Southport, possibly even shut its doors.

Prior to the September 21, 2007, shutdown of the Coos Bay line, the Port, CORP and the shippers worked together to obtain tens of millions of dollars for rail investments in the south coast area to increase traffic and improve, create and maintain rail properties owned by CORP and the Port. Prior to CORP/RailAmerica's ownership by Fortress Investment Group, and prior to this embargo, there was an open dialog between the parties and a willingness on the part of CORP to put an action plan in place to make any needed repairs. In fact, last November there was a tunnel cave-in which was successfully repaired and put back in service within weeks. In that instance, CORP kept in contact with the Port and the shippers.

125 West Central Avenue Suite 300 / P.O. Box 1215 / Coos Bay Oregon 97420-0311
Phone 541 267 7678 / Fax 541 269-1475 / email pcrc@portofcoosbay.com / Web www.portofcoosbay.com

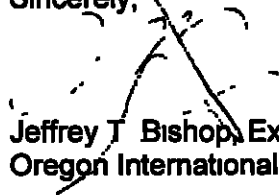
State of Oregon Tokyo, Japan – Oregon Japan Representative Office / Phone 81-3-3580-8951 Fax 81-3-3580-9071
Representative Offices Taipei, Taiwan R.O.C. – Oregon Trade & Information Center / Phone 886-2-2723-2320 Fax 886-2-2723-2312

However, with this embargo there has been no discussion CORP has not provided any plan or any indication that it has any intention of repairing the tunnels to restore service on the Coos Bay line In fact, even though tunnel repairs were made at roughly the same time last year, CORP has stated now that even if money was available, repairs cannot be made until next spring because of the "rainy" season

The Port, Southport and other rail shippers have been and continue to be hurt by CORP's problems While we desperately need a short-term fix to shut down of rail service, we also need a long-term solution to the service problems in the south coast region

We appreciate your time in this matter and look forward to additional discussions with your staff in the Rail Consumer Assistance Program

Sincerely,



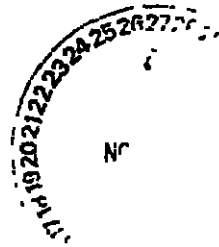
Jeffrey T Bishop, Executive Director
Oregon International Port of Coos Bay

Cc U S Representative Peter DeFazio, Washington, D C
U S Senator Ron Wyden, Washington, D C
U S. Senator Gordon Smith, Washington, D C
Board of Commissioners and Management Staff, Oregon International Port of Coos Bay
Peter Friedmann, Washington, D C
Sandra Brown, Troutman Sanders LLP, Washington, D C



Office of the Chairman

Surface Transportation Board
Washington, D.C. 20423-0001



November 19, 2007

Mr Jeffrey Bishop
Executive Director
Oregon International Port of Coos Bay
125 West Central Avenue, Suite 300
Coos Bay, Oregon 97420-0311

Dear Mr Bishop,

Thank you for your letter dated October 31, 2007 requesting assistance through the Surface Transportation Board's Rail Consumer Assistance Program. The Board's Office of Compliance and Consumer Assistance (OCCA) has been monitoring closely the rail service problems facing the Port and industrial rail users since the implementation of the Central Oregon and Pacific Railroad's (CORP) embargo of the Coos Bay rail line on September 21, 2007, and I understand that Katherine Bezold of OCCA has been in touch with you recently about this important matter.

By way of general background, the Interstate Commerce Act imposes a common carrier obligation on railroads to provide transportation or services upon reasonable request. Unless and until the Board authorizes a line for abandonment, a railroad may not refuse to provide service over a line merely because to do so would be inconvenient or unprofitable. But the common carrier obligation is not absolute, a railroad may place an embargo on all or part of a line, thereby temporarily relieving the railroad of its service obligations, when there are conditions that would make it unsafe to operate over the line. An embargo can be challenged by filing a formal complaint with the Board on the ground that there is no reasonable basis for the embargo or that the embargo has been kept in place beyond a reasonable period of time.

As you are aware, OCCA's Rail Consumer Assistance provides informal assistance to parties seeking to resolve rail service disputes short of formal litigation before the Board. In mid-October, the Board received a letter from Southport Forest Products (Southport) regarding the service cessation resulting from the embargo and requesting informal assistance on behalf of Southport and the Port of Coos Bay through OCCA. OCCA immediately contacted CORP, providing a copy of Southport's informal complaint, and requested a full response and service plan from CORP. After receiving an initial response from CORP which did not include specifics about CORP's plan for moving forward with rail service, OCCA requested CORP provide more detailed information as to

specific plans for the line in question given the severe need of rail shippers on the Coos Bay line

In response to OCCA's second request for information from CORP, RailAmerica General Counsel, Scott Williams, responded, explaining the cost of repairs and detailing CORP's past revenues and operating losses. Additionally, Mr. Williams explained that CORP is exploring all alternatives for financing the cost of repairs including a public/private partnership. Recently, RailAmerica made public its proposal, which I understand would call for the Port, the state of Oregon, Union Pacific Railroad, the rail shippers on the line, and RailAmerica each to contribute \$4.66 million toward the cost of repairing and rehabilitating the line.

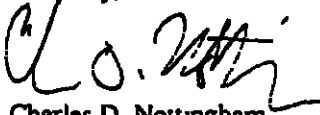
Also, the Federal Railroad Administration recently evaluated the condition of tunnels 13, 15 and 18 on the Coos Bay line. That report, which has just been released, found that various locations within each of the three tunnels "have unsafe conditions that require repair" and that are "hazardous to train traffic and maintenance operations." FRA concluded that "all three tunnels need immediate repairs to permit the safe resumption of railroad operations."

I understand that the Port has filed suit against CORP in federal district court, contesting CORP's cessation of service and seeking compensation for damages, and that CORP has filed a motion seeking referral of the matter to the Board. Because CORP's embargo could become the subject of a formal adjudicatory proceeding before the Board, it would not be appropriate for me to make any premature judgments or express any views on the merits of the matter outside of any such formal proceeding and the record that would be developed in it. If the dispute were to formally come before the Board, we would consider the merits of this embargo under the applicable legal principles and based on a careful examination of the factual record developed by the parties in that formal proceeding.

OCCA is continuing to keep a close eye on the situation in Coos Bay. I understand the need for urgency in planning for the future of the rail line. OCCA staff remains available to discuss this matter with you and other shippers on the line, on an informal basis, at any time.

If you have any further questions, please feel free to contact Ms. Bezold at (202) 245-0283. If I can be of further assistance, please contact me.

Sincerely,



Charles D. Nottingham
Chairman

Timeline

Dec 1994	CORP lines acquired from Southern Pacific by Railtex
1997	\$307,458 given to CORP from federal government for flood damage on Coos Bay and Siskiyou Lines
Jan 2000	RailTex purchased by RailAmerica
Aug 2000	Port acquires Coos Bay swing span railroad bridge by donation from UP Port assumes the maintenance responsibility for it, CORP maintains operating obligation and UP retains removal obligation if service is abandoned
2003-2005	\$7 million swing span railroad bridge short-term repairs (mostly federal money from TEA-21, remainder state and local money)
2003	American Bridge opens new manufacturing facility in Reedsport
2003	\$300,000 given to CORP for ties and ballast on Coos Bay Line from the Oregon Short Line Railroad Rail Infrastructure Improvement Program
2004	Weyerhaeuser closes facility in Cordes near new North Spit rail line
May 2004	Milbor-Pita report to CORP notes a "recipe for a major collapse" in tunnel 15 and estimates \$1 325 million is needed to repair deterioration in tunnels 13, 15, and 18
2005	North Spit spur construction completed with \$4 8 million in federal, state, local, and Port money, thereby allowing CORP to serve new Southport facility
2005	Southport Forest Products opens new sawmill on North Spit spur
2005	\$400,000 given to CORP for ties and ballast on Coos Bay Line from the Oregon Short Line Railroad Rail Infrastructure Improvement Program
2005	Port offers to jointly file a ConnectOregon application with CORP for tunnel repair, but CORP declines
2006	CORP unsuccessfully sought \$7 4 million in ConnectOregon funds (which would have been matched with \$5 0 million in CORP funds) for track, tunnel, and bridge repairs on Coos Bay and Siskiyou Lines (including repair of tunnel lining in tunnels 13 and 15), application rejected because it was deemed maintenance and not new capacity

2006 \$7.7 million awarded to CORP by ConnectOregon program for Winchester Yard expansion (on Siskiyou Line), roughly 20% of the money was given to CORP before cessation due to embargo

Oct 2006 FRA and ODOT jointly inspect Coos Bay Line, finding need for repairs in tunnel 15

Nov 2006 tunnel 15 repairs lead (supposedly) to collapse

Jan 2007 tunnel 15 repairs complete

2007-- \$12 million awarded to Port for swing span railroad bridge long-term repairs, work has not begun due to embargo (\$8 m from SAFETEA-LU and \$4 m from ConnectOregon)

Feb 2007 RailAmerica purchased by Fortress Investments

Feb. 2007 ODOT inspection reveals "bulging" in tunnel 18

March 2007 Shannon & Wilson investigate on-site in Coos Bay Line tunnels

July 16, 2007 Shannon & Wilson report finds "deterioration and instability requiring immediate repair at several locations in the timber-lined sections of tunnels 13, 15, and 18"

Sept 21, 2007 embargo declared

Oct 2007 FRA inspection of tunnels 13, 15, and 18

Oct 2007 CORP states its intention to develop a plan to repair the Line

Nov 14, 2007 CORP verbally proposes partnership idea with state, shippers, Port, and UP

Jan 14, 2008 CORP provides written proposal to shippers and the Port at STB information mediation¹

Jan 24, 2008 RailAmerica meets with the Governor to provide proposal

Apr 9, 2008 CORP sends same proposal modified with 50/50% ownership of a portion of the Line to the Governor

¹ CORP provides two versions of its proposal with revenue on the Line varying from \$1,900,000 to \$2,340,000 on the proposal that apparently was not meant to be handed out Exhibits 37 and 38

March 1, 1994

1994
40

Montana Rail Link
101 International Way
Missoula, Montana 59807

Attn: Mr. Richard Keller, Chief Engineer

RE: TUNNEL INVENTORY - COOS BAY AND SISKIYOU BRANCHES

INTRODUCTION

This report documents our observations and opinions regarding the condition of the Coos Bay and Siskiyou Branch tunnels, and the estimated costs and schedules to improve clearances in the tunnels for Plate "H" double-stack traffic (Tables 1 and 2), and Plate "F" clearances in Table 5. Estimated costs for short-term rehabilitation work are presented in Table 3, and for long-term rehabilitation work in Table 4. General data on the tunnels are presented in Appendices A and B.

The tunnel inventory was authorized by Mr. Richard Keller, Chief Engineer of Montana Rail Link on February 7, 1994. A group consisting of Mr. Keller and Dave Cook (MRL B&B supervisor), Jacques Fuller (SPRR Director of Plant Rationalization), Ed Barrow (SPRR B&B foreman), Mr. Larry Prinkki (Washington Contractors Group Geologist), and Gerry Millar inspected the tunnels on February 14 through 16 by hy-rail vehicle. Approximately 15 minutes were spent at each tunnel measuring the clearances and noting the structural condition of the lining and stability of the ground where visible. The only documentation available for the visit and the preparation of this report are the SPRR tunnel data sheet and typical drawings of timber sets and gunite/shotcrete lining.

**GENERAL CONDITION OF THE TUNNELS INCLUDING SHORT-TERM
REHABILITATION REQUIREMENTS**

The original tunnel construction (1880s) consisted of drill-and-blast excavation with occasional support with timber sets and portal structures. Larger clearance requirements and likely continued rock loosening led the SPRR to enlarge the tunnels and place continuous timber sets as support, along with concrete portal structures in the 1920's. The significant maintenance effort required to replace timber sets led the SPRR to a program of replacing the timber with steel sets (W8-31) covered with gunite (Figure 1). This latter program took place in the 1970s and early 1980s. At present, approximately 6,500 feet of tunnel are lined with gunite/steel and 9,000 feet with timber sets. Signs of important instability requiring immediate repair were observed in the timber sets in Coos Bay Tunnels 15 and 18, and in the gunite/steel lining in Coos Bay Tunnel 20 (Table 3).

The bedrock along both branches is generally slabby to massive blocky ground, almost always good tunneling ground away from the highly weathered portal areas. Approximately 8,500 feet are unlined or lined with a thin (1 to 4 inches) layer of gunite placed in the 1970s and 80s. Only localized areas of Tunnels 7 (Siskiyou) and 14 and 19 (Coos Bay) need immediate support with rock bolts and shotcrete (Table 3).

Lightly reinforced concrete linings were used only as portal structures, and date from the 1920s. All are in good condition, and total approximately 1,150 feet. In most cases, the concrete lining is the smallest with regard to clearances, the exception being unlined sections of the Siskiyou Branch tunnels (Tables 1 and 2).

Montana Rail Link
Attn: Mr. Richard Keller
March 1, 1994
Page 3

SHANNON & WILSON, INC.

LONG-TERM REHABILITATION REQUIREMENTS

All of the long-term rehabilitation requirements (excluding track structure work) are related to the removal of timber sets and re-lining with shotcrete and rock bolts in stable ground and with steel sets and shotcrete or concrete in unstable ground. This proposed work is summarized in Table 4, and is estimated to cost \$8,000,000. It should be noted that the timber removal and re-lining would improve existing clearances to double-stack requirements, so that approximately \$2,800,000 of the double-stack clearance program would be covered in this effort.

PROPOSED DOUBLE-STACK CLEARANCE IMPROVEMENT PROGRAM

The proposed double-stack clearance program is summarized in Tables 1 and 2. The Plate "H" clearance diagram is presented in Figure 3. This information is based on preliminary clearance data obtained by wide-spaced tunnel measurements taken during the inspection trip with an extendable surveyors rod and/or a sonic measuring device. These top-of-rail and sidewall width measurements were then plotted on the liner dimensions presented in the SPRR standards drawings for timber sets and gunite/steel linings (Figures 1 and 2), or on graphs of the concrete portal linings. The clearance standard used is a 4-inch cushion around a 20'2" high stack that is 8'6"-wide, plus an additional inch of side clearance per degree of track curvature. For estimating purposes, the following clear top-of-rail dimensions were used:

- ▶ 21'2" for tangent track in timber or gunite/steel areas
- ▶ 21'8" for 10 degree curves " " " "
- ▶ 22'0" for tangent track in concrete lined sections
- ▶ 22'10" for 10 degree curves " " " "

Montana Rail Link
Attn: Mr. Richard Keller
March 1, 1994
Page 4

SHANNON & WILSON, INC.

The major work to achieve double-stack clearance on the Siskiyou Branch consists of drill-and-blast rock removal in Tunnel 8, and major undercutting of Tunnels 13 and 14. The track structure in the latter two tunnels is severely deteriorated so the expense of clearance work also improves operating conditions in those tunnels. Clearance work in the Coos Bay Branch tunnel is fairly well spread over all of the tunnels, and includes undercutting, concrete liner notching and timber replacement with shotcrete and rock bolts. The estimated cost of \$2,300,000 for the Coos Bay and \$4,300,000 for the Siskiyou tunnels assumes live track work in 10-hour uninterrupted daily windows, except for the work in Siskiyou tunnels 13 and 14 which would be performed with the track out of service. We estimate that the Coos Bay Branch work would take four months using one work train (undercutting setup and crown mining setup), and the Siskiyou work six months using two work setups, one for the dead track undercutting and stabilization in Tunnels 13 and 14, and a separate setup for the live track rock removal in Tunnels 4 through 8. Work trains in the live track tunnels would likely consist of a combination of hy-rail trucks and flat cars/air dumps/water tankers moved by car movers. Locomotives and large locomotive cranes would not be necessary as prime movers for the work trains.

PROPOSED PLATE "F" CLEARANCE IMPROVEMENT PROGRAM

The required clearance envelope for Plate "F" traffic is presented in Figure 4, and the location and type of obstructions, along with the proposed clearance improvement activities, are presented in Table 5. Only the Siskiyou Branch tunnels are currently restrictive to this type of traffic. The proposed clearance improvement work consists solely of the removal of rock by drill-and-blast methods, with only minor securing of loose slabs with rock bolts. The rock "tights" are believed to be less than 12 inches thick, requiring the drilling of short blast holes in the haunches and crown of the tunnels. We estimate that this work would take approximately three months to accomplish with daily 10-hour work windows. Because the amount of rock to be removed per lineal foot of tunnel is minimal ($< 1/2$ cubic yard), all of the work could be performed from hy-rail trucks without the need for air dumps or flat cars to remove the broken rock. The estimated cost for this work is \$800,000. It should be noted that we estimate that more extensive rock removal in these tunnels for double-stack

Montana Rail Link
Attn: Mr. Richard Keller
March 1, 1994
Page 5

SHANNON & WILSON, INC.

clearance would only cost \$1,300,000 (Table 2) and take approximately two additional months to accomplish.

SUMMARY

In general, the Siskiyou and Coos Bay Branch tunnels were excavated in fair to good tunnel ground, and require only a moderate repair program for immediate stability problems other than track structure work (Table 3). Long-term maintenance requirements relate exclusively to the replacement of timber sets with a shotcrete or steel set/concrete lining (Table 4). Double-stack clearances will require some work in almost all of the tunnels; however, major crown mining and/or undercutting will be required only in Tunnels 8, 13, and 14 on the Siskiyou Branch (Table 2), and Tunnels 13, 16, and 21 on the Coos Bay Branch (Table 1). Plate "F" clearances require only the removal of rock above the springline in four tunnels on the Siskiyou Branch (Table 5).

The clearance information and proposed clearance improvement programs presented in Tables 1, 2, and 5 are based on minimal survey data taken during the three-day inspection tour. We feel that a much higher level of confidence can be placed on the costs and schedules for this work if clearances are measured with a hy-rail-mounted template or similar system. Eventually, a program of drilled probes through the concrete and gunite/steel linings will be useful in estimating liner removal and stabilization requirements. We would be pleased to submit a detailed proposal for the clearance measurement, liner probing, and engineering design work when you require it.

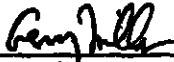
Montana Rail Link
Attn: Mr. Richard Keller
March 1, 1994
Page 6

SHANNON & WILSON, INC.

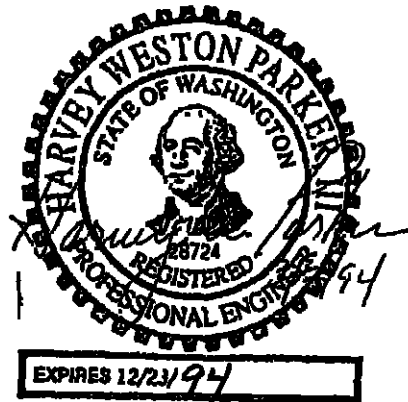
As always, we appreciate the opportunity to work with you and look forward to answering any questions you have concerning the information presented in this report.

Sincerely,

SHANNON & WILSON, INC.


Gerry Millar
Manager of Railroad Services


Harvey W. Parker, P.E.
Senior Vice President
Underground Services



GM:HWP/gm

Enclosures: Table 1 - Coos Bay Branch Tunnel Inventory of Required Double Stack Clearance and General Rehabilitation Work
Table 2 - Siskiyou Branch Tunnel Inventory of Required Double Stack Clearance and General Rehabilitation Work
Table 3 - Rehabilitation of Unstable Areas Requiring Immediate Attention
Table 4 - Long Term Maintenance Requirements Not Related to Clearance, Short Term Maintenance, or Track Structure Deterioration
Table 5 - Plate F - Clearance Requirements for Siskiyou Branch Tunnels
Figure 1 - Details of Gunite/Steel Lining
Figure 2 - Details of Timber Lining
Figure 3 - Plate "A" Clearance Design
Figure 4 - Plate "F" Clearance Diagram
Appendix A - Tunnel Inspection Forms, Coos Bay Branch
Appendix B - Tunnel Inspection Forms, Siskiyou Branch

Table 1: Coos Bay Branch Tunnel Inventory of Required Double Stack Clearance and General Rehabilitation Work

Plate 'H'

TUNNEL	TYPE OF OBSTRUCTION	PROPOSED REMEDIAL WORK	UNIT COST	REMARKS
13	129 FT Concrete (10-12") 1759 FT Timber (only in curve)	1) Notch conc; remove timber on curve or 2) Undercut tunnel	300 LF 3,000 LF	\$1,000 LF \$250 LF 300,000 or 750,000 —
14	54 FT Concrete (18")	Remove concrete lining	54 LF	\$2,000 LF 108,000
15	50 FT Concrete (7")	Notch conc and Replace timber w/rockbolts and shotcrete	50 LF 200 LF	\$200 LF \$1,000 LF 10,000 200,000
16	109 FT Concrete (18") 508 FT GOSS (2-6")	Undercut tunnel and notch concrete	1,500 LF	\$250 LF 375,000
17	182 FT Concrete (3-6")	Notch concrete	182 LF	\$200 LF 36,400
18	None	Remove deteriorated timber and replace with rockbolts and shotcrete (Table 3)	50 LF	\$1,000 LF 50,000 — 0
19	104 FT Concrete and GOSS (3")	Notch conc and gunite on steel sets Install rockbolts in gunite section	104 LF 4,000 LF	\$200 LF \$15 LF 20,800 60,000
20	108 FT Concrete (6")	Notch concrete Remove GOSS (62), reline with rockbolts and shotcrete	108 LF 62 LF	\$200 LF \$1,500 LF 21,600 93,000
21	108 FT Concrete (4-6") 308 FT Timber (6-8")	Notch concrete Replace timber with rockbolts and shotcrete	108 LF 308 LF	\$200 LF \$1,000 LF 21,600 308,000
Mob/Demob				250,000
Estimated Total Cost (Option 1)				1,854,400
Estimated Total Cost (Option 2)				2,304,400

NOTE: All work assumed to be live track in 10-hour uninterrupted windows, except as noted.

Note "H"

Table 2: Siskiyou Branch Tunnel Inventory of Required Double Stack Clearance and General Rehabilitation Work

TUNNEL	TYPE OF OBSTRUCTION	PROPOSED REMEDIAL WORK	UNIT COST	RELCOST
2	None			
3	None			
4	62 FT Rock (20")	Remove rock and secure with rockbolts	62 LF \$400 LF	24,800
5	239 FT Rock (40")	Remove rock and secure with rockbolts	239 LF \$400 LF	95,600
6	446 FT Rock (40")	Remove rock and secure with rockbolts	446 LF \$400 LF	178,400
7	25 FT Concrete (12")	Notch concrete	25 LF \$200 LF	5,000
	77 FT Rock (40")	Remove rock and secure with rockbolts	77 LF \$400 LF	30,800
8	2669 FT Rock (50")	Remove rock and secure with localized rockbolts	2,669 LF \$300 LF	800,700
9	None			
13	3000 FT Timber and GOSS (40")	Undercut 30" (5000LF) and construct concrete footwall embedding timber sets; tie backs in footwall (dead track work)	5,000 LF \$350 LF	1,750,000
14	1192 FT All lining types (20"-40")	Undercut 30" (3000LF) and construct concrete footwall embedding timber sets; tie backs in footwall (dead track work)	3,000 LF \$350 LF	1,050,000
15	None	Remove timber 750 LF " 600 LF " 600 LF 329 Mob/Demob	1500 1500 600	750,000 163,200 171,200 400,000
Estimated Total Cost				4,335,300

2.8 mill
 (750,000)
 163,200
 171,200
 400,000
 1,419,200

NOTE: All work assumed to be live track in 10-hour uninterrupted windows, except as noted.

Table 3: Rehabilitation of Unstable Areas Requiring Immediate Attention

TUNNEL	TYPE OF INSTABILITY	PROPOSED REMEDIAL WORK	UNIT QOS	NET COST
Coos Bay Branch				
14	Loose slabs of rock	Rockbolt tunnel (1,000 LF)	1,000 LF \$20 LF	20,000
15	Racked and deteriorated timber sets (200 LF)	Remove timber and reline with shotcrete and rockbolts	200 LF \$1,500 LF	300,000
18	Racked and deteriorated timber sets (50 LF)	Remove timber and reline with shotcrete and rockbolts	50 LF \$4,580 ¹⁰⁰⁰ LF	229,000
19	Loose slabs of rock (500 LF)	Rockbolt tunnel (4,000 LF)	4,000 LF \$20 LF	80,000
20	Major rockfall above gunite/steel lining (60 LF)	Remove gunite/steel and reline with rockbolts and shotcrete	60 LF \$2,000 LF	120,000
Siskiyou Branch				
7	Loose slabs of rock (70 LF)	Rockbolt tunnel (800 LF) and 30 cy of shotcrete	70 LF \$400 LF	28,000
				Subtotal 623,000
				Mob/Demob 100,000
				Estimated Total Cost 723,000

NOTE: All work assumed to be live track in 10-hour uninterrupted windows, except as noted.

**Table 4: Long Term Maintenance Requirements
Not Related to Clearance, Short Term Maintenance, or Track Structure Deterioration**

TUNNEL		TYPE OF INSTABILITY	PROPOSED REMEDIAL WORK	UNIT COST	TOTAL COST
Coos Bay Branch					
15	1355 LF Timber sets (200 LF removed in short term repairs)		Remove timber sets and reline with shotcrete and rockbolts.	1,355 LF \$1,000 LF	1,355,000
17	417 LF Timber sets		Remove timber sets and reline with shotcrete and rockbolts.	417 LF \$1,000 LF	417,000
18	548 LF Timber sets (50 LF removed in short term repairs)		Remove timber sets and reline with shotcrete and rockbolts.	548 LF \$1,000 LF	548,000
21	308 LF Timber sets		Remove timber sets and reline with shotcrete and rockbolts.	308 LF \$1,000 LF	308,000
Siskiyou Branch					
9	448 LF Timber sets		Remove timber sets and reline with shotcrete and rockbolts.	448 LF \$1,000 LF	448,000
13	2800 LF Timber sets		Remove timber sets and reline with shotcrete and rockbolts, localized steel sets and spiling	2,800 LF \$1,300 LF	3,640,000
14	754 LF Timber sets		Remove timber sets and reline with shotcrete and rockbolts	754 LF \$1,000 LF	754,000
Subtotal					7,470,000
Mob/Demob					700,000
Estimated Total Cost (assumed 3 mob/demob)					8,170,000

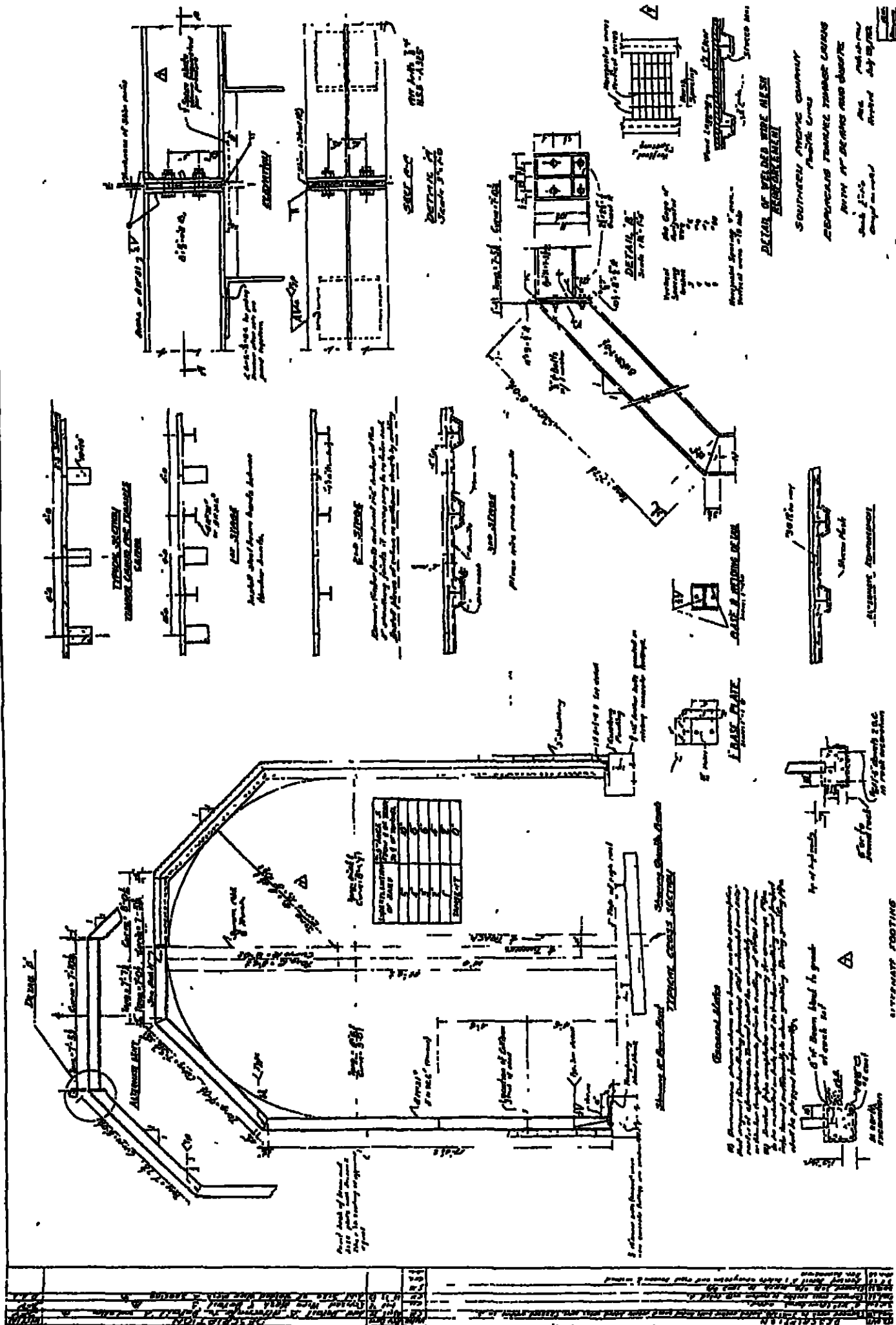
NOTE. All work assumed to be five track in 10-hour uninterrupted windows, except as noted.

Table 5: Plate F - Clearance Requirements For Siskiyou Branch Tunnels

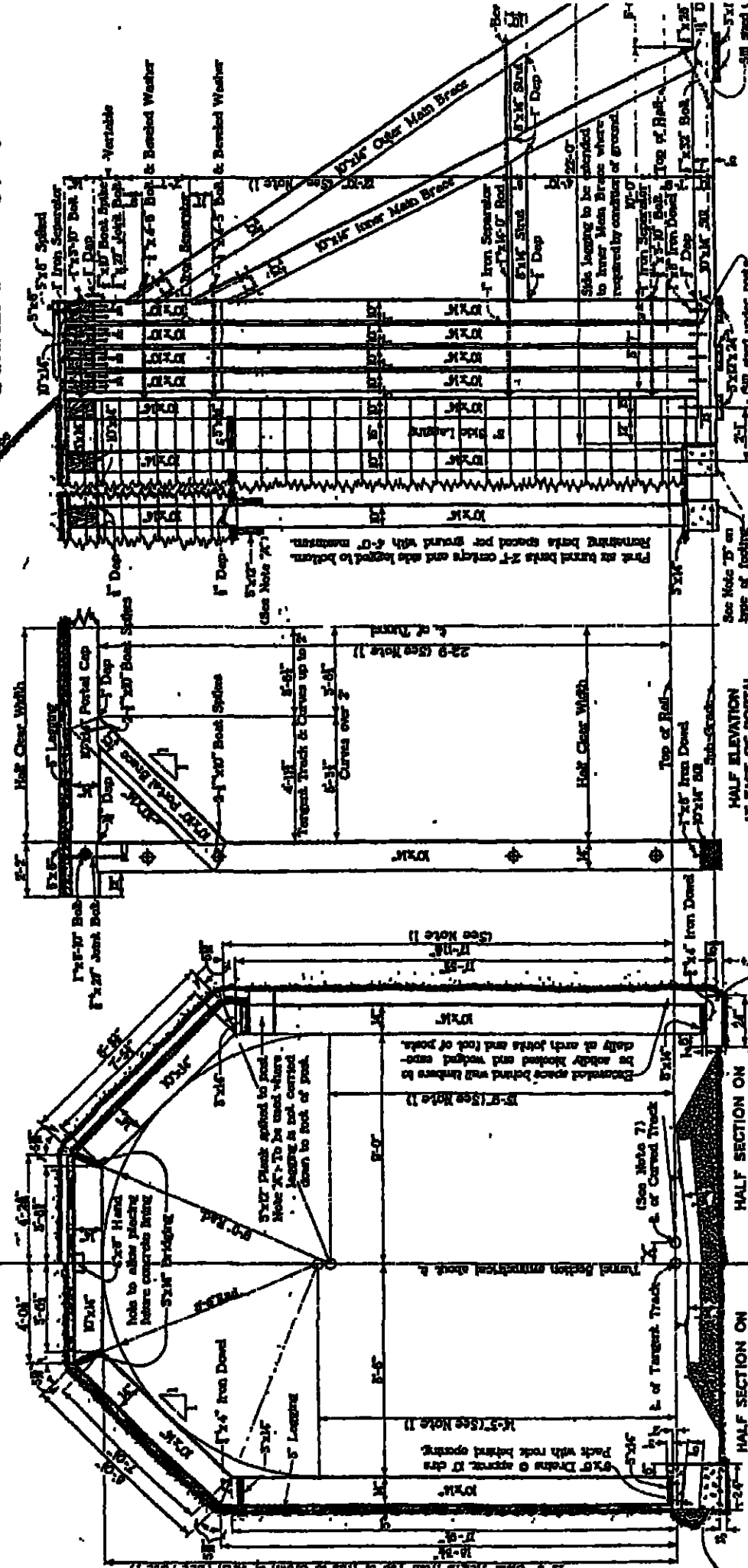
TUNNEL	TYPE OBSTRUCTION	PROPOSED REMEDIAL WORK	UNIT COST	ITEM COST
5	Localized rock lights (assume 100 LF)	Remove rock	100 LF	\$200 LF 20,000
6	Localized rock lights (assume 100 LF)	Remove rock	100 LF	\$200 LF 20,000
7	Localized rock lights (assume 20 LF)	Remove rock	20 LF	\$200 LF 4,000
8	2669 LF Rock (12')	Remove rock	2,669 LF	\$250 LF 667,250
				Subtotal 711,250
				Moby/Demob 100,000
				Estimated Total Cost 811,250

NOTE: All work assumed to be live track in 10-hour uninterrupted windows, except as noted.

2000
Gunn's / Steel Drivings

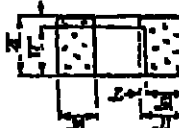


Where ground is such as to require crown bars and heading before portal is erected, crown bars will project out to width of face of portal, and space between top of 2-inch lagging of crown bars shall be thoroughly notched and blocked.



Top of steel surface to be level in all cases and parallel with grade throughout their length. When grade exceeds into tunnel, dip at 1" to be 1" (When grade is level, dip at 1" and at 2" to be 1")

SECTION THROUGH TUNNEL PORTAL



CONCRETE BLOCK DETAIL
Alternate for Redwood or Port-O-Rail Cedar Blocks

Note: Type of footing to be determined by engineer, depending upon nature of ground.

LOCATION OF C. OF TUNNEL ON CURVED TRACK		
Super-elevation of Beds to C. of Tunnel	Distance "Y" from C. of Tunnel to C. of Tunnel	10 inches
5	4	8
3	3	6
2	2	4
1	1	2

Notes:
1. Clear height of tunnel section from top of rail to crown of arch to be 22'-0" except in all other minimum clear height to be 23'-5". New tunnel portals will be constructed to provide a minimum clear height of 23'-5".
2. Clear width of tunnel section on tangent and curves up to 2" to be 22'-0".
3. Clear width of tunnel section on curves from 2" to 10" to be 18'-0".
4. Special plans will be furnished for curves greater than 10" and for exceptionally heavy ground.
5. In any tunnel where both tangent and curved tracks occur and tangent is 200 feet or less, width for curved section shall be used for total length.
6. Where length of tangent is more than 200 feet, proper width of tunnel shall be maintained to a point 80 feet from E.C. of curve then gradually widened so that full width for curve will be reached at B.C. Above mentioned widening to be done on tangent.
7. On curved track center line of tunnel shall be located between center line of track as shown in accompanying table.
8. Footings to be carried down to firm foundation.
9. Timber to be reduced or Port-O-Rail cedar.
10. The clear width, shown above it to be used where beams are placed 4'-0" or more c. to c.
11. If it is decided to place bris 5'-0" c. to c., make clear width 5' greater.
12. Where nature of ground makes clear spacing necessary, insert additional beams between 4'-0" or 5'-0" spacings, but make lagging 5'-0" or 4'-0" long as thick intermediate beams may be removed before according.
13. For use of struts between posts see C.S. 175.

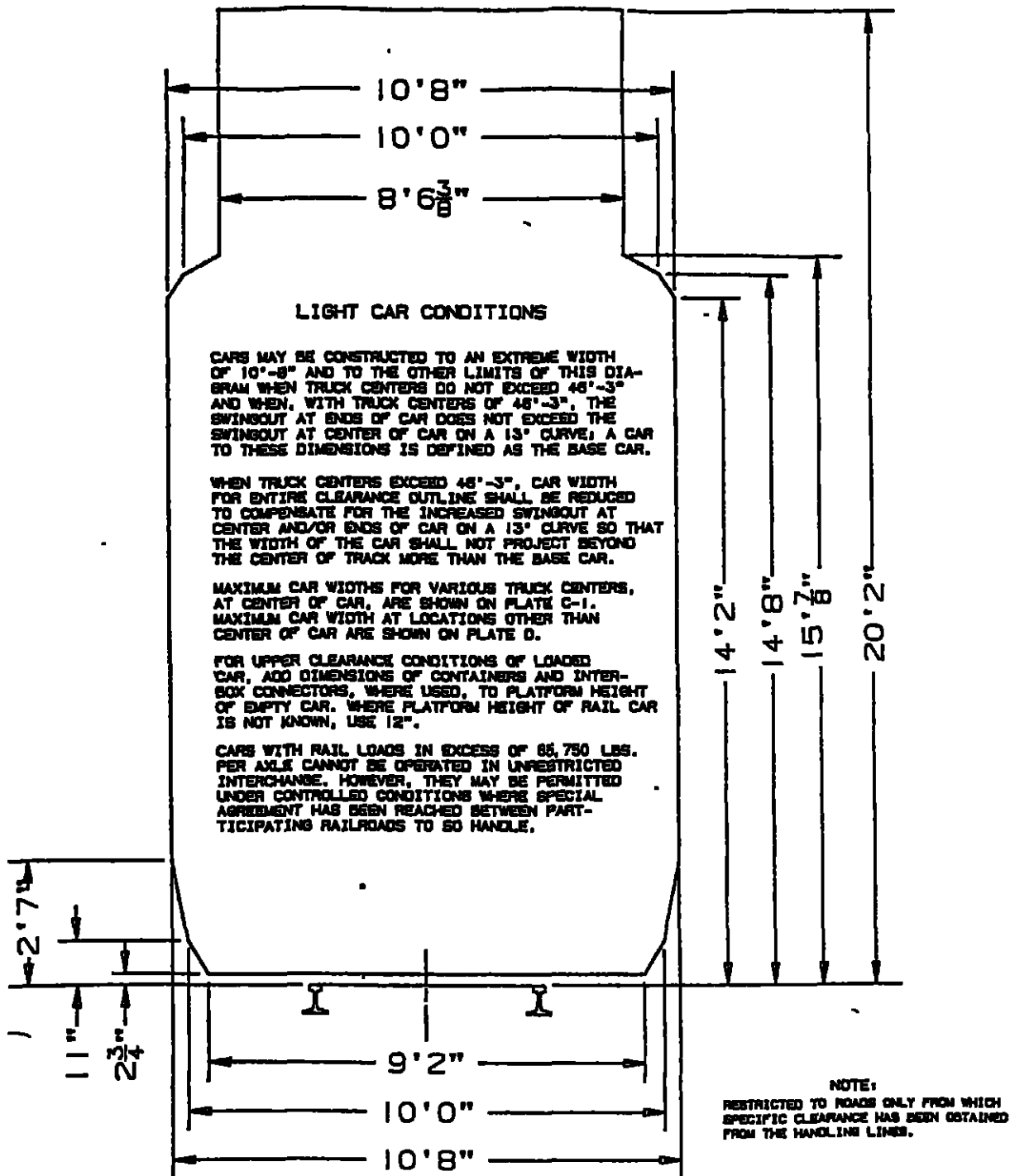
SOUTHERN PACIFIC COMMON STANDARD TIMBER LINING FOR NO SCALE ADOPTED REVISED

PLATE H

Figure 3 Plate "H" Clearance Diagram

EQUIPMENT DIAGRAM FOR DOUBLE-STACK CONTAINER CARS STANDARD

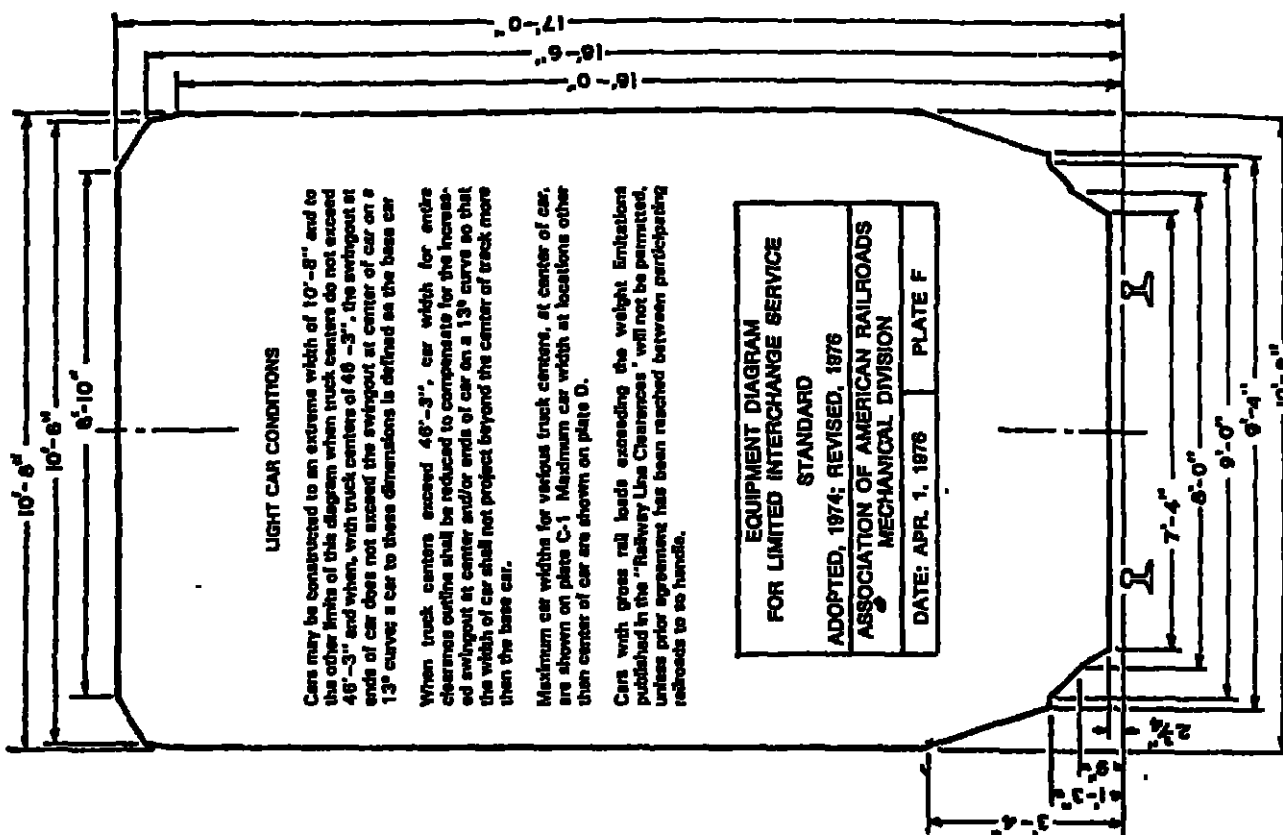
S-2040-91 ADOPTED, 1991



The 2 3/4" above top of rail is absolute minimum under any and all conditions of lading, operation, and maintenance

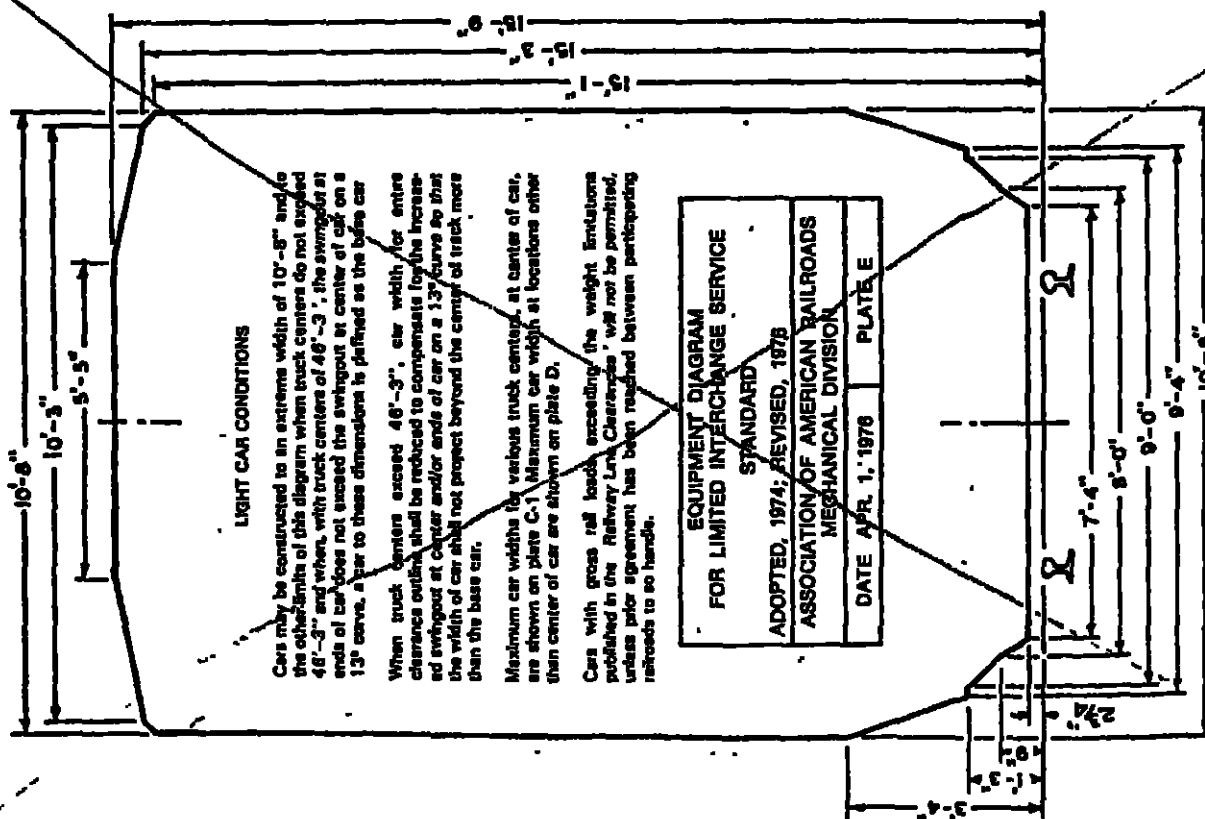
5'-4

PLATE E, PLATE F



The 2 3/4" above top of rail is absolute minimum under any and all conditions of loading, operation, and maintenance.

NOTE
Restricted to roads only from which speeding clearance has been
obtained from the Sheriff's Dept.



The 2 3/4' above top of rail is absolute minimum under any and all conditions of loading, operation, and maintenance.

NOTE
Restricted to roads only from which specific clearance has been obtained from the heading line.

JOHNSON John R

From: SHANKLE Richard A
Sent: Tuesday, January 09, 2007 9 22 AM
To: JOHNSON John R
Subject: CORP tunnel #15, Canary

Attachments: corp tunnel 15 canary pdf

John here is a copy of my inspection report on tunnel #15 at Canary. I talked with Duke Rodley, the track inspector on the Coos Bay line, and he informed me that there was a problem with tunnel #18, that a side wall was bulging and he was on his way to the tunnel to make sure a train would clear the bulge. Tunnel #18 is at MP 734.6 and it is 1,554 feet long. It has 700 feet of steel supports covered with gunite, 800 feet of timber, and 54 feet of concrete.

There are 9 tunnels on the Coos Bay line, #13 through #21. Duke informed me that only 2 or 3 of these tunnels have been upgraded, or rebuilt, in the last 20 years.



corp tunnel 15
canary pdf (19 ..



CENTRAL OREGON & PACIFIC RAILROAD, INC.

333 S E Mosher Ave • PO Box 1083 • Roseburg, OR • 97470 • 541-957-5966 • Fax 541-957-0686

August 3, 2005

Mike Gaul
Port of Coos Bay
125 Central Avenue
Suite 300
Coos Bay, Oregon 97420-0311



Dear Mike,

Enclosed please find the information you have requested regarding improvement of the Coos Bay Tunnels to enable handling of Plate H double stack containers

Clearance work for the Coos Bay Tunnels is fairly well spread out over all of the tunnels, and includes undercutting, concrete liner notching and timber replacement with shotcrete and rock bolts. Double stack clearances will require some work in all of the tunnels, however crown mining and/or undercutting will be required only in Tunnels 13, 16 and 21 on the Coos Bay Branch

I have enclosed a copy of a study done in 1994, by Shannon Wilson, a review of the Tunnel conditions by Milbor-Pita in May of 2004 and the most recent estimate of costs from \$1,966,400 to \$2,416,400 by Milbor-Pita.

As you are aware, cost for materials changes constantly and these estimates are subject to change. We can do a more in-depth study and firm up these costs once a decision is made to pursue this further.

Hope this is what you need.

Sincerely


Dan Lovelady
General Manager



A RailAmerica Company



May 5, 2004

DRAFT – Subject to Review

Central Oregon & Pacific Railroad
333 S.E. Mosher
P.O. Box 1083
Roseburg, Oregon 97470

Attn: Jim Underwood – Manager of Track Maintenance
Marc Bader – Chief Engineer

Re: Coos Bay Branch Tunnel Inspection

Jim Underwood and I inspected most of the tunnels on the Coos Bay Branch on May 4, 2004 in order to estimate immediate liner maintenance requirements, in effect updating the March 1994 evaluation performed by Gerry Millar for Montana Rail Link/Southern Pacific Railroad. The tunnels on both occasions were subject to a cursory drive-through inspection because of the limitations of access by hy-rail SUV and minimal track time, however even this limited investigation allowed us to identify sections of several of the tunnels that are in need of structural repairs in the near future, and one extremely serious section that in our opinion could suffer a tunnel-closing collapse at any time. These problems areas are discussed below, starting with the most serious to the least serious sections.

Tunnel 15 MP 720 2143 feet

Four hundred feet (+/-) of the north end of the tunnel just in from the concrete portal structure are supported with highly deteriorated timber sets placed on a spacing of 1 to 2 feet, in an area of heavy seepage. In many cases the timber sets have racked and/or pushed inward, and the face-to-face contacts of the timber segments are almost completely crushed. In our opinion these timber sets have almost no support capacity and are in a zone of heavy ground, i.e. hence the very close spacing of the sets. Heavy ground, likely soil and/or very weathered bedrock, combined with heavy seepage in an area supported with deteriorated timber supports is a recipe for a major collapse that will close the tunnel for weeks if not longer.

The staged removal of the timber supports and the re-lining with shotcrete and rock bolts is not an option in this section because of the unstable nature of the ground and the heavy seepage. The only viable live-track repair in our opinion is the construction of an overlay liner consisting of steel sets/channel lagging backfilled with concrete placed directly over the deteriorated timber supports. In effect, the steel sets/channel lagging are used as form

work for the new liner and provide considerable structural reinforcement to the liner. The overlay liner is seated on a new footing wall placed just inboard of the existing footings to the timber supports. This new liner will reduce the lateral clearances from 17 feet total width to 15 feet, and the ATR clearance from 21 feet to 20 feet.

We have designed this type of remedial lining several times in the past 5 years, and one is currently being installed under similar conditions in a BNSF tunnel in Wyoming during daily 4-hour work windows. The estimated cost for the latter job is \$2000 per tunnel foot. A similar bid for Tunnel 15 would place the contractor cost at about \$800,000.

Tunnel 13 MP 681 2487 feet

A 200-foot-long section, and several 20-foot-long sections, of very wet, deteriorated timber sets occur near the middle of the tunnel, and fortunately the ground in back of the supports is blocky to massive bedrock. The latter condition allows for the staged removal of the timber sets and re-lining with shotcrete and rock bolts. This work can be performed efficiently in 6-hour windows at a cost of about \$1000 per tunnel foot.

A 150-foot section of close-spaced steel sets at the south end of the tunnel are lagged with severely deteriorated wood planks that allow rock blocks to punch through and fall on the track. Voids in back of the planks are observed to be several feet high. The steel sets should be lagged with steel channel (C6-8.2 or C3-4.1) as an immediate re-support, and eventually the voids backfilled with lean concrete or expansive grout. The estimated cost for placing the steel channel is \$125,000, and \$100,000 for the later grouting of the voids.

Tunnel 20 MP 750 870 feet

The gunited 200 feet at the south end of the tunnel should have an additional 2 to 3-inch layer of fiber reinforced shotcrete placed above the springline because seepage forces are scaling the 1-inch gunite layer and the underlying 1 to 3-inch rock layer. This condition does not lead to tunnel closure but does represent a safety hazard to maintenance and to a lesser extent on-board train crews working in the tunnel. The cost of this repair is about \$100,000, assuming a \$700 per cubic yard shotcrete cost and an allowance for mob/demob, with the latter amortized over similar work in Tunnels 18 and 19 (see below).

Tunnel 19 MP 745 4184 feet

Tunnel 18 MP 734 1552 feet

In both tunnels the last 50 feet at the south end requires 3 inch layer of fiber reinforced shotcrete, in Tunnel 18 after removing the timber sets. Furthermore, isolated short areas of Tunnel 19 require an additional 2 inches of shotcrete over the unreinforced gunite, specifically in areas where the latter has peeled off due to moisture, not structural, forces. The estimated 200 total feet require about 100 cubic yards of shotcrete, for an estimated cost of \$100,000 including the partial mob/demob cost noted above.

Please call Gerry Millar (425.486.6561) to discuss these issues.

Milbor-Pita & Associates

Gerry Millar
Manager of Rail & Tunnel Services



CENTRAL OREGON & PACIFIC RAILROAD, INC.

333 S E Mosher • P.O. Box 1083 • Roseburg, OR • 97470 • 541-957-5966 • Fax 541-957-0686

April 4, 2002

Mr Ed Immel
State Rail Planner – Rail Division
Oregon Department of Transportation
555 13th Street NE
Salem, OR 97310-1333

Dear Mr Immel

The Central Oregon & Pacific Railroad respectfully submits our application for grant funds authorized under Senate Bill 753 for track rehabilitation on the Coos Bay Line between MP 719 (Canary) and MP 768 (North Bend) in the amount of \$600,000. Attached is a spreadsheet outlining the various costs associated with the project.

You will note that our project includes the commitment of an additional \$598,610 by the CORP, a commitment that clearly exhibits a plan to insure the long-term viability of the entire line. The 49 miles between Canary and North Bend is one of the most critical areas of need, where nearly half of the track is rated as Class 1. Furthermore, during a recent FRA track inspection, CORP was cited for 4 violations and 30 defects on this 49-mile section. All of the violations and most of the defects were related to tie condition and surface. Remedial action will require more resources directed away from our main freight corridors on the Siskiyou Line to the Coos Bay Line, or reducing more of the track from Class 2 to Class 1, and in some cases Class 1 to Excepted.

Due to reduced train speeds, it is currently taking two 12-hour crew shifts to make the round trip between Eugene and Hauser. Any further reduction in track speed will require a third crew to complete the round trip, an expense CORP can ill afford. The rehabilitation of the section between Canary and North Bend would be the first of what we hope would be three phases of improvements on the Coos Bay Line, depending upon the amount of future funding sources.

The Coos Bay Line handled 5,958 revenue carloads in 2001, and our 2002 plan is for 6,268 carloads. With a carload density of 45.8 carloads per mile in 2001, the 130-mile Coos Bay Line is marginal, and past traffic levels and the lack of outside funding have prevented the CORP from investing in any substantial capital improvements on the line.

RECEIVED
APR 05 2002
RAIL DIVISION

However, many of our customers have made capital investments in their facilities recently Roseburg Forest Products, at Coquille, invested \$3 5 million in their plywood mill; Georgia Pacific, at Coos Bay, added a track at a cost of \$1 5 million in order to move woodchips by rail; and Roseburg Forest Products put in another \$0 5 million at its export chip facility at Cordes Additionally, we have a new customer, Westwood Lumber at Franz, who will be building a new spur track into his facility and shipping via rail soon We are also excited about the American Bridge Company, which has announced the location for its new plant on Bolon Island We anticipate new inbound traffic during the plant's construction, and expect a substantial amount of rail traffic in future years once the plant goes on stream

As you know, the Coos Bay Bridge is also scheduled for a \$6 8 million rehabilitation project of its own, and CORP's proposed line improvement is essential to insure the bridge money is a worthwhile endeavor If our track to the bridge cannot handle railcar traffic safely and efficiently, then there is no need for a bridge rehabilitation project

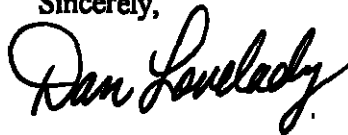
Needless to say, Oregon's highways in southwestern Oregon are precarious at best, and considering the heavy tourist traffic and present truck traffic, more trucks on these roads would be, as you know, a great cause for concern, and place a heavy burden on road infrastructure costs

We only see great potential for growth in rail in the years ahead This project is the first of three critical phases of rehabilitation that is needed to insure rail service is preserved to the Port of Coos Bay, and to many of the industries that made investments in their own facilities But most importantly, it is critical to the economy of the Bay Area, as well as to the many small rural communities located along the Coos Bay Line.

Once our application for the infrastructure funds of \$600,000 is approved, we will set a timeline to begin the rehabilitation project and take the necessary steps to secure the CORP portion of the project We anticipate starting the project in late summer or early fall

Thank you for your consideration We look forward to your positive reply very soon

Sincerely,



Dan Lovelady
General Manager

Attachment

cc. Charlie McLean, VP-Pacific Region, RailAmerica
Scott Linn, Vice President-Engineering, RailAmerica

Central Oregon & Pacific Railroad

Short Line Infrastructure Funding Request

Project - Line Rehabilitation MP 719 to MP 768 - Coos Bay Line

Oregon Short Line Infrastructure Funds

Ties	20,000	\$ 22 00	\$ 440,000.00
Ballast	20,000 cu. Yards	8	\$ 160,000.00
Total			\$, 600,000.00

Central Oregon & Pacific Railroad Contribution

Tie Installation	20,000	14 00 per tie	\$ 280,000.00
Surfacing	44 miles	.50 per foot	\$ 116,160.00
Tie Distribution	20,000	1 00 per tie	\$ 20,000 00
OTM(Spikes/Plates			\$ 80,000 00
Crossings & Switches			\$ 102,450 00
Total			\$ 598,610.00
Total Cost of Project			\$ 1,198,610.00

04/04/2002



CENTRAL OREGON & PACIFIC RAILROAD, INC.

333 S E Mosher • P.O. Box 1083 • Roseburg, OR • 97470 • 541-957-5966 • Fax 541-957-0686

RECEIVED
FEB 19 2003
RAIL DIVISION

2/07/03

Mr Ed Immel
State Rail Planner
Oregon Department of Transportation
555 13th Street NE, Suite 3
Salem, Oregon 97301-4179

Dear Mr. Immel:

The Central Oregon and Pacific Railroad is submitting our application for grant funds authorized under Senate Bill 753 for the year 2003 if funds are appropriated

Our application in 2002 was for \$600,000 to install 20,000 ties and 20,000 cu yards of ballast on the Coos Bay Line between Canary and North Bend (44 Miles) We were granted ½ or \$300,000 so we were forced to cut our project in half to (10,000 ties and 10,000 cu. yards of ballast) to rehab the line between Reedsport (mp 740) and Canary (mp 721 3) If we are granted our 2003 request we will complete the original project from Reedsport (mp 740) to North Bend (765) and also rehabilitate between MP 670 and MP 674 The project would cover an area of 29 miles.

The project cost for ties and ballast is \$418,000 as outlined on the recap sheet attached. The Central Oregon and Pacific Railroad would match the \$418,000 with our own funds for OTM (plates and spikes), tie installation, surfacing and work train material distribution We believe this clearly demonstrates our commitment to the long-term operation of the Coos Bay Line.

As explained in our application last year, this track rehabilitation compliments the \$6 8 million rehabilitation of the Coos Bay Bridge and capital improvements made by many of the rail shippers on the Coos Bay Line. The traffic on the Coos Bay Line continues to grow on a yearly basis. In 2001 the Central Oregon and Pacific handled 5,958 revenue loads, 8324 revenue loads in 2002 and we are projecting for 11,922 revenue loads in 2003 Although the carload density per mile has finally grown beyond marginal on the Coos Bay Line, revenues are still not enough to make up for years of deferred maintenance because of low traffic volumes. The opportunity to improve the track conditions with grant funds increases our ability to improve service, reduce derailments and reduce our operating speeds thereby reducing expenses

Due to the increased railcar traffic volumes we are currently discussing the addition of a second local switch crew at Coos Bay to provide double switches for both Georgia Pacific and Weyerhaeuser and to make the run to Roseburg Forest Products in Coquille daily. In addition, we are considering increasing our operating from Coos Bay to Eugene daily instead of the current 3 days per week we now operate.

The State Coastal Highways are very precarious and congested in tourism months. The rail service the Central Oregon provides to numerous rural communities from Eugene to Coquille keeps approximately 30,000 trucks off the highways reducing the demand for highway capacity expansion and increasing public safety. Having rail service allows our rail shippers in these rural communities to be competitive regionally and nationally. With rail access to the Port of Coos Bay, we also provide Oregon manufacturers the ability to compete internationally.

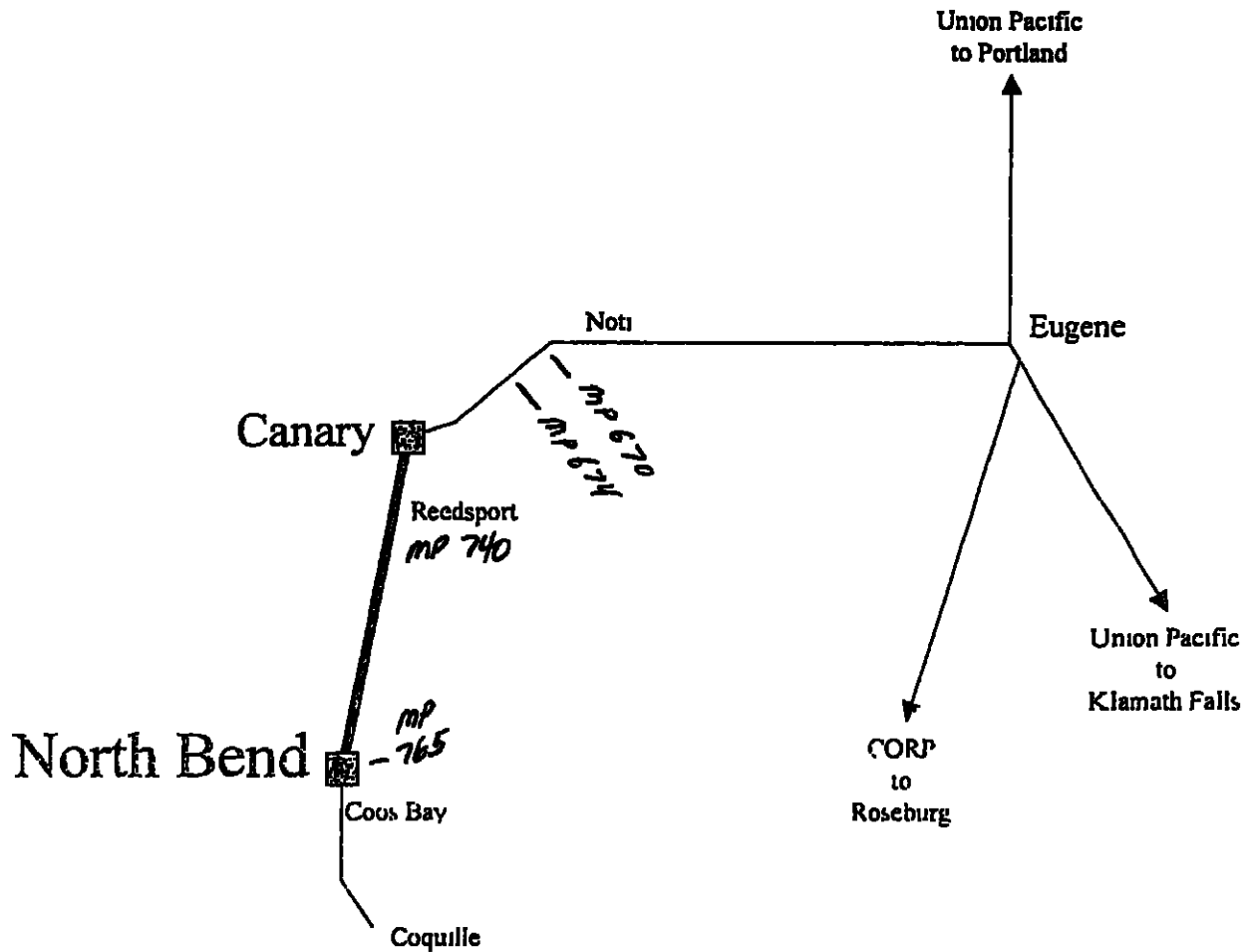
We continue to project rail traffic growth for the Central Oregon and Pacific Railroad and in particular our Coos Bay Branch. This project will continue our track rehabilitation plans on the Coos Bay Branch that will insure rail service that is so critical to the economy of the Bay Area and the many rural communities along the line remains for many years to come.

Thank you for your consideration. We have our fingers crossed that SB 753 will get funded and you will grant our application request in full.

Sincerely,


Dan Lovelady
General Manager

MAP SHOWING LOCATION OF IMPROVEMENTS TO THE CENTRAL OREGON & PACIFIC RAILROAD



Funds provided under Oregon Laws 2001,
Chapters 906 and 942.

Central Oregon & Pacific Railroad, Inc.



**ConnectOregon Application for
Track Improvements Project**



Central Oregon & Pacific Railroad (CORP) *ConnectOregon* Application

CORP Track Improvements

Table of Contents

Application for *ConnectOregon* Program 2005-2006

Attachment A:	CORP Track Improvement Public Benefit Brief
Attachment B:	Economic & Social Benefit of Diverting Truck Traffic with CORP Yard Improvements
Attachment C:	CORP Track Project List Spreadsheet
Attachment D:	CORP Track Improvement Public Benefit Analysis Spreadsheets

Central Oregon & Pacific Railroad (CORP)

***Connect*Oregon Application**

Application For ConnectOregon Program 2005-2006

To ensure you have current program information, e-mail connectoregon@odot.state.or.us to get on the electronic mailing list.

PART A- Project Summary and Certification:

Use this form or a replica. Print and sign one original. Attach additional text at the end as necessary identified with the corresponding question number.

1. APPLICANT

ORGANIZATION NAME Central Oregon & Pacific Railroad, Inc.	PRIMARY CONTACT PERSON AND TITLE Steve Hefley
ADDRESS 333 S.E. Mosher	TELEPHONE (541) 957-2512
CITY, STATE AND ZIP CODE Roseburg, OR 97470	FAX (541) 957-0686

2. CO-APPLICANT

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

3. PROJECT NAME AND LOCATION

Central Oregon & Pacific Railroad main line track improvements; Saldyou, Roseburg, & Coos Bay Subdivisions.

4. SUMMARY OF PROJECT

Upgrade of the Central Oregon & Pacific Railroad main lines.

5. COST SUMMARY*

- a) ConnectOregon Grant Amount
- b) ConnectOregon Loan Amount
- c) Subtotal ConnectOregon Funds
- d) Match Amount
- e) Other Fund Amount
- f) Project Total

359,782.00
0
9,883,742.00
1,027,112.00
0
12,270,636.00

*Leave these Cost Summary entries blank - they will fill in automatically when Part C.4 of application is completed.

6. CERTIFICATION

I certify that Central Oregon & Pacific Railroad, Inc. (applicant organization) supports the proposed project, has the legal authority to pledge matching funds, and has the legal authority to apply for ConnectOregon funds. I further certify that matching funds are available or will be available for the proposed project. I understand that all State rules for contracting, auditing, underwriting (where applicable) and payment will apply to this project.

Steven Hefley 3-6-06
APPLICANT SIGNATURE DATE

Steven Hefley
PRINTED NAME

CO APPLICANT SIGNATURE

DATE

PRINTED NAME

ConnectOregon Program

Application

PART B - Applicant Qualifications

1. CONTACT INFORMATION

APPLICANT

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
Central Oregon & Pacific Railroad, Inc.	Steve Heilay
ADDRESS	TELEPHONE
933 S.E. Mosher	(601) 987-2512
CITY, STATE AND ZIP CODE	FAX
Roseburg, OR 97470	(601) 987-0680

CO-APPLICANT/CO SPONSOR

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

2. IS/ARE THE APPLICANT(S) CURRENT ON ALL STATE AND LOCAL TAXES, FEES AND ASSESSMENTS?

☒ YES ☐ NO If NO Explain.

--

PART C - Project Description

3. PROJECT DESCRIPTION AND PURPOSE: Summarize the project's description and purpose. Provide maps in 8 1/2 "X 11" format as hard copy only.

This project provides a less expensive transportation alternative for the Oregon forest products industry, while reducing the growth of heavy truck trips on Oregon roads and highways. Preserving and rehabilitating the Central Oregon & Pacific Railroad (CORP) main lines, and making them more efficient, will provide better track which can operate at higher speeds. This will result in an increase in overall capacity for the CORP railroad system, with the associated lower costs for shippers, and the ability to avoid diversion of lumber traffic to truck.

CORP has entered into a two (2) year compliance agreement with the FRA to address the overall condition of CORP's tracks. CORP and RailAmerica are committed to working with the various regulatory agencies, including FRA and ODOT, to ensure that CORP may continue to provide safe and efficient rail transportation services to the public.

The quantifiable benefits of this project are derived from determining the increased efficiencies that these track improvements will bring to the railroad. These track improvements will upgrade the overall condition of the track which will allow for higher train speeds while reducing slow orders. By increasing speeds and eliminating slow orders, trains move more quickly, and service is accomplished in a more timely fashion. Presently, cars spend on the average 5 87 days between inbound and outbound interchanges. These improvements will reduce that time by up to one day. This one day reduction is equivalent to a 17 % increase in the entire system capacity from 55,000 carloads per year to 64,000 per year.

Increasing the rail carload capacity provides Oregon forest products shippers a less expensive lower cost transportation option, while avoiding additional truck trips. This has advantage of lowering emissions, reducing highway congestion, and decreasing fuel consumption.

(continued on Addendum Page 8)

4. ConnectOregon (CO) Project Budget

SOURCES OF FUNDS: Please identify the source and amount of moneys comprising your project budget in terms of grants, loans, match and other funds.

SOURCES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
a. ConnectOregon Grant	\$7,343,782.00	58.2%	2007	1st
b. ConnectOregon Loan		0.0%		
c. Required Match (Grants - 20% of Total Project) 1	\$5,025,812.00	40.6%	2006	1st
d. Other Leveraged Funds (2)		0.0%		
e. Other Leveraged Funds (2)		0.0%		
f. Other Non-Leveraged Funds (Describe)		0.0%		
g. Other Non-Leveraged Funds (Describe)		0.0%		
TOTAL*	12,369,594	100%		

(1) Please describe the source and timing of the 20% match shown above. If applicable include the cost basis of property.

The 40.6% match will be provided by Central Oregon & Pacific capital expenditures on track upgrades in the amount of \$5,025,812 in FY 2006.

(2) If your project leverages other funds beyond the ConnectOregon grants, loans and match required for your project, please describe the source, timing and basis for valuing the other funds. Leveraged funds must be shown in 1(d) and 1(e) above.

USES OF FUNDS: Please identify the proposed uses and amount of moneys comprising the project budget.

USES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
Labor (Payroll)	\$977,988.00	7.9%		
Contracted Services (If Known)	\$4,419,508.00	35.7%		
Materials and Supplies	\$6,982,080.00	56.2%		
Capital Outlay (Land)		0.0%		
Capital Outlay (Buildings)		0.0%		
Capital Outlay (Equipment)		0.0%		
Other (Describe):		0.0%		
Other (Describe):		0.0%		
Other (Describe):		0.0%		
Other (Describe):		0.0%		
TOTAL*	12,379,574	100%		

*Totals for Sources of Funds and Uses of Funds must be equal.

5. REAL ESTATE

EXACT ADDRESS OR LEGAL DESCRIPTION:

a. IS PROPERTY OWNED BY APPLICANT(S)? ☒ YES ☐ NO

PURCHASE PRICE	DATE
----------------	------

b. IS PROPERTY TO BE PURCHASED? ☐ YES ☒ NO

PURCHASE PRICE	DATE
----------------	------

c. IS PROPERTY TO BE LEASED? ☐ YES ☒ NO

d. DOES THE PROJECT INCLUDE EASEMENTS OR DONATED PROPERTY? ☐ YES ☒ NO

Provide any additional details here:

Track improvements will be on existing railroad right of way

PART D - Project Considerations

NOTE. The independent review consultant who will evaluate the project may consider other published or publicly available information when conducting this review

6. TRANSPORTATION COST REDUCTION: Describe how the project reduces transportation costs for Oregon businesses

This project will reduce transportation costs for Oregon forest products industries by providing and maintaining a less expensive transportation alternative. Lower rail rates vs. truck will result in a savings of up to \$17,000,000 per year. This investment will make these Oregon industries more competitive against other forest products businesses throughout the United States.

The existing track condition and track speeds CORP can only hamper future intermodal connectivity as the demand for railcars grows. If the line cannot support an influx of additional rail cars to service increased future demand, the number of opportunities to increase industry output by shipping via rail is diminished.

7. MODAL CONNECTIVITY: Describe how the project benefits or connects two or more modes of transportation.

This project will provide an alternative to truck transportation for Oregon businesses by making the CORP more efficient, and capable of handling more carloads of traffic.

The avoided truck trips will result in reduced highway congestion from truck in the Roseburg area. The avoidance of up to 63,000 annual truck trips will result in avoiding an increase in the truck Average Annual Daily Traffic (AADT) of up to 4%.

The applicant proposes to quantify the improved connectivity by showing the increase in forest products carloads.

8. STATEWIDE OR REGIONAL TRANSPORTATION LINK: Describe how the project creates a critical link in a statewide or regional transportation system

This project will connect Oregon businesses to the national rail system, making them more competitive. Using rail reduces congestion on the highway system while lowering transportation costs for the businesses. The reduced congestion will be Statewide by avoiding up to 63,000 additional annual truck trips on I-5 by increasing rail carloads up to 9,000 per year.

The applicant proposes to quantify the improvements in terms of additional carloads of forest products carried and job creation.

9. COST BORNE BY APPLICANT(S): Provide the amount by which the project will exceed, or, provide a match beyond ConnectOregon's minimum grant-match requirement of 20%.

The 40.6% match will be provided by Central Oregon & Pacific capital expenditures on track upgrades in the amount of \$5,025,812 in FY 2006.

The full project is beyond the ability of the applicant to finance with outside sources due to the low rate of return.

10. PERMANENT AND CONSTRUCTION JOBS CREATION/RETENTION: Describe how the project creates and retains permanent and construction jobs in Oregon

Job estimates are derived from a previous study conducted on the impact of a CORP Winchester Rail Yard construction project, base on a percentage of the carload growth of that project.

Construction Jobs: These will be primarily limited to a track construction firm, and are assumed to be out of State. This would total about 26 jobs, and these would be for the duration of the project, or about 12 months.

Other Direct Jobs, Not Including Construction: This project will provide infrastructure that could result in the creation of an average of up to 571 railroad and forest products industry jobs per year in the Southwest Oregon Region.

As a result of this project improvement, railroad employment is could to grow from 121 jobs to 137 jobs. This employment increase is directly related to the expanded capacity provided by the project and will not take place without the improvements. The average annual wage of new CORP rail jobs is estimated to be \$55,000 based on 2005 year end data and forecasted 2006 trends.

(continued Addendum Page 9)

11. ANTICIPATED CONSTRUCTION START DATE OR EQUIVALENT:

1 January 2006

12. ANTICIPATED PROJECT COMPLETION DATE:

31 December 2007

13. CONSTRUCTION READINESS: Provide a project timeline and describe where the project is on this timeline in relation to planning, design and permitting issues.

The project requires no rezoning, land use permits, or environmental approvals

14. PROJECT OPERATIONS: How will the ongoing maintenance, operation and replacement of the project be financed?

The maintenance operation and replacement of the project will be financed by the Central Oregon & Pacific Railroad capital expenditure program. Those funds will be provided by the additional revenue received as a result of this project.

15. OTHER CONSIDERATIONS AND INFORMATION : Describe any other considerations and information you would like taken into account about the project.

The project uses the efficiencies of rail to reduce emissions and fuel consumption vs. truck. This will result in avoiding additional emissions, and savings of 1 million gallons per year in diesel fuel consumption.

PART E - Supporting Materials: Provide a list here of supporting materials that will be provided as part of your hard copy submission.

The following additional materials are provided in the hard copy application:

Attachment A: CORP Track Improvement Public Benefit Brief

Attachment B: Economic & Social Benefit of Diverting Truck Traffic with CORP Yard Improvements

Attachment C: CORP Track Project List Spreadsheets

Attachment D: CORP Track Improvement Public Benefit Spreadsheets

ADDENDUM PAGE 8: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

PART C - 3: PURPOSE

Aside from reducing rail traffic congestion and shipping costs, the project will also foster benefits for the community of Roseburg. Faster trains spend less time blocking grade crossings. This has the impact of reducing traffic congestion in central Roseburg, improving emergency vehicle response times, improving air quality, and reducing fuel consumption in the community.

The CORP is comprised of approximately 439 miles of mainline. These improvements would consist of providing heavier rail, replacing ties, replacing turnouts, bridge and tunnel improvements, surfacing and smoothing the roadbed, and providing for signal improvements. The major components of this upgrade program are as follows:

- Relay 79,080 LF of curve worn rail on various curves on the Roseburg, Siskiyou, and Coos Bay Subdivisions.
- Relay 141,122 LF of 90# jointed rail with 112# or larger Continuous Welded Rail on the Roseburg Sub.
- Replace 85,358 defective cross ties
- Surface 111 miles of track
- Renew Old Hwy 99 crossing at MP 557.3
- Replace 249 switch ties at various locations
- Replace 5 turnouts at Dillard Yard
- Make repairs on various bridges based on the annual bridge inspection
- Eliminate remaining pole line and replace with electracode
- Grind 83.84 Pass miles between MP 403.16 - 487
- Repair tunnel lining in tunnels 13, 15, and 20 on the Coos Bay Subdivision
- Eliminate 350 joints in welded rail

The CORP will complete the following projects in FY 2006 as the match for the funds:

- Relay 79,080 LF of curve worn rail on various curves on the Roseburg, Siskiyou, and Coos Bay Subdivisions.
- Relay 62,0832 LF of 90# jointed rail with 136# Continuous Welded Rail on the Roseburg Sub.
- Replace 35,358 defective cross ties
- Surface 80 miles of track
- Renew Old Hwy 99 crossing at MP 557.3
- Replace 249 switch ties at various locations
- Replace 5 turnouts at Dillard Yard
- Make repairs on various bridges based on the annual bridge inspection
- Eliminate pole line and replace with electracode

The following are the projects proposed for the ConnectOregon grant funds in order of priority:

- Replace 50,000 defective cross ties
- Surface 31 miles of track
- Repair tunnel lining in tunnels 13, 15, and 20 on the Coos Bay Subdivision
- Relay 79,000 LF of 90# jointed rail with 112# or larger Continuous Welded Rail on the Roseburg Sub.
- Make repairs on various bridges based on the annual bridge inspection
- Eliminate remaining active pole line and replace with electracode
- Grind 83.84 Pass miles between MP 403.16 - 487
- Eliminate 350 joints in welded rail

Completing any or all of the above improvements using ConnectOregon would contribute to the higher trains speeds desired and provide some of the benefits previously described.

ADDENDUM PAGE 9: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

PART D - 10: PERMANENT AND CONSTRUCTION JOBS CREATION/RETENTION.

Our analysis indicates that with added rail capacity, employment in the forest products industry could expand by 550 jobs over the 20 year period following completion of the proposed project. Forest products jobs created are estimated at \$42,408 per year based on computer modeling estimates. These wages are above the State average and all direct jobs are expected to be family wage jobs.

We believe that the Medford-White City areas and the North Spit area of the Port of Coos Bay present the greatest potential for attracting new industries and family wage jobs to the CORP. Since 2002, the following new industries have located on CORP:

Company	Jobs	Year
Louisiana-Pacific (Panel Products), Rogue River	40	2002
Westwood, Reedsport	30	2004
McGovern Metals, Roseburg	6	2004
HFP Transloading, Grants Pass	4	2004
American Bridge, Reedsport	120	2004
Goshen Reload, Goshen	4	2005
Southport Lumber, North Bend	70	2005
South Coast Lumber, Merlin	2	2005
Amy's Kitchen, Central Point	200	2006
Williams' Bakery, Springfield	275	2006
Total New Customer Jobs	751	

Without the additional improvements offered by the track projects, this pace of industrial development may lessen as customers seeking rail service are forced to consider railroads in other geographic areas as an alternative to the operational capacity constrained CORP.

Indirect and Induced Jobs: In addition to the direct jobs described above, we estimate that the project could create an additional 1,523 indirect and induced jobs per year over the 22 year period including construction and operation of the improvements.

ADDENDUM PAGE 10: Attach additional text here as necessary, identifying the corresponding application question number you are completing

--	--

ADDENDUM PAGE 11: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

ADDENDUM PAGE 12: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

/

Attachment

A:

CORP Track Improvement Public Benefit Brief

Public Benefit Central Oregon & Pacific Railroad Track Improvements

- **Avoided Social Costs from Additional Truck Trips**
(Congestion, air pollution, noise, and accident):
 - Total: \$8,600,000
 - Net Present Value (7% Gov't discount Rate): \$4,200,000
- **Reduced Traffic Congestion:**
 - Avoids Up To 63,000 Annual Truck Trips
 - Reduces Truck Average Annual Daily Traffic (AADT) in Roseburg area by up to 4%
- **Reduced Emissions:**
 - Decreased NOx emissions by 35 tons in 2012
- **Reduced Fuel Consumption**
 - Decreased Fuel Consumption by up to 1 Million Gallons Annually by 2015
- **Reduced Costs to Shippers**
 - Reduces transportation and logistics costs by up to \$17,000,000 per year for Oregon forest products industries.

Attachment

B:

Economic & Social Benefit of Diverting Truck Traffic with CORP Yard Improvements

**Economic & Social Benefit
of
Diverting Truck Traffic
with
Central Oregon and Pacific Railroad
Track Improvements**

Track Improvements

Public Benefit from Marginal Cost Avoidance of Additional Truck Trips

The public benefit of the proposed CORP track improvements is based on avoidance of marginal highway costs. These costs are from the impact of each additional truck upon Oregon freeways (I-5). As Oregon recovers most costs associated with additional pavement damage, the costs evaluated are the social costs including congestion, air pollution, noise, and accidents.

The 2005 base year carload traffic was over 52,000 carloads. Existing maximum mainline capacity is approximately 55,000 carloads per year. The proposed track improvements yard would increase that capacity to approximately 64,000 carloads per year.

Each carload generates the equivalent of 3.5 loaded truck trips. Since lumber (the major commodity moved by CORP) uses unique equipment, the possibility of a backhaul is nil, and this empty backhaul is also attributed to a carload for another 3.5 trips.

The marginal costs are calculated by multiplying a cost factor per mile for each truck trip, based on truck weight, and urban/rural freeway designation. The lighter weights were used to calculate the empty backhaul. The diverted truck traffic would use a mix of I-5 northbound or southbound. The total truck trips were evenly split between northbound and southbound. The calculations are on the spreadsheets associated with this study.

The results are calculated with a carload growth rate of 5% and a Government discount rate of 7%. This gives a net present value of the public benefits from avoided marginal costs of \$4,200,000.

Marginal Cost Calculations

From 2000 FHWA update to the 1997 Highway Cost Allocation Study.

Table 13. 2000 Pavement, Congestion, Crash, Air Pollution, and Noise Costs for Illustrative Vehicles Under Specific Conditions						
Vehicle Class/Highway Class	Cents per Mile					
	Pavement	Congestion	Crash	Air Pollution	Noise	Total
Auto/Rural Interstate	0	0.78	0.88	1.14	0.01	2.81
Auto/Urban Interstate	0.1	7.70	1.19	1.39	0.08	10.41
40 klp 4-axle S.U. Truck/Rural Interstate	1.0	2.45	0.47	3.85	0.06	7.88
40 klp 4-axle S.U. Truck/Urban Interstate	3.1	24.48	0.88	4.49	1.50	34.43
60 klp 4-axle S.U. Truck/Rural Interstate	5.6	3.27	0.47	3.85	0.11	13.3
60 klp 4-axle S.U. Truck/Urban Interstate	18.1	32.64	0.88	4.49	1.88	57.77
60 klp 5-axle Comb./Rural Interstate	3.3	1.88	0.88	3.85	0.17	10.08
60 klp 5-axle Comb./Urban Interstate	10.5	18.39	1.15	4.49	2.75	37.28
60 klp 5-axle Comb./Rural Interstate	12.7	2.23	0.88	3.85	0.19	19.85
60 klp 5-axle Comb./Urban Interstate	40.9	20.08	1.15	4.49	3.04	69.64

NOTE: S.U. = Single Unit, Comb. = Combination; Air pollution costs are averages of costs of travel on all rural and urban highway classes, not just interstates. Available data do not allow differences in air pollution costs for heavy truck classes to be distinguished.

The additional truck trip from the Roseburg area will be 100 miles to the closest rail transload facility. The majority of this mileage is classified as rural. Baseline calculation for the study will be 3.5 truckloads per carload, plus the backhaul. Loaded trucks are considered 80k and the empty at 50 k.

Costs per mile excluding pavement damage are \$0.0715 per mile for rural 80k truck (load), and \$0.0678 per mile for rural 60k truck (empty). Each truck trip at 100 miles each way accounts for \$13.93. Therefore, each carload saves 3.5 x \$13.93 or \$48.75 within the State of Oregon.

Assuming 5% freight rail traffic growth, total social costs avoided from 2008 through 2027 are \$8,600,000. Total social costs considering 7% annual discount rate are \$4,200,000.

Additional Truck Trips Avoided

The track improvements would avoid additional truck trips associated with the shift from rail to truck. Many of the trips would move to another railroad transload facility, while others would be entirely truck and cross the state line. The estimates used in this study were conservative in that they limited the additional truck trips to 100 miles from the area of Roseburg. Trips were evenly split between northbound and southbound on I-5 in the vicinity of Roseburg. This assumption gives the most conservative estimate for truck traffic impacts.

The yard will reduce additional annual truck trips on I-5 by approximately 63,000 by 2015. Most of these truck trips would increase the Average Annual Daily Traffic (AADT) in the area of Roseburg. Truck increase is 2% northbound in 2024, and 4% southbound in 2018.

Reduced Emissions

New requirements for improved diesel emissions technologies will reduce emissions for both truck and rail. But even with these improvements, rail has a lowered rate of emission per ton-mile. For NOx, the estimated reduction in emissions for the year 2012 as a result of avoided truck trips is .4 grams per ton mile. Based upon a count of 165,000 ton-miles, the reduction amounts to 35 tons of NOx in 2012.

Reduced Fuel Consumption

Diesel engine design has resulted decreased fuel consumption for both truck and locomotive engines. But using existing fuel consumption rates, the yard could reduce increased fuel consumption due to additional truck trips by up to 1 million gallons per year by 2015.

Lower Shipping costs.

Using the LA Basin as a major consumption market for forest products, analysis shows a transportation rate differential of \$1900 per carload for truck vs rail. This estimate is conservative in that many shipments have an even longer length of haul. The additional logistics costs which could be borne by the forest products industry would be in up to \$17,000,000 per year.

Attachment C:

CORP Track Project List Spreadsheet

CORP Connect Oregon Plan

	Program	Description	Cost	Comments
CORP	Curve Rail (ln.ft.)	Relay 79,060 LF of curve worn rail on various curves on the Roseburg, Stikyou, and Coos Bay Subdivisions.	\$3,390,000	
CORP	COF Rail (ln.ft.)	Relay 141,122 LF of 90# jointed rail with 112# or larger Continuous Welded Rail on the Roseburg Sub.	\$872,686	
CORP	Ties (each)	Replace 85,358 defective cross ties	\$5,093,985	
CORP	Surfacing (miles)	Surface 111 miles of track	\$797,190	
CORP	Crossings (trk)	Renew Old Hwy 99 crossing at MP 557.3	\$50,209	
CORP	Switch Ties(bd.ft.)	Replace 249 switch ties at various locations	\$43,226	
CORP	Turnouts	Replace 5 turnouts at Dillard Yard	\$96,230	
CORP	Bridges	Make repairs on various bridges based on the annual bridge inspection	\$500,000	
CORP	Signals	Eliminate remaining pole line and replace with electrode	\$350,000	
CORP	Grinding	Grind 284 Pass miles between MP 345 - 487	\$222,298	
CORP	Handheld Repairs	Repair timber trestles 13, 15, and 20 on the Coos Bay Subdivision.	\$724,000	
CORP	Joint Elimination	Eliminate 350 joints in welded rail	\$239,750	
CORP	Misc.		\$0	

PROJECT TOTAL \$12,379,574

CORP MATCHING FUNDS \$5,025,812

40.6%

ConnectOregon Funded Projects - ODOT Region 2
ConnectOregon Funded Projects - ODOT Region 3

\$1,477,492
\$6,876,270

CORP Matching Funds Projects

	Program	Description	Cost	Comments	Schedule
CORP	Curve Rail (In.ft.)	Reley 79,060 LF of curve worn rail on various curves on the Roseburg, Siskiyou, and Coos Bay Subdivisions.	\$990,000	Rail purchased in '05 and cost not in this figure	5/1/06 - 8/4/06
CORP	OOF Rail (In.ft.)	Reley 62,063 LF of 90# jointed rail with 136# Continuous Welded Rail on the Roseburg Sub.	\$872,686	Rail purchased in '05 and cost not in this figure	5/1/06 - 8/4/06
CORP	Ties (each)	Replace 39,888 defective cross ties MP 403.16 - MP 430, MP 606 - MP 629	\$2,178,985		05/15/2008 - 8/11/08
CORP	Surfacing (miles)	Surface 80 miles of track (Surfacing limits will mirror the Tie and Rail project limits)	\$574,476		5/15/06 - 8/31/06
CORP	Crossings (tk)	Renew Old Hwy 99 crossing at MP 557.3	\$50,209		10/1/06 - 10/31/06
CORP	Switch Ties(bd.ft.)	Replace 249 switch ties at various locations from MP 560 - MP 565	\$43,226		3/1/06 - 4/30/06
CORP	Turnouts	Replace 5 turnouts at Dillard Yard mp 560.3, MP 560.4, MP 560.5, MP 560.9, MP 561.0	\$96,230		3/1/06 - 4/30/06
CORP	Bridges	Make repairs on various bridges based on the annual bridge inspection	\$200,000		6/1/06 - 8/31/06
CORP	Signals	Eliminate pole line and replace with electracode MP 600 - MP 605	\$20,000		3/1/06 - 5/31/06
CORP	Grinding				
CORP	Tunnel Repairs				
CORP	Joint Elimination				
CORP	Misc.				

CORP TOTAL \$5,025,812

Connect Oregon Funded Projects **Older Projects**

Priority	Program	Description	Cost	Comments	Schedule
4	Curve Rail (In.ft.)	Relay 60,810 LF of curve worn rail on various curves on the Roseburg, Siskiyou, and Coos Bay Subdivisions.	\$1,845,990		6/1/07 - 8/31/07
	OOE Rail (In.ft.)				
1	Ties (each)	Replace 50,000 defective cross ties MP 487 - MP 539, MP 589 MP 602	\$2,915,000		6/1/07 - 10/31/07
2	Surfacing (miles)	Surface 27.5 miles of track (Surfacing limits will mirror Rail and Tie project limits)	\$197,569		6/15/07 - 11/15/07
	Crossings (trk)				
	Switch				
	Ties(bd.ft.)				
	Turnouts				
5	Bridges	Make repairs on various bridges based on the annual bridge inspection	\$80,000		7/1/07 - 10/31/07
6	Signals	Eliminate remaining active pole line and replace with electrade MP 605 - 620.96, MP 430 - MP 440	\$271,573		3/1/07 - 8/31/07
7	Grinding	Grnd 168 Pass miles between MP 403.16 - 487	\$222,298		06/01/07 - 6/15/07
3	Turnout Repairs	Repair turnout lining in turnout 220 on the Coos Bay Subdivision	\$152,040		4/1/07 - 7/31/07
8	Joint Elimination	Eliminate 280 joints in welded rail MP 540 - MP 620.96	\$191,800		3/1/07 - 6/30/07
	Misc.				

CONNECT OREGON TOTAL \$5,876,270

Connect Oregon Funded Projects

Region 2

Priority	Program	Description	Cost	Comments	Schedule
2	Curve Rail (ln.ft.)	Relay 18,250 LF of curve worn rail on various curves on the Roseburg and Coos Bay Subdivisions.	\$554,010		6/1/07 - 8/31/07
	OOE Rail (ln.ft.)				
	Ties (each)				
3	Surfacing (miles)	Surface 3.5 miles of track (Surfacing limits will mirror Rail project limits)	\$25,145		6/15/07 - 11/15/07
	Crossings (tk)				
	Switch				
	Ties(bd.ft.)				
	Turnouts				
4	Bridges	Make repairs on various bridges based on the annual bridge inspection	\$220,000		7/1/07 - 10/31/07
5	Signals	Eliminate remaining active pole line and replace with electrocode MP 630.7 - MP 644.1	\$58,427		3/1/07 - 8/31/07
	Grinding				
1	Tunnel Repairs	Repair tunnel lining in tunnels 13 and 15 on the Coos Bay Subdivision	\$550,000		4/1/07 - 7/31/07
6	Joint Elimination	Eliminate 70 joints in welded rail MP 620.96 - MP 644	\$47,950		3/1/07 - 6/30/07
	Misc.				

CONNECT OREGON TOTAL \$1,477,492

CORP Rail Projects

Curve #	MP	Degree	East/West Rail	VHL	GFL	Existing Rail	Length	Relay Year	Comments
403D	403.6	8	West	1/4	1/2	113	600	2006	
405E	405.4	11	East		5/8	132	200	2006	
405F	405.45	9	East	1/4		132	200	2006	
405G	405.5	9	East		5/8	136	100	2006	
406D	406.7	10	West	1/4	1/2	132	300	2006	
407A	407.3	10	West		1/2	132	600	2006	
408A	408.2	10	East		5/8	132	600	2006	
408D	408.8	10	East		1/2	113	450	2006	
412A	412.3	10	East	5/8		132	550	2006	
412A'	412.3	10	West	1/2		132	550	2006	
413A	413.15	10	West	5/8		132	700	2006	
413A	413.16	10	East		1/2	132	700	2006	
414F	414.6	10	West	5/8		132	500	2006	
414F	414.8	10	East		5/8	132	500	2006	
416F	416.7	10	East		5/8	132	1000	2006	
417A	417.16	10	East		5/8	132	1000	2006	
418A	418.2	10	West	1/4	5/8	132	750	2006	
418E	418.6	10	West	1/2		132	650	2006	
418E	418.6	10	East		1/2	132	650	2006	
419B	419.45	10	East		5/8	132	800	2006	
419C	419.55	10	West		1/2	113	500	2006	
485	485	10.5	West			113	800	2006	
486	486	10.5	East			113	800	2006	
486A	486.1	8.8				113	700	2006	
489C	489.4	9				113	500	2006	
489B	489.4	10				113	800	2006	
497C	497.6	10				113	700	2006	
503D	503.9	8.5				113	520	2006	
518B	518.15	8	West	5/8		136	650	2006	
533	532.9	10				113	1350	2006	
534C	534.6	4	West			112	1000	2006	And tangent north
534C	534.6	4	East			112	1000	2006	And tangent north
535	534.9	10	West			113	1350	2006	
535	534.9	10	East			113	1350	2006	
553D	553.9	10	West	1/4	3/8	112	400	2006	
555A	555.5	8/9	West	1/4	3/8	113	800	2006	8 deg portion of compound only
564D	564.3	8	East	3/8	3/8	112	300	2006	
564G	564.6	6	West	1/4	3/8	113	500	2006	
565	564.9	6	West	1/4	3/8	112	1300	2006	
567	566.9	4	West	1/4	3/8	113	1100	2006	
571B	571.7	8	West			113	500	2006	
571B	571.7	8	East			113	500	2006	
571C	571.8	4	West			113	800	2006	
571C	571.8	4	East			113	800	2006	
573	573.15	7	West	1/2		136	1500	2006	
573	573.15	7	East	1/2	1/4	136	1500	2006	
573A	573.35	7	West	3/8	1/2	132	500	2006	
578	578.15	5.5	East	3/8	1/2	113	400	2006	
578A	578.25	5.5	West	3/8	1/2	113	600	2006	
588	588	8	West	3/8	1/2	112	1000	2006	
588B	588.15	7	West	1/4	1/2	112	650	2006	
584C	584.75	11	West	5/8		136	600	2006	
585A	585.55	4	West	3/8	3/8	113	800	2006	
588C	588.7	10	East	1/4	1/2	133	1500	2006	
607	607.3	6	East	1/2	1/2	136	1800	2006	
607A	607.5	6	West	3/8	1/2	136	750	2006	
610B	610.8	4	West	1/4	1/2	133	1050	2006	
618B	618.6	7	West	3/8	5/8	132	950	2006	

CORP Rail Projects

618C	618 7	8	West	5/8		132	700	2006	
618C	618 7	8	East	1/2	3/8	132	700	2006	
620A	620.1	10	West	3/8	1/2	132	800	2006	
620A	620 1	10	East	5/8		132	800	2006	
621	620 9	7	West	3/8	1/2	132	1800	2006	
643B	643 3	8	East	1/4	5/8	132	1100	2006	
666A	666 7	8	East	1/2		113	1050	2006	
670	670	8	West	1/2	3/8	113	800	2006	
674	674	8	West	3/8	3/8	113	1800	2006	
683	682.9	8	West	1/4	1/2	113	2280	2006	
686A	686 4	8	East	1/4	3/8	113	1180	2006	
688	687 9	8	West	1/4	3/8	113	700	2006	
688C	688 8	4	West	1/4	1/2	115	900	2006	
689	688 9	4/2	West	1/4	1/2	115	2280	2006	4 deg portion only
689A	689 8	8/4	East	1/4	1/2	113	2280	2006	
690A	690 2	3	West	1/4	3/8	112	620	2006	
691	691.15	8	West	1/4	1/2	112	610	2006	
694	694 1	8	East	1/4	1/2	113	800	2006	
699	698 9	4	East	1/4	3/8	113	1300	2006	
703D	703.6	5	East	1/4	3/8	115	468	2006	
704A	704.25	7	East	3/8	1/2	132	1400	2006	
708	708 1	4	East	1/4	1/2	115	3200	2006	Both rails of curve
719B	719 6	7	East	1/4	5/8	113	700	2006	
719C	719 8	8	West	1/4	5/8	132	1200	2006	
723	723	4	East	1/4	1/2	115	900	2006	
728	725 9	6	East	1/4	5/8	132	900	2006	
728C	728 8	8	East	1/2	1/2	138	1320	2006	
735	735	4	West	1/4	1/2	115	1300	2006	
736B	735 4	4	West	1/4	1/2	115	600	2006	
736C	736 7	5	East	1/4	1/2	112	600	2006	
765B	765 85	8	West	3/8	1/2	115	500	2006	
Tan	516 45					90	700	2006	Second Hand Rail - Both
517C	517 35	9				113	750	2006	Second Hand Rail - High
517D	517 6	9				113	850	2006	Second Hand Rail - High
524B	523.4	10				132	800	2006	Second Hand Rail - High
525B	525.3	4				132	800	2006	Second Hand Rail - High
531	531	8				113	400	2006	Second Hand Rail - High
538B	538 5	8				113	1400	2006	Second Hand Rail - High
559D	559.8	4				90	8300	2006	SH Rail - Curve and Tangent
561	561	3				90	14200	2006	SH Rail - Curve and Tangent
Tan	562 8					90	6800	2006	Second Hand Rail - Both
Tan	566 3					90	5500	2006	Second Hand Rail - Both
Tan	5667					90	17100	2006	Second Hand Rail - Both
Tan	570 6					90	8500	2006	Second Hand Rail - Both

Curve Rail Total 79238
 OOF Rail Total 62500

ConnectOregon Rail Projects

Curve #	MP	Degree	East/West Rail	VHL	GFL	Exding Rail	Length	Relay Year	Comments
403E	403.73	4	East	1/4	3/8	112	500	2007	
404A	404.25	9	West		1/2	132	600	2007	
405F	405.45	9	West	3/8	3/8	136	200	2007	
405J	405.9	7	East	1/4	1/2	136	200	2007	
408A	408.1	10	West		1/2	132	200	2007	
408E	408.8	10	East	1/4	1/2	136	500	2007	
409A	409.2	10	East		1/2	132	500	2007	
409C	409.5	10	East		1/2	132	700	2007	
409D	409.7	7.5	West	3/8		113	1000	2007	
410	410	9	East		1/2	132	550	2007	
410C	410.65	10	East		1/2	132	800	2007	
411	411	10	West	3/8		132	450	2007	
411	411	10	East		3/8	132	450	2007	
413C	413.8	12	West	1/2		132	1200	2007	
415E	415.75	4	West	1/2		132	550	2007	
416B	416.2	3.5	East	1/2		136	300	2007	
416D	416.5	7	East		1/2	132	400	2007	
416E	416.55	10	West		1/2	132	450	2007	
417C	417.8	8	East		1/2	132	500	2007	
418	418	14	East		1/4	136	2000	2007	H to low
418B	418.35	8	East		1/2	136	600	2007	
418D	418.65	9	West		1/2	132	400	2007	
418D	418.55	9	East	3/8		132	400	2007	
418D	418.7	10	East		1/2	132	300	2007	
419E	419.8	10	West		1/2	132	500	2007	
419F	419.9	10	East		1/2	132	350	2007	
420C	420.25	10	East	1/2		136	600	2007	
420E	420.7	10	East	1/4	1/2	132	700	2007	
421B	421.35	8	West	1/2		132	400	2007	
424B	424.3	5	West		1/2	132	1000	2007	
426A	426.3	7.5	East		1/2	132	1000	2007	
454	453.9	8	East	1/4	3/8	113	1900	2007	
456A	456.6	6	West		3/8	112	2200	2007	
468	468.15	4	West		3/8	113	2000	2007	
551B	551.5	8	West		1/2	132	400	2007	
553	553.1	8	West	1/4	1/2	132	1000	2007	
563B	563.6	6	West	1/4	3/8	113	300	2007	
563E	563.9	6	West	1/4	3/8	113	200	2007	
564A	564.05	4	West	1/4	3/8	112	200	2007	
564H	564.7	6	East	1/4	3/8	113	500	2007	
573A	573.35	7	East	3/8		132	500	2007	
589A	589.4	7	West	1/4	3/8	132	800	2007	
589A	589.4	7	East		1/2	132	800	2007	
594A	594.45	8	East	3/8	3/8	136	800	2007	
594C	594.75	11	East	1/4	3/8	136	600	2007	
595	595.1	8	West		1/2	136	1200	2007	
596A	596.65	6	West	3/8	3/8	136	1000	2007	
596A	596.65	6	East	1/2		136	1000	2007	
596B	596.85	6.5	East	3/8	3/8	136	800	2007	
597	597	8	West	3/8	3/8	136	700	2007	
606	606.4	4	West	3/8	3/8	132	1400	2007	
616D	616.8	8	West	3/8	3/8	136	800	2007	
620	620	7	West	1/2		132	800	2007	
620	620	7	East	1/2	3/8	132	600	2007	

ConnectOregon Rail Projects

643A	643.1	8	West	1/2		132	800	2007	
644A	644.6	4	West	1/2		132	2000	2007	
644A	644.6	4	East	3/8	1/2	132	2000	2007	
667B	667.4	8	West	1/4	3/8	132	1000	2007	
677B	677.8	8	East	1/2		136	1100	2007	
681B	681.6	8	West	1/4	3/8	132	1800	2007	
684A	684.45	4	West		3/8	113	900	2007	
686	686.1	6	East	3/8	1/4	136	1150	2007	
686	686.1	6	West		1/2	136	1150	2007	
686	686.2	6	East	1/2		136	1000	2007	
703C	703.5	8	West	1/4	3/8	115	500	2007	
707B	707.4	4	East	1/4	3/8	115	650	2007	
718	718.1	3.5	East	3/8	3/8	115	1400	2007	
718B	718.8	4	East	1/4	3/8	115	750	2007	
720	720	6	East	1/4	1/2	136	1200	2007	
724A	724.2	7	West	1/4	3/8	113	950	2007	
728A	728.1	4	West		3/8	115	900	2007	
740	740.5	5	West	1/4	1/2	115	2380	2007	
749	749.2	3/5	West	1/4	1/2	115	1400	2007	5 deg portion only
749A	749.4	5	East	1/4	1/2	110	1200	2007	
406	406	7.5	East	1/4	3/8	136	300	2007	
416A	416.15	10	West		3/8	132	700	2007	
422B	422.45	10	West		3/8	132	650	2007	
576B	576.4	5	West		3/8	132	900	2007	
579	579.3	3	West		3/8	132	1100	2007	
581B	581.6	6	West		3/8	132	1100	2007	
589.2	570.3	12m	both				11820	2007	

Rail Relay Total 79000

Attachment

D:

CORP Track Improvement Public Benefit Analysis Spreadsheets

Rail Project Improvements

Central Oregon & Pacific Track Project Impact Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2027
Annual Carload Demand	65,054	67,808	69,697	63,731	66,919	70,284	73,777	77,466	81,398	85,408	89,677	94,160	153,377
With/Track Improvements													
Actual Annual Carloads	65,000	66,000	66,000	65,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Carloads Diverted to Truck	64	2,806	5,697	8,731	11,918	16,284	16,777	22,468	28,339	30,408	34,677	39,160	98,377
Additional Truck Trips	576	18,644	39,676	61,120	83,426	106,847	131,440	157,262	184,376	212,843	242,736	274,122	688,641
With Track Improvements													
Actual Annual Carloads	65,000	65,000	60,697	63,731	64,000	64,000	64,000	64,000	64,000	64,000	64,000	64,000	64,000
Carloads Diverted to Truck	64	2808	0	0	2818	6284	9777	13468	17339	21408	25677	30160	88377
Additional Truck Trips	576	18644	0	0	20426	43647	68440	94262	121376	148643	178736	211122	628641
Truck Trips Avoided with New Yard	0	0	39,676	61,120	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000

Base Year Carloads - 2005
 Existing Railroad Capacity
 CORP - Annual Carload Growth
 Existing System Dwell (days)
 Improved System Dwell (days)
 Additional Capacity From Track Improvements

64,370

Additional Costs - Truck

Central Oregon & Pacific Track Project Impact Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Additional Truck Trips	0	0	39,676	81,120	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Public Costs - Other	\$0	\$0	\$277,757	\$425,701	\$438,785	\$438,785	\$438,785	\$438,785	\$438,785	\$438,785	\$438,785	\$438,785
10 Year												
Total Public Costs - Other												
NPV Public Costs - Other												
20 Year												
Total Public Costs - Other												
NPV Public Costs - Other												
NPV Public Costs - Other	\$4,183,124											

Public costs are social costs from additional truck trips including congestion, air pollution, noise, and accidents. Pavement damage costs are excluded as these additional costs are recovered by truck VMT fees.

Miles per Truck Trip
Public Discount Rate



	Load	cents per mile
Pavement - Urban	40.9	
Pavement - Rural	12.7	
Other - Urban	28.64	
Other - Rural	7.16	
Empty		
Pavement - Urban	10.6	
Pavement - Rural	3.3	
Other - Urban	26.78	
Other - Rural	6.78	

Central Oregon & Pacific Track Project Impact Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Additional Truck Trips	0	0	39,878	61,120	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Additional VMT	0	0	3,987,816	6,111,987	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000
Additional Traffic Without Truck Improvement												
MP 129.22 (Northbound)												
Total AADT	32300											
Truck AADT	3696											
% Truck	12.07%											
Additional Truck AADT												
Increased Truck AADT 2024												
Total % Increase in 2024												
MP 118.61 (Southbound)												
Total AADT	36900											
Truck AADT	1798											
% Truck	8.13%											
Additional Truck AADT												
Increased Truck AADT 2024												
Total % Increase in 2016												

Data from ODOT OTMS Traffic Volumes and Vehicle Classification Tables

Additional Emissions & Fuel

Central Oregon & Pacific Track Project Impact Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additional Truck Type	0	0	38,878	61,120	63,000	63,000	63,000	63,000	63,000	63,000
Additional Ton-miles	0	0	49,846,198	78,389,857	78,750,000	78,750,000	78,750,000	78,750,000	78,750,000	78,750,000
Additional Tons Not	0		38		48		35			
Additional Fuel Consumption (gal.)	0	0	643,003	888,558	1,015,876	1,015,876	1,015,876	1,015,876	1,015,876	1,015,876

Net Emissions (g/ton-mile)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Truck	1.5		1		0.8		0.65			
Rail	0.7		0.35		0.26		0.26			

Fuel Consumption per Ton-mile		
Truck		0.0178
Rail		0.0060

Additional Shipper Costs

Central Oregon & Pacific Track Project Impact Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2027
Additional Loaded Truck Trips	0	0	19,938	30,890	31,600	31,600	31,600	31,600	31,600
Additional Shipper Costs	\$0	\$0	\$11,014,934	\$18,983,081	\$17,402,400	\$17,402,400	\$17,402,400	\$17,402,400	\$17,402,400
10 Year									
Total Add'l Shipper Costs			\$146,714,916						
Avg. Per Year			\$14,671,482						
20 Year									
Total Add'l Shipper Costs			\$341,141,216						
Avg. Per Year			\$17,057,061						

Rooseburg to LA Basin
 Rail Rate (HC CB Car)
 Truck Mileage
 Truck Rate Per Mile
 Total Truck Rate

	\$1,893.60
--	------------

Application For ConnectOregon Program 2005-2006

To ensure you have current program information, e-mail connectoregon@odot.state.or.us to get on the electronic mailing list.

PART A- Project Summary and Certification:

Use this form or a replica. Print and sign one original. Attach additional text at the end as necessary identified with the corresponding question number.

1. APPLICANT

ORGANIZATION NAME Central Oregon & Pacific Railroad, Inc.	PRIMARY CONTACT PERSON AND TITLE Steve Hefley
ADDRESS 333 S.E. Mosher	TELEPHONE (541) 957-2512
CITY, STATE AND ZIP CODE Roseburg, OR 97470	FAX (541) 957-0886

2. CO-APPLICANT

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

3. PROJECT NAME AND LOCATION

Central Oregon & Pacific Railroad main line track improvements, Siskiyou, Roseburg, & Coos Bay Subdivisions.

4. SUMMARY OF PROJECT

Upgrade of the Central Oregon & Pacific Railroad main lines. This includes a request of grant money within Region 2 (in the amount of \$1,477,492) and Region 3 (in the amount of \$5,876,270). Detailed information regarding projects to be completed in each Region is contained in Attachment C: which is made part of this Application. Also see page 3.

5. COST SUMMARY*

- a) ConnectOregon Grant Amount
- b) ConnectOregon Loan Amount
- c) Subtotal ConnectOregon Funds
- d) Match Amount
- e) Other Fund Amount
- f) Project Total

\$7,353,762.00
\$7,353,762.00
\$7,353,762.00
\$7,353,762.00
\$7,353,762.00
\$7,353,762.00

*Leave these Cost Summary entries blank - they will fill in automatically when Part C.4 of application is completed.

6. CERTIFICATION

I certify that Central Oregon & Pacific Railroad, Inc (applicant organization) supports the proposed project, has the legal authority to pledge matching funds, and has the legal authority to apply for ConnectOregon funds. I further certify that matching funds are available or will be available for the proposed project. I understand that all State rules for contracting, auditing, underwriting (where applicable) and payment will apply to this project.

Steven Hefley 3-9-06
APPLICANT SIGNATURE DATE

STEVEN HEFLEY
PRINTED NAME

CO APPLICANT SIGNATURE

DATE

PRINTED NAME

4. ConnectOregon (CO) Project Budget

SOURCES OF FUNDS: Please identify the source and amount of moneys comprising your project budget in terms of grants, loans, match and other funds.

SOURCES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
a. ConnectOregon Grant	\$7,353,762.00	100%	2007	1st
b. ConnectOregon Loan				
c. Required Match (Grants - 20% of Total Project) 1	\$5,025,812.00	40%	2008	1st
d. Other Leveraged Funds (2)				
e. Other Leveraged Funds (2)				
f. Other Non-Leveraged Funds (Describe)				
g. Other Non-Leveraged Funds (Describe)				
TOTAL*				

(1) Please describe the source and timing of the 20% match shown above. If applicable include the cost basis of property.

The 40% match will be provided by Central Oregon & Pacific capital expenditures on track upgrades in the amounts of \$1,000,768 within Region 2 and \$4,016,044 within Region 3 (total of \$5,025,812) in FY 2008

(2) If your project leverages other funds beyond the ConnectOregon grants, loans and match required for your project, please describe the source, timing and basis for valuing the other funds. Leveraged funds must be shown in 1(d) and 1 (e) above

USES OF FUNDS: Please identify the proposed uses and amount of moneys comprising the project budget.

USES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
Labor (Payroll)	\$977,988.00	10%		
Contracted Services (If Known)	\$4,419,508.00	50%		
Materials and Supplies	\$6,982,080.00	80%		
Capital Outlay (Land)				
Capital Outlay (Buildings)				
Capital Outlay (Equipment)				
Other (Describe):				
Other (Describe):				
Other (Describe):				
Other (Describe):				
TOTAL*				

*Totals for Sources of Funds and Uses of Funds must be equal.





Oregon Department of Transportation

ConnectOregon FAQ

ConnectOregon II – 11/13/07 Update

1. General Information

a. What is ConnectOregon?

ConnectOregon is a lottery bond-based, initiative to invest in air, rail, marine, and transit infrastructure to ensure Oregon's transportation system is strong, diverse, and efficient

b. Who ultimately benefits from ConnectOregon projects?

All Oregonians will reap the benefits from enhancing Oregon's transportation infrastructure. Residents and businesses, as well as the environment, will benefit by having a more efficient, productive transportation system that improves Oregon's business environment, ultimately leading to more jobs and a more sound economy.

c. Will ConnectOregon benefit only urban areas?

No. Projects in all parts of the state will be considered for funding. The ConnectOregon legislation (House Bill 2278, 2007 Regular Session) requires that at least 10 percent of the funds be allocated in each of the five regions (regions are geographic groupings of counties, see www.oregon.gov/COMM/CO/index.shtml).

2. Communications and Outreach

a. Who are some of the key stakeholders in ConnectOregon?

Key stakeholders include the businesses that will benefit from the projects made possible by the investments, representatives and advisory groups from the eligible transportation modes, freight shippers and carriers, business organizations, municipalities, and the environmental community.

b. What communication channels will be used?

A ConnectOregon Web site (www.oregon.gov/COMM/CO/index.shtml) that contains background and current information is available through the ODOT Web site. Five informational meetings for all interested parties will be held during the application period throughout the state (one meeting in each geographic region identified in the ConnectOregon legislation). These meetings will provide information regarding the application and application process. ODOT is also maintaining a list of individuals and groups who want to receive regular e-mail updates, information about how to get on the mailing list is on the ConnectOregon Web site.

c. How can applicants and other interested parties keep current on progress or changes in this program?

To receive email updates regarding the *ConnectOregon II* process please sign up for the electronic mailing list at <http://lists.mart.oregon.gov/mailman/listinfo/connectoregon-news> The *ConnectOregon* Web site will contain updates as well as other important information. Everyone on the email list will receive notification if new FAQs are added after the opening of the application period.

3. Project Eligibility**a. What considerations will be used to evaluate projects for *ConnectOregon* funds?**

In selecting transportation projects, the Oregon Transportation Commission will consider the following:

- Whether a proposed transportation project reduces transportation costs for Oregon businesses or improves access to jobs and sources of labor,
- Whether a proposed transportation project results in an economic benefit to this state,
- Whether a proposed transportation project is a critical link connecting elements of Oregon's transportation system that will measurably improve utilization and efficiency of the system,
- How much of the cost of a proposed transportation project can be borne by the applicant for the grant or loan from any source other than the Multimodal Transportation Fund, and
- Whether a proposed transportation project is ready for construction.

b. Are projects that can be funded by fuel and motor vehicle tax revenues eligible for *ConnectOregon* funding?

No. Projects eligible for funding from revenues described in section 3a, Article IX of the Oregon Constitution, e.g., the Highway Trust Fund, are not eligible for *ConnectOregon* funding. If a highway or public road element is essential to the complete functioning of the proposed project, applicants are encouraged to work with their ODOT region, city or county to identify the necessary funding sources.

c. Can a publicly owned road be part of a *ConnectOregon* project?

Yes, but no *ConnectOregon* funds can be used for improvements that are otherwise eligible to be funded by highway fund revenues.

d. Is a project eligible if it contains an element eligible for state highway funds?

Yes. However, only project elements not eligible for state highway funds are eligible for *ConnectOregon* funding; therefore, the application should be for the other project elements. The *ConnectOregon* program encourages submission of projects that include a component connecting one mode to another.

e. The bill says “Transportation Projects” are eligible for funding. Does that include all the modes and types of projects and facilities defined in the ORS?

No Only rail, marine, aviation, and transit projects are eligible

f. Is dredging an eligible activity, if needed to deepen an existing port to serve larger ships?

Most dredging is considered a maintenance activity Bonds are the source of *ConnectOregon* funds It is generally not considered good practice to fund operations or maintenance activities with bond proceeds The reviewing committees will consider this during project selection To present a strong application, the applicant should demonstrate that the dredging would achieve a new depth as opposed to restoring previously reached depths

g. Are capital equipment purchases eligible projects?

Yes

h. Will applications be considered for a combined government and private project?

Yes For private entities, a lien will be granted and a deed of trust (for real property) or a security agreement (for personal property) will be executed to effect such a lien

i. May a private entity or public agency submit multiple project applications?

Yes

j. Can applicants submit projects that are not yet fully funded?

Documentation of how the entire project will be funded must be submitted with the application During the project selection process, ODOT anticipates the review committees will consider whether a project is ready to begin work

k. What is the extent to which a project can include aspects other than construction of physical improvements?

Projects may be a combination of real estate, capital infrastructure, capital equipment, professional services (e.g. architectural and engineering services), or other expenditures Non-capital project expenditures are not prohibited, but it is generally not considered good practice to fund non-capital assets or services with bond proceeds A more expensive form of bonding is required for predominantly non-capital projects

l. Can projects that were not selected for funding under ConnectOregon I apply for ConnectOregon II funds?

Yes, they can reapply

m. If an applicant received ConnectOregon I funds, will it count against that applicant in ConnectOregon II?

No

n. Are projects that are physically located outside the state eligible?

No

o. What level of design has to be completed prior to application submittal?

Zero The application includes a detailed checklist that covers the applicant's planning efforts. Applicants should demonstrate they have the knowledge and management ability to complete the project and that the project concept is feasible. However, applicants should keep in mind that readiness for construction is one of the review considerations.

4. Application Process

a. What process will be used to submit a project for ConnectOregon II funding?

All project applications will be submitted to ODOT. It is expected that application period for ConnectOregon II will open in early September 2007 and close in late November. Interested parties should watch the ODOT Web site and add their names to the ODOT email list of updates and notification: <http://www.oregon.gov/ODOT/COMM/CO/index.shtml>. To receive automatic notification of updates, sign up for our e-list at <http://lists.state.or.us/mailman/listinfo/connectoregon-news>.

b. Will ODOT and the Aviation Board or the Oregon Economic and Community Development Department perform an initial assessment on project applications?

Yes. ODOT and the other agencies will initially screen all projects for completeness and reasonableness.

c. Will ODOT assist applicants in the project submission process?

ODOT will not provide assistance to applicants since ODOT is administering the project selection process.

d. Should applicants obtain letters of support for their project?

Yes. Letters of support from community and business supporters as well as affected local governments will be helpful to the OTC as they make their decisions. They should be addressed to the project applicant. Letters of support and letters of intent to use the project are specifically requested in the project application.

e. Are design costs eligible for project funding?

Yes

f. How can applicants or other interested parties follow up on a project's application status after it has been submitted?

Basic information on all projects under consideration will be posted on the *ConnectOregon* Web site

g. Are there questions in the application that do not apply to all modes?

Yes To address all of the considerations in a structured question format, the application is written with some questions that focus on only one mode of transportation There may be some questions that do not apply to all projects Applicants will not be penalized if they cannot answer a question that does not apply to the project (e g Freight rail projects will not be expected to answer questions regarding passenger movement)

5. Project Selection**a. What process will be used to select a project for *ConnectOregon II* funding?**

The OTC will solicit project recommendations from the Oregon Aviation Board, the Freight, Public Transit, and Rail Advisory Committees, the Marine Project and Planning Advisory Committee, as well as the Area Commissions on Transportation A public hearing is planned for May 2008 where any member of the public or interested party may provide comment on *ConnectOregon* projects to the OTC before the Commission makes its project selection decisions

b. Who are the members of these designated advisory groups?

Membership lists for the designated advisory groups are maintained by several state agencies, please check the following Websites for the membership lists for the respective advisory group

Aviation Board, Oregon Department of Aviation <http://www.oregon.gov/Aviation/board.shtml>

Oregon Freight Advisory Committee, ODOT Freight Mobility Section
http://www.oregon.gov/ODOT/TD/FREIGHT/OFAC_Membership_List.shtml

Rail Advisory Committee ODOT Rail Division
<http://www.oregon.gov/ODOT/RAIL/RailAdvisoryCommittee.shtml>

The Public Transit Advisory Committee, ODOT Public Transit Division
http://www.oregon.gov/ODOT/PT/ABOUT/PTAC/next_meeting.shtml

The Marine Project and Planning Advisory Committee, Oregon Economic and Community Development Department <http://econ.oregon.gov/ECDD/boards.shtml>

Membership on some of these committees may change before the review process begins – check these sites during review for any additional information

c. Must projects be initiated by the designated advisory groups?

No Submission of eligible projects is open to any entity whose project fits program considerations

d. When will projects be selected?

ODOT anticipates that the OTC will approve a list of projects for funding in June 2008

e. How will the 10 percent regional allocations be met if there are multiple project application periods?

There will be only one project selection period during which all \$100 million will be awarded, including the 10 percent regional allocation requirement

f. What if \$10 million worth of projects is not submitted for every region?

Given the need for transportation system improvements throughout the state, ODOT anticipates that each region will submit at least \$10 million in project requests. A delay in one of the regions will not affect progress in the others.

g. How much time will the advisory boards and committees have to evaluate applications?

ODOT expects to post information on all project applications that are found to be complete and eligible on the *ConnectOregon* Web site by early January 2008. The advisory organizations will each have approximately six weeks to make project recommendations.

h. How will projects from different modes be fairly compared and evaluated?

The OTC will consider the projects that are in the best interest of the state's transportation system.

i. Are there any funds set aside for specific public entities?

No

j. How will marine projects be selected?

Marine projects will be given the same consideration and go through the same process as other projects; all applications will be received by ODOT. Prior to selecting marine projects, the OTC will solicit recommendations from the Marine Project and Planning Advisory Committee.

k. How will Area Commissions on Transportation be involved in project review?

ConnectOregon legislation does not define a role for Area Commissions. However, since funds are allocated by region and advice is requested by mode in the legislation, OTC is inviting groups of Area Commissions to work with potential applicants within each *ConnectOregon* region to identify projects that will be good candidates for *ConnectOregon* funding. The administrative rule enables this broader consultation. The Area Commissions are expected to play an important role in working with project applicants and interested parties in their regions to help shape regional priorities. The Area Commissions will have about six weeks to conduct their

review to make recommendations. The ACTs' review will follow the modal advisory committees review.

l. There is no ACT in the Portland metro area – how will input be provided from here?

A special purpose committee that will include the business community, JPACT members, and representatives from Columbia and Hood River Counties will be created by the OTC for the purposes of *ConnectOregon* project review in this area. It will disband after making recommendations.

m. How will the project recommendations from groups of ACTs and the modal review boards and committees be brought before the OTC?

The ODOT Director will convene a committee composed of the representatives from the modal committees and ACTs to bring all the recommendations from the various reviewers into a unified proposed list for adoption by the OTC. An OTC public hearing will be held in May 2008 to consider this "final review" committee list.

n. Are the five considerations equally weighted?

There is no differentiation in the legislation, however, the OTC will ask review committees to identify the first three considerations (in the order listed in HB 2278) as strategic considerations.

o. Why is ODOT using considerations as opposed to criteria – was that inherited from the bill?

The term considerations is used in the legislation.

p. Are joint sponsorship applications permitted?

Yes. Joint applications are acceptable from any combination of public-private, private-private, or public-public partnerships.

6. Project Funding Administration

a. Who will administer *ConnectOregon* funds?

ODOT is responsible for administering *ConnectOregon* funds.

b. Will the entire \$100 million in project funding be available to applicants at once?

No, funding will be provided to project applicants on a reimbursement progress payment basis. Exact terms will be negotiated with each project applicant.

c. Who will determine if a project will be funded by a grant or loan?

Applicants should state their preference, but the Oregon Transportation Commission will ultimately decide.

d. Will project applications be accepted for a grant and loan combination?

Yes

e. What if a project provides benefits to multiple regions?

This type of project has some competitive advantages, other things being equal. Specify the regions it's in and what regions it benefits, if different.

f. What is the matching funds requirement?

ConnectOregon legislation directs the OTC to consider how much of the project cost can be borne by the applicant. Grant recipients must provide at least 20 percent of project cost in matching funds.

g. Can federal funds be used as matching funds?

Yes

h. Please clarify the rules and requirements for the 20 percent match required for grant applications.

- 1) An applicant does not have to demonstrate that they have 20 percent of the project costs in cash up front or in a bank account.
- 2) An applicant must pay for 20 percent of the project costs, which include elements necessary for implementation, e.g., land, excavation, permits, engineering, payroll, special equipment purchase or rental.
- 3) Project costs that were paid for by the applicant prior to the agreement effective date can be used as part of the match, but are not eligible for reimbursement.
- 4) "Value" of an item, e.g., land or special equipment, isn't part of the match. The applicant's out-of-pocket payment to purchase the land or buy/rent the special equipment can be part of the match and must be specified in the application. If an applicant previously purchased a parcel of land, it is his/her payment when the land was purchased that is part of the match, not how much it would cost today to purchase the land.
- 5) Project elements that are donated to the applicant, e.g., ROW, land, equipment (even if the donation was done to benefit the project) are not part of the match. Donations are considered an in-kind contribution, not "moneys."
- 6) If an applicant has a monetary outlay for something that is required for the transportation project, then that payment can count towards the 20 percent match.

i. Can estimated operational revenues for the built project be used as matching funds?

No, and the applicant will need to demonstrate that funds to operate the project or facility are available.

j. Will Federal NEPA requirements apply?

National Environmental Policy Act requirements will apply if they are required by the federal agency involved in the project.

k. Can *ConnectOregon* funds be used in combination with a variety of other funding sources to complete a project?

Yes The funds can be used in combination with federal, state, local, and private sources to finance the project

l. Will ODOT require a lien or other assurance of applicant/project viability?

A recorded lien will be required to protect the state's interest if a private firm or local government goes bankrupt or is sold This will be a component of the agreement executed between ODOT and the successful project applicant

m. Is there a timeline in the *ConnectOregon* program that says when funds must be spent on awarded projects?

No However, how soon a project can be constructed is one of the considerations the Oregon Transportation Commission will use to evaluate projects for funding Once a project is selected, the Agreement with ODOT will include specific dates, based on the application

n. When airports apply for FAA grants, there are grant assurances that must be met. Is there anything like that required for *ConnectOregon II* grants?

Yes Project completeness and operating assurances are a part of project agreements A draft grant agreement is included in the application packet Applicants must be willing to sign the agreement prior to receiving funds

o. Can previously received government grants, loans, or other types of federal, state, or municipal aid previously awarded to a transportation facility qualify toward the matching funds necessary for a *ConnectOregon* grant?

Yes Previously received government grants, loans, or other types of aid may be used as match However, the exact nature of these funds will need to be reviewed on a case-by-case basis This review will be conducted throughout the application review process and finalized during negotiations of project agreements An important consideration, when evaluating previously received government grants, loans, or other types of aid, is whether other funding is contingent on receiving *ConnectOregon* funds or are they secure regardless of receiving COII funds Previously received funding should be secure regardless of receiving *ConnectOregon* funds

7. Loans

a. What are the loan term, interest rate, and payback schedule on project loans?

Loan terms and conditions will be negotiated as part of the underwriting process

b. Are loan project applications required to include matching funds?

No

c. Are there other unique requirements for loan applications?

Yes. Loan applications must meet reasonable credit underwriting standards, including evaluation of project feasibility and risk, repayment capacity, collateral, and the applicant's fiscal performance and operational capacity to manage the project.

d. Will loans be reimbursed on the same basis as grants?

Loan agreements, including repayment schedules, will be treated on a case-by-case basis regarding disbursement and reimbursement of funds. This will be addressed in individual project contracts.

8. Project Management**a. Who will manage the physical construction of the selected projects?**

The applicant is responsible for constructing its project, including obtaining all required permits and approvals.

b. How are unavoidable cost overruns to be handled?

Once a project has been selected, the applicant is responsible for completing the project as proposed for the funding provided. There is no provision for the applicant to receive additional funds if project costs are higher than estimated. The applicant will be responsible for making up any funding deficiency. If the project cannot be completed with the funds allotted, the OTC may cancel the project and award the funds to another project.

c. Will elements of projects completed by private applicants as a part of a public/private partnership be subject to the prevailing wage rate?

ODOT cannot make these determinations; the determination of whether any specific project is subject to the prevailing wage rate depends on the details of the specific project. Each applicant, and their legal counsel, has to make prevailing wage rate determinations based on an application of the facts to the law.

Applicants must comply with all relevant state laws, including the prevailing wage rate law, ORS 279C 800 to 279C 870, as amended by House Bill 2140 (2007). House Bill 2140 establishes a procedure to request a determination by the Commissioner of the Bureau of Labor and Industries to determine whether "a project or proposed project is or would be a public works on which payment of the prevailing wage rate is or would be required under ORS 279C 840."

9. Multi-modal Study Fee**a. The bill says each recipient must pay a fee of two percent of the recipient's total project costs to ODOT. What is the definition of "total project costs?"**

Based on the proposed administrative rule, the "total project costs" will be the sum of the ConnectOregon grant, ConnectOregon loan, and the required 20 percent match for grants.

In the proposed administrative rules, "total project costs" is defined as the funds received from the Multimodal Transportation Fund program plus the required 20 percent matching funds, if applicable. For example:

A recipient approved to receive \$100,000 in grant funds is required to provide a 20 percent match, i.e., \$25,000. The "total project costs" is \$125,000, the two percent fee is \$2,500. (For the match amount, a recipient needs to use at the total dollar amount, $\$100,000 / 0.80 = \$125,000$, $\$125,000 * 0.20 = \$25,000$.)

A recipient approved to receive \$100,000 in loan funds does not have a required match to pay. The "total project costs" is \$100,000, the two percent fee is \$2,000.

Project costs born by the applicant that exceed the required 20 percent will not be considered a part of the "total project costs" used to calculate the two percent fee.

b. How will the 2 percent fee be paid to ODOT?

The two percent fee is an eligible project cost for *ConnectOregon* funds. As such, the agreement between the recipient and ODOT will include a provision for the fee to be paid directly to ODOT from the recipient's *ConnectOregon* funds.

c. What will the 2 percent fee be used for?

The Oregon Legislature established the fee and directed the department to use the funds to conduct a statewide multimodal study of the transportation system. The study will include an assessment of the infrastructure, capacity demand and constraints, development of criteria for strategic investments and return on investment and identification of potential funding sources and strategies.

JOHNSON John R

From: james adams@dot gov
Sent: Friday, October 27, 2006 7 36 AM
To: tim blaylock@dot gov, jeremy johnson@dot gov, james adams@dot gov, harvey arnes@dot gov, craig clarke@dot gov, susan dodds@dot gov, paul gangstad@dot gov, richard hasbrouck@dot gov, robert hirsch@dot gov, steve jasso@dot gov, steven krause@dot gov, billy lepchenske@dot gov, Blain Luck@dot gov, dean messmer@dot gov, anthony moler@dot gov, ed page@dot gov
Cc: JOHNSON John R
Subject: FW Update on CORP Tunnel # 15, Coos Bay Subdivision

FYI It sounds like this portion of the CORP is out-of-service for several weeks and maybe several months

From: Krause, Steven <FRA>
Sent: Wednesday, October 25, 2006 6:18 PM
To: Davids, Gordon <FRA>; Brinck, Mark <FRA>; Brooks, David <FRA>; Adams, James <FRA>
Subject: Update on CORP Tunnel # 15, Coos Bay Subdivision

Gentlemen,

Tunnel #15 was inspected today by the contractor who is currently working on CORP's Tunnel #13 which caught fire last year CORP's GM Steve Hefley stated that the inspection confirmed our findings from yesterday As a result, CORP removed the tunnel from service until necessary repairs are made

The extent of the repairs and their duration has not been determined at this time The contractor will re-inspect the tunnel with a registered engineer and a determination will then be made on the type of repairs and the anticipated time the repairs will take The contractor is ceasing work on Tunnel #13 and preparing to move their equipment and men to Tunnel #15 to perform the repairs

I will keep in contact with Steve Hefley and forward any relevant information/updates to you

Steve

From: Krause, Steven <FRA>
Sent: Tuesday, October 24, 2006 10:08 PM
To: Davids, Gordon <FRA>; Brinck, Mark <FRA>; Adams, James <FRA>
Subject: COPR Tunnel # 15, Coos Bay Subdivision

Subject: Central Oregon & Pacific's Tunnel #15, MP 721, Coos Bay Subdivision

An inspection of Tunnel #15 was made today by FRA's Jim Adams and Steve Krause, and CORP's Steve Hefley, Craig Kelsey and Mark Wohlers, and Oregon Department of Transportation's John Johnson This tunnel appears to have originally been a timber lined tunnel with much of the timber being replaced with steel beams overlaid with shotcrete Another small area has been reinforced with steel beam rngs placed between the timber rngs The tunnel was built in 1914

Several sections at the north end of the tunnel were found to be in extremely poor condition At one location, 4 or 5 timber arch rngs in a row completely failed allowing the timber planking and a significant amount of stone to fall into the tunnel CORP officials stated that this occurred in March or April of this year The result is a large void at the top of the tunnel that is approximately 10' – 15' high, 10' – 12' wide and extends from one side wall to the other side wall

5/6/2008

Just north of the above failure there appears to be a concentrated area of active, very recent movement of the timber liner. This movement is causing two conditions, first, many sections of the timber arch rings at the top of the tunnel are split from end to end and there are approximately 10 ring timbers in a row with splits that appear to have split very recently, second, many of the arch ring timbers are shifting and either overlapping each other or crushing severely. CORP's Craig Kelsey stated that he did not see the split timbers during an inspection he made several weeks ago.

Approximately 20' south of the failed section there is a 10' +/- portion of the west wall that is bulging outward 6" – 12". Additionally, there are several areas where the timber arch rings and planking are extremely rotted due to water damage. Some of this timber is crushing, shifting or completely rotted away.

I inspected this tunnel in October 2005 during my Bridge Safety Survey and found serious problems but it has deteriorated significantly since that time. It should be noted that the condition of this tunnel and the FRA's concerns were discussed with CORP officials as part of the 2005 Bridge Safety Survey. CORP is a RailAmerica property and the condition of this tunnel was therefore also discussed in October 2005 with RailAmerica's Mark Bader, Chief Engineer – West Business Unit.

After the inspection today, CORP took the tunnel out of service until they have it formally inspected. Jim Adams and I informed CORP that, before resuming operations thru the tunnel, the FRA will require a written statement that the tunnel has been inspected and is safe for trains.

This tunnel has a failed section and other areas of the tunnel appear to be actively moving and very close to failure. This tunnel does not appear to be structurally stable and is therefore not safe for trains. If CORP's inspection determines otherwise, we need to look at an Emergency Order.

Steve Krause
Bridge Safety Specialist

Oregon Legislature

Joint House and Senate Transportation Committee Hearing

October 25, 2007

The audio transcript of this event can be accessed by following these instructions

- 1 Go to the legislature's website at www.leg.state.or.us**
- 2 Click on "audio/video"**
- 3 Under Audio Archives, click on "2007-2008 interim"**
- 4 Click on "Archive of Committee Meetings from the 2007 Interim"**
- 5 Under House Committees, click on "Transportation"**
- 6 Click on "10/25/2007"**
- 7 Once the audio broadcast player has appeared, it should show a duration of 2 57**
- 8 Slide the toggle bar to the end of the recording in order to reach the second part of the recording (the second part should be 2 44 in length)**
- 9 The timer should reset to 2 44**
- 10 Slide the toggle bar again to reach the time periods listed below**

- | | |
|--------------------|--|
| 1 21 | The testimony of CORP and RailAmerica representatives begins |
| 1 38 – 1 39 | Bob Jones of CORP states that CORP knew of the tunnel conditions for over a year prior to the embargo |
| 2 08 – 2 13 | In discussion of federal funding for CORP, Bob Jones states that a \$40 million FRA RRIF loan application was "on the books, ready to go" before upper management cancelled it due to an opportunity to sell the business |



OREGON DEPARTMENT OF TRANSPORTATION
RAIL DIVISION
555 -13TH STREET N.E, SUITE 3
SALEM, OR 97301-4179

INSPECTOR: Richard Shankle
PHONE (503)986-3935
FAX (503)986-3183

IND NO: SER583 MA: 583

RAIL SAFETY INSPECTION REPORT

RR/Co Representative(Receipt Acknowledged)

Name

Title

Signature

NAME: CORP - COOS BAY BRANCH*
ADDRESS: EUGENE MP653.5 TO COQUILLE,
MP786
CITY:
STATE: OR **ZIP:**

CONTACT: RODLEY DUKE ,TRACK SU
TELEPHONE: (541)269-5851
ACTIVE: Yes

DATE: Wednesday, February 21, 2007

<u>INSP:</u>	<u>ITEM:</u>	<u>TYPE:</u>	<u>CODE:</u>	<u>DUE DATE:</u>	<u>RULE VIOLATION:</u>	<u>CORRECTED DATE:</u>
RAS	1	R	11		741-310-0040	

LOCATION DESCRIPTION:

EAST WALL IN TUNNEL #18, MP 734 75

INCIDENT DESCRIPTION:

THE EAST WALL INSIDE TUNNEL #18 IS BULGING INWARD, IMPAIRING SIDE CLEARANCE WORK HAS BEEN DONE TO STABILIZE THE SIDE WALL, BUT THE IMPAIRMENT MUST BE REMOVED.

Signature of Company Representative

Date

CODE LEGEND 1:W/W STD#1, 2:W/W STD#2, 3:W/W STD#3, 4:W/W STD#4, 5: SURFACE/DEBRIS,
6: SLOPE, 7:CLEARANCE SIDE, 8: OVERHEAD CLEARANCE 9: SANITATION 10: MISC

 The sender of this message has requested a read receipt. [Click here to send a receipt](#)

Johnson, John <FRA>

From: Sanders, Michael <FRA> **Sent:** Fri 1/19/2007 10:51 AM
To: Johnson, John <FRA>, Brooks, David <FRA>, Daniels, Mark <FRA>, Adams, James <FRA>
Cc:
Subject: RE CORP compliance agreement pre-meeting
Attachments:

Thanks John good info! I didn't know about the RIIF loan application or the sur charge

From: Johnson, John <FRA>
Sent: Friday, January 19, 2007 11:21 AM
To: Brooks, David <FRA>; Daniels, Mark <FRA>; Adams, James <FRA>; Sanders, Michael <FRA>
Subject: CORP compliance agreement pre-meeting

Hi, Dave, Mike, Mark and Jim,

My apologies for being late on this, and I do realize that the compliance agreement applies to track, however, here are some items to consider when deciding whether to continue the agreement with CORP

1) CORP has cancelled their \$40 million RIFF loan application How are they going to pay for the infrastructure improvements now?

2) CORP has either put or proposed a \$58 ser-charge on each shipment to pay for the collapse of tunnel 15 Is this even legal? I would think they had rate agreements already in place Customers are complaining

3) Tunnel 13 below Ashland is still not complete as the tunnel crew had to pull off to work on tunnel 15 at Canary on the Coos Bay line, which of course is not complete due to the tunnel crew had to be pulled off to work on tunnel 18 which had a wall bulging problem and unable to run trains Tunnel 13 has been a boon dogle since the beginning, tunnel 15 was only suppose to take 2 weeks and took around 7 weeks I do not have the latest information on tunnel 18

4) Corp doesn't seem to have adequate personnel to complete all of their required maintenance on their track structure as my Walkway and Clearance Inspector is consistently finding defective conditions and reporting them to CORP only to find them not corrected when he returns

5) The defects found by the T-16 geometry car, Have they all been corrected?

6) As late as October 18, CORP had a derailment on top of a natural gas pipeline at Dillard causing Roseburg Forest Products to have to shut down

7) CORP continues to block crossing at Roseburg and blocked a grade crossing in Creswell for approx 1/2 hour by leaving a train across a main street to do some switching operations This may not be track but it does show how they run their business

My thoughts

John

RAILROAD REHABILITATION AGREEMENT

**CENTRAL OREGON
AND PACIFIC
RAILROAD**

AND

**OREGON DEPARTMENT
OF TRANSPORTATION**

**Funds provided under
Oregon Laws 2001
Chapters 906 and 942**

June 2002

RECEIVED
OCT 09 2002
RAIL DIVISION

AGREEMENT

This agreement made and entered into between the State of Oregon, by and through the Oregon Department of Transportation, hereinafter referred to as "STATE" and the Central Oregon & Pacific Railroad Inc , hereinafter referred to as "CORP"

WHEREAS, the 2001 Session of the Oregon Legislature passed Oregon Laws 2001, Chapter 906 and 942 (Senate Bill 753 and House Bill 2275, respectively) which provided lottery funds for the rehabilitation of short line railroads in Oregon;

WHEREAS, the Oregon Transportation Commission at its June 20, 2002 monthly meeting approved expenditure of funds under Oregon Laws 2001, Chapter 906 and 942 to eight short lines in Oregon, including the Central Oregon & Pacific Railroad; and

WHEREAS, CORP is the owner and operator of a line of railroad between Eugene and Cordes, Oregon, and

WHEREAS, the rehabilitation of said railroad meets the criteria set forth in Oregon Laws 2001, Chapter 906 and 942, and

WHEREAS, STATE pursuant to authority granted in ORS 824 016 and 824 058 may enter into agreements for rehabilitation or improvements of rail properties; and

WHEREAS, state funds are available for accomplishment of the program of rehabilitation described in Appendix A, and

WHEREAS, CORP is qualified and experienced in the performance of said work,

NOW, THEREFORE, in order to accomplish said rehabilitation, the parties do hereby agree as follows

Section 1 **PURPOSE OF AGREEMENT**

The purpose of this Agreement is to provide for the rehabilitation of the Central Oregon & Pacific Railroad by CORP and to state the terms, conditions and mutual understandings of the parties as to the manner in which the project will be undertaken and completed

Section 2 **SCOPE OF WORK**

CORP will perform or have performed all work necessary to complete the plan to rehabilitate 44 miles of railroad between milepost 719 (Canary) and milepost 763 (Cordes) to permit adequate and efficient rail freight service as described in Appendix A.

Section 3 **SPECIFICATION OF WORK**

The work to be completed by CORP will comply with good railroad construction practice

Section 4 **FINANCIAL**

The total State cost of this Agreement is limited to \$300,000. CORP will spend an additional \$300,000 to install the materials purchased with State funds. If the actual total cost of the project on completion exceeds the estimated cost of \$600,000 the CORP shall be responsible for all excess costs.

STATE will authorize CORP in writing to begin work and reimbursement will be limited to costs incurred after the date of such authorization.

Section 5 **PERIOD OF PERFORMANCE**

CORP shall commence, carry on and complete the Project with all practicable dispatch, in a sound, economical and efficient manner upon execution of this agreement.

CORP has provided STATE with a schedule containing the anticipated work for each item to be performed for such number of months as may be necessary in the opinion of CORP to complete the work in full. In the event of a change in the method or time for performance of any work, the schedule shall be updated to reflect the present changed circumstances.

All work must be completed by June 30, 2003. This agreement will automatically terminate on June 30, 2003 and no costs incurred after this date will be eligible for reimbursement by STATE.

Neither the payment of any estimate nor of any retained percentage shall relieve CORP of any obligation to make good any defective work or material. In the event STATE determines that any material or workmanship is deficient, CORP shall replace the materials or correct the workmanship necessary to cure the deficiency. No STATE funds shall be used to pay for a replacement or correction required under this subsection.

Section 6 **COSTS**

CORP shall be paid for the actual materials installed by the CORP. STATE shall make periodic payments to CORP for costs incurred under the agreement in the manner specified in Section 24 of this Agreement.

Section 7 **CRITERIA FOR COSTS**

The costs incurred by CORP to carry out a common carrier light density line improvement project are allowable if they are calculated using a method which is (i) reasonable, (ii) based on the internal accounting methods used by CORP to determine the costs of activities paid for with its own funds; and (iii) consistent with the Uniform System of Accounts for Railroad Companies (49 CFR Part 1201A[1977], amended).

Section 8 **DISCOUNTS AND EXCLUSIONS**

CORP shall, to the extent of its ability and consistent with the other provisions of this Agreement, take all cash and trade discounts, tax exemptions, or other credits in connection with goods and services purchased or used on any approved project or task.

Section 9 **PROCUREMENT**

The method of obtaining goods and services for this Agreement shall be by force account. Such procurements shall be consistent with sound practice in the railroad industry and reasonably economical.

STATE shall have the right to review and approve CORP's procurement system. All proposed procurement shall be reviewed by STATE prior to any commitment or purchase.

Section 10 **RECORDS AND AUDIT**

CORP's cost records pertaining to work paid for on a force account basis shall be open to inspection or audit by representative of STATE during the life of the Agreement and for a period of not less than 3 years after the final accounting of the Project. Where payment for materials or labor is based on the cost thereof to sources other than CORP, CORP expressly guarantees that the cost records of such other sources shall be open to inspection and audit by representatives of STATE on the same terms and conditions as the cost records of CORP. Copies of the records shall be furnished to STATE upon request and shall be maintained in accordance with a work order accounting procedure prescribed by STATE.

CORP shall maintain and make available to STATE any other records which would be necessary to disclose fully the amount and disposition of funds provided to CORP under this Agreement and charged to the approved project or task. Charges must be supported by documents evidencing in detail the nature and propriety of the charges, the total costs of each undertaking for which the assistance was given or used, the amount of the costs of the undertaking supplied by other sources, and any other books, records and documents needed for a full and complete verification of CORP's responsibilities and all payments and charges under this Agreement.

STATE shall perform the final audit of this contract no later than 180 days after CORP has completed work on the project.

Section 11 **INSPECTION OF WORK**

STATE may place inspection personnel on the work site as it considers necessary. Such personnel shall monitor and be responsible for certifying that all work is in compliance with this Agreement.

For accelerated maintenance, rail facility construction, rehabilitation or improvement or substitute service facilities identified by the STATE as requiring above average expenditures for routine maintenance, STATE shall inspect the work of CORP to:

- (1) Ensure that it complies with the Agreement's specifications
- (2) Verify quantitative measures of materials installed, such as tie counts
- (3) Verify labor and material charges for contracts providing for payment on an actual costs basis ("force account work")
- (4) Verify the quantities of uninstalled materials paid for or to be billed under this Agreement and those materials are secured against damage, theft, or use other than for the approved project

CORP shall cooperate with STATE in making inspections

Section 12
INVALIDITY

If any part of this Agreement is determined to be invalid, illegal, or unenforceable, the determination does not affect the validity, legality, or enforceability of any other of any other part of this Agreement and the remaining parts shall be carried out by each party. A provision held to be unenforceable as applied to any party or circumstance remains applicable to other parties or circumstances.

Section 13
OBSERVANCE OF LAWS

CORP at times shall comply and require its subcontractors and employees to comply with federal and state laws, local laws and ordinances and any regulations which in any manner affect the performance of this Agreement or are applicable to the work under this Agreement. STATE's performance under this agreement is conditioned upon CORP's compliance with the provisions of ORS 279 312, 279 314, 279 316, 279 320 and 279 555, which are incorporated by reference herein. CORP shall indemnify and save harmless STATE and any agents, officers or employees thereof against any and all claims arising from any violation of any such laws, ordinances, or regulations whether such violations are by CORP, its subcontractors or employees. It is recognized that any information, interpretation or representation of any laws, regulations or ordinances set forth in this section or elsewhere in this Agreement or specifications takes no precedent over the law, regulation or ordinance.

CORP shall satisfy itself as to the true construction and content of such laws, regulations and ordinances on a current basis.

CORP agrees to make payment promptly, as due, to all persons furnishing services, equipment or supplies to CORP for the performance of work under this Agreement. If CORP fails, neglects or refuses to pay such claims as they become due, the proper officers of the STATE, after ascertaining that the claims are just, due and payable, may pay the claims and charge the amount of the payment against funds due or due to become due CORP under this Agreement. The payment of claims in this manner shall not relieve CORP with respect to any unpaid claims.

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to principles of conflicts of law. Any claim, action, suit, or proceeding between STATE and CORP that arises from or relates to this Agreement shall be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon. CORP, BY EXECUTION OF THIS AGREEMENT HEREBY CONSENTS TO THE IN PERSONAM JURISDICTION OF SAID COURTS.

Section 14
PERMITS AND LICENSES

CORP shall procure all permits and licenses which are necessary and incidental to its operation in the performance of the work and give all notices required by such permits and licenses.

Where local ordinances or controlling agency policy prohibits issuance of temporary operations permits to other than public agencies, STATE will support the CORP's request for such temporary permit and will accept the same in its name provided:

- (1) CORP takes all necessary action leading to the issuance of the permit.

- (2) It is determined to be in the public interest.
- (3) It applies only to work performed in connection with the subject Project
- (4) CORP agrees in writing to abide by all requirements of the issuing agency and to hold STATE harmless from any liability in connection with work under the permit, and
- (5) STATE will incur no expense in connection with such permit

In transportation of materials and equipment on public highways, CORP shall comply with applicable statutes controlling traffic and load limitations and the obtaining of necessary permits. This Agreement does not exempt CORP from compliance with such statutes or to carry any license of permit for overloads.

Section 15 **ENVIRONMENTAL PROTECTION**

CORP agrees that no facility or equipment shall be acquired, constructed, or improved as a part of the Project unless the facility is equipped to limit water and air pollution in accordance with all applicable State and Federal standards. CORP further agrees to specifically comply with all the requirements of section 114 of the Clean Air Act, 42 USC 1857C-7-9, and section 308 of the Federal Water Pollution Control Act, 33 USC 11238, and all regulations issued thereunder.

Section 16 **WORKER'S COMPENSATION**

CONTRACTOR certifies that it has either qualified under Section 13 of the Railroad Unemployment Act, as amended, which supersedes and governs over any conflicting State of Oregon Worker's Compensation statute or the State of Oregon Workers' Compensation Coverage. This certification is made for compliance with ORS 656 029, and indicates coverage of all employees engaged under this contract by such Act unless such employers are exempt under ORS 656 126. CONTRACTOR shall ensure that each of its subcontractors complies with these requirements.

CONTRACTOR shall also obey all state and local laws, ordinances and regulations establishing safety standards for the protection of employees.

Section 17 **RESPONSIBILITY FOR WORK**

All work and material for this Agreement including any extra work, shall be at the sole risk of CORP until the entire improvement shall have been finally accepted by STATE. Any damage to either permanent or temporary work, utilities, materials or equipment and plant shall be repaired to the satisfaction of STATE at CORP's expense, regardless of the cause of such damage.

The parties hereto will be excused from performance of any of their respective obligations hereunder where such performance is prevented by acts of God. Where one party's obligations are so excused the other party's obligations shall be correspondingly reduced or adjusted. Nothing contained in this section shall be construed as relieving CORP of responsibility for, or damage resulting from, CORP's own operations or from his negligence, nor shall CORP be relieved from full responsibility for making good any defective work or materials.

STATE bonding requirements will apply to any subcontract in excess of \$100,000. If for some reason a bond was not required, a letter citing justification for this decision shall be retained with contract records.

Section 18
RESPONSIBILITY FOR DAMAGE AND INDEMNITY

STATE, and all officers and employees of STATE, including but not limited to those of the Department of Transportation shall not be responsible in any manner for any loss or damage that may happen to the work or any part thereof; for any loss of material or damage to any of the materials or other things used or employed in the performance of work, for injury to or death of any persons, either workers or the public, or for damage to the public for any cause which might have been prevented by CORP or its employees or anyone employed by it.

CORP shall be responsible for any liability imposed by law for injuries to, or the death of, any persons or damages to property resulting from any cause whatsoever during its performance of the work, or before final acceptance, and performs the Project at its own risk

CORP shall indemnify, save and hold harmless STATE and all officers, employees, and agents of the State of Oregon, and specifically the Department of Transportation, from all claims, suits or actions brought for injuries to, or death of any persons or damages resulting from construction of the work or in consequence of any negligence regarding the work, the use of any improper materials in the work, caused in whole or in part by any act or omission by CORP or its agents or employees during performance or at any time before final acceptance. In addition to any remedy authorized by law, STATE, may retain as much of the money due CORP as deemed necessary to assure indemnification until disposition has been made of such suits or claims. No officer or employee of STATE shall be personally liable for any acts or failure to act in connection with the Agreement, it being understood that in such matters they are acting solely as agents of STATE.

CORP shall bear sole responsibility for damage to completed portions of the Project and to property located off the project caused by erosion, siltation, run-off or other related items during the construction of the Project. CORP shall also bear sole responsibility for any pollution of rivers, streams, ground water or other waters which may occur as a result of construction operations.

CORP shall protect and preserve from any damage or destruction all private and public utilities, on or in the vicinity of the work and from interference with the use of such property, its removal, the damage, or destruction of which is not required by the terms of the contract.

Section 19
INSURANCE

CORP shall, at CORP's expense, take out and keep in effect during the term of this agreement, Comprehensive or Commercial General Liability Insurance covering bodily injury and property damage. This insurance coverage for the indemnity provided under this agreement and products/completed operations liability. Combined single limit per occurrence shall not be less than \$1,000,000 when applicable. Each annual aggregate limit shall not be less than \$1,000,000, when applicable.

Said insurance policy or policies shall also name the State of Oregon, Department of Transportation, and its members, officers, agents and employees as parties insured, except as against the named insured, for claims of the State of Oregon, Department of Transportation, and its members, officers, agents and employees for injury or death to their persons or for damages to any of its or their property. It is understood and agreed that this policy shall not terminate or be cancelled by CORP or Insurance Company prior to completion of the contract without first giving 30 day's written notice of intention to terminate or cancel said policy to the Director of the Oregon Department of Transportation. Said insurance coverage shall be

furnished and provided at the time this Agreement is executed CORP shall furnish STATE with a certificate of insurance covering the above policy or policies

Section 20 **PROHIBITED INTERESTS**

No member, officer, or employee of CORP or STATE during his tenure or for one year thereafter, shall have any interest, direct or indirect, in this Agreement or the proceeds thereof

CORP certifies that it

(1) Has not entered into within one year before the costs are allowable for the project or tasks, and

(2) Will not enter into while the costs are allowable, any subcontract or other arrangement which may affect a project or task under this Agreement if any officer, key salaried employee, official, or any member of the immediate family of one of the foregoing has any material interest in the arrangement unless the arrangement has been approved by the State.

CORP shall not extend any loan, gratuity or gift of money in any form whatsoever to any employee or officer of the State of Oregon.

CORP shall not assign or attempt to assign any right, privilege, obligation or portion of this Agreement without the prior written consent of STATE. Any assignment of this Agreement or of any portion thereof without the prior written consent of STATE shall be ineffective to bind STATE and shall constitute cause for any termination of this Agreement.

Section 21 **TERMINATION**

This Agreement may be terminated by mutual consent of both parties, or by STATE upon 30 days notice in writing by certified mail or in person.

In the event that this Agreement is terminated by CORP or through a breach of the terms of this Agreement by CORP, CORP shall reimburse STATE for any payments that have been made pursuant to this Agreement

STATE may terminate this Agreement effective upon delivery of written notice to CORP, or at such a later date as may be established by STATE, under any of the following conditions

(1) If for any reason funding from federal, state or other sources is not obtained and continued at levels sufficient to allow for purchase of the indicated quantity of services When possible, and when agreed upon, the Agreement may be modified to accommodate a reduction in funds.

(2) If federal or state regulations or guidelines are modified or changed in such a way that the services are no longer allowable or appropriate for purchase under the Agreement.

(3) If any license, certificate or bond required by law, regulation, or this Agreement to be held by CORP to provide the services required by this Agreement is for any reason denied, revoked, or not renewed

(4) Agreement may be cancelled at any time that STATE determines that continuation of the Project by CORP is not in the best interest of STATE

If any suit, action or proceeding is brought to enforce, or for the breach of, any provision of this Agreement by either party, the parties hereto agree that each party shall be responsible for their own attorney's fees and costs for commencing and prosecuting such suit, action or proceeding including appeals

Any termination of this Agreement shall be without prejudice to any obligations or liabilities of either party already accrued prior to such termination.

STATE by written notice of default (including breach of contract) to CORP may terminate the whole or any part of this Agreement

(1) If CORP fails to provide services called for by this Agreement within the time specified here in or any extension thereof, or

(2) If CORP fails to perform any of the other provisions of this agreement, or fails to pursue the work as to endanger performance of this Agreement in accordance with its terms, and after receipt of written notice from STATE fails to correct such failures within a time as specified in the notice

The rights and remedies of STATE provided in the above clause relating to defaults (including breach of contract) by CORP shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

Failure of STATE to object to violations of any of the provisions of this Agreement shall not be deemed a waiver by STATE of a subsequent similar breach of STATE's right to demand strict performance by CORP of the conditions of this Agreement.

STATE shall not be precluded or estopped by any measurement, estimate, or certificate made either before or after the completion and acceptance of the work and payment therefor from showing the true amount and character of the work performed and materials furnished by CORP, or from showing that any such measurement, estimate, or certificate is untrue or incorrectly made, or that the work or materials do not conform in fact to the Agreement. STATE shall not be precluded or estopped, notwithstanding any such measurement, estimate or certificate, and payment in accordance therewith, from recovering from CORP and its sureties such damages as it may sustain by reason of its failure to comply with the terms of this Agreement. Neither the acceptance by STATE nor any payment for the whole or any part of the work, nor any extension of time, nor any possession taken by STATE shall operate as a waiver of any portion of this

Agreement or of any power herein reserved or any right to damages herein provided, or bar recovery of any money wrongfully or erroneously paid to CORP. A waiver of any breach of the Agreement shall not be held to be a waiver of any other or subsequent breach

Section 22

CERTIFICATION OF COMPLIANCE WITH OREGON TAX LAWS

CORP, swears, affirms or certifies, under penalty of perjury that, the individual signing on behalf of CORP has the authority and knowledge regarding the payments of taxes, and that CORP is, to the best of such individual's knowledge, not in violation of any Oregon Tax laws. (For the purposes of this certification, "Oregon Tax Laws" means those programs listed in ORS 305.380(4) which is incorporated herein by this reference. Examples include the state inheritance tax, personal income tax, withholding tax, corporation income and excise taxes, amusement device tax, timber taxes, cigarette tax, other tobacco tax, 9-1-1-emergency communications tax, the homeowners and renters property tax relief program and local taxes administered by the Department of Revenue

Section 23
CIVIL RIGHTS

CORP certifies that, with regard to assistance provided under this Agreement, it is in compliance and will continue during the period in which costs are allowable under this Agreement to comply with the Oregon Department of Transportation Affirmative Action policy and program

The policy of the Oregon Department of Transportation is to provide equal opportunity to all persons in every aspect of employment, and in participation in and access to the benefits and services provided through activities, projects and programs within the Department's jurisdiction

In all matters, the Department will not discriminate against any person because of race, age, color, sex, religion, national origin, mental or physical handicap, political affiliation, or marital status

This policy and the Affirmative Action Program established to implement this policy apply to all who receive financial assistance from or through the Department

Section 24
PROGRESS PAYMENTS AND CLOSEOUTS

CORP will submit vouchers to the Oregon Department of Transportation. Requests for payments shall be submitted to STATE not more frequently than once per month in the format prescribed by STATE

If STATE's final audit determines that the allowable costs exceed the amount that has been paid, it shall pay CORP the difference, not to exceed the maximum amount owed under the Agreement. If STATE final audit determines that the allowable costs are less than the amount that has been paid, CORP shall promptly pay STATE the difference.

Section 25
MAINTENANCE

The payback period is the period of time shown to be needed for the public benefits of the project to equal its public costs. The payback period for this project is two calendar years beyond the date of the final inspection by the STATE.

CORP agrees to maintain the track for the payback period of the project.

Maintenance of the Project shall be without any use of STATE funds for at least the payback period.

Section 26
ABANDONMENT, SALE OR CONVERSION

If for the period during which there continues a STATE share of assistance for the rehabilitation or improvement of facilities or rail, not to exceed ten (10) years from the date hereof, there is a sale, or a disposition of the line, conversion to non-rail freight use, or the filing of an application for abandonment of the line under 49 USC Chapter 109, the STATE share of the net fair market value of the improvements added to the line by CORP pursuant to this Agreement at that time, as established by Section 27 of this Agreement, shall be compensated to STATE by CORP.

However, if the transferee, pursuant to sale or disposition of improved property agrees to assume CORP's obligation under the Agreement and to enter into an "Acknowledgement of State Assistance", under Section 27 of this Agreement as if transferee had been the original contractor hereof, the payment need not immediately occur at time of sale or disposition, and the obligation may continue

Section 27 **LIENS AND COLLATERAL**

CORP agrees to file in the appropriate land records a notice in Appendix (B) to this Agreement, reciting that the Track described in the Scope of Work("Track") was improved or installed with STATE assistance and its use and disposition are subject to the terms of this agreement

Removal of the "Acknowledgement of State Assistance, and satisfaction of the first lien on the Track, may be obtained at the end of the term specified in Section 26 hereof

CORP will grant the STATE a first lien on the Track and CORP may grant a second lien thereon CORP will not allow any liens or impairments to the title of the Track to be placed on the Track

Said "Acknowledgement of State Assistance" must be signed and recorded in the appropriate county deed records prior to STATE incurring any obligation to reimburse CORP for any costs hereunder and prior to any payments actually being made

The provisions of this section shall remain in force for the duration of the time period specified in Section 26 and any liens or restrictions arising hereunder shall automatically terminate and cease to be effective upon the expiration of said period

Section 28 **AMENDMENTS**

This agreement and any provisions hereof shall not be waived, altered, modified, supplemented or amended in any manner whatsoever without prior written agreement of the parties

Section 29 **MERGER CLAUSE**

This Agreement constitutes the entire agreement between the parties on the subject matter hereof There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties and all necessary STATE approvals have been obtained Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given Failure of STATE to enforce any provision of this Agreement shall not constitute a waiver by ODOT or that of any other provision

This agreement was approved by the Oregon Transportation Commission at its regular June 20, 2002 meeting, at which time the Director was authorized and directed to sign said agreement for and on behalf of the Commission

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of this day and year first above written

APPENDIX A
SCOPE OF WORK

Purchase 10,000 tes at \$22 each and 10,000 cubic yards of ballast for installation between mile post 719 at Canary and mile post 763 at Cordes CORP will be responsible for the installation of the materials purchased with State funds.

APPENDIX B
ACKNOWLEDGEMENT OF STATE
FINANCIAL ASSISTANCE

ACKNOWLEDGEMENT OF STATE FINANCIAL ASSISTANCE

The property indicated on the attached map is railroad right-of-way owned Railroad by the Central Oregon & Pacific Railroad and was improved with financial assistance from the Oregon Department of Transportation under an agreement between the Department and the CORP Railroad. Such assistance was granted by the Oregon State Legislative Assembly at its regular 2001 session in Oregon Laws 2001, Chapters 906 and 942.

The above agreement provides for state funds to be used for the rehabilitation of the railroad line owned by the Central Oregon & Pacific Railroad as so indicated on the attached map. The use and disposition of said property is subject to the terms of the above agreements, a copy of which may be obtained from the Director, Oregon Department of Transportation, Room 135, Transportation Building, Salem Oregon 97301.

By
Title

Dan Lovelady
President + General Manager

Central Oregon & Pacific Railroad

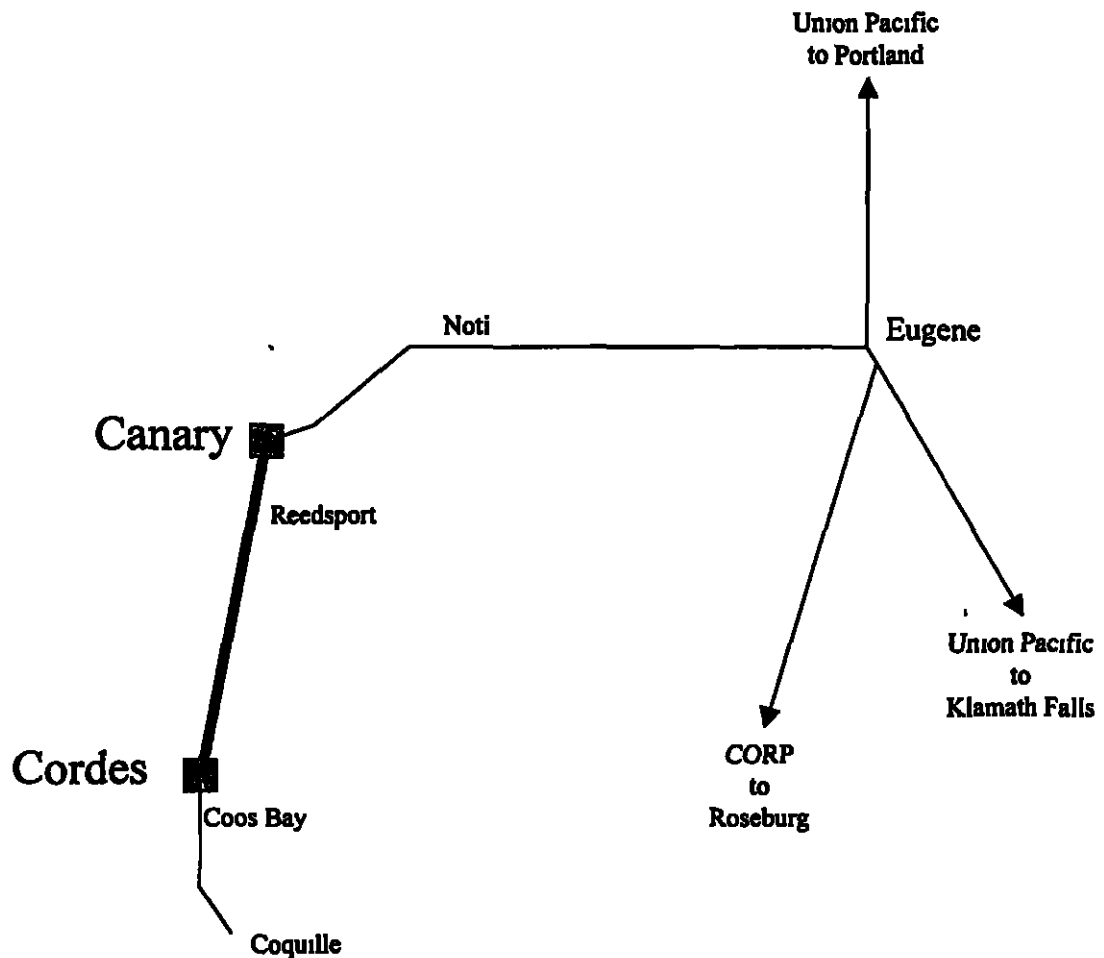
SUBSCRIBED and SWORN before me this 7TH day of OCTOBER 2002.

Deborah L Jackson
NOTARY PUBLIC FOR OREGON

My commission expires JULY 26, 2006



MAP SHOWING LOCATION OF IMPROVEMENTS TO THE CENTRAL OREGON & PACIFIC RAILROAD



Funds provided under Oregon Laws 2001,
Chapters 906 and 942.

RECEIVED
DEC 20 2002
RAIL DIVISION

LF136-04

CLAIM OF LIEN

State of Oregon
County of Coos

SS November 14, 2002 (year)

Before me, the undersigned Notary Public, personally appeared Mr. Ed Immel

who duly sworn says that he is (the lienor herein) (the agent of the lienor herein)
(Delete One)

Return
TO: → Oregon Department of Transportation (Attn. Ed Imme)
(Lienor's Name)

whose address is 555 13th St NE, Suite 3, Salem, OR 97301-4179
(Lienor's Address)

and that in accordance with a contract with Central Oregon and Pacific Railroad
Inc, 333 S.E. Mosher St. Roseburg, Or 97470

lienor furnished labor, services or materials consisting of (Describe specially fabricated materials separately)

10,000 Railroad Cross Ties and 10,000 Cu. yards of
Track Ballast (See Agreement Items Attached)

on the following described real property in Coos County,

State of Oregon

(Describe real property sufficiently for identification, including street and number, if known)

Central Oregon and Pacific Main Line Railroad
Track between R.R. Milepole 752.1 (Sahside)
to MP 765 (North Bend) in Coos County

owned by Central Oregon and Pacific Railroad, Inc.
of a total value of Three Hundred Thousand Dollars
(\$ 300,000⁰⁰) of which there remains unpaid \$ 300,000⁰⁰, and
furnished the first of the items on Jan 15th, 2003 (year) and the last of the
items on Feb 28th, 2003 (year) and (if the lien is claimed by one not in
privity with the owner) that the lienor served his notice to owner on N/A
(year) by N/A
(Method of Service)
and, (if required) that the lienor served copies of the notice on the contractor on N/A
(year), by _____, and on the subcontractor
(Method of Service)
on _____, _____ (year), by _____
(Method of Service)

Oregon Department of Transportation
Lienor

By _____
Agent

State of Oregon
County of Marion }

On 11/26/02 before me,
appeared Edward E. Immel
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s)
is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon
behalf of which the person(s) acted, executed the instrument.
WITNESS my hand and official seal

Signature Linda Williams
Signature of Notary

Affiant _____ Known _____ Produced ID _____
Type of ID _____
(Seal)



Section 4
FINANCIAL

The total State cost of this Agreement is limited to \$300,000 CORP will spend an additional \$300,000 to install the materials purchased with State funds If the actual total cost of the project on completion exceeds the estimated cost of \$600,000 the CORP shall be responsible for all excess costs

STATE will authorize CORP in writing to begin work and reimbursement will be limited to costs incurred after the date of such authorization

Section 5
PERIOD OF PERFORMANCE

CORP shall commence, carry on and complete the Project with all practicable dispatch, in a sound, economical and efficient manner upon execution of this agreement

CORP has provided STATE with a schedule containing the anticipated work for each item to be performed for such number of months as may be necessary in the opinion of CORP to complete the work in full In the event of a change in the method or time for performance of any work, the schedule shall be updated to reflect the present changed circumstances

All work must be completed by June 30, 2003 This agreement will automatically terminate on June 30, 2003 and no costs incurred after this date will be eligible for reimbursement by STATE

Neither the payment of any estimate nor of any retained percentage shall relieve CORP of any obligation to make good any defective work or material In the event STATE determines that any material or workmanship is deficient, CORP shall replace the materials or correct the workmanship necessary to cure the deficiency No STATE funds shall be used to pay for a replacement or correction required under this subsection

Section 6
COSTS

CORP shall be paid for the actual materials installed by the CORP. STATE shall make periodic payments to CORP for costs incurred under the agreement in the manner specified in Section 24 of this Agreement

Section 7
CRITERIA FOR COSTS

The costs incurred by CORP to carry out a common carrier light density line improvement project are allowable if they are calculated using a method which is (i) reasonable, (ii) based on the internal accounting methods used by CORP to determine the costs of activities paid for with its own funds: and (iii) consistent with the Uniform System of Accounts for Railroad Companies (49 CFR Part 1201A[1977], amended

Section 8
DISCOUNTS AND EXCLUSIONS

COOS COUNTY, COQUILLE TOTAL \$36,00
TERRI L. TURI, COOS COUNTY CLERK

12/18/2002 #2002-16665
02:24:26PM 5 OF 5

APPENDIX A
SCOPE OF WORK

Purchase 10,000 ties at \$22 each and 10,000 cubic yards of ballast for installation between mile post 719 at Canary and mile post 763 at Cordes CORP will be responsible for the installation of the materials purchased with State funds

STATE OF OREGON

INTEROFFICE MEMO

Department of Transportation
RAIL DIVISION
555 13th St , NE, Suite 3
Salem, Oregon 97301-4179

Date, October 21, 2003

To: Ed Immel

From: Bob Melbo

Subject: Inspection of SB 753 Project on CORP's Coos Bay Line

On October 17th I made a hirail inspection of those portions of Central Oregon & Pacific Railroad's Coos Bay Line that have been improved by a SB 753 grant and proposed for improvement by a second requested grant.

By way of review, CORP originally asked for a \$600,000 grant to install 20,000 new ties and 20,000 cubic yards of ballast over 44 miles of railroad between Canary and North Bend. They were awarded half the requested amount, resulting in a reduced project of 10,000 ties and 10,000 cubic yards of ballast applied over 19 miles from approximately MP 721 near Canary to MP 740 at Reedsport. CORP envisioned purchasing 10,000 7"x8"x8 1/2' hardwood ties for \$22 each; in reality it purchased 9,575 7"x9"x8 1/2' ties costing \$30.36 apiece.

The inspection commenced at Reedsport near MP 740. At approximately MP 725.5 east of Ada we encountered the tamper and regulator of the contractor finishing out surfacing work toward Canary, about five miles distant.

Between MP 740 and MP 725.5, the railroad was much improved from my last inspection before the project was authorized and Roadmaster Underwood said he planned to raise it to Class 2 for 25 MPH freight speed. Although the project averaged about 500 ties per mile the ties were installed heavier in some areas and lighter in others, depending upon the situation. Ballast had been added more or less uniformly and the surfacing work was of good quality throughout the area finished.

New ties were easily distinguishable from most of the existing tie population because of their extra six-inch length, although some 8'6" ties had been installed by Southern Pacific in the last years it operated the branch. Upon closer inspection the new ties really stood out because of their 9-inch width, the only

ties of this dimension under the track. The comparison is startling; the new ties appear much meatier compared to their older companions. You would not think one inch of extra width would be so dramatically obvious.

Tie installation is complete through to Canary and most of the ballast has been distributed. Underwood stated he was expecting three or four more carloads of ballast to complete the project and the surfacing contractor will stick with the task until done.

Upon arrival Canary we got off the track and drove to Cordes. We then hirailed from that point to Reedsport, 25 miles, to view the main section for which CORP is requesting SB 753 funds in 2004. CORP has asked for \$418,000 to purchase 10,000 more ties (at \$32 each) and 10,000 cubic yards of ballast. Six thousand five hundred ties would be installed between Cordes and Reedsport while the remainder would be applied to a four-mile stretch between MP 670 and 674 between Vaughn and Richardson.

Between Cordes and Reedsport the line is designated Class 1 and 10 MPH for freight in deference to poor tie condition, although some stretches are good enough to meet Class 2 specifications. However, the district is so chopped up by slow orders that taking advantage of the better parts for faster running is impossible. Deteriorated ties were clearly noticeable, worse in some stretches and better in others, with overall tie renewal averaging 260 per mile over the 25 miles.

We did not have time to hiraile the four miles near Vaughn but Roadmaster Underwood said that tie condition there was considerably worse. Here, CORP plans to install an average of 875 ties per mile, 3,500 in all, if the project is approved in full.

If granted, the state's \$419,800 will be spent for ties and ballast and CORP will match this amount equally with costs of installation, material distribution, surfacing, crossing and turnout work and drainage improvements, resulting in a total capital outlay of \$838,000.



Oregon

Theodore R. Kulongoski, Governor

Department of Transportation

Rail Division

555-13th Street NE-Suite 3

Salem, OR 97301-4179

Telephone 503-986-4321

FAX 503-986-3183

TTY 503-986-3416

June 12, 2003

DAN LOVELADY, GENERAL MANAGER
CENTRAL OREGON & PACIFIC RAILROAD INC
333 SE MOSHER ST
ROSEBURG OR 97470

File Code

Re: State of Oregon Track Rehabilitation Grant to CORP

This letter refers to the grant agreement executed October 7, 2002, between the State of Oregon, by and through its Department of Transportation, and Central Oregon & Pacific Railroad, Inc., providing \$300,000 for the purchase of approximately 10,000 ties and 10,000 cubic yards of ballast for CORP to install between Milepost 719 and Milepost 763 on the rail line connecting Coos Bay and Eugene, Oregon.

According to our records to date, CORP has spent \$290,697 of the grant, and there remains a balance of \$9,303 to be used. The Acts that provided these funds (Senate Bill 753 and House Bill 2275, respectively) were passed by the 2001 Legislature to be effective during the 2001-2003 biennium, which ends June 30, 2003. Any project expenses incurred after June 30, 2003, will be ineligible for reimbursement under this grant agreement. Therefore, it is imperative that CORP order any remaining project materials and/or complete installation before the end of June in order to not lose the remaining grant funds

If you have any questions or concerns, please call Ed Immel, State Rail Planner, at (503) 986-4129 or me at (503) 986-4137.

Robert I. Melbo
Rail Planner
(503) 986-4137



Oregon

John A. Kitzhaber, M.D., Governor

Department of Transportation

Rail Division

555-13th Street NE-Suite 3

Salem, OR 97301-4179

Telephone (503) 986-4321

FAX (503) 986-3183

TTY (503) 986-3416

June 5, 2002

Dan Lovelady
Central Oregon & Pacific Railroad
333 S E Mosher
Roseburg Oregon 97470

Rail Division
(503) 986-4129
File Code: Fax (503) 986-3183
edward.e.immel@ODOT
state OR US

Re Grant Agreement

File Code R 16-4-2

The last session of the Oregon Legislature made available \$2 million in lottery funds to be used for the rehabilitation of short lines in Oregon. The distribution of these funds was discussed at the last meeting of the Oregon Short Line Railroad Association and applications were requested from the short line railroads in the state.

The applications requested funding for projects that totaled \$3.2 million. Obviously, not all of the projects could be fully accommodated. In some cases, railroads requested several projects and staff was able to select one that would fit within the funding limitations. The recommendations also permitted each railroad to share in the funding available.

The Rail Division has forwarded its recommendations to the Oregon Transportation Commission for their approval at their June 20th meeting in La Grande. Your original request for \$600,000 would have consumed almost 30% of the funding available and would have severely limited the funds available to the other short lines. Therefore, it has been recommended to the OTC that CORP receive \$300,000 in State funds to install ties between Canby and North Bend. Attached is a draft contract for your review.

Please review the draft contract and get back to me with any changes and/or recommendations. You may appear before the Oregon Transportation Commission at their June 20th meeting if you feel that your project was treated unfairly by the Rail Division's recommendations to the OTC.

Truly yours,

Ed Immel
State Rail Planner

Enclosure



Theodore R. Kulongoski, Governor

RAIL DIVISION
555 13th Street NE, Suite 3
Salem, OR 97301-4179
Telephone (503) 986-4321
FAX (503) 986-3183
TTY (503) 986-3416

February 10, 2005

File Code. Rail Division
(503) 986-4137
Fax (503) 986-3183
Robert I. Melbo@ODOT
state OR US

Dan Lovelady
Central Oregon & Pacific Railroad
333 S E Mosher Street
Roseburg, Oregon 97470

Re Infrastructure Improvement Agreement

Enclosed for your file is one fully executed copy of the agreement providing Oregon Short Line Railroad Rail Infrastructure Improvement Program funds to assist in the rehabilitation of the Coos Bay line of your railroad. Your receipt of this agreement will constitute our notice to proceed and incur costs for your Coos Bay project. No further authorization is necessary on our part.

Several things need to be noted

- 1 The "Acknowledgement of State Financial Assistance" needs to be filed with the county in which the work will take place before any actual work is underway. Please send me a copy of this filing.
- 2 The work is compensated on a progress billing method. You incur the original costs and then bill us. If you purchase items in bulk, such as ties, bill these all at one time and not when the ties are actually put into the ground. Labor and equipment should be billed as they occur. Contractor's invoices should contain sufficient documentation to clearly identify items or services purchased.
- 3 Via telephone or email, please let me know when actual work has started. We have an obligation under the contract to conduct regular inspections of all projects.

Truly yours,

Bob Melbo
State Rail Planner

Enclosure

AGREEMENT

This agreement made and entered into between the State of Oregon, by and through the Oregon Department of Transportation, hereinafter referred to as "STATE" and the Central Oregon & Pacific Railroad, hereinafter referred to as "CORP".

WHEREAS, the 2003 Session of the Oregon Legislature provided lottery funds for the rehabilitation of short line railroads in Oregon under Oregon Laws 2003, Section 5, Chapter 732 and Section 6 (3) Chapter 741, and

WHEREAS, the Oregon Transportation Commission at its July 15, 2004 monthly meeting approved expenditure of funds under Oregon Laws 2003, Section 5, Chapter 732 and Section 6 (3) Chapter 741 to eight short lines in Oregon, including the Central Oregon & Pacific Railroad; and

WHEREAS, CORP is the owner of a line of railroad between Eugene and Cordes, Oregon; and

WHEREAS, the rehabilitation of said railroad meets the criteria set forth in Oregon Laws 2001, Chapter 906 and 942, and

WHEREAS, STATE pursuant to authority granted in ORS 824.016 and 824.058 may enter into agreements for rehabilitation or improvements of rail properties; and

WHEREAS, state funds are available for accomplishment of the program of rehabilitation described in Appendix A; and

WHEREAS, CORP is qualified and experienced in the performance of said work;

NOW, THEREFORE, in order to accomplish said rehabilitation, the parties do hereby agree as follows:

Section 1 **PURPOSE OF AGREEMENT**

The purpose of this Agreement is to provide for the rehabilitation of the Central Oregon & Pacific Railroad by CORP and to state the terms, conditions and mutual understandings of the parties as to the manner in which the project will be undertaken and completed.

Section 2 **SCOPE OF WORK**

The project will install approximately 15,000 ties and place about 10,000 cubic yards of ballast between MP 686 near Richardson to MP 688 near Swisshome and MP 740 near Reedsport and MP 765 near North Bend to permit adequate and efficient rail freight service as described in Appendix A

Section 3 **SPECIFICATION OF WORK**

The work to be completed by CORP will comply with good railroad construction practice

Section 4 **FINANCIAL**

The total State cost of this Agreement is limited to \$400,000. The CORP will contribute an additional \$400,215 in railroad funds to install the materials paid for by the state. If the actual total cost of the project on completion exceeds the estimated cost of \$800,215 the CORP shall be responsible for all excess costs. In no case will the contribution of STATE exceed \$400,000.

STATE will authorize CORP in writing to begin work and reimbursement will be limited to costs incurred after the date of such authorization.

Section 5

PERIOD OF PERFORMANCE

CORP shall commence, carry on and complete the Project with all practicable dispatch, in a sound, economical and efficient manner upon execution of this agreement.

CORP has provided STATE with a schedule containing the anticipated work for each item to be performed for such number of months as may be necessary in the opinion of CORP to complete the work in full. In the event of a change in the method or time for performance of any work, the schedule shall be updated to reflect the present changed circumstances.

All work must be completed by June 30, 2005.. This agreement will automatically terminate on June 30, 2005 and no costs incurred after this date will be eligible for reimbursement by STATE.

Neither the payment of any estimate nor of any retained percentage shall relieve CORP of any obligation to make good any defective work or material. In the event STATE determines that any material or workmanship is deficient, CORP shall replace the materials or correct the workmanship necessary to cure the deficiency. No STATE funds shall be used to pay for a replacement or correction required under this subsection.

Section 6

COSTS

CORP shall be paid for the actual materials installed by the CORP. STATE shall make periodic payments to CORP for costs incurred under the agreement in the manner specified in Section 24 of this Agreement.

Section 7

CRITERIA FOR COSTS

The costs incurred by CORP to carry out a common carrier light density line improvement project are allowable if they are calculated using a method which is (i) reasonable, (ii) based on the internal accounting methods used by CORP to determine the costs of activities paid for with its own funds; and (iii) consistent with the Uniform System of Accounts for Railroad Companies (49 CFR Part 1201A[1977], amended).

Section 8

DISCOUNTS AND EXCLUSIONS

CORP shall, to the extent of its ability and consistent with the other provisions of this Agreement, take all cash and trade discounts, tax exemptions, or other credits in connection with goods and services purchased or used on any approved project or task.

Section 9

PROCUREMENT

The method of obtaining goods and services for this Agreement shall be by force account. Such procurements shall be consistent with sound practice in the railroad industry and reasonably economical.

STATE shall have the right to review and approve CORP's procurement system. All proposed procurement shall be reviewed by STATE prior to any commitment or purchase.

Section 10 **RECORDS AND AUDIT**

CORP shall notify STATE when all aspects of the project have been completed. STATE shall perform a final project inspection within 90 days of notification. This inspection shall list any deviations from the scope of work and establish a time frame for rectification of these deviations.

STATE shall perform a final financial audit of this contract no later than 180 days after STATE has conducted a final project inspection and all deviations noted in the final inspection have been rectified.

PTOB's cost records pertaining to work paid for on a force account basis shall be open to inspection or audit by representative of STATE during the life of the Agreement and for a period of not less than 3 years after the final accounting of the Project. Where payment for materials or labor is based on the cost thereof to sources other than CORP, CORP expressly guarantees that the cost records of such other sources shall be open to inspection and audit by representatives of STATE on the same terms and conditions as the cost records of CORP. Copies of the records shall be furnished to STATE upon request and shall be maintained in accordance with a work order accounting procedure prescribed by STATE.

CORP shall maintain and make available to STATE any other records which would be necessary to disclose fully the amount and disposition of funds provided to CORP under this Agreement and charged to the approved project or task. Charges must be supported by documents evidencing in detail the nature and propriety of the charges, the total costs of each undertaking for which the assistance was given or used, the amount of the costs of the undertaking supplied by other sources, and any other books, records and documents needed for a full and complete verification of CORP's responsibilities and all payments and charges under this Agreement.

Section 11 **INSPECTION OF WORK**

STATE may place inspection personnel on the work site as it considers necessary. Such personnel shall monitor and be responsible for certifying that all work is in compliance with this Agreement.

For accelerated maintenance, rail facility construction, rehabilitation or improvement or substitute service facilities identified by the STATE as requiring above average expenditures for routine maintenance, STATE shall inspect the work of CORP to:

- (1) Ensure that it complies with the Agreement's specifications.
- (2) Verify quantitative measures of materials installed, such as tie counts.
- (3) Verify labor and material charges for contracts providing for payment on an actual costs basis ("force account work").

- (4) Verify the quantities of uninstalled materials paid for or to be billed under this Agreement and those materials are secured against damage, theft, or use other than for the approved project.

CORP shall cooperate with STATE in making inspections.

Section 12

INVALIDITY

If any part of this Agreement is determined to be invalid, illegal, or unenforceable, the determination does not affect the validity, legality, or enforceability of any other of any other part of this Agreement and the remaining parts shall be carried out by each party. A provision held to be unenforceable as applied to any party or circumstance remains applicable to other parties or circumstances.

Section 13 **OBSERVANCE OF LAWS**

CORP at times shall comply and require its subcontractors and employees to comply with federal and state laws, local laws and ordinances and any regulations which in any manner affect the performance of this Agreement or are applicable to the work under this Agreement. STATE's performance under this agreement is conditioned upon CORP's compliance with the provisions of ORS 279.312, 279.314, 279.316, 279.320 and 279.555, which are incorporated by reference herein. CORP shall indemnify and save harmless STATE and any agents, officers or employees thereof against any and all claims arising from any violation of any such laws, ordinances, or regulations whether such violations are by CORP, its subcontractors or employees. It is recognized that any information, interpretation or representation of any laws, regulations or ordinances set forth in this section or elsewhere in this Agreement or specifications takes no precedent over the law, regulation or ordinance.

CORP shall satisfy itself as to the true construction and content of such laws, regulations and ordinances on a current basis.

CORP agrees to make payment promptly, as due, to all persons furnishing services, equipment or supplies to CORP for the performance of work under this Agreement. If CORP fails, neglects or refuses to pay such claims as they become due, the proper officers of the STATE, after ascertaining that the claims are just, due and payable, may pay the claims and charge the amount of the payment against funds due or due to become due CORP under this Agreement. The payment of claims in this manner shall not relieve CORP with respect to any unpaid claims.

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, without regard to principles of conflicts of law. Any claim, action, suit, or proceeding between STATE and CORP that arises from or relates to this Agreement shall be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon. CORP, BY EXECUTION OF THIS AGREEMENT HEREBY CONSENTS TO THE IN PERSONAM JURISDICTION OF SAID COURTS.

Section 14 **PERMITS AND LICENSES**

CORP shall procure all permits and licenses which are necessary and incidental to its operation in the performance of the work and give all notices required by such permits and licenses.

Where local ordinances or controlling agency policy prohibits issuance of temporary operations permits to other than public agencies, STATE will support the CORP's request for such temporary permit and will accept the same in its name provided:

- (1) CORP takes all necessary action leading to the issuance of the permit
- (2) It is determined to be in the public interest.
- (3) It applies only to work performed in connection with the subject Project.
- (4) CORP agrees in writing to abide by all requirements of the issuing agency and to hold STATE harmless from any liability in connection with work under the permit, and
- (5) STATE will incur no expense in connection with such permit.

In transportation of materials and equipment on public highways, CORP shall comply with applicable statutes controlling traffic and load limitations and the obtaining of necessary permits. This Agreement does not exempt CORP from compliance with such statutes or to carry any license of permit for overloads.

Section 15

ENVIRONMENTAL PROTECTION

CORP agrees that no facility or equipment shall be acquired, constructed, or improved as a part of the Project unless the facility is equipped to limit water and air pollution in accordance with all applicable State and Federal standards. CORP further agrees to specifically comply with all the requirements of section 114 of the Clean Air Act, 42 USC 1857C-7-9, and section 308 of the Federal Water Pollution Control Act, 33 USC 11238, and all regulations issued thereunder.

Section 16

WORKER'S COMPENSATION

CONTRACTOR certifies that it has either qualified under Section 13 of the Railroad Unemployment Act, as amended, which supersedes and governs over any conflicting State of Oregon Worker's Compensation statute or the State of Oregon Workers' Compensation Coverage. This certification is made for compliance with ORS 656 029, and indicates coverage of all employees engaged under this contract by such Act unless such employers are exempt under ORS 656 126. CONTRACTOR shall ensure that each of its subcontractors complies with these requirements.

CONTRACTOR shall also obey all state and local laws, ordinances and regulations establishing safety standards for the protection of employees.

Section 17

RESPONSIBILITY FOR WORK

All work and material for this Agreement including any extra work, shall be at the sole risk of CORP until the entire improvement shall have been finally accepted by STATE. Any damage to either permanent or temporary work, utilities, materials or equipment and plant shall be repaired to the satisfaction of STATE at CORP's expense, regardless of the cause of such damage.

The parties hereto will be excused from performance of any of their respective obligations hereunder where such performance is prevented by acts of God. Where one party's obligations are so excused the other party's obligations shall be correspondingly reduced or adjusted. Nothing contained in this section shall be construed as relieving CORP of responsibility for, or damage resulting from, CORP's own operations or from his negligence, nor shall CORP be relieved from full responsibility for making good any defective work or materials.

STATE bonding requirements will apply to any subcontract in excess of \$100,000. If for some reason a bond was not required, a letter citing justification for this decision shall be retained with contract records.

Section 18

RESPONSIBILITY FOR DAMAGE AND INDEMNITY

STATE, and all officers and employees of STATE, including but not limited to those of the Department of Transportation shall not be responsible in any manner for any loss or damage that may happen to the work or any part thereof, for any loss of material or damage to any of the materials or other things used or employed in the performance of work, for injury to or death of any persons, either workers or the public; or for damage to the public for any cause which might have been prevented by CORP or its employees or anyone employed by it.

CORP shall be responsible for any liability imposed by law for injuries to, or the death of, any persons or damages to property resulting from any cause whatsoever during its performance of the work, or before final acceptance, and performs the Project at its own risk.

CORP shall indemnify, save and hold harmless STATE and all officers, employees, and agents of the State of Oregon, and specifically the Department of Transportation, from all claims, suits or actions brought for injuries to, or death of any persons or damages resulting from construction of the work or in consequence of any negligence regarding the work, the use of any improper materials in the work, caused in whole or in part by any act or omission by CORP or its agents or employees during performance or at any time before final acceptance. In addition to any remedy authorized by law, STATE, may retain as much of the money due CORP as deemed necessary to assure indemnification until disposition has been made of such suits or claims. No officer or employee of STATE shall be personally liable for any acts or failure to act in connection with the Agreement, it being understood that in such matters they are acting solely as agents of STATE.

CORP shall bear sole responsibility for damage to completed portions of the Project and to property located off the project caused by erosion, siltation, run-off or other related items during the construction of the Project. CORP shall also bear sole responsibility for any pollution of rivers, streams, ground water or other waters which may occur as a result of construction operations.

CORP shall protect and preserve from any damage or destruction all private and public utilities, on or in the vicinity of the work and from interference with the use of such property, its removal, the damage, or destruction of which is not required by the terms of the contract.

Notwithstanding the foregoing defense obligations, neither CORP nor any attorney engaged by CORP shall defend any claim in the name of the State of Oregon or any agency of the State of Oregon or any of its agencies without the prior written consent of the Oregon Attorney General. The State of Oregon may, at anytime at its election assume its own defense and settlement in the event that it determines that CORP is prohibited from defending the State of Oregon, or that CORP is not adequately defending the State of Oregon's interest, or that an important governmental principle is at issue or that it is in the best interests of the State of Oregon to do so. The State of Oregon reserves all rights to pursue any claims it may have against CORP if the State of Oregon elects to assume its own defense.

Section 19 **INSURANCE**

CORP shall, at CORP's expense, take out and keep in effect during the term of this agreement, Comprehensive or Commercial General Liability Insurance covering bodily injury and property damage. This insurance coverage for the indemnity provided under this agreement and products/completed operations liability. Combined single limit per occurrence shall not be less than \$1,000,000 when applicable. Each annual aggregate limit shall not be less than \$1,000,000, when applicable.

Said insurance policy or policies shall also name the State of Oregon, Department of Transportation, and its members, officers, agents and employees as parties insured, except as against the named insured, for claims of the State of Oregon, Department of Transportation, and its members, officers, agents and employees for injury or death to their persons or for damages to any of its or their property. It is understood and agreed that this policy shall not terminate or be cancelled by CORP or Insurance Company prior to completion of the contract without first giving 30 days written notice of intention to terminate or cancel said policy to the Director of the Oregon Department of Transportation. Said insurance coverage shall be furnished and provided at the time this Agreement is executed. CORP shall furnish STATE with a certificate of insurance covering the above policy or policies.

Section 20 **PROHIBITED INTERESTS**

No member, officer, or employee of CORP or STATE during his tenure or for one year thereafter, shall have any interest, direct or indirect, in this Agreement or the proceeds thereof.

CORP certifies that it:

(1) Has not entered into within one year before the costs are allowable for the project or tasks, and

(2) Will not enter into while the costs are allowable, any subcontract or other arrangement which may affect a project or task under this Agreement if any officer, key salaried employee, official, or any member of the immediate family of one of the foregoing has any material interest in the arrangement unless the arrangement has been approved by the State.

CORP shall not extend any loan, gratuity or gift of money in any form whatsoever to any employee or officer of the State of Oregon.

CORP shall not assign or attempt to assign any right, privilege, obligation or portion of this Agreement without the prior written consent of STATE. Any assignment of this Agreement or of any portion thereof without the prior written consent of STATE shall be ineffective to bind STATE and shall constitute cause for any termination of this Agreement

Section 21 **TERMINATION**

This Agreement may be terminated by mutual consent of both parties, or by STATE upon 30 days notice in writing by certified mail or in person.

In the event that this Agreement is terminated by CORP or through a breach of the terms of this Agreement by CORP, CORP shall reimburse STATE for any payments that have been made pursuant to this Agreement

STATE may terminate this Agreement effective upon delivery of written notice to CORP, or at such a later date as may be established by STATE, under any of the following conditions.

(1) If for any reason funding from federal, state or other sources is not obtained and continued at levels sufficient, as determined by ODOT in the exercise of its reasonable administrative discretion, to allow purchase of the indicated quantity of services. When possible, and when agreed upon, the Agreement may be modified to accommodate a reduction in funds.

(2) If federal or state regulations or guidelines are modified or changed in such a way that the services are no longer allowable or appropriate for purchase under the Agreement

(3) If any license, certificate or bond required by law, regulation, or this Agreement to be held by CORP to provide the services required by this Agreement is for any reason denied, revoked, or not renewed.

(4) Agreement may be cancelled at any time that STATE determines that continuation of the Project by CORP is not in the best interest of STATE.

If any suit, action or proceeding is brought to enforce, or for the breach of, any provision of this Agreement by either party, the parties hereto agree that each party shall be responsible for their own attorney's fees and costs for commencing and prosecuting such suit, action or proceeding including appeals

Any termination of this Agreement shall be without prejudice to any obligations or liabilities of either party already accrued prior to such termination

STATE by written notice of default (including breach of contract) to CORP may terminate the whole or any part of this Agreement:

(1) If CORP fails to provide services called for by this Agreement within the time specified here in or any extension thereof; or

(2) If CORP fails to perform any of the other provisions of this agreement, or fails to pursue the work as to endanger performance of this Agreement in accordance with its terms, and after receipt of written notice from STATE fails to correct such failures within a time as specified in the notice

The rights and remedies of STATE provided in the above clause relating to defaults (including breach of contract) by CORP shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

Failure of STATE to object to violations of any of the provisions of this Agreement shall not be deemed a waiver by STATE of a subsequent similar breach of STATE's right to demand strict performance by CORP of the conditions of this Agreement.

STATE shall not be precluded or estopped by any measurement, estimate, or certificate made either before or after the completion and acceptance of the work and payment therefor from showing the true amount and character of the work performed and materials furnished by CORP, or from showing that any such measurement, estimate, or certificate is untrue or incorrectly made, or that the work or materials do not conform in fact to the Agreement. STATE shall not be precluded or estopped, notwithstanding any such measurement, estimate or certificate, and payment in accordance therewith, from recovering from CORP and its sureties such damages as it may sustain by reason of its failure to comply with the terms of this Agreement. Neither the acceptance by STATE nor any payment for the whole or any part of the work, nor any extension of time, nor any possession taken by STATE shall operate as a waiver of any portion of this

Agreement or of any power herein reserved or any right to damages herein provided, or bar recovery of any money wrongfully or erroneously paid to CORP. A waiver of any breach of the Agreement shall not be held to be a waiver of any other or subsequent breach

Section 22

CERTIFICATION OF COMPLIANCE WITH OREGON TAX LAWS

CORP, swears, affirms or certifies, under penalty of perjury that, the individual signing on behalf of CORP has the authority and knowledge regarding the payments of taxes, and that CORP is, to the best of such individual's knowledge, not in violation of any Oregon Tax laws. (For the purposes of this certification, "Oregon Tax Laws" means those programs listed in ORS 305 380(4) which is incorporated herein by this reference. Examples include the state inheritance tax, personal income tax, withholding tax, corporation income and excise taxes, amusement device tax, timber taxes, cigarette tax, other tobacco tax, 9-1-1-emergency communications tax, the homeowners and renters property tax relief program and local taxes administered by the Department of Revenue

Section 23

CIVIL RIGHTS

CORP certifies that, with regard to assistance provided under this Agreement, it is in compliance and will continue during the period in which costs are allowable under this Agreement to comply with the Oregon Department of Transportation Affirmative Action policy and program

The policy of the Oregon Department of Transportation is to provide equal opportunity to all persons in every aspect of employment, and in participation in and access to the benefits and services provided through activities, projects and programs within the Department's jurisdiction.

In all matters, the Department will not discriminate against any person because of race, age, color, sex, religion, national origin, mental or physical handicap, political affiliation, or marital status.

This policy and the Affirmative Action Program established to implement this policy apply to all who receive financial assistance from or through the Department.

Section 24 **PROGRESS PAYMENTS AND CLOSEOUTS**

CORP will submit vouchers to the Oregon Department of Transportation. Requests for payments shall be submitted to STATE not more frequently than once per month in the format prescribed by STATE

If STATE's final audit determines that the allowable costs exceed the amount that has been paid, it shall pay CORP the difference, not to exceed the maximum amount owed under the Agreement. If STATE final audit determines that the allowable costs are less than the amount that has been paid, CORP shall promptly pay STATE the difference.

STATE reserves the right to withhold 50% of any progress payment if STATE determines that CORP is more than 60 days behind in the project timeline for completion.

Section 25 **MAINTENANCE**

The payback period is the period of time shown to be needed for the public benefits of the project to equal its public costs. The payback period for this project is two calendar years beyond the date of the final inspection by the STATE

CORP agrees to maintain the track for the payback period of the project.

Maintenance of the Project shall be without any use of STATE funds for at least the payback period.

Section 26 **ABANDONMENT, SALE OR CONVERSION**

If for the period during which there continues a STATE share of assistance for the rehabilitation or improvement of facilities or rail, not to exceed ten (10) years from the date hereof, there is a sale, or a disposition of the line, conversion to non-rail freight use, or the filing of an application for abandonment of the line under 49 USC Chapter 109, the STATE share of the net fair market value of the improvements added to

the line by CORP pursuant to this Agreement at that time, as established by Section 27 of this Agreement, shall be compensated to STATE by CORP.

However, if the transferee, pursuant to sale or disposition of improved property agrees to assume CORP's obligation under the Agreement and to enter into an "Acknowledgement of State Assistance", under Section 27 of this Agreement as if transferee had been the original contractor hereof, the payment need not immediately occur at time of sale or disposition, and the obligation may continue

Section 27

LIENS AND COLLATERAL

CORP agrees to file in the appropriate land records a notice in Appendix (B) to this Agreement, reciting that the property was improved or installed with STATE assistance and its use and disposition are subject to the terms of this Agreement

Removal of the "Acknowledgement of State Assistance", and satisfaction of the lien thereunder, may be obtained and filed upon repayment to STATE of State share of assistance.

CORP shall not use any properties that are subject to this Agreement as collateral for any loans. Neither shall the CORP allow any liens or other impairments on the title, for any purposes to be placed on these properties provided, however, CORP may have a second subordinate lien on these properties

Said "Acknowledgement of State Assistance" must be signed and recorded in the appropriate county deed records prior to STATE incurring any obligation to reimburse CORP for any costs hereunder and prior to any payments actually being made.

The provisions of this section shall remain in force for a period of ten (10) years from the date hereof, and any liens or restrictions arising hereunder shall automatically terminate and cease to be effective upon the expiration of said 10 year period

Section 28

AMENDMENTS

This agreement and any provisions hereof shall not be waived, altered, modified, supplemented or amended in any manner whatsoever without prior written agreement of the parties.

Section 29

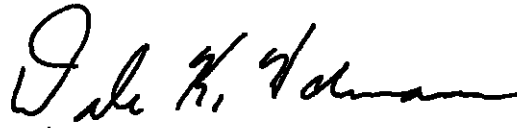
MERGER CLAUSE

This Agreement constitutes the entire agreement between the parties on the subject matter hereof. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties and all necessary STATE approvals have been obtained. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. Failure of STATE to enforce any provision of this Agreement shall not constitute a waiver by ODOT or that of any other provision.

This agreement was approved by the Oregon Transportation Commission at its regular July 15, 2004 meeting, at which time the Director was authorized and directed to sign said agreement for and on behalf of the Commission

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of this day and year first above written.

APPROVED AS TO
LEGAL SUFFICIENCY: by



Assistant Attorney General, State of Oregon

Date

For: STATE OF OREGON, Department of Transportation

Name

Kelly T. Grew
Administrator - Rail Division

02-09-05

Title

Date

For CENTRAL OREGON & PACIFIC RAILROAD

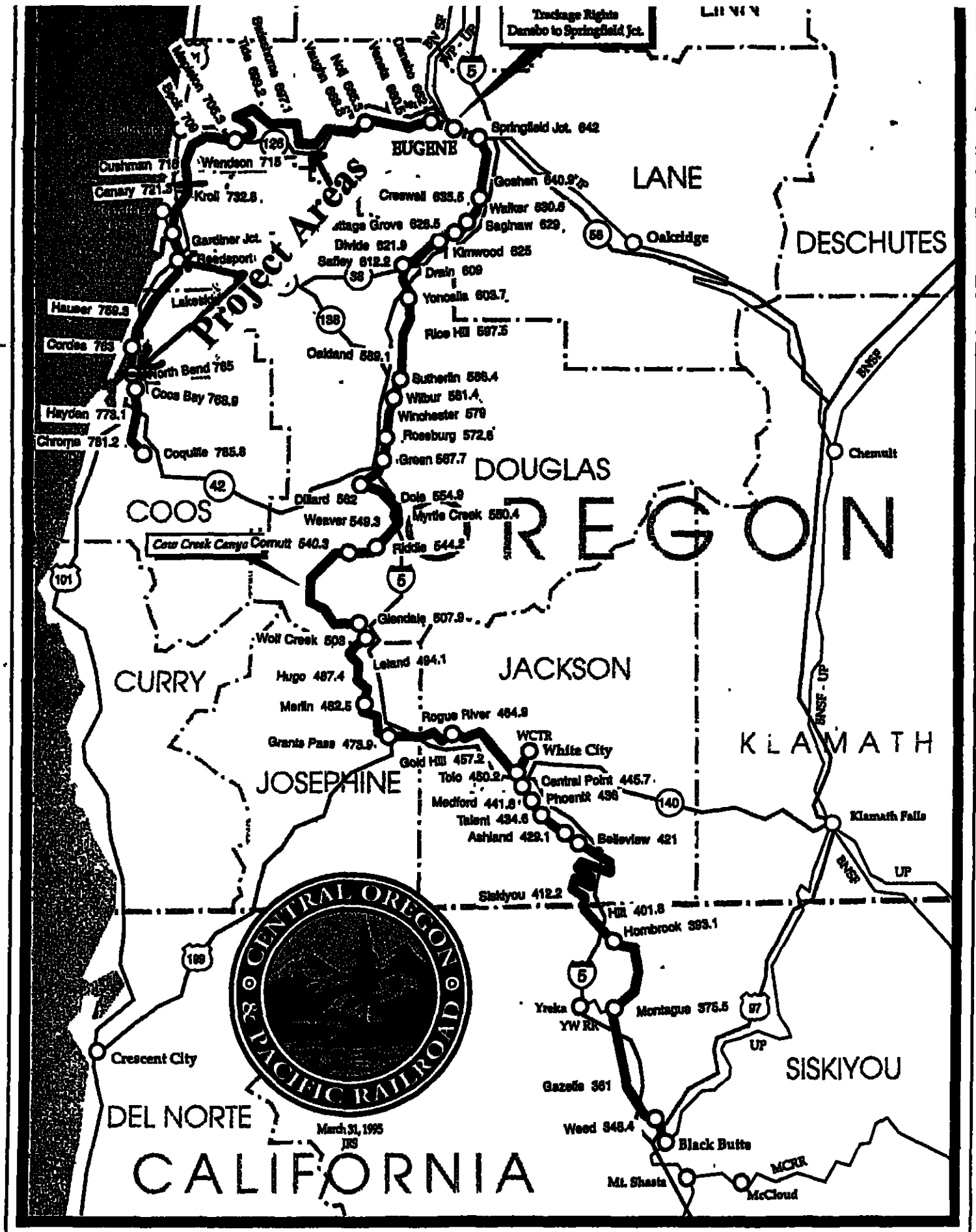
Name

Yang W. Bui

Title Vice President-Treasurer

Date Dec 20, 2004

APPENDIX A
SCOPE OF WORK



<i>Central Oregon and Pacific Railroad Company</i>									
2004 Shortline Infrastructure Request									
Track Rehabilitation MP 740-Reedsport to MP 765 - North Bend and MP 686 - Richardson to MP 688 - Swisshome									
Coos Bay Branch									
Oregon Shortline Infrastructure Funding									
Material	Amount	Cost Ea.	Total Cost						
7X6x8" Relay Hardwood Ties	14,285	\$21.00	\$300,000						
10,000 cu. Yards ballast	10,000 cu. Yards	\$10.00	\$100,000						
			\$400,000						
CORP Funding									
Tie Installation	14,285	\$17.00	\$242,845						
Tie Distribution	14,285	\$1.00	\$14,285						
Tie Disposal	14,285	\$1.00	\$14,285						
Ballast Distribution	10 Trains	\$2,400	\$24,000						
Surfacing	20 Miles	\$2640/mi.	\$52,800						
OTM (Spikes, Plates, etc)			\$22,000						
Crossings & Switches			\$21,000						
Ditching			\$9,000						
			\$400,215						
Total Cost of Project			\$800,215						
CORP match will be appropriated in 2005, therefore work will begin in 1st quarter 2005 and will be complete before 6/01/2005									
Purchase of materials for project will start in 4th quarter 2004									

MELBO Robert I

From: Lovelady, Dan (CORP) [Dan.Lovelady@railamerica.com]
Sent: Wednesday, February 09, 2005 11:08 AM
To: MELBO Robert I
Cc: Kelsey, Craig (CORP)
Subject: Timeline - CORP Coos Bay Project

Bob,

Here is our timeline for the Coos Bay

10,300 ties are already distributed – the remaining 3,500 ties are on order and will arrive before we get all of the 10,000 installed.

Contractor H&S Construction will do both the tie installation and surfacing. The timeline is an approximation based on the average ties per mile and may vary somewhat

Work will begin on 3/14 between MP 686 and MP 688 where we will do 1600 ties – 3/14 to 3/20

Will move to Gardiner Jct (MP 738.8 and continue to Cordes MP 763.0 In this area we will install an average of 516 ties per mile or 12,400 ties

3/21 to 3/27 Install 1,800 ties between MP 738.8 and MP 742.0

3/28 to 4/3 Install 2,000 ties between MP 742.0 and MP 746.0

4/04 to 4/10 Install 2,000 ties between MP 746.0 and MP 750.0

4/11 to 4/17 Install 2,000 ties between MP 750.0 and MP 754.0

4/18 to 4/24 Install 2,000 ties between MP 754.0 and MP 758.0

4/25 to 5/08 Install 2,000 ties between MP 758.0 and MP 762.0

5/09 to 5/15 Install 600 ties between MP 762.0 and MP 763.0 – begin back work and clean-up

5/16 to 5/21 Complete all back-work and clean up

Ballast Dumping and Surfacing will start 2 weeks behind the start of the tie installation on 4/04 All surfacing will be complete by 5/31/04

Please advise if you need anything else

Dan

2/09/2005

14-A

APPENDIX B
ACKNOWLEDGEMENT OF STATE
FINANCIAL ASSISTANCE

ACKNOWLEDGEMENT OF STATE FINANCIAL ASSISTANCE

The property indicated on the attached map is railroad right-of-way owned by the Central Oregon & Pacific Railroad and was improved with financial assistance from the Oregon Department of Transportation under an agreement between the Department and the CORP Railroad. Such assistance was granted by the Oregon State Legislative Assembly at its regular 2003 session.

The above agreement provides for state funds to be used for the rehabilitation of the railroad by the Central Oregon & Pacific Railroad as so indicated on the attached map. The use and disposition of said property is subject to the terms of the above agreements, a copy of which may be obtained from the Director, Oregon Department of Transportation, Room 135, Transportation Building, Salem Oregon 97301.

By Yang W. Burk
Title: Vice President - Treasurer
Central Oregon & Pacific Railroad

SUBSCRIBED and SWORN before me this 10th day of December 2004



Kristin Dunlap
My Commission DD087657
Expires December 27, 2005

Kristin Dunlap
NOTARY PUBLIC FOR OREGON FLORIDA

My commission expires. 12.27.05

PERSONALLY KNOWN: X
PRODUCED I.D.:



10/18/04

Mr Ed Immel
State Rail Planner
Oregon Department of Transportation
555 13th Street NE, Suite 3
Salem, Oregon 97301-4179

Dear Mr Immel:

Per your request, below is our best estimate of the timeline for the Central Oregon and Pacific Railroad's Project.

Because we are purchasing relay ties and our original project was based on new ties, we expect to increase the number of ties purchased and installed from 10,000 to 14,000. Our new estimated costs are broken down as follows:

Oregon Grant Funding

14,000 relay ties at \$20.00 delivered = \$280,000
10,000 cu Yards ballast @ \$9.80 = \$98,000
OTM (spikes, plates, ect.) \$22,000
Total \$400,000

CORP Match Funding

Tie Installation 14,000 @ \$17 ea = \$238,000
Tie distribution 14,000 @ \$1.00 = \$14,000
Tie disposal 14,000 @ \$1.00 = \$14,000
OTM (spikes, plates, etc) \$18,000
Ballast Distribution - 10 Trains @ \$2,000 = \$20,000
Surfacing 25 miles @ \$2640 per mile = \$66,000
Crossings and Switches \$15,000
Ditching \$15,000
Total CORP Contribution = \$400,000

RECEIVED
OCT 20 2004
RAIL DIVISION



A RailAmerica Company

Estimated Timeline Schedule

10,350 Ties Purchased by 10/15/04

3,650 Ties Purchased by 1/31/05

Project will start at Gardiner Jct MP 738.8 and continue to Cordes MP 763 0. An average of 516 ties per mile will be installed in this location

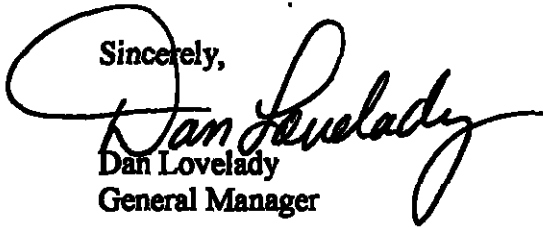
The remaining 1500 ties will be installed between MP 688 and MP 686 near Richardson Road

Plans are to start at Gardiner Jct. during the first week in January and work South to Cordes Estimates are to install 1250 ties per week with a contractor H&S Construction We expect to be at Cordes by the second week in March At that time we will move to MP 688 and project it will take two weeks to install the 1500 ties at that location Ballast dumping and surfacing will start behind the tie installation and should finish about two weeks behind the tie project Tie installation should be complete by April 1, 2005 and surfacing should be complete by April 15, 2005

Please call if you need any additional information

Sincerely,

Dan Lovelady
General Manager

A large, stylized handwritten signature in black ink, which appears to read "Dan Lovelady". The signature is written over the printed name and title.

Application For ConnectOregon Program 2005-2006

Submit by Email

To ensure you have current program information, e-mail connectoregon@odot.state.or.us to get on the electronic mailing list.

PART A- Project Summary and Certification: Use this form or a replica. Print and sign one original. Attach additional text at the end as necessary identified with the corresponding question number.

1. APPLICANT

ORGANIZATION NAME Central Oregon & Pacific Railroad, Inc	#019-06	PRIMARY CONTACT PERSON AND TITLE Steve Hefley
ADDRESS 333 S.E. Mosher		TELEPHONE (541) 957-2512
CITY, STATE AND ZIP CODE Roseburg, OR 97470		FAX (541) 957-0686

2. CO-APPLICANT

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

3. PROJECT NAME AND LOCATION

Winchester Freight Rail Yard, Winchester, OR

4. SUMMARY OF PROJECT

The CORP proposes to construct a new rail yard and freight transload facility along its existing mainline north of the community of Winchester, Oregon, to alleviate capacity constraints currently experienced at the railroad's Roseburg Yard

5. COST SUMMARY*

- a) ConnectOregon Grant Amount
- b) ConnectOregon Loan Amount
- c) Subtotal ConnectOregon Funds
- d) Match Amount
- e) Other Fund Amount
- f) Project Total

\$7,717,600.00
\$7,717,600.00
\$1,929,400.00
\$9,647,000.00

*Leave these Cost Summary entries blank - they will fill in automatically when Part C.4 of application is completed.

6. CERTIFICATION

I certify that Central Oregon & Pacific Railroad, Inc. (applicant organization) supports the proposed project, has the legal authority to pledge matching funds, and has the legal authority to apply for ConnectOregon funds. I further certify that matching funds are available or will be available for the proposed project. I understand that all State rules for contracting, auditing, underwriting (where applicable) and payment will apply to this project.

APPLICANT SIGNATURE

DATE

PRINTED NAME

CO APPLICANT SIGNATURE

DATE

PRINTED NAME

ConnectOregon Program

Application

PART B - Applicant Qualifications

1. CONTACT INFORMATION

APPLICANT

ORGANIZATION NAME Central Oregon & Pacific Railroad, Inc. #019-06	PRIMARY CONTACT PERSON AND TITLE Steve Hefley
ADDRESS 333 S E Mosher	TELEPHONE (541) 957-2512
CITY, STATE AND ZIP CODE Roseburg, OR 97470	FAX (541) 957-0686

CO-APPLICANT/CO SPONSOR

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

2 IS/ARE THE APPLICANT(S) CURRENT ON ALL STATE AND LOCAL TAXES, FEES AND ASSESSMENTS?

☒ YES ☐ NO If NO Explain

--

PART C - Project Description

3 PROJECT DESCRIPTION AND PURPOSE: Summarize the project's description and purpose. Provide maps in 8 1/2 "X 11" format as hard copy only

This project provides a less expensive transportation alternative for the Oregon forest products industry, while reducing the growth of heavy truck trips on Oregon roads and highways. The existing 145 carload freight yard on the Central Oregon & Pacific Railroad (CORP) is operating at or near capacity.

The CORP seeks to construct a new railroad yard facility adjacent to its present right-of-way just north of Winchester, Oregon. The proposed yard would alleviate over-capacity conditions at its existing rail yard in Roseburg, improving rail efficiency, improving connections and providing better intermodal exchange between truck and rail. The site is located in between Interstate 5 (I-5) and Del Rio Road, just west of the freeway.

The proposed site consists of 28.69 acres – 12.22 acres for the rail yard and 16.47 acres for future expansion. The yard itself will include 11 tracks in addition to the mainline and an existing siding. Nine of the 11 tracks will be railcar storage and classification tracks. The remaining two will be "lead" tracks. The 11-track yard capacity will be 294 railcars, assuming an 80' typical car length.

In addition to the yard, a single-track transload facility is also proposed for the site. The proposed transload would include a concrete loading ramp for loading railcars.

The site shall have two vehicular accesses: one access road from the north that will pass underneath I-5 next to the mainline and one access from the south from Del Rio Road. ODOT is planning a \$53 million improvement to the Winchester interchange (Exit 129) and proposing to re-align the road closer to the proposed rail yard.

4. ConnectOregon (CO) Project Budget

SOURCES OF FUNDS: Please identify the source and amount of moneys comprising your project budget in terms of grants, loans, match and other funds

SOURCES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
a. ConnectOregon Grant	\$7,717,600.00	80.0%		
b. ConnectOregon Loan		0.0%		
c. Required Match (Grants - 20% of Total Project) 1	\$1,929,400.00	20.0%	2006	3rd
d. Other Leveraged Funds (2)		0.0%		
e. Other Leveraged Funds (2)		0.0%		
f. Other Non-Leveraged Funds (Describe)		0.0%		
g. Other Non-Leveraged Funds (Describe)		0.0%		
TOTAL*	\$9,647,000.00	100%		

(1) Please describe the source and timing of the 20% match shown above. If applicable include the cost basis of property.

Central Oregon & Pacific Railroad will acquire this property valued at \$1,875,000, and presently has an option on the property.

(2) If your project leverages other funds beyond the ConnectOregon grants, loans and match required for your project, please describe the source, timing and basis for valuing the other funds. Leveraged funds must be shown in 1(d) and 1(e) above.

N/A

USES OF FUNDS: Please identify the proposed uses and amount of moneys comprising the project budget.

USES:	AMOUNT	PERCENT OF TOTAL	DATE AVAILABLE	
			CAL YEAR	QUARTER
Labor (Payroll)	\$1,414,000.00	14.7%		
Contracted Services (If Known)	\$3,605,000.00	37.4%		
Materials and Supplies	\$2,753,000.00	28.5%		
Capital Outlay (Land)	\$1,875,000.00	19.4%		
Capital Outlay (Buildings)		0.0%		
Capital Outlay (Equipment)		0.0%		
Other (Describe)		0.0%		
Other (Describe)		0.0%		
Other (Describe)		0.0%		
Other (Describe)		0.0%		
TOTAL*	\$9,647,000.00	100%		

*Totals for Sources of Funds and Uses of Funds must be equal.

5 REAL ESTATE

EXACT ADDRESS OR LEGAL DESCRIPTION

a IS PROPERTY OWNED BY APPLICANT(S)? ☒ YES ☐ NO

PURCHASE PRICE	DATE

b IS PROPERTY TO BE PURCHASED? ☐ YES ☒ NO

PURCHASE PRICE	DATE
\$1,875,000 00	

c IS PROPERTY TO BE LEASED? ☐ YES ☒ NO

d DOES THE PROJECT INCLUDE EASEMENTS OR DONATED PROPERTY? ☐ YES ☒ NO

Provide any additional details here:

The property is not owned by the applicant. Central Oregon & Pacific presently has an option to purchase the property

PART D - Project Considerations

NOTE The Independent review consultant who will evaluate the project may consider other published or publicly available information when conducting this review

6. TRANSPORTATION COST REDUCTION: Describe how the project reduces transportation costs for Oregon businesses

This project will reduce transportation costs for Oregon forest products industries by providing and maintaining a less expensive transportation alternative. Lower rail rates vs. truck will result in a savings of up to \$58,000,000 per year. This investment will make these Oregon industries more competitive against other forest products businesses throughout the United States.

The capacity constraints currently experienced on CORP due to lack of yard tracks to classify and store rail cars can only hamper future intermodal connectivity as the demand for railcars grows. If the line cannot support an influx of additional rail cars to service increased future demand, the number of opportunities to transfer shipped goods between truck and rail is diminished.

The applicant proposes to quantify the advantage of the improvements in terms of reduced transportation expenses.

7. MODAL CONNECTIVITY: Describe how the project benefits or connects two or more modes of transportation

This project will provide an alternative to truck transportation for Oregon businesses, while introducing a transload facility which will allow other industries to use rail for the longer hauls while using truck for the final delivery.

The avoided truck trips will result in reduced highway congestion from truck in the Roseburg area. The avoidance of up to 210,000 annual truck trips will result in avoiding an increase of 1% of the Area Annual Average Daily Traffic (AADT) on I-5, and avoiding an increase in the truck AADT of up to 12%.

The applicant proposes to quantify the improved connectivity by showing the increased forest products carloads, along with the additional carloads from the transload facility.

8. STATEWIDE OR REGIONAL TRANSPORTATION LINK: Describe how the project creates a critical link in a statewide or regional transportation system

This project will connect the Oregon businesses to the national rail system, making them more competitive. Using rail reduces congestion on the highway system while lowering transportation costs for the businesses. The reduced congestion will be Statewide by avoiding up to 210,000 additional annual truck trips on I-5 by increasing rail carloads up to 30,000 per year. Without the increased rail capacity offered by this project, the State may have to increase highway capital expenditures associated with handling the additional truck traffic over I-5.

The applicant proposes to quantify the improvements in terms of additional carloads of forest products carried and job creation.

9. COST BORNE BY APPLICANT(S): Provide the amount by which the project will exceed, or, provide a match beyond ConnectOregon's minimum grant-match requirement of 20%

Central Oregon & Pacific Railroad intends to provide a 20% match of \$1,929,400.

The project is beyond the ability of the applicant to finance with outside sources due to the lower rate of return.

10. PERMANENT AND CONSTRUCTION JOBS CREATION/RETENTION: Describe how the project creates and retains permanent and construction jobs in Oregon

The proposed project is expected to create an annual average of 1,778 direct jobs and 2,419 indirect and induced jobs for a total impact of 4,197 jobs per year over the next 22 years. The following table summarizes the jobs analysis. The responses shown here are a summary of attached analysis, "Economic Impacts of Winchester Yard and other Proposed Improvements to CORP."

Construction Jobs: It is estimated that this work will employ 71 employees during the 9-month duration of the construction. The source of these jobs would be dependent upon the contractor, and could be in state.

Other Direct Jobs, Not Including Construction: This project should result in the creation of an average of 41 new railroad jobs and as many as 1,778 new forest products industry jobs per year. As a result of this project, CORP employment is expected to grow from 121 jobs to 180 jobs over the 10-year period following completion of the proposed improvements. This employment increase is directly related to the expanded capacity provided by the project and will not take place without the improvements. The average annual wage of new CORP rail jobs is estimated to be \$55,000 based on 2005 year-end data and forecasted 2006 trends.

(continued Addendum Page 9)

11. ANTICIPATED CONSTRUCTION START DATE OR EQUIVALENT:

September, 2006

12. ANTICIPATED PROJECT COMPLETION DATE:

May, 2007

13. CONSTRUCTION READINESS: Provide a project timeline and describe where the project is on this timeline in relation to planning, design and permitting issues.

The project requires no rezoning but does require land use permits. These approvals are yet to be received. Environmental approvals are also needed, are underway, but have not yet been obtained. See attached CORP Winchester Yard Project Schedule.

14. PROJECT OPERATIONS: How will the ongoing maintenance, operation and replacement of the project be financed?

The maintenance operation, and replacement of the project will be financed by the Central Oregon & Pacific Railroad capital expenditure program. Those funds will be provided by the additional revenue received as a result of this project.

15. OTHER CONSIDERATIONS AND INFORMATION: Describe any other considerations and information you would like taken into account about the project.

The project uses the efficiencies of rail to reduce emissions and fuel consumption vs. truck. This will result in avoiding additional emissions, and savings of up to 3 million gallons per year in diesel fuel consumption.

PART E - Supporting Materials: Provide a list here of supporting materials that will be provided as part of your hard copy submission

The following additional materials are provided in the hard copy application:

Attachment A Support Letters
Attachment B CORP Winchester Yard Project Schedule
Attachment C CORP Winchester Yard Phase I Plan view
Attachment D CORP Winchester Yard Profile
Attachment E Property Description
Attachment F Property Sketch
Attachment G Economic Impacts of Winchester Yard and Related Improvements on the Southwest Oregon Economy
Attachment H CORP Yard Public Benefit Brief
Attachment I Economic & Social Benefit of Diverting Truck Traffic with CORP Yard Improvements
Attachment J CORP Winchester Yard Project Cost Spreadsheets
Attachment K CORP Public Benefit Spreadsheets

PART C - 3 PURPOSE

The principle rail yard along the CORP's Siskiyou line at Roseburg currently operates at-capacity and is inadequately sized to accommodate the daily demand for classification and storage of railcars. In the last ten (10) years CORP's carloads have grown from 32,000 to over 52,000 per year. Growth in rail traffic on the line and the increasing size of railcars over time has antiquated the yard. In order to service future growth, reduce shipping costs, offer competitive multi-modal transportation opportunities, and alleviate rail traffic congestion on the line, additional yard capacity is paramount. The following issues are contributing to the over-capacity situation on the Siskiyou line:

- A daily, 8,000' long train headed by Union Pacific Railroad (UPRR) locomotives arrives daily at Roseburg yard from Eugene and returns northbound in the evening. The CORP cannot control the delivery/pick-up schedule of this train, it is often significantly delayed in departing Eugene. Thus, it is difficult to plan for this operation. In addition, this train must sit on the mainline through Roseburg until it can be handled, often blocking at-grade crossings.
- Once received, the CORP must break the train down, classifying individual groups of cars for storage and delivery. Since the Roseburg yard is already at capacity, the CORP is required to run many of these cars up and down the mainline to store them on sidings far from Roseburg. This has the effect of trying to operate a single rail yard that is spread out over 80 miles. The double- and even triple-handling of cars dramatically increases the costs of handling the cars and reduces the amount of locomotives and crews available for other tasks, as well as tying up the mainline.

The proposed rail yard facility will reduce rail traffic congestion on the Siskiyou line by providing a geographically central location on the line with sufficient capacity to handle the daily train from Eugene, as well as other groups of rail cars. The ability to classify and store the entire train at one location will increase system efficiency by reducing the need to store groups of cars on distant sidings along the mainline. It will decrease the number of times each car is handled and should enable CORP to provide more timely switching of rail shippers, thus reducing costs associated with shippers having dock crews standing idle when waiting for the railroad to provide service. It will also increase the availability of locomotives and crews to accommodate growth in rail traffic fostered by projected growth in the region's industrial base.

Aside from reducing rail traffic congestion and shipping costs, the project will also foster benefits for the community of Roseburg. Since the daily Eugene train would no longer enter Roseburg, it would not be staged along the mainline in Roseburg, nor would it block road crossings. This has the impact of reducing traffic congestion in central Roseburg, improving emergency vehicle response times, improving air quality, and reducing fuel consumption in the community.

Also, there is the possibility of future expansions to the proposed Winchester yard which could allow the CORP to further reduce the size and activity of CORP's switching yard operations in Roseburg. This would further alleviate traffic congestion in downtown Roseburg.

ADDENDUM PAGE 9: Attach additional text here as necessary, identifying the corresponding application question number you are completing

PART D - 10 PERMANENT AND CONSTRUCTION JOBS CREATION/RETENTION

Forest products jobs average wages are estimated at \$42,408 per year based computer modeling. These wages are above the county average, and all direct jobs are expected to be family wage jobs.

As a result of expanded capacity, the forest products industry should increase output of rail dependent products in Southwest Oregon. A letter from Roseburg Forest Products indicates that without the added rail capacity they would not expand local plants which require shipment of products or raw materials by rail. Our analysis indicates that with added rail capacity, employment in the forest products industry could expand by as many as 4,856 jobs in the 10 year period following implementation of improvement. We estimate that without improvements, half of these jobs would be created in some other region of Oregon (other than the area served by CORP) and the other half of these jobs would be created in other states. Thus, 2,428 jobs would be created in other states if not for improved CORP service. Over the 22 year planning horizon for the CORP project this amounts to an annual average of 1,778 new jobs per year.

We believe that the Medford-White City areas and the North Spit area of the Port of Coos Bay present the greatest potential for attracting new industries and family wage jobs to the CORP. Since 2002, the following new industries have located on CORP:

Company	Jobs	Year
Louisiana-Pacific (Panel Products), Rogue River	40	2002
Westwood, Reedsport	30	2004
McGovern Metals, Roseburg	6	2004
HFP Transloading, Grants Pass	4	2004
American Bridge, Reedsport	120	2004
Goshen Reload, Goshen	4	2005
Southport Lumber, North Bend	70	2005
South Coast Lumber, Merlin	2	2005
Amy's Kitchen, Central Point	200	2006
Williams' Bakery, Springfield	275	2006
Total New Customer Jobs	751	

Without the additional capacity offered by the proposed rail yard, this pace of industrial development may lessen as customers seeking rail service are forced to consider railroads in other geographic areas as an alternative to the capacity constrained CORP.

Indirect and Induced Jobs. In addition to the direct jobs described above we estimate that the project will create an average of 2,419 indirect and induced Oregon jobs per year over the 22 year period. The calculation of these job numbers is contained in the attachment.

ADDENDUM PAGE 10: Attach additional text here as necessary, identifying the corresponding application question number you are completing



J. Michael Hemmer
Senior Vice President - Law & General Counsel

April 29, 2008

By UPS Next Day Air

**The Honorable Charles D. Nottingham, Chairman
The Honorable Francis P. Mulvey, Vice Chairman
The Honorable W. Douglas Buttrey, Commissioner
Surface Transportation Board
395 E Street, SW
Washington, DC 20423**

Re: STB Ex Parte No. 677 – Common Carrier Obligation of Railroads

Dear Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey:

During your hearing in Ex Parte No. 677 on April 25, 2008, a representative from RailAmerica provided inaccurate information about UP's economic relationship with the Central Oregon & Pacific Railroad. RailAmerica stated that UP's compensation to CORP consists of \$400 per car, plus 50 percent of RCAF-U adjustments up to a maximum of 3 percent annually. That information is not correct.

UP's compensation to CORP is currently about \$600 per car, not \$400 per car. As fuel prices have escalated, Union Pacific has voluntarily agreed to pass along additional fuel support to CORP. In addition, Union Pacific provides CORP a 3 percent supplement for reporting car movements through Railinc, which improves interline operations and information for customers.

Union Pacific has also given CORP approximately \$1 million since 2004 to help it repair tunnels on the Siskiyou line and maintain a key bridge on the Coos Bay line.

CORP also complained that its contract with Union Pacific limits the amount it can charge its shippers. In fact, CORP has unilaterally imposed surcharges on its shippers and is proposing additional surcharges without objection from Union Pacific.

Finally, while this does not represent compensation to CORP, during the Coos Bay line service interruption, Union Pacific has provided significant financial support to CORP customers who lack rail service, so that those customers can use transload services on Union Pacific.

From our external perspective, the basic problem facing the Coos Bay line is that, since several major customers closed large shipping facilities on the line in the 1990s, the Coos Bay line has generated insufficient traffic to support reinvestment in the line. Accordingly, as I testified on April 24, 2008, private entities are unlikely to recover any return on investment in the line, unless traffic volumes increase substantially.

Respectfully,

A handwritten signature in black ink that reads "Mike Hemmer". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

J. Michael Hemmer

cc: All Participants *(by U.S. first-class mail)*

Department of Transportation
Transportation Development Branch
Mill Creek Office Park
555 13th Street NE
Salem, Oregon 97310
(503) 986-4129 FAX (503) 986-3183

File Code R 16-4-4

Date October 29, 1998

TO: Craig Greenleaf
Deputy Director

FROM: Ed Immel 
State Rail Planner

SUBJECT: ODOT/Central Oregon & Pacific Railroad Agreement

Attached are two copies of the above agreement which permits the pass through of \$307,458 in federal funds from the Federal Railroad Administration to the Central Oregon & Pacific Railroad. The money is cover the expenses incurred in flood damage sustained by the railroad in 1997. The contract has been signed by Dale Horman. We also have the necessary limitation in our budget.

Please sign at the places indicated and return to me for further processing

Attachment



CENTRAL OREGON & PACIFIC RAILROAD

P O. Box 1083, Roseburg, OR 97470

(541) 957-5966, Fax (541) 957-0686

October 23, 1998

RECEIVED
OCT 26 1998
RAIL SECTION

Mr. Ed Immel, State Rail Planner
Department of Transportation
Mill Creek Office Building
555 13th Street NE
Salem, OR 97310

RE: ODOT/CORP Flood Damage Contract

Dear Mr. Immel:

In response to your letter of October 14, 1998, enclosing a draft contract between ODOT and CORP, and our subsequent conversation, I am resubmitting two spreadsheets, along with an explanation of the flood damage to our various properties, and the cost of repairs by location. I assume these will be satisfactory for inclusion in the contract as Exhibit A and Exhibit B.

If you desire further data, please don't hesitate to let me know.

Your prompt forwarding of a final contract for our signature would be much appreciated.

Sincerely,

Walter J Brickwedel
Assistant to the General Manager

Enclosures

cc: Bob Libby, General Manager, CORP

CENTRAL OREGON & PACIFIC RAILROAD

Supplemental information, regarding the physical losses incurred between November 18, 1996, and March 2, 1997, as a result of flooding, mud slides, and washouts: Maps clearly identifying the affected areas listed below are enclosed.

MP 416.25 - Mt. Ashland (1-3-97)

Due to extreme water saturation, 13,000 cubic yards of mountainside slipped out from under the main line, all of which had to be replaced prior to reopening the line. The railroad contracted with Huffman & Wright, who removed the slide material at the base of the slide, dug a keyway, then filled the keyway with rip rap and rebuilt the mountainside, using 13,000 cu. yds. of material. The majority of the material was obtained from the Oregon Highway Department who experienced a slide above the railroad and needed a place to dispose of it, thereby reducing the railroad's cost. Railroad personnel was on the ground 24 hours per day to secure the property for safety reasons, then to provide a work train to make remedial track repairs, dump ballast, and surface the track. Work began on January 4th, continued round the clock until completion on January 12th, nine days later. Total physical loss amounted to \$175,774.62, which is broken down as follows: \$5,749.67 labor, \$473.15 mileage, \$1,190.00 equipment, \$980.00 materials, and \$167,381.80 contract services. ..

MP 522.70 - Cow Creek (12-9-96 thru 3-2-97)

On December 9, 1996, water runoff from heavy storms saturated the mountainside, causing extensive mud slides onto the main line track. Copeland Construction, a contractor, was hired who created a key at the foot of the slide to contain further material. The railroad rented loaders, providing its own operators, to clear the track, stockpile and remove the mud and reload it into work trains. This work often continued after the mainline was reopened. Work began on December 9th and was first completed on December 18th, although the line was actually closed for 2 days. The rail line was closed again on December 30th following additional mud slides. Work resumed clearing the mud and debris until the line was deemed safe to be reopened two days later, but clearing and disposing of mud continued through January 7th. On January 26, 1997, a third mud slide covered the roadbed for two more days until it could be cleared. Work continued through January 31st. The fourth slide at this same location occurred on March 2, 1997, again shutting down rail service for two days. All work was finally completed on March 6th. Total physical loss amounted to \$84,683.30, which is broken down as follows: \$15,036.83 labor, \$387.63 mileage, \$54,094.59 equipment, and \$15,164.25 contract services.

MP 563.30 - 564.40 - Green (1-3-97)

In the Green district of Roseburg, water saturation at two locations caused our track bed to drop 18-24 inches and shift up to 3 feet toward the South Umpqua River. Huffman & Wright excavated the area and cleared the slide material, with railroad personnel assisting, using a backhoe. Railroad crews then raised the track by hand, a railroad's work train then hauled and dumped ballast, and the line was surfaced. Work began on January 3rd and was completed the next day. Total physical loss amounted to \$10,538.31, divided as follows: \$2,889.80 labor, \$172.51 mileage, \$3,836.00 equipment, and \$3,640.00 contract services.

MP 688.90 - Richardson (11-18-96)

Heavy rains brought rocks, trees and mud down onto our main line, pushing the track toward the river. An excavator was contracted to clear the track bed and haul away debris. Railroad personnel then brought in rail and ties and rebuilt about 90 feet of main line track, dumped ballast and surfaced the line. Work began on November 19th, in conjunction with the MP 709 Mapleton slide, below, and was completed on the 21st. Total physical loss amounted to \$9,938.64, as follows: \$1,296.50 labor, \$92.14 mileage, and \$8,550.00 contract services. (Material cost was not documented).

MP 707.30 - Mapleton (12-30-96)

Mud and four boulders, each the size of a dump truck, came down the mountainside, blocking both our rail line and Hwy 126. The railroad provided personnel for safety and track repairs, while Coast Road Construction, a contractor, dynamited and removed the boulders in dump trucks. The railroad was required to contract for flagging services for safety while contract work was being performed. Railroad personnel then made repairs to the track. Work began on December 30th and was completed on the 31st. Total physical loss amounted to \$33,403.42, broken down as follows: \$588.75 labor, \$172.52 mileage, and \$32,642.15 contract services.

MP 709.00 - Mapleton (11-18-96)

Water-saturated ground brought down a mountainside, washing out two rail lengths of main line and covering 300 feet of track. Coast Road Construction, a contractor, was hired to excavate, remove and haul away slide material. Railroad personnel replaced the ties, rail, ballast, and performed the surfacing of the track. Work began on November 19th and continued through the 21st. Total physical loss amounted to \$23,877.11, and is broken down as follows: \$3,881.88 labor, \$335.39 mileage, \$4,156.14 equipment, \$2,748.70 materials, and \$12,755.00 contract services.

MP 747.00 - Tunnel 19 (11-18-96)

Both ends of this 4,100 foot tunnel were blocked with mud and trees at the same time, necessitating work crews to clear one side, then the other. Succeeding storms closed one end a second time. About 400 feet of roadbed were blocked at the north end of the tunnel, while another 300 feet were blocked at the south end. Plywood material was purchased by the railroad and placed onto the sides of rail flatcars to contain log material. A contractor with two excavators was required, one to load material onto the

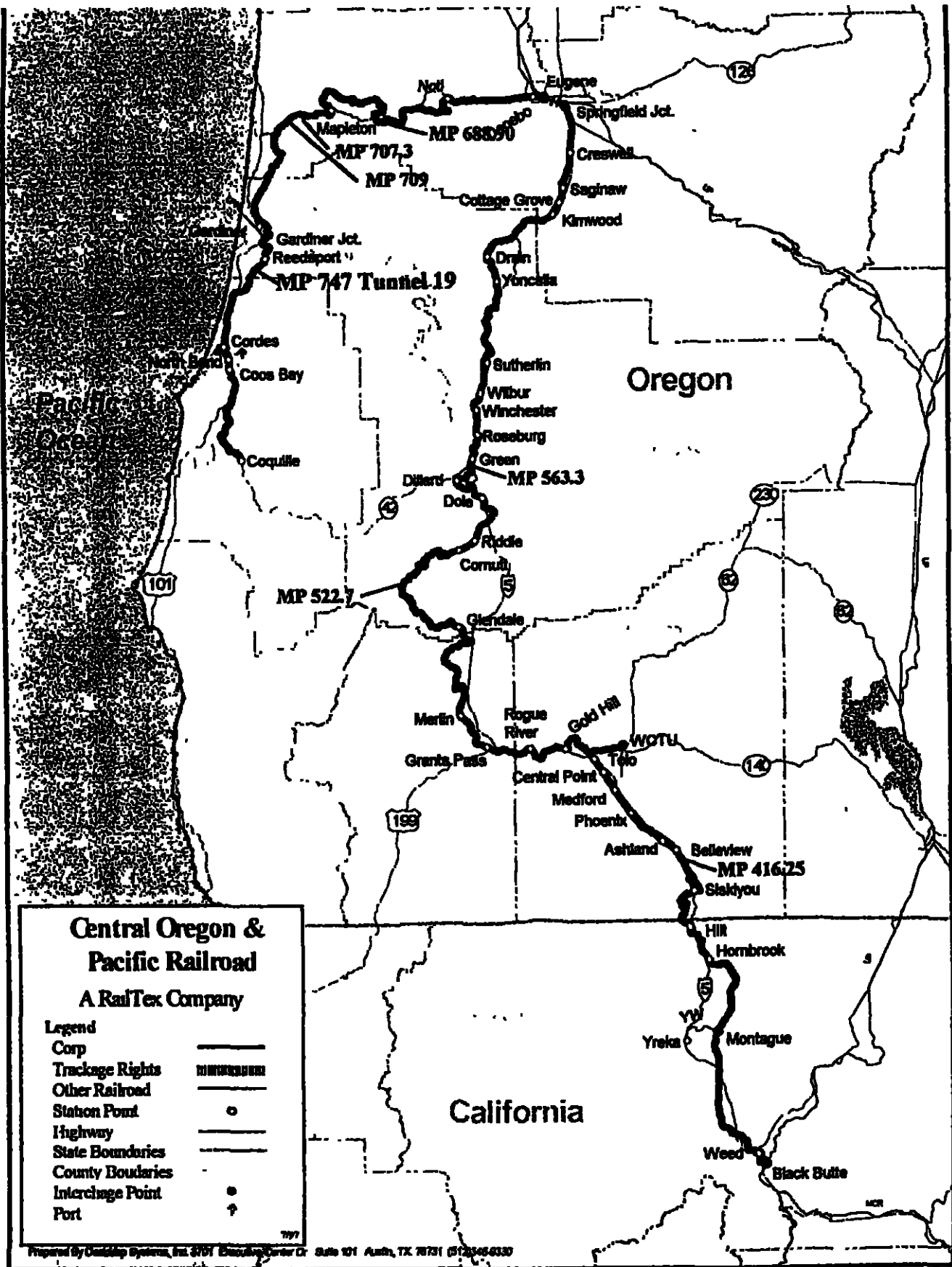
cars, while a work train hauled the debris through the tunnel where a second excavator transloaded the debris onto trucks. There was no highway access to this site. Railroad personnel replaced one rail and resurfaced the line. Work began on November 19th and was not completed until November 23rd. Total physical loss amounted to \$55,555.40, broken down as follows: \$7,423.83 labor, \$404.80 mileage, \$9,378.42 equipment, \$708.59 materials, and \$37,639.76 contract services.

CENTRAL OREGON and PACIFIC RAILROAD
Flood Damage from November 1996 to March 1997

PHYSICAL DAMAGE DESCRIPTION	MILE POST	Nov. 18, 1996	Dec. 9, 1996	Dec. 30, 1996	Jan. 3, 1997	Jan. 26, 1997	Mar. 2, 1997	TOTAL(S)
Siskiyou Line								
Mt. Ashland	416.25				\$ 175,774.62			\$ 175,774.62
Cow Creek	522.70		\$ 21,509.06	\$ 18,459.94		\$ 22,051.51	\$ 22,662.79	\$ 84,863.30
Green	563.30				\$ 6,012.48			\$ 6,012.48
Green	564.40				\$ 4,525.83			\$ 4,525.83
Coos Bay Branch								\$ -
Richardson	688.90	\$ 9,938.64						\$ 9,938.64
Mapleton	707.30			\$ 33,403.42				\$ 33,403.42
Mapleton	709.00	\$ 23,877.11						\$ 23,877.11
Tunnel 19	747.00	\$ 55,555.40						\$ 55,555.40
Total Physical Damage Loss		\$ 89,371.15	\$ 21,509.06	\$ 51,863.36	\$ 186,312.93	\$ 22,051.51	\$ 22,662.79	\$ 393,770.80
Insurance Payments (see note)					\$ 86,312.93			
Adjusted Total Loss		\$ 89,371.15	\$ 21,509.06	\$ 51,863.36	\$ 100,000.00	\$ 22,051.51	\$ 22,662.79	\$ 307,457.87
NOTE: Railroad carries Insurance with a \$100,000 deductible. Only for the damages sustained on January 3, 1997 did the insurance company make a payment to the railroad for a loss								

CENTRAL OREGON and PACIFIC RAILROAD **Flood Damage - Line Closure Summary**

DAYS LINE CLOSED	MILE	Nov. 18, 1996	Dec. 9, 1996	Dec. 30, 1996	Jan. 3, 1997	Jan. 26, 1997	Mar. 2, 1997	TOTAL(S)
Siskiyou Line	POST							
Mt. Ashland	416.25				9 days			9 days
Cow Creek	522.70		2 days	2 days		2 days	2 days	8 days
Green	563.30				1 day			1 day
Green	564.40				1 day			1 day
Coos Bay Branch								
Richardson	688.90	3 days						3 days
Mapleton	707.30			2 days				2 days
Mapleton	708.00	3 days						3 days
Tunnel 19	747.00	5 days						5 days
Totals		11 days	2 days	4 days	11 days	2 days	2 days	34 days



A Vision Driving Economic Growth

"a real team effort . . .
real private-public partnership"

"enthusiasm and energy that is
contagious . . ."

"clearly illustrates the value of
transportation investments . . ."

"a generational approach to
economic development . . ."

The Southwest Economic
Transportation Team presents

Oregon Gateway

BUILDING A BETTER FUTURE THROUGH TRANSPORTATION

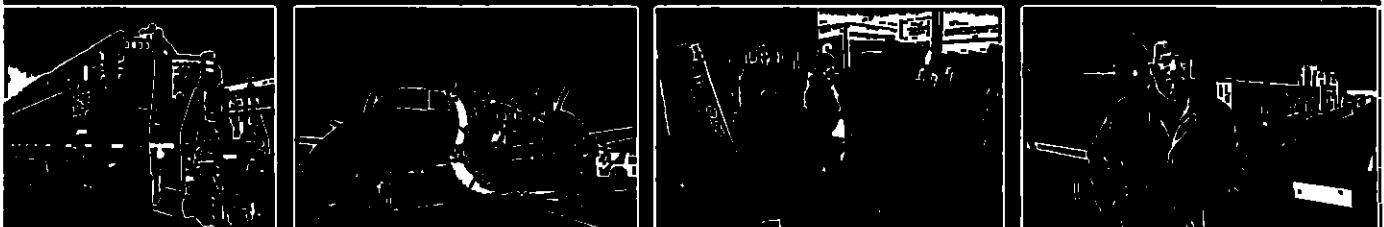


TABLE OF CONTENTS

OUR VISION	3
OUR TEAM	4
THE TRANSIGHT MODEL	5
RECOMMENDATIONS	6
APPENDIX	13
SUMMARY	15
MEMBERSHIP	16

OUR VISION

Economic Growth through Transportation Investment

Since its formation in early 2006, the Southwest Economic Transportation Team has explored how economic growth is hampered by the underutilization of pipeline, air, rail and marine transportation modes and insufficiently-funded highway systems. This overview provides a first look at their work as well as their recommendations for transportation investment strategies that can stimulate Oregon's economy and strengthen the state's transportation system.

Early in the development process, the Team agreed on the following vision statement:

We envision a seamless and interconnected transportation system that facilitates the efficient movement of goods and services, promotes a strong and growing economy, and enhances the quality of life for Southwest Oregon.

Vision statements have a place and purpose and this one has served us well. However, vision statements don't make strong introductions and, more often than not, don't speak plainly enough to communicate the goals.

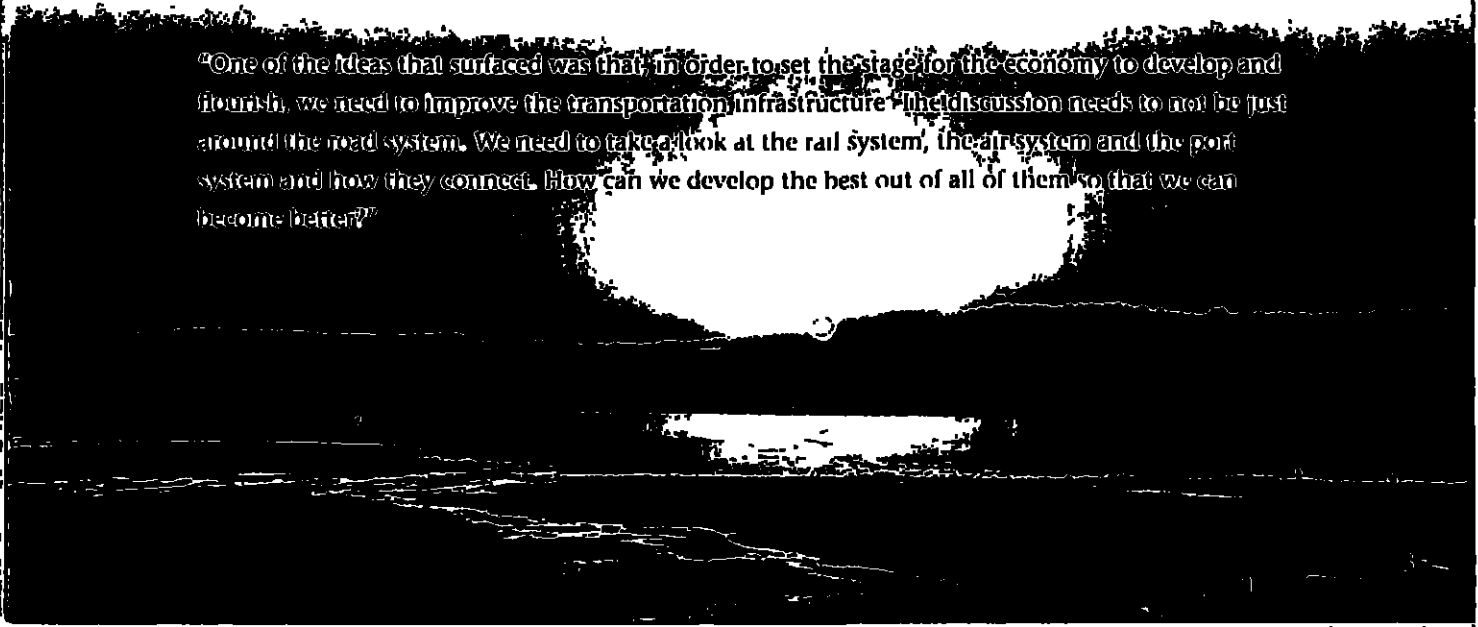
Quite simply, our long-term goals are job creation, expansion and retention, and the strategic investment of limited resources. The Team's recommendations can be found on page 6.

Task forces tend to focus solely on searching for more money or attempting to cut a bigger slice of the pie. This Team is developing solutions based on smarter ways to use existing funds.

Oregon's economy relies on an efficient transportation system and the demands on our system continue to grow. While many things impact growth, this Team's focus is solely on transportation.

"One of the frustrations we're experiencing on the legislative level is the demand for education, jobs and public safety services," said Representative Susan Morgan. "There is a general recognition in Salem that the best way that we can provide those services is to grow the economy and get people to work."

"One of the ideas that surfaced was that, in order to set the stage for the economy to develop and flourish, we need to improve the transportation infrastructure. The discussion needs to not be just around the road system. We need to take a look at the rail system, the air system and the port system and how they connect. How can we develop the best out of all of them so that we can become better?"



OUR TEAM

Public and Private Stakeholders Come Together

The Southwest Economic Transportation Team is a collection of nearly 40 private and public transportation stakeholders from five counties. Task Force members have expertise in various aspects of transportation investment and economic development.

"This is a real team effort," said Senator Joanne Verger. "The uniqueness of this vision and how it ties back to Oregon's economy is what sets this effort apart from others we've seen before."

The Team boasts legislators from both major political parties as well as the chairs of the Oregon Transportation Commission, the State Aviation Board, and the chairs from two regional Area Commissions on Transportation (ACT)—the Rogue Valley ACT (Jackson and Josephine counties) and the South West ACT (Douglas, Coos and Curry counties). Private industry representatives include Roseburg Forest Products, Harry & David Holdings, Inc. and Cascade Wood Products Inc. (The complete list of team members is available on the back cover.)

Over the past two decades, southwestern Oregon's economic development endeavors often looked to the past, reaching back to a time when timber production was the economic engine of the state. Many of the Team members are second- and third-generation Oregonians who remember southwest Oregon's regional pride in pulling its own weight in regards to tax dollars and public services.

"This effort is looking at ways for southwest Oregon to be productive for all of Oregon again," said Representative Arnie Roblan. "We're setting the stage for a new way to approach how transportation investments shape our economy. This vision offers the opportunity to enable our region to send tax dollars back to the rest of the state and once again be a net provider."

The enthusiasm and energy that has grown is contagious. The Team is excited to share the process and the recommendations they've developed.

"There is more hope now than we've had in a good, long time," said Representative George Gilman. "Growth will happen. We can see increases in Asian trade markets on the horizon for many years to come. The need for better transportation links naturally increase."

What sets this group apart is the private-public partnership that helped develop this model.

—Senator Joanne Verger



THE TRANSIGHT MODEL

Making Investment Priorities Based on Economic Benefits

Early in the process, the Team recognized their effort would not reach its full potential without a process to measure the economic performance of public transportation investments

A number of Team members familiar with economic analysis software developed by Regional Economic Models, Inc. (REMI) suggested the company could provide the needed economic measurement platform. The Team elected to use the nationally-recognized REMI model as its analysis platform.

Once Task Force goals had been established, a measurement process that incorporated existing Oregon Department of Transportation (ODOT) policies, transportation planning infrastructure and Team project data needed to be developed to make the most of existing and future State resources.

The key to reaching the Team's full potential was developing a process to measure the economic performance of public transportation investments.

"What sets this group apart is the private-public partnership that helped develop this model," Verger said. "From that partnership, REMI developed a custom TranSight model that estimated the economic impacts for both the southwest region and the entire state."

"Effective distance" can be imagined as the distance between two centers of economic activity, adjusted for the efficiency of transportation between them. Transportation improvements reduce effective distance between two locations and, consequently, increase their interaction (in terms of the flows of labor, intermediate inputs and end-use commodities). In general, as effective distance increases, costs rise through an exponential process called "distance decay."

The model's transportation cost matrix includes individual matrices for transportation costs, accessibility costs and commuter costs. The travel data enter each individual matrix as changes to effective distance, which are then analyzed as changes to delivered costs, production costs, and commuter costs for the region.

For businesses involved in transporting goods, shorter travel times for their delivery vehicles translate into savings on fuel, wages, and perhaps vehicle and inventory costs.

Transportation upgrades improve compatibility between employers and employees through two complementary channels: firms can access a broader and more diverse labor pool, while workers can reach additional jobs that may be better suited to their preferences.



***We're setting the stage
for a new way to approach
how transportation invest-
ments shape our economy.***

—Representative Arnie Roblan

RECOMMENDATIONS

Putting a Vision to Work

The REMI analysis examined four investment scenarios within southwest Oregon, specifically in Douglas, Curry, Josephine, Jackson, and Coos counties

From the analysis, the Team developed two recommendations

1. **Dredging and widening the channel in the Port of Coos Bay and upgrading the Central Oregon & Pacific Railroad (CORP) Coos Bay Line, which connects Coos Bay to the nation's Class 1 rail network and other short lines;**
2. **Supporting existing businesses by improving capacity on existing transportation systems, specifically Oregon Highway 42 and Interstate 5, the CORP Siskiyou Line from Eugene to California and at the regional airports in Medford and North Bend.**

These recommendations match the Team's long-term goals of job creation, expansion, and retention as well as the strategic investment of limited resources. The Team's recommendations will be presented to local, state and federal stakeholders in 2007.



Recommendation 1: Oregon Gateway

Coos Bay was once the largest exporter of forest products in the world. The community has a rich export history. The Oregon Gateway would provide the needed capacity for freight movement from Asia to North America, with benefits extending throughout Oregon and along the West Coast.

Deep-water vessel calls peaked in 1988 at 310. Activity has trended down severely. Today, no logs are being exported and there's no projection of log export activity. Vessel calls are currently in the 45–48 range annually and consist primarily of export wood chips.

Lower Coos Bay has eight miles of navigation channel, an existing rail connection, access to developable industrial land, and an ample supply of customers.

Current economic projections are for container imports and rail freight movements to double between Asia and the West Coast of North America by 2020. Many of the international shipping lines are looking for new routes to move freight.

We realized we have a diamond in the rough here and an opportunity to build a transportation strategy around the port.

—Representative Susan Morgan

The Team's first investment scenario involves a multi-modal Port of Coos Bay project group that includes the Jordan Cove Energy Project (JCEP), the Pacific Connector Gas Pipeline Project and the Oregon Gateway Project. JCEP involves construction of an import terminal to receive liquefied natural gas (LNG) at the Port of Coos Bay, regasification of the LNG and transmission via a new pipeline from Coos Bay to a connection with the western U.S. transmission network near Klamath Falls. The Pacific Connector pipeline is a private pipeline connection intended to distribute natural gas to southwest Oregon and the gas distribution network.

The Oregon Gateway Project makes additional Port improvements that would add container shipping facilities. Additionally, improvements would be made to the CORP Coos Bay line.

"Oregon is a trade-dependent economy," said Martin Callery, Director of Communications and Freight Mobility, Oregon International Port of Coos Bay. "This project will enhance Oregon's ability to compete on an international stage."

A corollary benefit of the Oregon Gateway and JCEP is that navigation system improvements are needed to support them. Many of these improvements can be leveraged into additional Port improvements to benefit the expansion of general marine

Oregon is a trade dependent economy. This project will enhance Oregon's ability to compete on an international stage.

***—Martin Callery,
Director of Communications
& Freight Mobility
Oregon International Port of Coos Bay***



cargo activities. The JCEP project necessarily requires construction of a waterway from the current federal channel to the proposed LNG terminal site on the North Spit of Coos Bay.

The Port estimates these facilities would involve a total of \$670 million dollars in direct construction investments that would add approximately 1,214 jobs at the Port at start up. The improvements would include \$325 million for construction of the intermodal container facility, \$200 million to widen and deepen the lower harbor, and \$25 million in general cargo facility handling improvements. JCEP is planning to be online by 2011. The Oregon Gateway project is projected for completion in 2014.

To achieve this goal, the team recommends leveraging Oregon Lottery funds to attract private and federal funding so the Port of Coos Bay can handle large vessels. The channel needs to be deepened from 37 feet to 51 feet and widened from 300 feet to 500 feet, so that it can accommodate the newest generation of container ships.

The CORP Coos Bay Line runs between Coquille and Eugene-Springfield. This rail line, when improved, will efficiently move intermodal freight and other commodities, from the Port of Coos Bay to the connection with the national rail system in Eugene-Springfield. In order for the Oregon Gateway project to reach its full potential, convenient and efficient rail freight mobility from the Port to destinations throughout the U.S. is important. As such, this project is included to maximize the benefits assumed as part of the Oregon Gateway project. The CORP estimates upgrades to the line at \$120-\$140 million to achieve a level adequate to support the shipping potential of the Oregon Gateway improvements at the Port of Coos Bay. Project completion is projected by 2012.

ConnectOregon II funding could be used to improve rail capacity and match private investment in rail improvements. Additionally, the Team will explore improving Class 1 and short line rail service.



in Eugene. In order for the Oregon Gateway Project to reach its full potential, convenient and efficient rail freight mobility from the Port to destinations throughout the U.S. is important.

"Our short-term goal is to develop a funding package to finance dredging in the Port of Coos Bay as well as upgrading the rail lines from Coos Bay to Eugene," Morgan said.

Recommendation 2: Supporting Existing Businesses

Highway Improvements

The analysis reviewed major highway projects from year 2006 to 2030 provided by ODOT with preliminary construction cost estimates. Only those projects located on major highways—Oregon 38, 42, 62, 138, U.S. Highway 101, 199, and Interstate 5—are included in the project list.

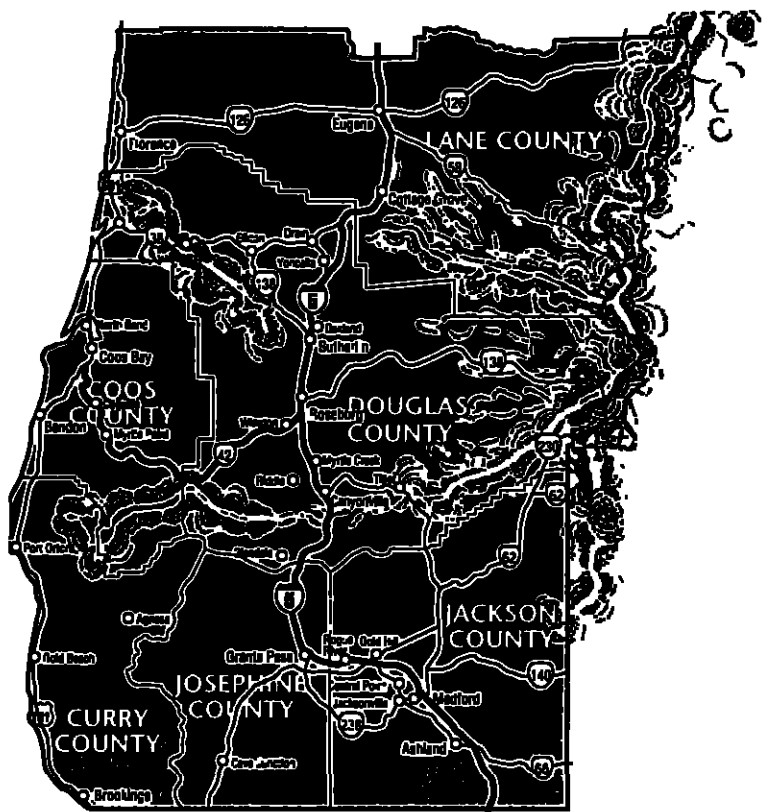
The highway investment results depict dramatic economic growth from the \$3.2 billion in highway investments. If these investments can reach benchmark network efficiency increases of 2.5 percent, then this investment strategy would result in substantial economic expansion.

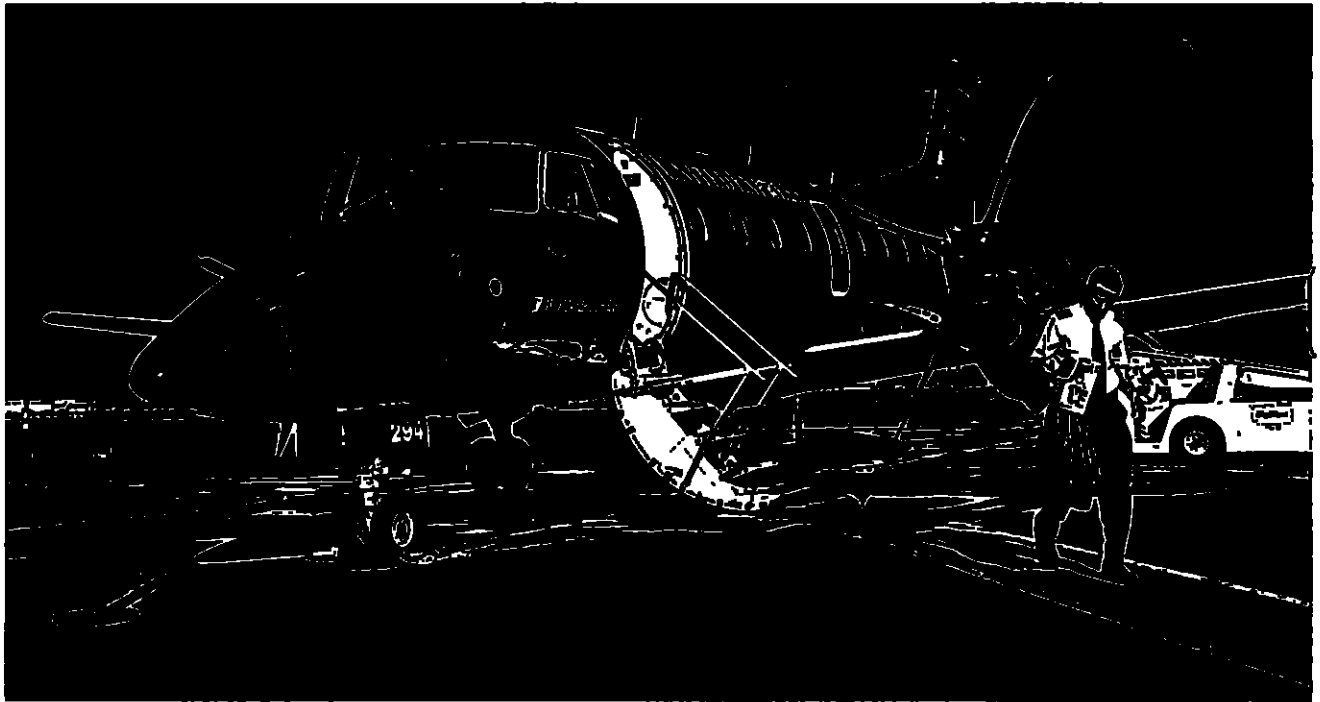
The Team recommends continued investment in Interstate 5, the key north-south freight route on the West Coast. Improving connections between the Rogue Valley to the Port of Coos Bay and the coastal communities of Coos and Curry counties also involves investment in Oregon Highway 42 to a four-lane highway.

"Highway 42 is the best link from the southern Oregon coast to I-5," Roblan said. "That link will become more vital as we work to keep up with demand."

In Jackson County, Highway 62 connects Interstate 5 with the White City industrial area.

The Highway 62 corridor from Medford to White City experiences some of the heaviest traffic and congestion in southern Oregon with traffic volumes in the corridor similar to that found on I-5 north of Medford.





Regional Airports

The analysis looked at improvements to the Rogue Valley-Medford International Airport in Medford and the Southwest Oregon Regional Airport in North Bend. The Team recommends continued investment that focuses on both air freight and passengers.

The Rogue Valley-Medford International Airport handles nearly 20,000 passengers during a typical month. The airport also handles air freight that is essential for many types of businesses that rely on efficient air freight service. The airport has seen substantial direct investment over the years and

that direct investment has translated into steadily increasing passenger volumes and freight movements. Currently, the airport is undergoing a major construction project to build a new terminal to support future operations and expansion.

The most significant capacity improvements at the Rogue Valley-Medford International Airport are the new terminal, new tower and parallel runway project. The Airport Master Plan indicates that the parallel runway, in particular, will add substantial capacity.

The Airport Master Plan also indicates that this capacity will be needed to serve forecast travel demands. As such, if the 10–20 percent growth in air travel is dependent on these improvements, this represents an essential investment for the long-term health of the Jackson County and Josephine County economies that will support considerable economic growth and expansion.



People need to understand this isn't a pie-in-the-sky vision. A lot of work has gone into developing these recommendations.

***—Michael Burrill, Chair
Oregon State Aviation Board***

The airport serves seven counties throughout southern Oregon and northern California and about 600,000 passengers annually. Private investment is active as well. Two of the three fixed-base operators are in the process of enlarging their facilities and building new hangars.

The terminal is being expanded from 35,000 square feet to 116,000 square feet with capabilities of future expansion. Passenger growth has averaged 8–10% annually for the past three years.

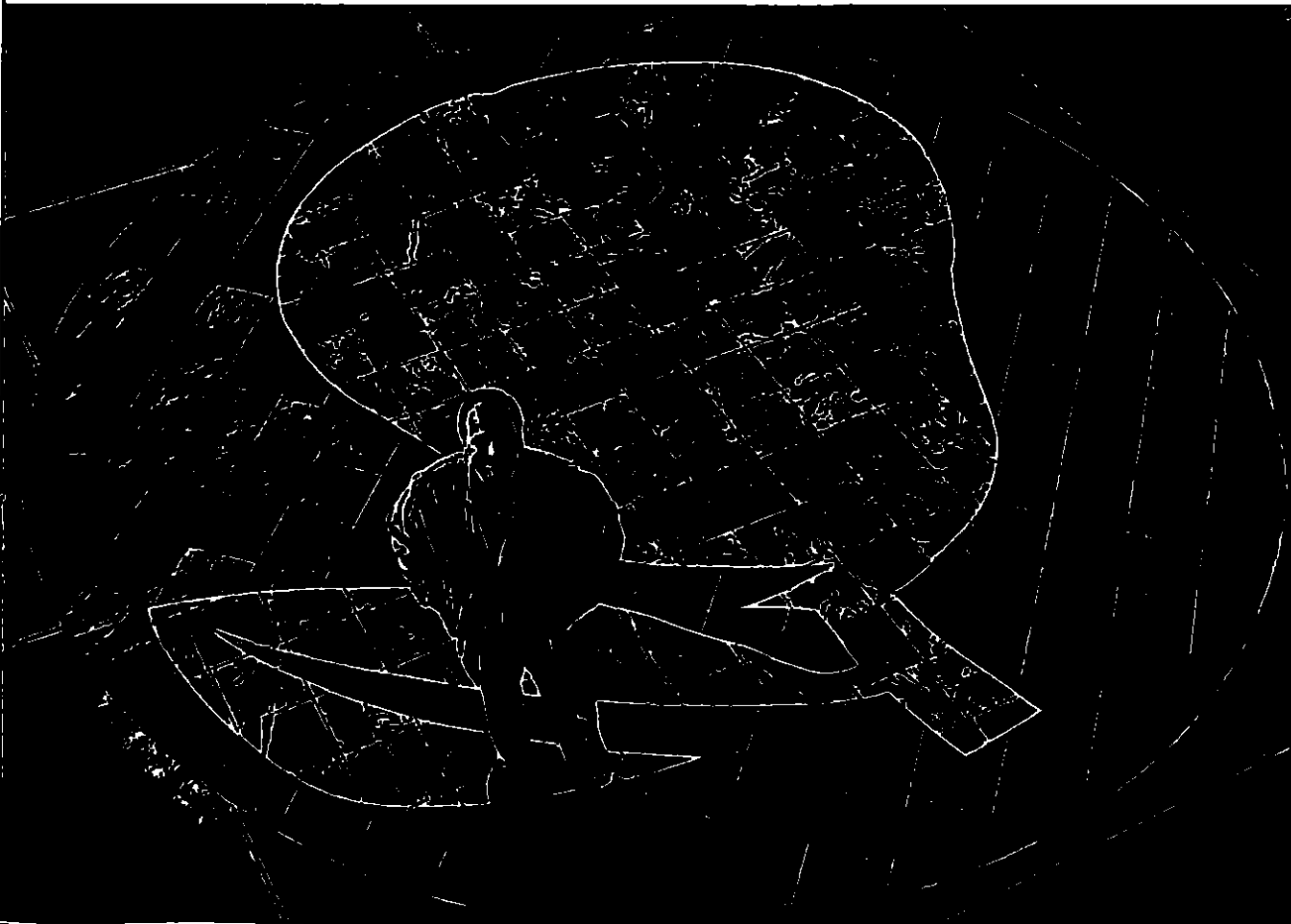
"Our import volume has increased four fold since 2003," said Peter Kratz, Executive Vice President Operations, Harry & David Holdings, Inc. "Our largest import source countries are China, Hong Kong and India. We are bringing 13 different fruits in from the Southern Hemisphere."

The Southwest Oregon Regional Airport in North Bend handled more than 70,000 passengers in 2006, according to Gene Cossey, Airport Operations Manager. The airport is the only commercial service airport serving Coos, Curry and western Douglas counties on the southern coast.

A new \$18 million passenger terminal is underway. Completion is scheduled for 2008. The 30,000-square foot facility is being funded with a combination of state grants and loans. The remodel of the original terminal building was completed in 2006 through funding from an FAA Airport Improvement Project grant.

***Our import volume has
increased four-fold since 2003 . . .
Our largest import source countries are
China, Hong Kong and India.***

***—Peter Kratz, Executive Vice President Operations
Harry & David Holdings, Inc.***





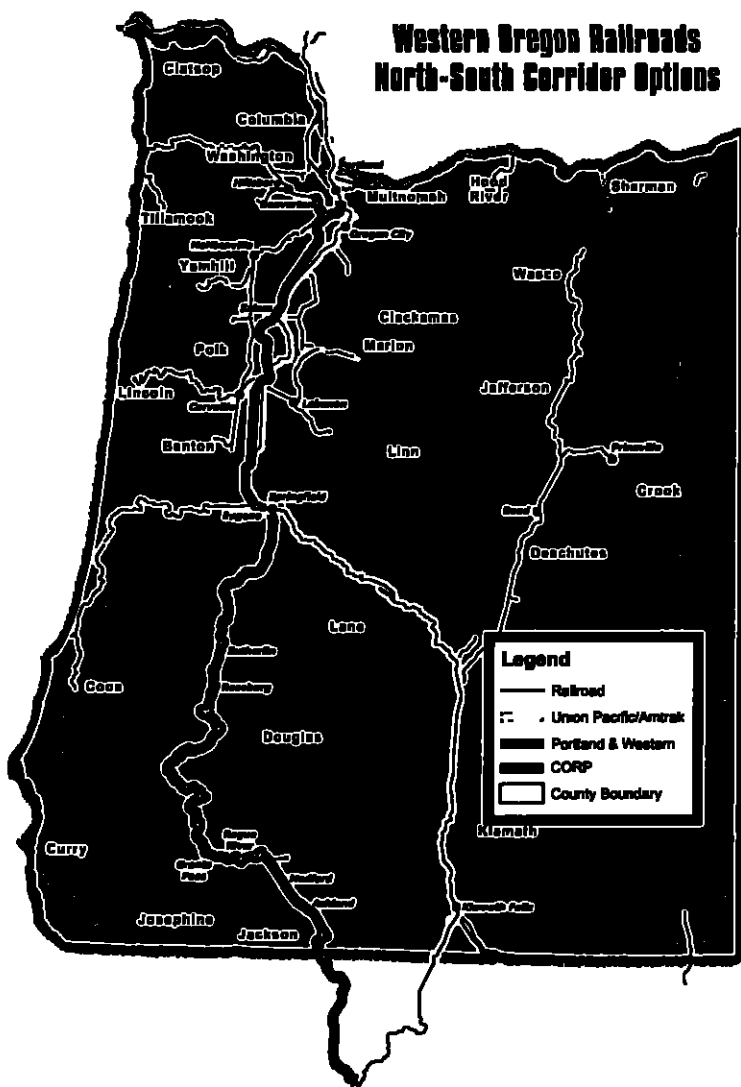
***This effort has broad,
national implications.***

**—Stuart Foster, Chair
Oregon Transportation Commission**

CORP Siskiyou Line

The Team's analysis also reviewed the CORP Siskiyou Line, a north-south line that runs from Eugene-Springfield to Black Butte, California. This line has significant speed restrictions and the tunnel through a portion of the Siskiyou Mountains is not large enough to allow double-stack intermodal cars.

The Team recommends rail improvements from Eugene to Black Butte, California, upgrading the track to handle a 50% increase in speed.



Like the highway system, the railroad system is dealing with increased weights and an aging system. Much of the railroad was built at the turn of the last century.

Rail cars have evolved to handle 286,000 pounds gross weight, however 20–30% of Oregon's railways are not compatible with that weight.

The CORP Siskiyou Line would benefit from rehabilitation. Most rail facilities are experiencing challenges because the direct return on investment for the managing company from facility upgrades are not covered by additional revenues.

"We have a \$7 million project going on right now with new rail and ties, and we also have a ConnectOregon project underway," CORP General Manager Steve Hefley said. "It is very important for us to continue to get the track upgraded so we can run faster, which helps reduce our customers' costs."

APPENDIX

Projects Benefiting from Transportation Investments

The Team's work included analysis of two private-sector investment projects that are intended to demonstrate the kinds of economic growth and expansion that can occur as a result of private sector investment responding to targeted transportation investments

While these are not part of the Team recommendations, these projects illustrate the value of transportation investments

"We're taking a generational approach to economic development in Oregon," Representative Roblan said "Our long-term goal is keep this Team together, reviewing the work, the priorities, for another 30-50 years "

Roseburg Forest Products LVL Plant

The CORP yard in Roseburg was capacity constrained. A \$7.7 million grant from ConnectOregon added enough capacity to the CORP system to allow Roseburg Forest Products to move forward with plans to expand a Laminated Veneer Lumber (LVL) Plant

The LVL Plant is a good example of how a high value-added production facility benefits from targeted transportation investments. For an initial investment of less than \$80 million, the plant generated more than \$100 million in total gross revenue for Oregon. Roseburg Forest Products has just announced a \$70 million expansion of the Engineered Wood Products Facility in Riddle that will more than double the current capacity by 2009.



"One of the very positive factors that influenced our decision is the new rail yard in Winchester," Ray Barbee, Vice President of Sales for Roseburg Forest Products, said "Right now, the existing

One of the very positive factors that influenced our decision is the new rail yard in Winchester . . . That will have a huge impact for all industrial shippers in the southwestern part of the state.

*—Ray Barbee, Vice President of Sales
Roseburg Forest Products*

facility handles about 150 cars but the new facility will handle 290-300 cars That will have a huge impact for all industrial shippers in the southwestern part of the state

"We currently use about 24,000 rail cars and about 32,000 trucks per year We prefer to ship by rail anytime that we can We are anticipating a need for 2,000-2,500 additional rail cars per year and that could push upwards to 3,000 "



According to Barbee, the \$7.7 million Connect-Oregon grant helped Roseburg Forest Products optimize their LVL Plant. The return on investment is astounding as payback is projected at slightly more than two years.

Jackson County Employment Campus

A conceptual project that is in the initial planning stages, this project addresses the unique amenity characteristics in Jackson County and, specifically, Medford, that are attractive to technical industries. There is limited land available in Jackson County for industries that tend to demand Office Park/R & D Employment Campus style development patterns.

Analysis results showed the power of an economy that diversifies and attracts a mix of high-value added activities with relatively high payroll. This is clearly depicted by substantial growth in Gross Regional Product and employment growth near 3,500 by 2030 in Jackson County alone.

Jordan Cove Energy Project (JCEP)

JCEP currently is going through the Draft Environmental Impact Statement process with the Federal Energy Regulatory Commission for approval of the LNG terminal facility at the Port

of Coos Bay. The modeled direct inputs from the terminal include an estimated \$500 million dollars during the construction phase and an estimated 56 permanent jobs to operate the facility following construction. Estimated project completion is 2011.

"The liquefied natural gas import facility would help recruit new industry to the area and be a tremendous benefit to the entire state," said Jeff Bishop, Executive Director, Oregon International Port of Coos Bay.

ECONOMIC SUMMARY

Adding Value to the Work

Significant economic expansion is forecast to result from each of the projects analyzed here. The projects with the greatest potential are those that reduce effective distance to support a diverse set of competitive industries in the region and the State of Oregon.

Representative Peter Buckley sees the Team's work as the start of something bigger.

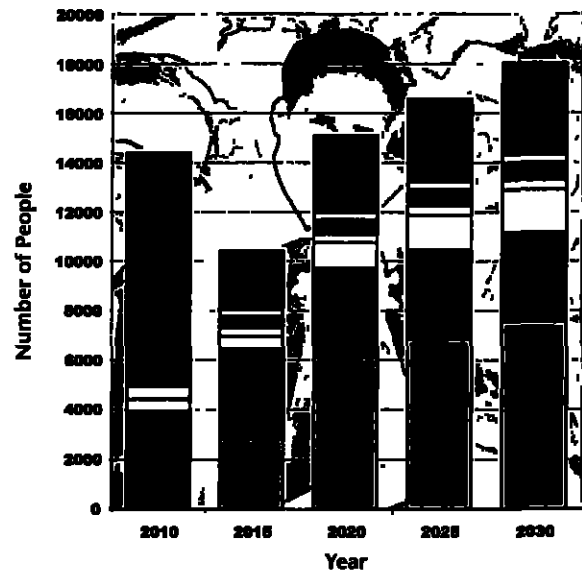
"This work, this analysis is the prototypical tool for national applications," Representative Buckley said. "With this we not only can measure the economic performance of transportation investments, we can provide a critical path for federal investment."

The value of a private-public partnership became evident during the Team's work. This allows the State of Oregon to evaluate how best to leverage its investments with those of the private sector.

"Sometimes there is a gap between what companies need and what the policy makers provide," said Peter Kratz, Executive Vice President Operations, Harry & David Holdings, Inc.

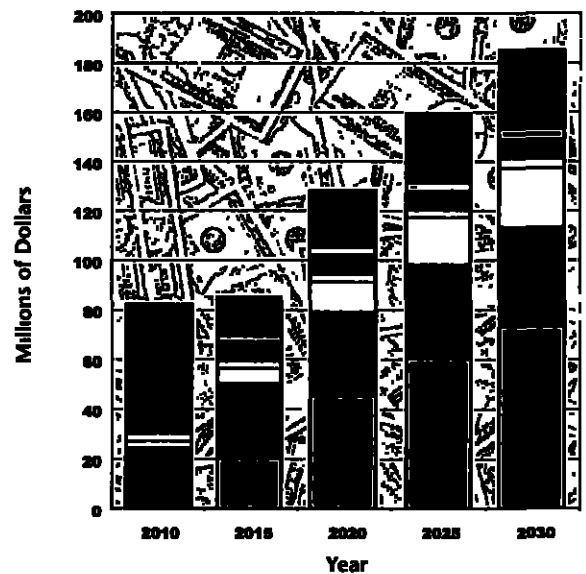
Ray Barbee agreed, "We don't do as good a job as we should at getting political help to address our transportation needs," Barbee said. "We tend to try to deal with things ourselves."

Employment



- Medford Employment Campus
- Roseburg Forest Products LVL Project
- Jordan Cove LNG Project
- Rail Projects
- Airport Projects
- Highway Projects
- Port Projects

Revenue



3803

Southwest Oregon Economic Expansion and Transportation Team

Baker, Mike
 Barbee, Ray
 Bishop, Jeffrey
 Buckley, Peter
 Burrill, Michael
 Callery, Martin
 Claflin, Chris
 Conrad, Helga
 Doan, Ron
 Foster, Stuart
 Gambie, Stephen
 Gilman, George
 Griffin, Jeff
 Hanna, Bruce
 Hawksworth, Tom
 Hefley, Steve
 Herbert, Lynn
 Hunter, Jeff
 Kratz, Peter
 Krieger, Wayne
 Mather, Paul
 McClellan, Jim
 Messerle, Ken
 Montero, Michael
 Moore, Gary
 Morgan, Susan
 Muscus, Kathy
 Opitz, Ron
 Prozanski, Floyd
 Roblan, Arnie
 Verger, Joanne
 Watt, John

Senior Planner, Oregon Department of Transportation
 Vice President Sales, Roseburg Forest Products
 Executive Director, Oregon International Port of Coos Bay
 Representative, State of Oregon
 Chair, Oregon State Aviation Board
 Director of Communication & Freight Mobility, Oregon International Port of Coos Bay
 Oregon Economic and Community Development Department
 Umpqua Economic Development Partnership
 Chair, Douglas County Industrial Development Board
 Chair, Oregon Transportation Commission
 President, Rogue Disposal and Recycling
 Representative, State of Oregon
 Regional Director, Governor's Economic and Revitalization Team
 Representative, State of Oregon
 Marketing Manager, Central Oregon and Pacific Railroad
 General Manager, Central Oregon and Pacific Railroad
 General Manager, Herbert Lumber
 Co-Chair, Rogue Valley Area Commission on Transportation
 Executive Vice President Operations, Harry & David Holdings, Inc.
 Representative, State of Oregon
 Region 3 Manager, Oregon Department of Transportation
 Chair, South West Area Commission on Transportation
 Coast Consulting & Services, LLC
 Co-Chair, Rogue Valley Area Commission on Transportation
 Cascade Wood Products
 Representative, State of Oregon
 Legislative Assistant to Senator Joanne Verger
 South Coast Development Council
 Senator, State of Oregon
 Representative, State of Oregon
 Senator, State of Oregon
 John Watt & Associates

The Transportation Investment Economic Impact Analysis Report is available online at <http://www.oregon.gov/ODOT/HWY/REGION3>. For additional questions or copies, please contact Mike Baker at (541) 957-3658 or via email at michael.baker@odot.state.or.us.

Oct. 25 Salem
Nov. 14 Eugene

Central Oregon & Pacific Railroad Partnership for Coos Bay Line



November 14, 2007



The deteriorated physical plant on the Coos Bay Line of the CORP is the result of many years of use and little funding to invest in the line.

- Originally a “redundant” Southern Pacific route, the CORP was purchased by Railtex in 1994.
 - Line was originally built in the 1890s
 - In latter years, SP did not invest heavily in the Coos Bay Line.
 - Revenues on the CORP are still set based on the original deal.
 - CORP division of revenue essentially set by UP.
- Railtex was purchased by RailAmerica in January 2000
- New RailAmerica management in place after purchase by Fortress in February 2007.
- Line has operated at a significant deficit.
 - Traffic is declining
 - Does not justify re-investment on financial basis .

The decision to shut down the line was not made hastily and was driven by increasing safety concerns.

- **October 2006 – Joint inspection by FRA and ODOT found a concerning situation in Tunnel 15.**
 - **CORP agreed to hire a contractor to remedy the condition**
- **November 2006 – Tunnel 15 collapses during repairs forcing the closing of the tunnel for nearly 3 months.**
 - **Emergency repair costs CORP \$1.7M and \$500K in lost revenue**
- **March 2007 – CORP contracts with Shannon and Wilson to study all 9 tunnels on the Coos Bay Line.**
 - **Study conducted March – April**
 - **Report findings released in July**
- **May 2007 – CORP track inspector and Safety Captain starts to detect increasing amounts of water in Tunnel 15.**
- **July 2007 – Tunnel 15 has a timber set fail.**
- **August 2007 – Tunnel 19 inspections moved from vehicles to cab of locomotives due to rock fall in the tunnel.**
- **September 17, 2007 – Tunnel conditions have deteriorated more rapidly than anticipated and CORP management seeks approval to shut down the line.**
 - **Newsworthy events (Utah mine collapse and Minneapolis bridge collapse) focus CORP management's attention to potential for collapse and impact to employee safety**
- **September 21, 2007 – CORP and Senior RailAmerica team agree to embargo the Coos Bay Line due to safety concerns.**

Since the embargo, CORP and RailAmerica senior management have met with many stakeholders to explain the need and timing of the embargo and our path forward.

- **September 24, 2007 – Bob Jones (Regional VP), Kevin Spradlin (CORP GM) and Tom Hawksworth (CORP Sales Manager) met with the Southern Oregon Transportation Working Group**
 - **Addressed reasoning behind the swift closure**
 - **Fielded questions and responded to concerns**
- **October 3 and 4, 2007 – RailAmerica CEO John Giles, Jones, Spradlin and Hawksworth met with customers, legislators and ODOT**
 - **Outlined plans for next 90 days**
 - **Committed to meet with stakeholders by November 15**
- **October 10 and 11, 2007 – FRA and ODOT conduct tunnel inspections at the behest of Representative DeFazio**
 - **Results not released (as of November 13)**
- **October 25, 2007 – RailAmerica VP Paul Lundberg, Jones and Patrick Kerr (CORP AGM) addressed the Oregon Senate Interim Committee on Transportation**
- **November 14, 2007 – CORP and RailAmerica meet with key stakeholders to discuss plans for a Public/Private Partnership to restore the Coos Bay Line**

Proposed capital work on the Coos Bay Line to restore it to longer term condition will cost over \$23M.

Ties: \$2.42M

There are 88 miles on the Coos Bay Sub that require tie replacement. The above cost is an average of only 500 ties per mile for a total of 44,000 ties. This will remove some 10 mph slow orders and return track speed to 25 mph for a while.

Surfacing: \$0.669M

This covers surfacing the above tie limits only.

Tunnel Liner Repairs: \$6.68M (\$2.86M 0-12 months and \$3.82M 1-4 years)

These figures are based on Engineer's Estimates from the Shannon & Wilson Report and include some degree of work in all tunnels except #16.

Bridges – Phase 1: \$6.75M

These repairs address defects Osmose defines as "Condition is unsafe and could cause failure at any time. Repair as soon as possible. Condition must be monitored continually until repairs have been completed".

Proposed capital work on the Coos Bay Line (continued)

Bridges – Phase 2: \$3.75M

These repairs address defects Osmose defines as “Condition could become unsafe and should be monitored frequently. Repair in the near future.”

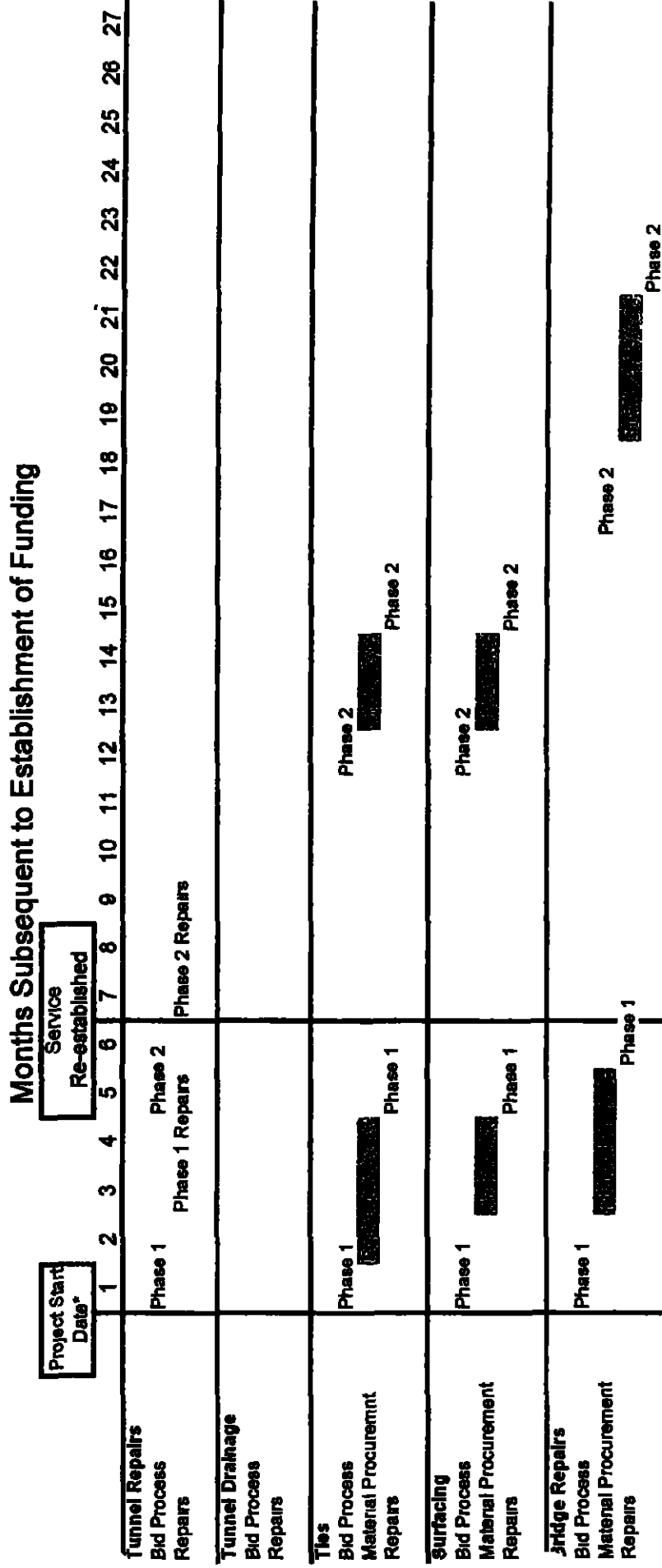
Tunnel Drainage: \$3.0M (estimate)

Restore drainage in the tunnels to keep the track section free of mud and to prevent standing water at the base of timber sets.

Total \$23.269M

Resumption of operations will take at least six months from the time a decision is made and funding is set.

Construction/Repair Timeline:



- * Project start date will be when funding is established or March 1st due to weather, whichever is later
- Phase 1 tunnel repairs address Level 1 & 2 items per the Shannon & Wilson report
 - Phase 2 tunnel repairs address Level 3 - 5 items per the Shannon & Wilson report
 - Phase 1 bridge repairs cover defects described by contract inspector as "condition is unsafe and could cause failure at any time Repair as soon as possible Condition must be monitored continually until repairs have been completed"
 - Phase 2 bridge repairs cover defects described by contract inspector as "condition could become unsafe and should be monitored frequently Repair in the near future"

Proposed Public/Private Partnership for the Coos Bay Line

Nova Scotia Model

- RA's Cape Breton & Nova Scotia Railroad's Sydney Subdivision operated at a deficit for several years – railroad sought to discontinue service.
- Province of Nova Scotia's economic goals was to maintain a viable rail to Sydney
- Agreement reached with Province to provide subsidy of operating deficit and to provide capital necessary to maintain viable rail service for 5 years.

Coos Bay Capital Costs to restore line to safe, status quo operations

- \$2.9m to stabilize tunnels 13, 15 and 18 to reopen the line
- Total of \$23.3M over 26 months to restore line to status quo
- Public/Private Partnership to include CORP, UP, ODOT, Port of Coos Bay, and Shippers
- \$4.66M share for each stakeholder could be paid as follows:

- CORP	\$4.66M from corporate funds
- UP	\$4.66M from corporate funds
- ODOT	\$4.66M grant
- Port of Coos Bay	\$4.66M grant
- Shippers on Coos Bay line	\$4.66M through a surcharge of \$204 per car for 48 months (based on guaranteed 5,700 total CLs annually)

Ongoing Subsidy of Coos Bay Operations

- Coos Bay line currently operates at an annual deficit of approximately \$1,500,000, making operations and future capital expenditures unsustainable.
- To assure operational viability, CORP and ODOT could enter into a 5 year agreement whereby ODOT provides up to \$2m each year to defray the CORP operating deficit, and up to \$2m each year (starting in year 3) for infrastructure improvements. The annual infrastructure would be reviewed jointly by ODOT and CORP.

Our planned timeline would have the Coos Bay Line back in operation by Autumn 2008.

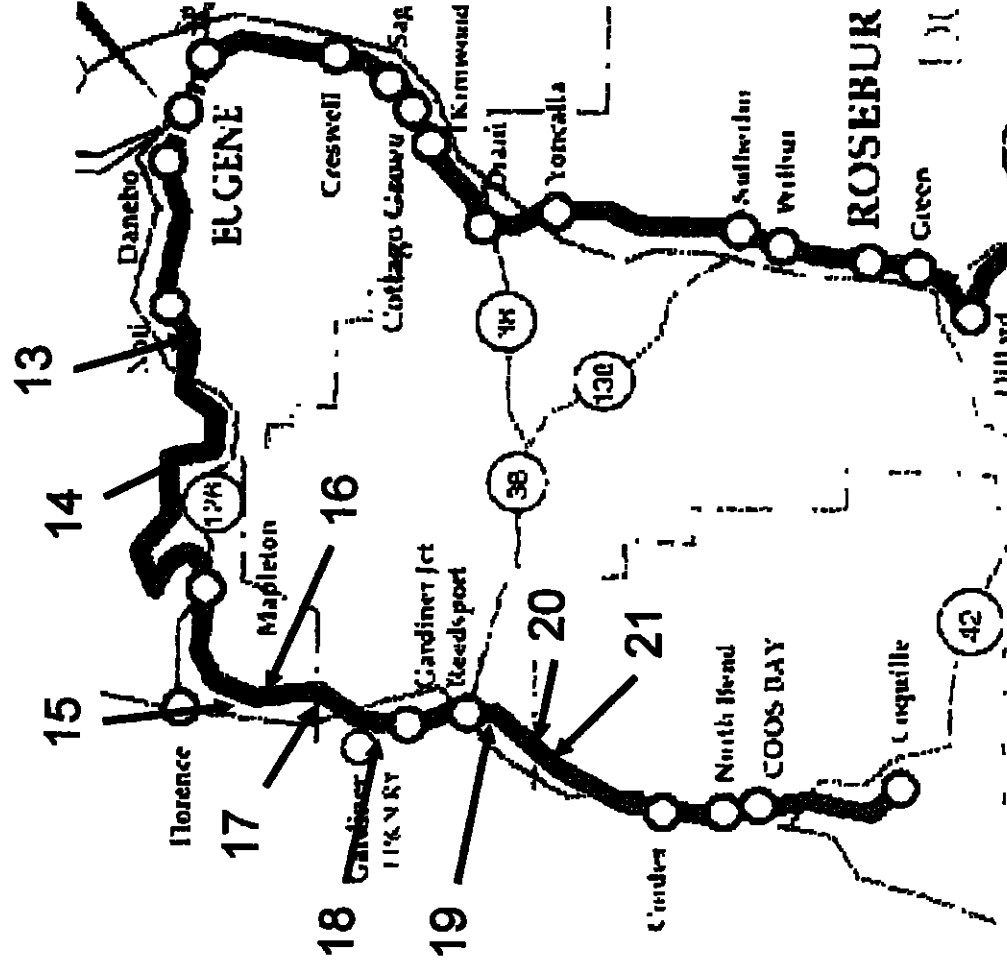
- **November 21, 2007 – CORP will issue a formal request to all stakeholders to participate in the partnership**
- **December 15, 2007 – All stakeholders make determination to participate in the partnership**
- **March 1, 2008 – All stakeholders secure funding for their share of the partnership**
 - **Bid process for the repairs can commence**
- **May 1, 2008 – Tunnel repairs commence**
- **September 2008 – Coos Bay Line re-opens**
 - **Assumes successful repairs to the tunnels**

We look forward to a successful venture.

- **CORP and RailAmerica are committed to our participation in a Public/Private Partnership**
- **Public/Private Partnerships are a proven model for success**
- **RailAmerica successfully participates in a PPP in Nova Scotia**
- **Please see our handout (recent article from Traffic World) for other examples**

Appendix

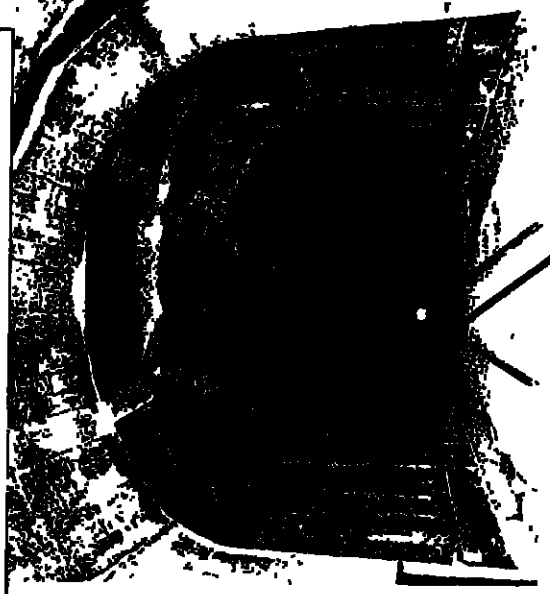
Coos Bay Line Map and Tunnels



Typical current timber conditions



Typical wood deterioration in tunnels



Missing crown section (fell out)

Coos Bay Historic Carloads and Capital Expenditures

- Coos Bay Historic Carloads from 1996
- Coos Bay CapEx from 2002

Year	Total
1996	7,131
1997	9,866
1998	10,142
1999	6,460
2000	6,431
2001	5,982
2002	8,376
2003	9,039
2004	5,849
2005	6,247
2006	5,845
2007	3,652

<u>Year</u>	<u>Capital \$</u>
2002	\$199,653
2003	\$302,242
2004	\$191,522
2005	\$1,121,905
2006	\$1,815,076
2007	\$678,213
TOTAL	\$4,308,611

Traffic and Revenue Chart

Year	CORP ¹			Coos Bay Line		
	Traffic ¹	Revenue ¹	MofW as percent of revenue ¹	Traffic ²	Revenue	Coos Bay Line capital expenditure ³
1995	32,005	\$15.25 m	22.5%	?	Conflicting figures exist See the note immediately following this chart	?
1996	35,789	\$17.87 m	23.0%	7,131		?
1997	41,095	\$19.54 m	11.5% ⁴	9,866		?
1998	43,972	\$12.97 m	12.8%	10,142		?
1999	44,250	\$21.98 m	11.7%	6,460		?
2000	42,875	\$20.31 m	10.1%	6,431		?
2001	36,752	\$21.89 m	9.0%	5,982		\$274,240
2002	44,240	\$22.23 m	9.8%	8,376		\$199,653
2003	45,612	\$23.68 m	12.7% ⁵	9,039 ⁶		\$302,242
2004	43,018	\$23.63 m	24.2%	5,849 ⁷		\$191,522
2005	49,446 ⁸	\$30.03 m ⁹	13.6% ¹⁰	6,247		\$1,121,905
2006	45,017 ¹¹	\$27.56 m ¹²	18.4% ¹³	5,845 ¹⁴		\$1,815,076 ¹⁵
2007	32,574 ¹⁶	\$24.42 m ¹⁷	10.8%	3,652 ¹⁸		\$678,213 ¹⁹

Note CORP has released a wide variety of numbers regarding annual revenue of the Coos Bay Line, ranging from \$3.5 million to \$20 million. The highest figure, \$3.5 million for 2006, was used by Scott Williams of RailAmerica in a letter to the STB on Nov. 2, 2007. Exhibit 36. The lowest figure, \$2.0 million, was included in one of the two pro-forma Term Sheet proposals (titled "Draft Coos Bay Shippers/CORP Term Sheet") made by CORP in January 2008. Exhibit 38. Other figures recently offered include \$2.93 million for 2006 (included on page 11 of the May 12, 2008 CORP Response to the Show Cause Order) and \$2.5 million (included in the other of the two pro-forma Term Sheets from Jan. 2008). Exhibit 37.

¹ Reported by CORP to the Oregon Department of Transportation, Rail Division. These figures may be limited to just the portion of CORP in Oregon.

² CORP Partnership for Coos Bay Line, presentation (Nov. 14, 2007), Exhibit 23 at page 13.

³ CORP Briefing before Oregon Senate Interim Committee on Transportation (Oct. 25, 2007), Exhibit 35 at page 6.

⁴ Unknown what portion of this might include the \$307,458 given to CORP from federal government for flood damage on Coos Bay and Siskiyou Lines.

⁵ Unknown how much of this figure may include \$300,000 given to CORP for ties and ballast on Coos Bay Line from the Oregon Short Line Railroad Rail Infrastructure Improvement Program.

⁶ Or, 7,574 cars according to page 25 of CORP's Response to the Show Cause Order, filed May 12, 2008.

⁷ Or, 5,408 cars according to page 25 of CORP's Response to the Show Cause Order, filed May 12, 2008.

⁸ Or, 52,480 cars according to page 5 of Appendix A of the Verified Notice of Exemption filed by Fortress and RailAmerica on Dec. 1, 2006 in Docket 34972, *Fortress Investment Group LLC, et al - Control Exemption - RailAmerica, Inc., et al*.

⁹ Or, \$30.9 million according to page 5 of Appendix A of the Verified Notice of Exemption, filed by Fortress and RailAmerica on Dec. 1, 2006 in Docket 34972, *Fortress Investment Group LLC, et al - Control Exemption - RailAmerica, Inc., et al*.

Traffic and Revenue Chart

¹⁰ Unknown how much of this figure may include the \$400,000 given to CORP for ties and ballast on Coos Bay Line from the Oregon Short Line Railroad Rail Infrastructure Improvement Program

¹¹ Or, 46,376 cars according to page 5 of Appendix A of the Petition by Applicants for Revocation of Class Exemptions, filed by Fortress and RailAmerica on May 22, 2007 in Docket 35031, *Fortress Investment Group LLC, et al – Control – Florida East Coast Railway, LLC*

¹² Or, \$30.3 million according to page 5 of Appendix A of the Petition by Applicants for Revocation of Class Exemptions, filed by Fortress and RailAmerica on May 22, 2007 in Docket 35031, *Fortress Investment Group LLC, et al – Control – Florida East Coast Railway, LLC*

¹³ CORP claims to have spent \$934,000 or 32% of the gross freight revenues on the Line on maintenance in 2006 and an average of 28% of annual gross freight revenues between 2003-2007 CORP Response to the Show Cause Order, filed May 12, 2008 at 11

¹⁴ Or, 4,586 cars annually in the future according to the two pro-forma Term Sheet proposals (titled "Draft Coos Bay Shippers/CORP Term Sheet") made by CORP in January 2008 Exhibits 37 and 38

¹⁵ Tunnel 15 repair and collapse

¹⁶ Or, 38,691 cars according to page 5 of Appendix A of the Verified Notice of Exemption, filed by Fortress and RailAmerica on March 3, 2008 in Docket 35123, *Fortress Investment Group LLC, et al – Exemption for Transaction within a Corporate Family*

¹⁷ Or, \$27.5 million according to page 5 of Appendix A of the Verified Notice of Exemption, filed by Fortress and RailAmerica on March 3, 2008 in Docket 35123, *Fortress Investment Group LLC, et al – Exemption for Transaction within a Corporate Family*

¹⁸ Until embargo Sept. 21, 2007 Total traffic for the year was 4,018 cars according to page 3 of CORP Response to the Show Cause Order, filed May 12, 2008

¹⁹ CORP claims to have spent almost 40% of the Line's revenue on capex for the Line during the last 3 to 4 years STB Ex Parte No. 677 Common Carrier Obligation of Railroads, April 25, 2008 Hearing Transcript at 114 (Testimony of Paul Lundberg)

RAILAMERICA

Home

About Us

Investor Relations

overview

stock quote

stock chart

press releases

ir calendar

presentations

fundamentals

analyst coverage

SEC filings

annual report

corporate governance

request information

Email alerts

Rail Maps

North American Rail

Recent News

Employment

Customers

Press Releases



RailAmerica, Inc (ticker: RRA, exchange: New York Stock Exchange (N)) News Release - 21-Sep-2007

CORP Discontinues Operations On Coos Bay Line

Roseburg, OR -- The Central Oregon and Pacific Railroad (CORP) announced today that it is discontinuing operations between Vaughn, OR and Coquille, OR due to unsafe tunnel conditions. The rail line segment has nine tunnels, each more than 115 years old, several of which are no longer safe to transit. The rail carrier has notified its customers along the line and will issue an embargo notice to the Association of American Railroads notifying all other rail carriers that rail cars will no longer be accepted for delivery. Final deliveries of goods in transit are expected to be completed by the end of the month.

Late in 2006, the carrier began extensive repairs to one of the tunnels. The repair work triggered a tunnel collapse that cost almost \$2 million to repair. Since that time, CORP has engaged an internationally known geotechnical and environmental engineering firm with particular expertise in rail tunnel repairs to assess the status of the tunnels on the line. The experts determined that three of the nine tunnels require extensive, immediate repairs to be made safe for rail operations and minimize the risk of collapse.

CORP General Manager Kevin Spradlin said the company would seek to form a public-private partnership to make repairs to the line, but that the amount of money required is significant, totaling nearly \$7 million over the next five years for tunnel repairs alone. "We regret any inconvenience that this closure causes our customers, but the line has become unsafe for our employees to use," said Spradlin. "We tried to keep it open as long as possible." The CORP is making space available for customers that want to truck their goods to the carrier's Eugene to Roseburg line for transfer into rail cars.

Previous efforts to increase rail rates on the line through a surcharge were unsuccessful. "The Coos Bay line just doesn't have enough business on it today to justify us making the repairs," said CORP Marketing and Sales Manager Tom Hawksworth. "Even if the money were suddenly available, it's not safe to make the repairs until after the rainy season next Spring." Hawksworth added that the line could be reopened to support a container terminal at Coos Bay should such a terminal be developed.

All media inquiries should be directed to Toby Srebnik at Tilson Communications

Media Contact

Toby Srebnik

Tilson Communications

tsrebnik@tilsonpr.com

561-998-1995

Jim Wurtz

NREC

800-253-2905

Friday, December 28 2007

Serving the South Coast of Oregon


[About](#) | [Contact](#) | [Help](#) | [Circulation/Subscription](#)
[Bandon Western World](#) | [The Umpqua Post](#)

 Sponsored By  Southwestern Oregon Community College

 Light Rain High 46°F Low 4

SEARCH SITE

BREAKING

[Comment on Article](#) | [Return to Index](#) ►

☒ TheWorldLink

☐ the Web

POLL

Past Results

NEWS/HOME

[Local News](#)
[Nation/World](#)
[Elections 2008](#)
[Sports](#)
[Outdoors](#)
[Strange News](#)
[Police Reports](#)
[Business/Finance](#)
[Community](#)
[Money Market](#)
[Science/Health](#)
[Archives](#)
[Weather](#)
[Event Calendar](#)
[Editorial Staff](#)
[Tide Tables](#)
[Multimedia](#)

OBITUARIES

Obituaries

MARKETPLACE

[View Classifieds](#)
[Find a Job](#)
[Find a Home](#)
[Find a Car](#)
[Shop for Values](#)
[Yellow Pages](#)
[Place an Ad](#)

COMMUNITY

[Cuisine](#)
[Education](#)
[Home & Garden](#)
[Religion](#)
[Weddings](#)
[Anniversaries](#)
[Births](#)
[Now Hear This](#)
[Health Info](#)

OPINIONS

[Letters](#)
[Editorial](#)
[Kudos](#)

DeFazio calls for rail probe

 By Elise Hamner, City Editor
 Friday, September 28, 2007 11:42 AM PDT

Oregon Congressman Peter DeFazio is calling for a Federal Railroad Administration investigation into the Central Oregon & Pacific Railroad's closure of the Coos Bay short line.

DeFazio sent the agency's administrator, Joseph Boardman, a letter Wednesday asking his agency to review CORP engineering reports. They are scheduled to talk Tuesday. DeFazio also wants the agency's inspectors on the ground — in railroad tunnels the company deemed unsafe.

"I also request that FRA tunnel inspectors perform a physical inspection of the line and evaluate what, if any, repairs are necessary to make the line safe for operation," DeFazio wrote.

The letter followed the railroad's action to file an embargo on the line Sept. 21. The embargo indicated the line was closed because three tunnels are unsafe. On Thursday, the railroad agency's public affairs specialist, Warren Flatau, didn't say how soon FRA inspectors might be on the Coos Bay line's tracks.

"I wouldn't want to speculate," he said.

"Unequivocally, we will seek to be fully responsive to the congressman's concerns," he added.

More pressure

The state of Oregon also wants answers

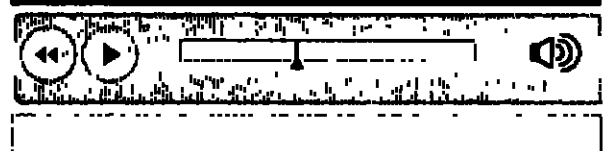
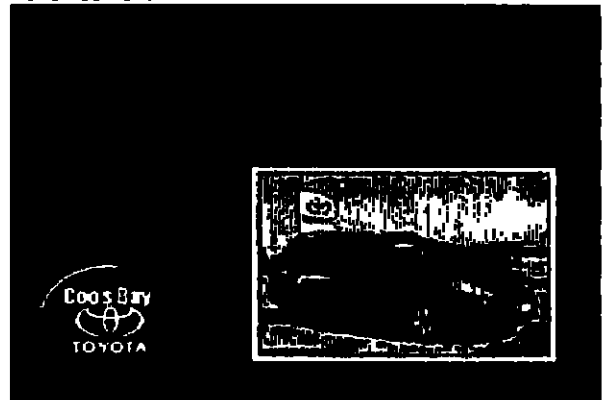
Railroad officials said they based their decision to close the tracks on engineers' reports and their concern about employee safety. The governor's office and the Oregon Department of Transportation's Rail Division are demanding copies of the private engineering reports. The state hadn't received copies as of Thursday morning.

But that's not the only pressure on the railroad.

ODOT has put on hold plans to give CORP \$7 million from the 2005 Legislature's Connect Oregon program to help build a \$9.6 million rail yard next to an existing one in Winchester.



A train engineer gives one last wave, as a final Central Oregon & Pacific Railroad train leaves Coos Bay on Wednesday morning. The engine pulled a long train of empty cars, a few carrying lumber for Georgia-Pacific mill and some partial loads. The engineer said the train would head to Coos Bay's North Spit. Today, CORP started pulling the cars to Eugene. The company announced last week it is ceasing operations on the Eugene-to-Coquille line due to unsafe tunnels. World Photo by Lou Sennick Advertisement



ENTERTAINMENT

Out & About
Ballyhoo
Entertainment
Calendar
Movies/TV
Comics
Crosswords
Sudoku Online
Oregon Lottery
TownHall
Horoscopes
Stocks

SPECIAL SECTIONS**PHOTO GALLERIES****SUBSCRIBER SERVICES**

Start New Delivery
EZ Pay
Gift Subscriptions
Pay Bill On-line
Change Address
Vacation Stop-Start
Delivery Comments
Questions Answered
Newspapers In
Education
Free Trial Offer
Single Copy Locations
Privacy Policy

CUSTOMER SERVICE

Staff Directory
Jobs at The World
Anniversary Form
Wedding Form
Guestbook
Email Alerts
Delivery
Contact Us
About Us
Zip Codes
Amber Alerts

THE UMPQUA POST**BANDON WESTERN WORLD****TODAY'S FRONT PAGE**

"That project comes into question with all the recent events," said Kelly Taylor, Rail Division administrator

It's unusual for a private railroad to get any public money But, the railroad made a convincing case

The project was to alleviate over capacity at the rail yard in Roseburg The railroad had said in a grant request two years ago that the project would give forest products companies more opportunities to ship by rail The Coos Bay line served at least three South Coast wood products companies, which now have no direct access to rail service

"We need to understand what's happening, what's going on and whether or not this project should go forward," Taylor said

On Wednesday, the final train slowly slid out of Coos Bay The engineer aboard said he was heading out to pick up the railcars remaining at the sawmill on the North Spit Those cars were leaving the area for Eugene this morning CORP has told sawmill managers this is the last load

Silence on the line

CORP has issued no public statements since an initial press release announcing the closure But this week, railroad officials sat down with members of the Southwest Oregon Economic Expansion and Transportation Team in a closed door meeting in Roseburg The group gathered as it has for nearly two years to talk about the Oregon Gateway project to attract a container shipping terminal development to Coos Bay CORP and Union Pacific staffers are part of that group, as they have been all along

People attending the meeting reported that the Coos Bay line closure came up The conversation was tense CORP officials reportedly said the railroad had invested \$47 million over the years in upgrading tracks in Oregon Rep Wayne Krieger, R-Gold Beach, apparently challenged that He demanded to see the documents proving it

Throughout those meetings in the past, the group has discussed poor conditions of the CORP's tracks on the Siskiyou line down to California, said Rep Susan Morgan, R-Myrtle Creek

"The railroad has made no secret about it," she said

In fact, the railroad is under a 2-year-old safety compliance agreement with the Federal Railroad Administration The feds issued it less than two years ago after deciding the railroad was inadequately maintaining and inspecting its tracks The agreement pointed out that in visits to CORP tracks in Oregon from 1998 to late 2005, FRA and state inspectors found 4,067 noncompliance conditions That included everything from gauge defects to defective cross ties, rails and rail joints There was no mention of tunnels

Profit or not?

Repairs are costly, especially now when rail business might be slowing

Morgan said she knows sawmills have cut production due to a slump in the housing market, which undoubtedly has affected shipments to the railroad A Georgia-Pacific employee said that has been a factor in a slowdown in operations at the Coos Bay sawmill No numbers are available on the exact number of rail cars heading from the South Coast to Eugene

In 2003, the railroad company took a big hit when Weyerhaeuser Co closed its mill on the North Spit Then, the railroad lost 315 cars per month This year in an annual report to the Oregon Railroad Division, CORP said it moved 45,017 rail cars on its Oregon tracks in 2006 Taylor estimated 10 to 15 percent of those came from the Coos Bay line and said she has no idea whether the line was profitable It's a private business The company doesn't have to share that information

"It either generates revenue or you don't do it anymore," she said

Speculation

In the end, though, state officials and local lawmakers say they are disturbed most by the attitude and responses of officials of CORP and its parent company RailAmerica When asked what their plan is to repair the Coos Bay short line and re-open for business, officials were blunt



"We have no plans," Taylor said of CORP's response this week to the officials gathered at the meeting in Roseburg

"They got asked again, 'We have no plans,'" Taylor said of the repeated response

"Saying you are calling an embargo with no plan is absurd," she added

That's led to speculation

"If you're not going to make repairs, then you head down the abandonment line," Taylor said

There's a federal process required for abandonment. In the end, simply it can mean a railroad walks away. It can pull up its tracks, sell them for scrap and sell the right of way.

There have been rumors of exactly that. In past months railroad online bloggers have suggested the railroad might also end operations on the Siskiyou line. CORP reportedly denied that when pressed for an answer.

"It's a real negative atmosphere when everybody is basing the discussions on rumors," Morgan said. "What we really need is the CORP to sit down at the table."

printable version e-mail this story

Comments

JDLAMPKE

wrote on Nov 7 2007 7:32 AM

Steve, By your statement that the railroad should be closed, you have shown a definite lack of knowledge of all the issues, as well as a definite lack of vision for the future of all concerned. Trucks pollute. Trucks cause traffic problems. Trucks tear up the highways. Trucks are the worse way to go in the long run. Plus, who do you think will pay for the increased cost of the products from the mills, as a result of the increased shipping costs? Everybody needs to sit down and work this out. That railroad line MUST be repaired and operable. Even if the State picked up 100% of the repair bill, it would pay off in the long run. Coos Bay needs a good and reliable railroad to attract containerized shipping. In the long run, it could be a gold mine for Coos Bay.

Report Abuse

MILO KLEITSCH

wrote on Oct 9, 2007 12:21 AM

Contact CORP / RailAmerica and the ODOT immediately! Don't let either entity sleep a single minute this week! Demand that rail service to Coos Bay be retained for public and economic benefit. Any action less than that on the part of the public and local governments is not an action at all! Milo Kleitsch Tigard, Oregon

Report Abuse

WILLIAM

wrote on Oct 6, 2007 8:12 AM

Stevens is an idiot if he thinks that closing down the railroad screws all that would be tear up the highway coming from the coast and cause more traffic accidents.

Report Abuse

NOT STEVE

wrote on Oct 5, 2007 1:59 PM

Gee, Steve, do highways run in the positive? One truck does the damage of hundreds of cars, and the public pays that. Transportation is a system, and it's been out-of-balance in America for too long because Americans like Steve think 'railroads cost money, but highways are provided by God.' If highways are provided by God, Steve's argument makes sense. But in reality, and in the long run, abandoning the Coos Bay line will be regretted by generations to come, not to mention all the people dealing with all the truck traffic. --RelentlessCactus

Friday, December 28 2007

Serving the South Coast of Oregon


[About](#) | [Contact](#) | [Help](#) | [Circulation/Subscription](#)
[Bandon Western World](#) | [The Umpqua Post](#)

 Sponsored By  Southwestern Oregon Community College

 Light Rain High 46°F Low 4

SEARCH SITE

☒ TheWorldLink☐ the Web

Search

POLL

Past Results

NEWS/HOME

[Local News](#)
[Nation/World](#)
[Elections 2008](#)
[Sports](#)
[Outdoors](#)
[Strange News](#)
[Police Reports](#)
[Business/Finance](#)
[Community](#)
[Money Market](#)
[Science/Health](#)
[Archives](#)
[Weather](#)
[Event Calendar](#)
[Editorial Staff](#)
[Tide Tables](#)
[Multimedia](#)

OBITUARIES

Obituaries

MARKETPLACE

[View Classifieds](#)
[Find a Job](#)
[Find a Home](#)
[Find a Car](#)
[Shop for Values](#)
[Yellow Pages](#)
[Place an Ad](#)

COMMUNITY

[Cuisine](#)
[Education](#)
[Home & Garden](#)
[Religion](#)
[Weddings](#)
[Anniversaries](#)
[Births](#)
[Now Hear This](#)
[Health Info](#)

OPINIONS

[Letters](#)
[Editorial](#)
[Kudos](#)

BREAKING

[Comment on Article](#) | [Return to Index](#) ►

Railroad not budging on closure

 By Elise Hamner, City Editor
 Saturday October 6 2007 10:13 AM PDT

They met with shippers Thursday

They met with South Coast lawmakers Thursday afternoon

They met with Gov. Kulongoski's staff Friday

They came up with a timeline, too

But the document railroad officials gave to legislators is not a timeline for repairing three deteriorating tunnels on the closed Coos Bay short line. Instead, Central Oregon & Pacific Railroad and its parent company RailAmerica provided "A Draft Timeline for Coos Bay Line Public/Private Development" (see sidebar).

"We can't force them to run freight. We can't force them to run trains," said Chris Warner, Gov. Kulongoski's transportation adviser.

And CORP can't force the state to pay for repairs to the century-old, privately owned rail line. The company has said that's what a public/private partnership would do.

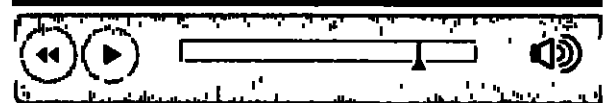
"If there is going to be any kind of public investment, there has to be accountability," Warner said.

CORP filed an embargo on the line Sept. 21, announcing it would end rail shipments on the line that links Coos and Western Douglas county to Eugene and destinations south, east and north. At the time, a company press release said it would cost \$7 million over the next five years for tunnel repairs. It would cost \$2.8 million to open the line now.

The state's in no rush to forge any deals. The money it's planning to spend is \$2 million set aside by the 2007 Oregon Legislature to look at all rail facilities. The study would figure out capacity on lines statewide now and future, and point out how the state could make the wisest use of its dollars — should it choose to invest in rail.

There's a saying in Salem these days, Warner said, "If

Advertisement



Company's timeline memo

The following is the text of a memo Central Oregon & Pacific Railroad and RailAmerica representatives provided to state officials on a timeline concerning the Coos Bay short line.

Draft Timeline for Coos Bay Line Public/Private Development

By Nov. 1, 2007

Gather Facts and Data on the Line

By Nov. 15, 2007

Synthesize Data and Organize a Meeting with Stake Holders

Meet, Review, and Share Information

Brain Storming and Problem Solving

ENTERTAINMENT

Out & About
Ballyhoo
Entertainment
Calendar
Movies/TV
Comics
Crosswords
Sudoku Online
Oregon Lottery
TownHall
Horoscopes
Stocks

SPECIAL SECTIONS**PHOTO GALLERIES****SUBSCRIBER SERVICES**

Start New Delivery
EZ Pay
Gift Subscriptions
Pay Bill On-line
Change Address
Vacation Stop-Start
Delivery Comments
Questions Answered
Newspapers In Education
Free Trial Offer
Single Copy Locations
Privacy Policy

CUSTOMER SERVICE

Staff Directory
Jobs at The World
Anniversary Form
Wedding Form
Guestbook
Email Alerts
Delivery
Contact Us
About Us
Zip Codes
Amber Alerts

THE UMPQUA POST**BANDON WESTERN WORLD****TODAY'S FRONT PAGE**

you have seven tunnels on a system and you fix six of them, it doesn't do you a lot of good "

The one-day warning of the Coos Bay line closure Sept 21 whipped up a flurry of cross-state and cross-country phone calls, • e-mails and face-to-face meetings

The state demanded to see an engineering report justifying the closure State officials got their hands on that Wednesday, but said it will not be released to the public since it is privileged business information

"I will tell you it was a report that was written in July," said Oregon Rail Division Administrator Kelly Taylor " It outlines concerns with different parts of the tunnels "

Congressman Peter DeFazio demanded an investigation into the railroad's statements that three of the nine tunnels pose a safety hazard He wants Federal Railroad Administration inspectors on the tracks and in the tunnels The team is due here next week, DeFazio's office said Friday

"The FRA is going to perform focused inspections that will include reviewing and auditing inspection and maintenance records, and that will include visual inspections," said Warren Flatau, the agency's public affairs specialist

While inspectors might be hustling, there's no indication trains will budge for eight months or more

CORP's general manager, Kevin Spradlin, who's based in Roseburg, answered his mobile phone Friday afternoon He had little to say

"I need to refer you to our public relations' folks," Spradlin said three times before hanging up

The company's spokeswoman, at Boca Raton, Florida-based Tilson Communications, has returned no phone calls or e-mails since the closure

At meetings Thursday and Friday, railroad officials indicated the soonest repairs might happen is May In the meantime, Union Pacific railroad officials reportedly are meeting with sawmill owners and Reedsport-based American Bridge to come up with other options to help get their products and raw materials from factory to rail

All the while, American Bridge is left scrambling trying to figure out how complete steel structure jobs for projects in Washington and California and still make money on contracts signed long ago What would cost 5 cents per pound to ship by rail costs 25 cents per pound to ship by truck, said Donna Train, manager of the Port of Umpqua

Train has been working through the Douglas County Industrial Development Board to help Reedsport-area businesses expand American Bridge was hoping to boost its work force from 57 to 80 by the end of the year A second company, Dailey Wood Products, was planning to open a wood pellet production mill at Bolon Island Train isn't sure how the loss of rail will affect those businesses' plans

Then there's Oregon Resources, the company moving through the permitting process to open a chromite mine and processing facility in Coos County Chief Operating Officer Dan Smith told Coos Bay port officials at a meeting last week his company plans to ship out 700 to 1,000 rail cars a year on the Coos Bay line

That would bolster CORP's statewide rail car shipments that totaled 45,017 in 2006, according to the Oregon Rail Division That was down from a 10-year high of 49,446 rail cars in 2005, but a big jump from the 32,000 carloads that moved across the tracks in 1995 Taylor estimated the Coos Bay line accounts for 10 to 15 percent of that traffic

Statistics aside, railroad officials have told lawmakers they aren't making money off the Coos Bay line, especially if millions of dollars in needed repairs are penciled in

The meeting between Southern Oregon legislators and railroad officials Thursday afternoon was cordial,

Assign Tasks as Necessary

By Dec 15, 2007

Follow-up Meeting to Report on Tasks

Refine Options and Determine Best Path Forward

By Dec 31, 2007

Preliminary Recommendations&C



but there's no hint of a solution Sen Joanne Verger, D-Coos Bay, said she felt the railroad managers left with a clear understanding of the issues they face with the shippers, with the public and with the Legislature

But, she said, lawmakers, too, walked away with a clear understanding of railroad managers' sentiment

"They don't look at it like it's their problem," Verger said

printable version e-mail this story

Comments

JDLAMPKE

wrote on Nov 7 2007 7 06 AM

This whole affair is sad Very short-sighted of the State and CORP, to allow that line to close Coos Bay could substantially increase shipping traffic, with the resultant increase in railroad intermodal freight and local jobs Invest in the line Upgrade the tracks and tunnels to enable heavier, double-stacked containerized freight More and bigger ships will go to Coos Bay There will be more good jobs for residents of the Coos Bay area The railroad will see the increase in traffic it needs to turn a good profit Have a vision for the future of Oregon, the railroad, Coos Bay and the good people living and working there

Report Abuse

TRIMODAL

wrote on Oct 27, 2007 9 22 AM

Send the FRA out on the rest of the CORP before Rail decides to close it to It's simple Rail owners u need to spend capital to grow the business Your lucky the state hasn't figured out the rest of the CORP needs capital U make a lot of \$\$ on that though and u can't abandon it since UP is the lessor Please reinvest in the railroads you own FORTRESS Prove u are in it for the long run U better reinvest in the FEC its a high speed rr just in case u didn't know

Report Abuse

ME2

wrote on Oct 22, 2007 12 55 PM

ANother Rail America employee here, the new ownership of the company is irresponsible in its "stewardship" of the properties it acquired If they don't want it sell it to someone that does They want the traffic but are stingy in their capitalization or repair projects have they complied with all Surface Transportation Board protocols and procedures? Have they met all standards established by the State of Oregon? Powerful action on the part of employees, shippers, the government and on line communities is all that these jackals will understand! good luck!

Report Abuse

ME

wrote on Oct 22, 2007 10 25 AM

I work for another Fortress owned railroad Its all about the money and they will close and abandon roads that do not make the grade expect more Fortress railroads closed They lied to us, and said they are in it for the long haul I dont think so

Report Abuse

JIM LONG

wrote on Oct 7 2007 12 04 PM

Oregon DOT needs to acquire this critical piece of transportation infrastructure, the same way they own the Astoria branch line along the Columbia and the former Oregon Electric line This needs to happen soon, before the line deteriorates any further Let the state own the road bed, bridges and tunnels, and lease trackage rights back to CORP This route is just as critical to the area as State Highway 38 and 42, and if private industry lacks the vision to find value in regional short-line railroads, then the Department of Transportation must step in to avoid losing these lines to abandonment

Wednesday, December 12 2007

Serving the South Coast of Oregon


[About](#) | [Contact](#) | [Help](#) | [Circulation/Subscription](#)
[Bandon Western World](#) | [The Umpqua Post](#)

 Sponsored By:  Southwestern Oregon Community College


Partly Cloudy High 48°F Low

SEARCH SITE

NEWS

[Comment on Article](#) | [Return to Index](#) ►

☒ TheWorldLink

☐ the Web

POLL

Past Results

NEWS/HOME

Local News
 Nation/World
 Elections 2008
 Sports
 Outdoors
 Strange News
 Police Reports
 Business/Finance
 Community
 Money Market
 Science/Health
 Archives
 Weather
 Event Calendar
 Editorial Staff
 Tide Tables
 Multimedia

OBITUARIES

Obituaries

MARKETPLACE

View Classifieds
 Find a Job
 Find a Home
 Find a Car
 Shop for Values
 Yellow Pages
 Place an Ad

COMMUNITY

Cuisine
 Education
 Home & Garden
 Religion
 Weddings
 Anniversaries
 Births
 Now Hear This
 Health Info

OPINIONS

Letters
 Editorial
 Kudos

CORP calls for rail partnership

 By Elise Hamner, City Editor
 Thursday, November 15, 2007 1:31 PM PST

EUGENE — Some people on the South Coast are hoping for some kind of miracle to bring the Coos Bay rail line back into operation

The Central Oregon & Pacific Railroad is hoping for money — more than \$23 million

On Wednesday afternoon, CORP officials and managers from the railroad's parent company, RailAmerica, unveiled their proposal to re-open the line. They called for a public-private partnership. Fewer than 20 people came to hear it, including shippers, some public officials and fellow railroad execs.

Partners would share in the costs to repair deteriorating tunnels. They would pay to replace 88 miles of ties and to fix bridge defects, according to CORP's presentation to the group of proposed partners invited to Eugene's Valley River Inn.

The partners

CORP proposed to divide the costs at \$4.66 million for each partner its managers selected. Those asked to come up with money include CORP, the Union Pacific railroad, the Oregon Department of Transportation, the Oregon International Port of Coos Bay and the shippers. Companies such as Southport Forest Products, American Bridge, Georgia-Pacific and Roseburg Forest Products would pay \$204 more per carload with a guarantee they would send out at least 5,700 carloads annually.

The reality is the line loses money, said RailAmerica's Bob Jones, the vice president of the company's western region.

"Unfortunately, it makes it tough to invest a large amount of money when we're losing approximately \$1.5 million a year on the line," he said.

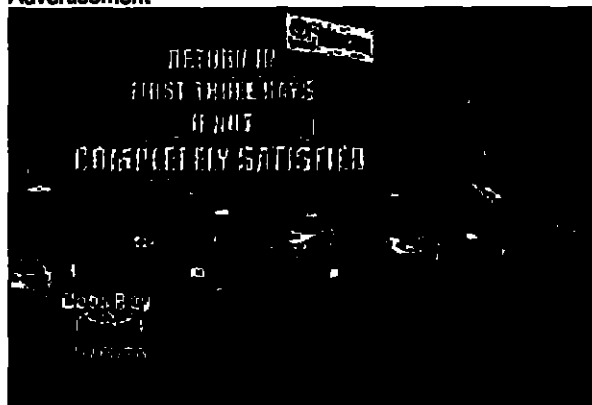
Even so, railroad officials aren't ready to give up the line.

Railroad executives said they've spent \$4.3 million

Related Links

July 2007 Tunnel Report
 Sept 2007 Tunnel Letter
 Oct 2007 Tunnel Tables
 Nov 14 Partnership
 Oct 2007 DeFazio Letter
 Related story Nov10
 Related story Oct26
 Related story Oct23
 Related story Oct20

Advertisement



The details

Central Oregon & Pacific Railroad officials, along with managers from parent company RailAmerica, said the Coos Bay rail line needs \$23.3 million in upgrades. That would include:

* **Ties:** \$2.42 million, 88 miles need replacement

* **Surfacing:** \$669,000, covers surfacing rail where ties would be replaced

* **Tunnel liners:** \$6.68 million. The cost would be broken into two phases. In 0-12 months, \$2.86

ENTERTAINMENT

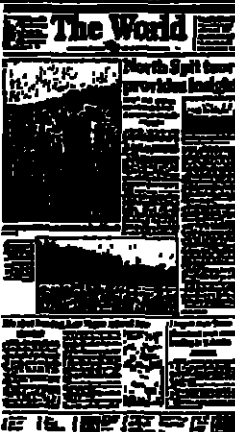
Out & About
Ballyhoo
Entertainment
Calendar
Movies/TV
Comics
Crosswords
Sudoku Online
Oregon Lottery
TownHall
Horoscopes
Stocks

SPECIAL SECTIONS**PHOTO GALLERIES****SUBSCRIBER SERVICES**

Start New Delivery
EZ Pay
Gift Subscriptions
Pay Bill On-line
Change Address
Vacation Stop-Start
Delivery Comments
Questions Answered
Newspapers In
Education
Free Trial Offer
Single Copy Locations
Privacy Policy

CUSTOMER SERVICE

Staff Directory
Jobs at The World
Anniversary Form
Wedding Form
Guestbook
Email Alerts
Delivery
Contact Us
About Us
Zip Codes
Amber Alerts

THE UMPQUA POST**BANDON WESTERN WORLD****TODAY'S FRONT PAGE**

over the past six years on the line, but they didn't give out any revenue information.

And to keep it operating, railroad executives want ODOT to sign a five-year deal to pay up to \$2 million annually for operating costs and \$2 million over each of three years for maintenance

The timeline

Executives said they would like to have commitment from partners within a month. In a best-case scenario, bids could go out March 1. The all-important tunnel upgrades could start June 1 and be completed by summer's end, allowing the railroad to re-open come September 2008.

But the work can't stop with tunnels, CORP officials said.

"We can go in there and fix the tunnels, but in a year we would be in the same situation," said Marc Bader, RailAmerica's chief engineer.

And more, Bader said, now is the most efficient time to do the repairs — while the rail line is down.

"So, I'm sure you have questions. We're ready," Jones said when his presentation was done.

Questions

The room was silent for a time before a Union Pacific official asked whether the tunnels would be able to accommodate double-stacked container trains. He was referring to talk that APM Terminals of North America is considering the feasibility of building a container import terminal at Coos Bay.

"No," Bader told him.

Two representatives from Reedsport's American Bridge asked what will happen if the proposed partners say no.

"There are other options. We'll just have to see what gets us there," Jones responded.

State Rep. Terry Beyer, D-Springfield, who chairs the interim committee on transportation, asked why the railroad didn't work with any proposed partners in coming up with a plan.

This was that opportunity, Jones said.

That didn't sit well with Douglas Timber Operators' Executive Director Bob Ragon. He demanded to know why CORP felt it was more economical for other entities to borrow money for rail repairs.

"We're not in this alone," Jones told him. "Number one, who do you represent?"

"The timber industry," Ragon responded. "The shippers. Lots of them."

"I will ask you this question," Jones said. "What do you do with your businesses when they fail?"

John Johnson, with Oregon Rail Division, asked why the company recently turned down a \$40 million low-interest loan to make repairs on the company's Coos Bay and Siskiyou lines. Jones responded that at the time, managers thought there was money available from other in-company sources.

million, in 1 to 4 years, \$3.82 million.

* **Bridges:** \$10.5 million. The cost would be broken into two phases. To fix unsafe conditions, \$6.75 million, to fix conditions that could become unsafe, \$3.75 million.

* **Tunnel drainage:** \$3 million.

CORP proposed the following groups would pay those costs:

* **CORP:** \$4.66 million.

* **Union Pacific:** \$4.66 million.

* **Oregon Department of Transportation:** \$4.66 million grant.

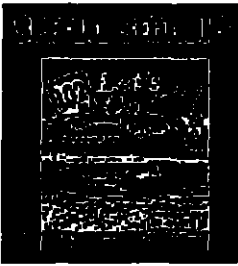
* **Oregon International Port of Coos Bay:** \$4.66 million grant.

* **Coos Bay line shippers:** \$4.66 million through a \$204 surcharge per rail car.

Over five years to keep the line open, CORP is proposing the state pay:

* **Annual operating offset:** \$2 million.

* **Starting in year three:** \$2 million annually for rail maintenance.



"They decided it wasn't the most economical way to make those repairs," he said

Jones blamed the deterioration of the line on the railroad's former owner, Southern Pacific, which was bought out by Union Pacific. When lumber mills shut down in the 1980s, the railroad stopped investing. And more, federal officials don't oversee tunnels and bridges, Jones said. It's been up to the railroad companies to police themselves. The industry has found over the years that hasn't been the best situation, he said.

Rep. Beyer told CORP and RailAmerica that state money isn't likely to materialize anytime soon. The Legislature won't be allocating new spending until 2009.

"I can tell you that is pretty much an impossible timeline for a request," she said.

Throughout the presentation, however, railroad officials were adamant about the partnership.

"Somehow somebody's got to make a deal with us. We own the line," Jones said.

Lawmakers respond

After the meeting, Sen. Joanne Verger, D-Coos Bay, talked less about money and more about what she perceives as a lack of trust in CORP.

"This process has left a number of legislators and people in the public with a lot of anxiety," she said.

She added that the state is committed to economic development but it will consider other options.

"I think if you want somebody to bail you out, you create a crisis," she said. "We have a crisis."

Congressman Peter DeFazio, D-Ore., who sent a staffer to Wednesday's meeting, said this morning that the company is buying time should AP Moeller Maersk, APM's parent company, choose to locate in Coos Bay.

"To subsidize their ongoing operations so they can wait for a tremendous windfall is not in the public interest," he said.

He in no way supports subsidizing the private railroad with taxpayers' money.

"This is a fabulously wealthy company. Five principals took about \$500 million each out of the hedge fund before they went public last year," he said of Fortress Investments LLC, which bought RailAmerica earlier this year.

DeFazio said he sees two options: the port pursuing ownership through federal channels or the state of Oregon taking the rail line through eminent domain.

"I'm recommending that we use any and every legal tool at our disposal to relieve them of their burden," DeFazio said.

 printable version  e-mail this story

Comments

Railroaded

wrote on Nov 21, 2007 6:45 AM

"When a railroad calls for a partnership, you really need to run. Railroads don't partner unless it's good for them. Expect this story to die soon. The whole idea of the 'partnership' is to say that they tried and then move forward with plans to abandon after the public outcry. The state lost an opportunity to use its leverage with Fortress. Lots of other hedge funds would die for \$450 million in this climate. What has been their performance anyway?"

leftcoast ranger

wrote on Nov 19, 2007 10:10 AM

"DeFazio is right, let's relieve those fat-cats of their financial burden as fast as possible so we can run the railroad the right way for our local businesses. Local control is more stable, efficient, and has real responsibility and interest."



CENTRAL OREGON & PACIFIC RAILROAD, INC.

333 S E Mosher Avenue • PO Box 1083 • Roseburg, OR • 97470 • Phone 541 957 5906 • Fax 541 957 0686

December 22, 2007

From the Management of Central Oregon and Pacific (CORP) Railroad and its parent company, RailAmerica

The Coos Bay rail line is closed for now, but we plan to reopen it one day.

In September of this year we determined, after a thorough review by an industry renowned engineering firm with special knowledge of tunnels, that it would not be right to continue to ask our employees to take the risks associated with traveling through the tunnels to reach Coos Bay from Eugene. Out of concern for their safety, we closed the rail line until repairs are made. Since that time, inspectors from the Federal Railroad Administration have confirmed that we made the right decision.

Some have complained that we should have given more notice before closing the line. It is unfortunate that we were not able to predict such a closure well in advance. We made the decision as soon as we came to understand that continued operations put our employees in danger. We believe it was a decision that most others would have made with similar information. Given the unfortunate timing, we tried to help diminish the impact of the short notice by offering alternative services to our customers at an economic loss to our company.

We want to reopen the line, but the rail traffic on the line today does not pay for the repairs. In fact, for several years, we have been putting more money into the line than we have made from its operation. In 1998, this line carried more than 10,000 loaded rail cars, but last year the number was down to less than 6,000, and this year it was on pace for even fewer. Now the line needs a considerable amount of money to safely reopen and to remain open for more than a year or two.

We believe the owners of CORP will be served with a successful reopening of the line if we have a viable financial plan after it reopens. So we stand prepared to contribute some more of the owners' money to reopening the line. But the owners alone cannot justify the cost of reopening the line, so we have proposed a public-private partnership to fund the line's reopening and continued operation.

Public-private partnerships to improve and sustain freight railroad infrastructures are not new, and they are not uncommon. These partnerships are being successfully used to preserve or improve rail service in a number of situations in places such as Virginia, West Virginia, Florida and California.

Our public-private partnership plan calls for the five main beneficiary groups to each pay 20% of the more than \$23 million in estimated costs to reopen the line, and for the State to contribute to the cost of operating the line until it can become profitable again.

In addition to the owners, the four groups that we have proposed to participate in the costs to reopen the line are Union Pacific, the large railroad to whom CORP delivers the rail cars, the businesses that CORP serves, the State, and the Port of Coos Bay. Keeping the line open helps the State and the Port attract and keep industries and the jobs and taxes provided by those industries.

Proposals have been made that the Port, or the State, or some other public entity, acquire our line. We don't believe that will help in any way because the cost of repaving and operating the line will not change with a change of ownership. Just having new owners for CORP's Coos Bay line won't bring back the mills that closed in years past or add other industries to spread the cost of operation. In addition, new owners would have to pay many more millions of taxpayer dollars to buy the line than just to repair and operate it. We see the calls for someone else to own the line as misplaced frustration for the economic conditions and other circumstances that got us where we are.

The sad reality is that America loses rail lines every year. These rail lines are not profitable, are not expected to be profitable, and do not receive adequate outside funding. They are "abandoned" and closed for good. But we are not taking that path with the Coos Bay line.

We are working to find a way to reopen the line. We have been disappointed that very little of the dialogue around this issue has been from anyone trying to help us find a path that will work for all of us. CORP is an Oregon-based business just like many others, one that deserves and intends to make a decent profit so we can remain in business, serving customers and shippers, providing good jobs for our employees and contributing to the tax base of the region. We ask for and deserve no more than the opportunity to do that.

On behalf of the management of CORP and RailAmerica,

John Giles
CEO

Bob Jones
Regional-VP

Kevin Spradlin
General Manager



A RailAmerica Company

RailAmerica Operations Support Group, Inc.



A RailAmerica Company

February 4, 2008

Corporate Headquarters
5300 Broken Sound Blvd , NW
Boca Raton, Florida 33487
Tel 561 994 6015
Fax 561 994 0396

Governor Theodore R Kulongoski
State of Oregon
State Capitol Building
900 Court Street, NE
Salem, OR 97301-4047

Transmitted via Email

Dear Governor Kulongoski.

I want to thank you for inviting RailAmerica to participate in your meeting on January 24 in Salem regarding the status of the Coos Bay line of our Central Oregon & Pacific Railroad ("CORP") That line and railroad are important to RailAmerica, as are all of the customers we serve in the Coos Bay area

During the meeting, you spoke frequently of the good faith efforts our railroad needed to demonstrate as evidence of our commitment to the community in order to secure your support. As information for you, CORP and its employees have been dedicated to providing quality service to the shippers of southwest Oregon for over ten (10) years. From 2002 to 2007, the CORP and RailAmerica have invested over \$48 million in maintaining and improving the track structure in Oregon (including investments in the tunnels of the Coos Bay and Siskiyou lines). Part of that amount - \$5.5 million - is the upfront payment that CORP has made in the Winchester Yard project, presumably in contractual partnership with ODOT.

In addition to the monetary investments, the CORP recently performed a rigorous Safety Compliance Agreement with the Federal Railroad Administration requiring enhanced capital and maintenance improvements to the CORP's track structure. CORP's successful completion of that program is a tribute to the dedication of all its employees, and to RailAmerica's ability to successfully partner with public entities. The FRA was quite complimentary of CORP's efforts, and, as you may recall, also concurred with CORP's safety and engineering decisions regarding the Coos Bay line.

In the context of CORP's and RailAmerica's continuing long term commitment to its Oregon rail lines and operations and to the rail service CORP provides to its shippers, and in light of our discussions with you on January 24, CORP and RailAmerica wish to make a further good faith effort by reopening the Coos Bay line from Vaughan to Coquille. As we have stated, we can't do it alone, but in partnership with the stakeholders we are willing to use our best efforts to reopen the line.

The CORP will begin the process of repairing the tunnels to the extent that service on the Coos Bay from Vaughan to Coquille can be safely resumed, as promptly as safe engineering and construction standards will permit. The CORP will fund these repairs.

RailAmerica Operations Support Group, Inc.



A RailAmerica Company

In order for CORP and RailAmerica to make this expenditure, we need to know that our investment is toward the long term viability of the Coos Bay line, and not merely a transitory resumption of service until the next infrastructure calamity. As such, we request a public commitment from Oregon, not for the initial restoration of service, but for the funds necessary for the secondary phase of the capital infrastructure improvements, and for support of the ongoing operation, necessary to make this rail line viable on a long term basis.

We believe this sort of public commitment to be clearly in the State's long term interests of preserving freight transportation in southwest Oregon. Our plan is practical, realistic, and far less costly to the public than any plan that presumes the State acquiring ownership of the line from Vaughan to Coquille. Upon receiving Oregon's commitment, we will ask that ODOT immediately begin discussions with us as to how these funds will flow.

This investment will make it possible for the shippers on the line from Vaughan to Coquille to rely upon reliable rail service into the foreseeable future, and will avoid the necessity of the shippers bearing even more costs to ship their goods. CORP and RailAmerica will continue to seek the participation of Union Pacific, for a capital contribution to the restoration of the infrastructure and improved divisions of the revenues, recognizing that Union Pacific is the long haul carrier for CORP's shippers.

The shippers' commitment to fund the restoration of the line will be as outlined in the Shippers' Term Sheet – through a surcharge of approximately \$200 per car based on a guarantee of carloadings for the five (5) year period, that surcharge to commence as soon as the line is open and service resumes.

Finally, the CORP and ODOT will resume their contractual commitment to complete the project at Winchester Yard, including ODOT's restoring the flow of funds currently owed to CORP by Connect Oregon, and CORP's resumption of the construction at the yard.

As soon as all of these elements are in place, the CORP can immediately begin the work necessary to restore the Coos Bay line from Vaughan to Coquille, and the shippers can look forward to rail service by this fall. We are committed to working with you and the other stakeholders, and look forward to our renewed partnership in southwest Oregon.

Yours truly,

Paul A. Lundberg
Vice President

cc: Chairman Charles "Chip" Nottingham
Surface Transportation Board



THEODORE R. KUILONGOSKI
Governor

February 12, 2008

Paul Lundberg, Vice President
RailAmerica Operations Support Group, Inc.
5300 Broken Sound Blvd
Boca Raton, FL 33487

Dear Mr. Lundberg

Thank you for your response to my suggestion that the Central Oregon & Pacific Railroad (CORP), as an initial step to reopening the Coos Bay line, agree to repair the tunnels on that line and resume service. I appreciate your willingness to expeditiously consider this request.

I am glad that we agree that providing quality service to the shippers of Southwest Oregon is a priority. I also appreciate that you are willing to bear the cost of repairing the tunnels on your rail line between Vaughn and Coquille. As I understand your proposal, you will only commence repair of the tunnels if the State of Oregon agrees to guarantee all of the additional funds necessary to repair and improve the line, plus provide your corporation an ongoing subsidy for operating losses on the line. From your letter, it appears to me that you are only willing to pay dollars sufficient to reopen the tunnels -- the \$2.865 million that was outlined in the Shannon & Wilson report you commissioned dated July 16, 2007. Under your proposal, this would leave the state and others to pick up the rest of the \$20.4 million, plus the operating costs.

As I stated at our January 24th meeting and am reiterating in this letter, once you have completed repairs and reopened the line, I will then bring all of the stakeholders together to discuss a long term solution to this rail line. I cannot commit to any partnership until after the line is reopened. Should you fix the tunnels and reopen the line, then I will ask shippers, legislators, local officials, elected federal representatives and other transportation providers to come together to discuss next steps on a reasonable and equitable investment strategy, including a public-private partnership on capital needs, that meets your business needs and provides affordable and reliable transportation services to South Coast shippers. However, let me be clear. I do not believe that it is possible for the state to provide a subsidy to a private corporation to cover the operating expenses on your privately held railroad.

Paul Lundberg
February 12, 2008
Page Two

Finally, when CORP commences the tunnel repairs, I would be willing to resume discussion of restoring the flow of funds for the ConnectOregon I grant. Until I am satisfied that the service – and the willingness to provide service – is consistent with the application that CORP provided to the state, the Oregon Department of Transportation will not be willing to disperse any more dollars.

Bringing jobs and economic development to rural Oregon has been a priority of my administration. I remain committed to being a good partner with the private sector on finding solutions to complex transportation infrastructure issues. I hope that you will make this same commitment.

Regards,

A handwritten signature in black ink, appearing to read 'Theodore R. Kulonowski', with a long horizontal flourish extending to the right.

THEODORE R. KULONOSKI
Governor

TRK pw/sh



THEODORE R. KULONGOSKI
Governor

April 21, 2008

Paul Lundberg, Vice-President
RailAmerica Operations Support Group, Inc.
5300 Broken Sound Blvd
Boca Raton, FL 33487

Dear Mr. Lundberg:

I received your proposal for a "joint venture" between RailAmerica and the State of Oregon on the CORP line between Vaughn and Cordes. Over two months ago, I asked RailAmerica, as a sign of good faith, to fix the tunnels and re-open the line. Your latest proposal does not respond to that request.

To put it succinctly, my bottom line has not changed. As I stated when we met in person on January 24th and repeated in my letter on February 12th, the State of Oregon would be open to a discussion with all of the stakeholders on a long-term solution for the line after you have re-opened it. Your refusal to address this bottom line leads me to conclude that you have no intention of fixing and reopening the line without a significant infusion of public dollars. Since you have made no effort since the September 2007 closure to re-open the line, I believe that your actions constitute an unlawful embargo and you are violating your common carrier obligation, thereby causing a hardship for Oregon's businesses and threatening the economic health of Oregon's coastal communities.

I continue to maintain that fixing the tunnels and restoring the flow of goods along the line is not only the right thing to do, but your legal obligation. Your choice seems clear: either re-open the line or seek abandonment. We need to come to a conclusion on this matter. I will continue to press federal authorities and Oregon's congressional delegation to close this chapter.

Sincerely,

A handwritten signature in black ink, appearing to read "Theodore R. Kulongoski", written over a large, stylized flourish.

THEODORE R. KULONGOSKI
Governor

JOHNSON John R

From: Hefley, Steve (CORP) [Steve Hefley@railamerica.com]

Sent: Wednesday, October 25, 2006 7 33 PM

To: JOHNSON John R

John, I want to give you a update on our inspection on Tunnel #15 on the Coos Bay Sub on Oct 24, 2006

We had Jerry Stark, with Johnson and Western go to tunnel #15 along with Craig Kelsey and Duke Rodley from the CORP, Wednesday morning Oct 25, 2006 Jerry had been the inspector about a year ago in tunnel #15, he advised me that there had been a significant change in tunnel #15 and that we should not operate any trains through the tunnel until repairs can be made

We took the tunnel out of service yesterday as you know, and will not operate any trains through the tunnel until repaired

I notified Steve Krause, FRA this afternoon about the actions we had taken

Our plan is to take the Johnson and Western crew and all there equipment from Tunnel #13 on the Siskiyou Sub, this Saturday and move them to Tunnel #15 on the Coos Bay Sub They will have everything closed up in tunnel #13 befor moving Jerry indicated that we will need to install steel sets along side the failing sets in Tunnel #15 before we can operate and this is going to take about a week or maybe two weeks We will get a plan from a registered engineer to finish making repairs more permanant Jerry also advised me that in Tunnel #13 on the Siskiyou that shooting the gunite the temperature needs to be staying around 40 degrees for the low , and that they got down into the low thirtys last night We will get Johnson and Western back into Tunnel #13 as quick as possible hoping that the cold weather holds off so we can finish up this year

Any questions please call me

Steve Hefley

*Tunnel 15
Coos Bay line*

5/6/2008

Conflicting repair figures exist

\$2.9 million

"2.9m to stabilize tunnels 13, 15 and 18 to reopen the line " CORP Partnership for Coos Bay Line, presentation (Nov 14, 2007), Exhibit 23 at page 8

\$27.1 million

"to reopen the line, and maintain the status quo service levels, the line needs \$27.1 [million] " CORP Briefing before Oregon Senate Interim Committee on Transportation (Oct 25, 2007) at page 8, included at Exhibit 35

\$6.7 million

"The engineering report prepared several months ago estimated the cost to repair the three tunnels so as to resume safe operation to be \$6.7 million " Letter from Scott Williams of RailAmerica to STB (Nov 2, 2007), included at Exhibit 36

\$23.27 million

"to rehabilitate the Coos Bay Subdivision and restore it to service in a safe operating condition for at least five (5) years is estimated at \$23,270,000 " Pro-forma Term Sheet proposals (titled "Draft Coos Bay Shippers/CORP Term Sheet") made by CORP in January 2008, included at Exhibits 37 and 38

\$2.9 million, \$7 million, \$23 million

"an immediate investment of \$2.9 million to rehabilitate tunnels the cost of addressing the deteriorated conditions in Tunnel Nos 13, 15 and 18 would be nearly \$7 million over the next four years CORP's analysis showed that the total cost of restoring the Coos Bay Line to a safe and efficient condition for the long term would be more than \$23 million " CORP Response to Show Cause Order (filed May 12, 2008) at page 8

Central Oregon & Pacific Railroad Briefing

before the

**Senate Interim Committee on Transportation
State of Oregon**

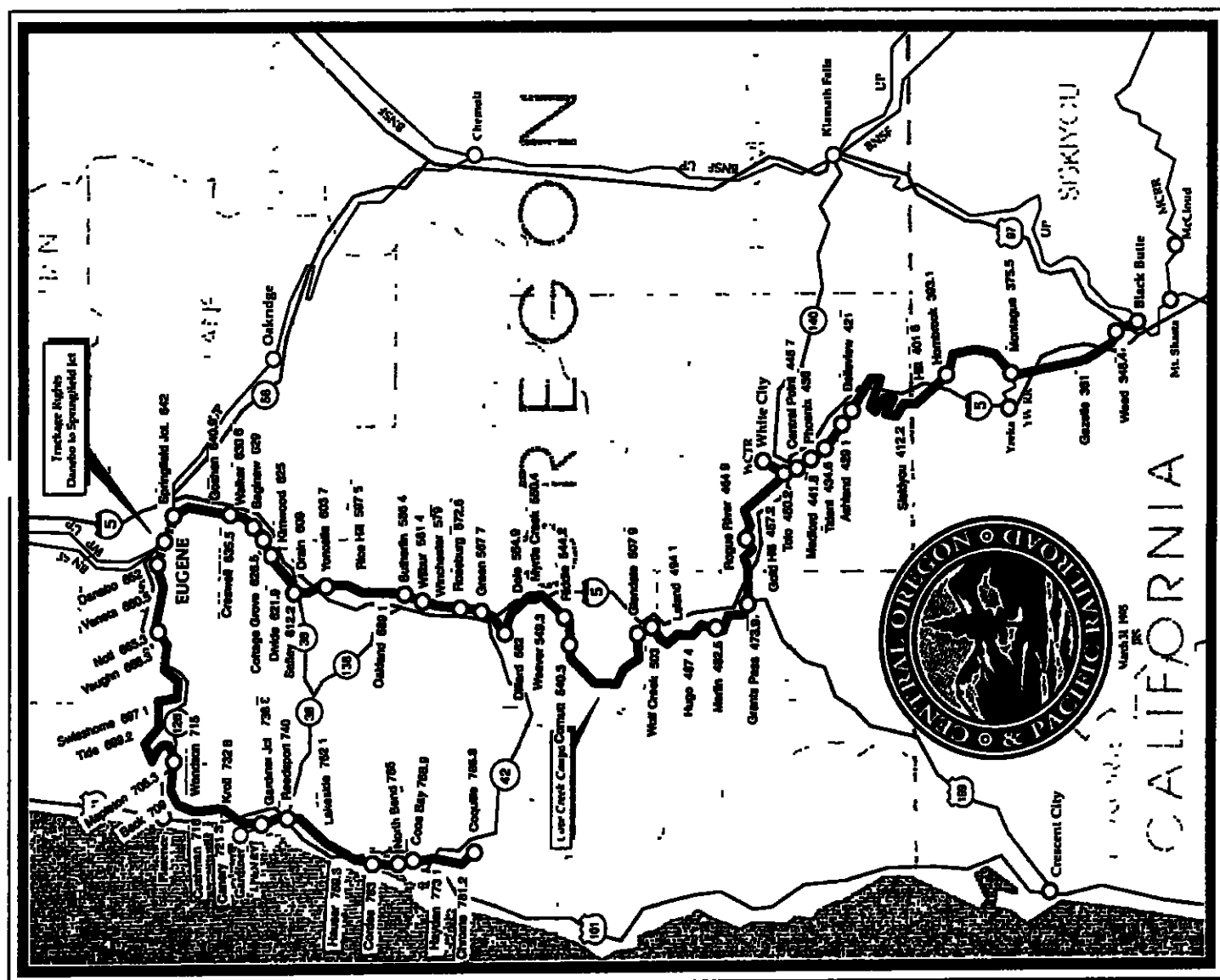
Presented by

Central Oregon and Pacific Railroad

And

RailAmerica

**October 25, 2007
Salem, Oregon**



Central Oregon & Pacific Railroad

Fact Sheet

- 439 Mainline Miles
- 105 Employees
- 46,376 Actual Carloads – 2006
- 38,535 Forecast Carloads – 2007
- Five Largest Customers (2006)
 - Roseburg Forest Products
 - Weyerhaeuser
 - Douglas County Forest Products
 - Georgia Pacific
 - Boise Cascade
- Winner of the 2006 Harriman Award (Silver)
 - Given annually to railroads with the best safety record in their peer group
- Winchester Yard Project
 - Joint project with Connect Oregon
 - Benefits for customers in Medford/Roseburg corridor
 - Relocates switching out of Roseburg

Central Oregon and Pacific Identifies Structural and Safety Issues with the Coos Bay Line Tunnels

- Late 2006 CORP performed immediate repairs on Tunnel 15
 - Result of joint observations with Federal Railroad Administration
- Immediate repairs caused partial tunnel collapse
- Immediate repairs to reopen Tunnel 15 cost approximately \$1.7million
 - Coos Bay closed for nearly 3 months
- Contracted with Shannon & Wilson to inspect all 9 tunnels on Coos Bay line – Inspection work began in Spring 2007
- Shannon & Wilson report completed Summer 2007
 - Report identified structural, safety and priority repair issues

CORP and RailAmerica Decide to Temporarily Suspend Operations on the Coos Bay Line

- CORP management evaluated the report, and concluded that serious safety issues, as well as commercial and operating issues, required RA senior management decision.
- CORP management made a presentation to RA senior management on September 18, 2007.
 - Immediate concern with Tunnels 13, 15 and 19
 - Any tunnel collapse poses a serious risk to CORP employees
- RailAmerica senior management made the determination to temporarily discontinue rail operations through Tunnels 13, 15 and 18 effective September 20, 2007.
 - RailAmerica issued an embargo notice through the appropriate channels.
 - Immediately communicated with CORP employees working on the Coos Bay Line.
 - Established communication plan to notify all stakeholders a day in advance of the embargo -- customers. Oregon DOT, FRA, key customers, and employees at large.
 - Put in place a plan to safely clear the line.
 - Put in place a plan to provide transportation alternatives for affected customers.

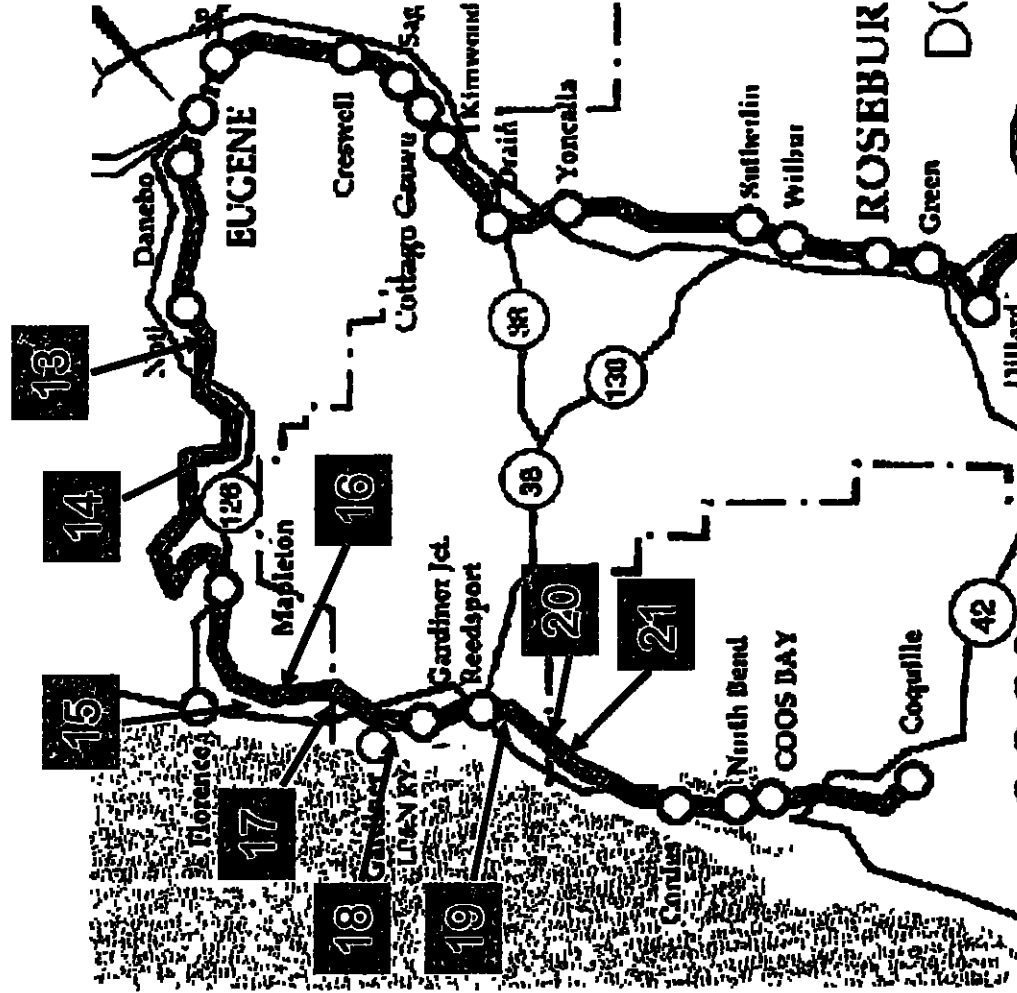
Coos Bay Line Historic Carloads and CapEx

• 2001	5,987	• 2001	\$274,240
• 2002	8,376	• 2002	\$199,653
• 2003	9,039	• 2003	\$302,242
• 2004	5,849	• 2004	\$191,522
• 2005	6,247	• 2005	\$1,121,905
• 2006	5,845	• 2006	\$1,815,076
• 2007 (YTD)	3,652	• 2007 (YTD)	\$678,213

• Historic High 1998 10,142

- Discontinued Customer Operations
 - International Paper – Gardner 1998
 - Weyerhaeuser – Cordes 2003

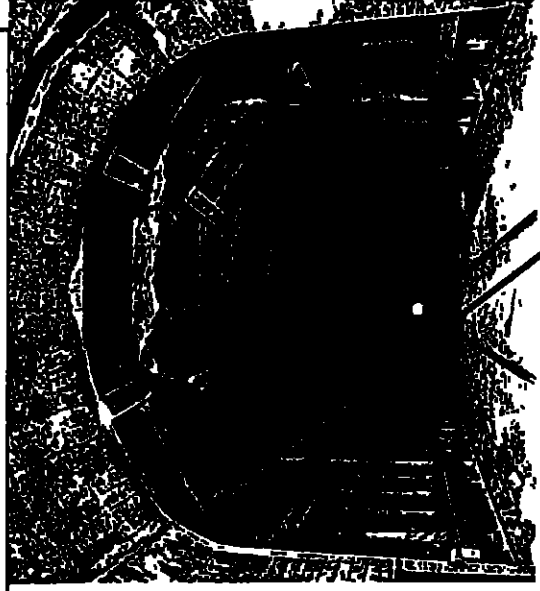
Coos Bay Line Map and Tunnels



Typical current timber conditions



Typical wood deterioration in tunnels



Missing crown section (fell out)

To Reopen the Coos Bay Line, and maintain the Status Quo service levels, the Line needs

• Ties	\$2.5
• Surfacing	\$0.7
• Tunnels	\$6.7
• Bridge Priority 2	\$6.7
• Bridge Priority 3	\$7.5
• Tunnel Drainage	\$3.0
Total Cost	\$27.1

Coos Bay Line – Future Prospects

- Capital expenditures a large hurdle, but can be overcome if business on the line can support the investment.
- Current level of business does not support the investment.
- Future business (increased production, new customers, container port) may support investment.
- Business downturn and embargo of Coos Bay line does not affect business prospects and infrastructure investment on Roseburg-Medford line.
- Public/private partnership can bridge the time from current business to future business.
 - Cape Breton & Nova Scotia model
 - * Abandonment of Sydney line close to approval
 - * Province of Nova Scotia made a business development decision to keep the line open
 - * Agreement reached with Province, where they provide a make-whole operating subsidy for the line, and all capital expenditures for infrastructure improvement
 - * Future business prospects – Donkin Coal Mine, Sydport Container Terminal

NOVA SCOTIA

Legend:

- Interchange Station
- CBNS

Scale: 0 to 20 Miles

© 2002 Desktop Systems, Inc.
www.desktop.com

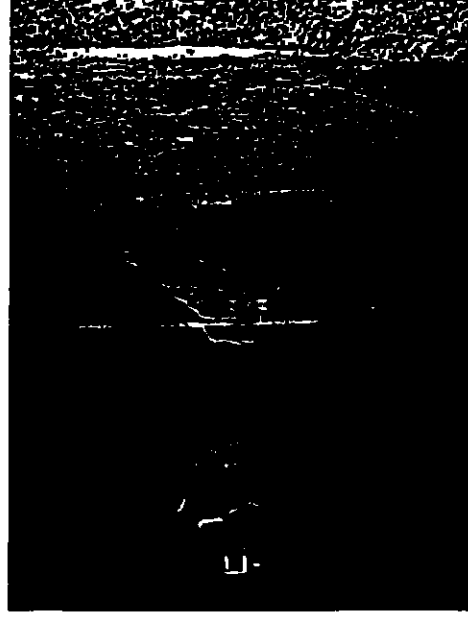
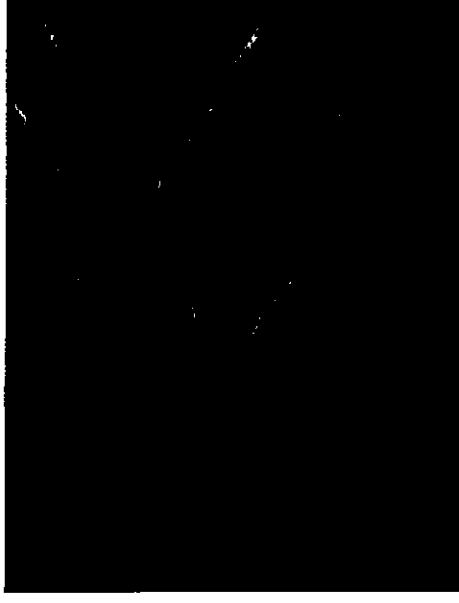
— CBNS

© 2002 DeskMap Systems, Inc
www.deskmap.com

BEHRY

20

Photographs of CORP Tunnels



**RailAmerica, Inc.**

Corporate Headquarters
5300 Broken Sound Blvd., NW
Boca Raton, FL 33487
Telephone: 561/994-6015-main
561/226-1757-direct
Fax: 561/994-4629
scott.williams@railamerica.com

November 2, 2007

Via Facsimile to 202-245-0462 and
First Class U.S. Mail
Katherine Bezold
Office of Compliance and Consumer Assistance
Surface Transportation Board
395 E. Street, S.W., Suite 1180
Washington, DC 20423-0001

Re: Central Oregon & Pacific Railroad, Inc. - Coos Bay Line

Dear Ms. Bezold:

The Central Oregon & Pacific Railroad, Inc. ("CORP") imposed an embargo (Embargo Number CORP000107) on its line between Richardson and Coquille, OR (the "Coos Bay Line") on September 21, 2007 due to unsafe conditions in tunnels 13, 15, and 18, pursuant to the Association of American Railroads Revised Circular TD-1. The embargo was based on an engineering evaluation of all of the tunnels on CORP and a follow-up inspection. The current date for the expiration of the embargo is September 21, 2008, but the embargo will remain in place for so long as it is unsafe to operate in the tunnels.

For your information, the Port of Coos Bay has filed suit against CORP, in the Federal District Court of Oregon, contesting the embargo and alleging damages. CORP is defending itself against the unfounded claims of the Port of Coos Bay, and has filed a Motion seeking referral of the matter to the Surface Transportation Board. This pending litigation and potential referral of this litigation to the Surface Transportation Board constrains this response.

As you know, CORP is a Class II railroad, although a small one. In 2006, CORP's gross revenues were approximately \$30.3 million, with the revenues generated by the Coos Bay Line comprising only about \$3.5 million of that total. After subtracting operating expenses, the Coos Bay Line suffered an operating loss of about \$1.5 million before annual capital expenditures. The engineering report prepared several months ago estimated the cost to repair the three tunnels so as to resume safe operations to be \$6.7 million. As you can see, the Coos Bay Line does not generate sufficient cash flows to pay the estimated cost of repair.



RailAmerica, Inc.

Katherine Bezold
November 2, 2007
Page 2

However, CORP values its customers and is searching for options to fund reopening the Coos Bay Line. CORP expects to obtain bids for the repair of the three tunnels, which will include the cost of repairs, a safe start time for making the repairs, and a projected completion time for the repairs. In addition, CORP is exploring all of its alternatives for financing the cost of the tunnel repair. CORP will look into the feasibility of private financing and the creation of a private/public funding mechanism involving all of the stakeholders in the Coos Bay Line. CORP expects to be in a position to present these proposals by the end of November.

After exploring these financing proposals, CORP will be able to determine its next step. However, CORP cannot predict when that will be because it depends on responses from parties over which CORP has no control.

CORP intends to continue to operate a safe railroad, and its actions in this matter will be governed accordingly.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Scott G. Williams', is written over a horizontal line.

Scott G. Williams
Senior Vice President
and General Counsel

SGW/hpb

Draft Coos Bay Shippers/CORP Term Sheet

Background

Rail service on the Coos Bay Subdivision of the CORP has been interrupted due to safety concerns related to numerous tunnel conditions on the line. In order to maintain service to the line over the next five years, there are significant bridge repairs and other capital work that must be completed before a safe on-going operation can be reestablished.

Cost

The cost to rehabilitate the Coos Bay Subdivision and restore it to service in a safe operating condition for at least five (5) years is estimated at \$23,300,000. The initial repair of the tunnels can be accomplished in a six (6) month period. The remaining work will be accomplished over a twenty-four (24) month period. The breakdown of the estimate is as follows:

1	Tunnel Liner Repairs	\$ 6.68M
2	Tunnel Drainage	\$ 3.00M
3	Bridge Repairs	\$10.50M
4	Ties	\$ 2.42M
5	Surfacing	\$ 0.67M
	TOTAL COST	\$23.30M

Estimated Pro-Forma of the portion of the Coos Bay Subdivision impacted by the discontinuance of operations:

Annual Carloads	4,586
Annual Revenue	
Freight Revenue (from UP)	\$2,170,000
Fuel Surcharge Revenue (from UP)	\$170,000
UP 3% Reporting Bonus (discretionary)	\$85,000
Real Estate Rental fees	\$40,000
Accessorial fees	\$40,000
TOTAL Annual Revenue	\$2,485,000
Annual Operating Expenses	
Diesel Fuel (based on \$2.63/gallon)	\$1,010,000
Rail Car Rental Expense net UP credits	\$490,000
Crew wages and benefits	\$650,000
Locomotive Leasing and Maintenance	\$340,000
Track, Bridge & Crossing Maintenance	\$920,000
Other G&A Expense	\$480,000
TOTAL Annual Expenses	\$3,890,000
Operating Income	(\$1,405,000)

Proposal

CORP Commitment

- A. CORP agrees to contribute 20% of the actual cost to restore the line to service for at least five (5) years, currently estimated at \$4.66M.

Draft Coos Bay Shippers/CORP Term Sheet

- B. CORP agrees to re-start service to the line as soon as practical after repairs are made to tunnels (approximately six (6) months after funding commitments are received) and it is determined that the line is in safe operating condition. The remaining work will be accomplished while the line is in service.
- C. CORP agrees to provide service not less than three (3) days per week on a routine basis on the line for the five (5) year term of this agreement.
- D. CORP agrees to seek commitments for 20% shares of the total cost from each of the Union Pacific Railroad, the Port of Coos Bay and the State of Oregon.
- E. CORP agrees to seek an operating subsidy from the State of Oregon to compensate for the actual annual operating deficit on the affected portion of the Coos Bay Subdivision, currently estimated at \$1.41M but not to exceed \$2M in any year. In addition CORP will seek up to \$2M in years three (3), four (4) and five (5) of this agreement for additional capital improvements to the line that may become necessary

Shipper Commitment

- A. Shippers on the affected portion of the Coos Bay Subdivision will be obligated to pay 20% of the actual cost to restore the line to service for at least five years, currently estimated at \$4.66M.
- B. Shippers will pay their share in the form of a \$203 per-carload surcharge (\$23.3M estimated total cost X 20% shipper share / 4,586 annual carloads / 5 years equals \$203) to be billed by CORP only until the 20% shipper share of the actual cost is paid. If the actual cost to restore the line to service for at least five (5) years exceeds \$23.3M, the duration of the surcharge will be extended until the 20% shipper share of the actual cost is paid.
- C. The five year duration of the payments is proposed so as not to unnecessarily economically burden the shippers by requiring full payment in advance
- D. Shipper Name will agree to commit to X,XXX carloads per-year to be shipped via the CORP railroad during the five year term of this agreement, for a total of X,XXX carloads.
- E. Shipper Name will agree to pay CORP liquidated damages in the amount of the \$203 surcharge per carload for each carload less than your 80% annual commitment
- F. Shipper Name will not be obligated to pay this surcharge on any carload that exceeds the annual commitment in any given year.
- G. If the actual cost to repair and restore the line differs from the estimate of \$23.3M the duration of the per-carload charge will adjust accordingly so that the full amount is repaid; no more and no less.
- H. Individual shipper share will be based on usage as the surcharge will be levied on any loaded car shipped or received.
- I. If a significant shipper on the line significantly reduces or eliminates service (a reduction of more than 500 annual carloads), the remaining shippers on the line will not be required to make up that shipper's share. It is anticipated a subsidy from the State of Oregon will fund this deficiency in the shipper share

Timing

- A. The intent of this agreement is to restore service to the Coos Bay Subdivision as expeditiously as possible. From the time a decision to proceed is made, it is estimated that it will take six (6) months (outside of the rainy season between November through

Draft Coos Bay Shippers/CORP Term Sheet

- February) to remedy the failed tunnels on the line to a condition that affords safe service. It is hoped that agreement with the partners could be made on or before May 31
- B. In order to support this timing, it is necessary to have written confirmation of participation by March 1.

Next Steps

Upon confirmation of your intention to participate, CORP will draft a binding contract for signature.

Draft Coos Bay Shippers/CORP Term Sheet

Background

Rail service on the Coos Bay Subdivision of the CORP has been interrupted due to safety concerns related to numerous tunnel conditions on the line. In order to maintain service to the line over the next five years, there are also significant bridge repairs and other capital work that must be completed before a safe on-going operation can be reestablished.

Cost

The cost to rehabilitate the Coos Bay Subdivision and restore it to service in a safe operating condition for at least five (5) years is estimated at \$23,270,000. The initial repair of the tunnels can be accomplished in a six (6) month period. The remaining work can be accomplished over a twenty-four (24) month period. The breakdown of the estimate is as follows:

1. Tunnel Liner Repairs	\$ 6.68M
2. Tunnel Drainage	\$ 3.00M
3. Bridge Repairs	\$10.50M
4. Ties	\$ 2.42M
5. Surfacing	<u>\$ 0.67M</u>
TOTAL COST	\$23.27M

Below is an estimated pro-forma for the portion of the Coos Bay Subdivision impacted by the embargo:

Annual Carloads	4,586
Annual Revenue	
Freight Revenue incl fuel surcharge (from UP)	\$1,900,000
UP 3% Reporting Bonus (discretionary)	\$50,000
Real Estate Rental fees	\$40,000
Accessorial fees	\$40,000
TOTAL Annual Revenue	\$2,030,000
Annual Operating Expenses	
Diesel Fuel (based on \$2.83/gallon)	\$1,010,000
Rail Car Rental Expense net of UP credits	\$490,000
Crew wages and benefits	\$650,000
Locomotive Leasing and Maintenance	\$340,000
Track, Bridge & Crossing Maintenance	\$920,000
Other G&A Expense	\$480,000
Management Fee	\$100,000
TOTAL Annual Expenses	\$3,990,000
Operating Income	(\$1,960,000)

(Note that pro-forma does not include costs for interest expense.)

Proposal

CORP Commitment

- A. CORP will agree to contribute 20% of the actual cost to restore the line to service for at least five (5) years, currently estimated at \$4.66M, provided the other parties to the proposed public-private partnership commit to participate in the partnership at the proposed levels.
- B. CORP will agree to re-start service to the line as soon as practical after repairs are made to tunnels (approximately six (6) months after funding commitments are received) and it is determined that the line is in safe operating condition. The remaining work will be accomplished while the line is in service.
- C. CORP will agree to provide service not less than three (3) days per week on a routine basis on the line for the five (5) year term of this agreement.
- D. CORP will agree to seek commitments for 20% shares of the total cost from each of the Union Pacific Railroad, the Port of Coos Bay and the State of Oregon.
- E. CORP will agree to seek an operating subsidy from the State of Oregon to compensate for the actual annual operating deficit on the affected portion of the Coos Bay Subdivision, currently estimated at \$1.96M but not to exceed \$2.5M in any year. In addition CORP will seek up to \$2M in years three (3), four (4) and five (5) of this agreement for additional capital improvements to the line that may become necessary.

Shipper Commitment

- A. Shippers on the affected portion of the Coos Bay Subdivision will be obligated to pay 20% of the actual cost to restore the line to service, currently estimated at \$4.66M.
- B. Shippers will pay their share in the form of a \$203 per-carload surcharge (\$23.3M estimated total cost X 20% shipper share / 4,586 annual carloads / 5 years equals \$203) to be billed by CORP only until the 20% shipper share of the actual cost is paid. If the actual cost to restore the line to service for at least five (5) years exceeds \$23.3M, the duration of the surcharge will be extended until the 20% shipper share of the actual cost is paid. If the actual cost to restore the line to service for at least five (5) years is less than \$23.3M or the volume of traffic increases, the surcharge will be eliminated once the 20% shipper share of the actual cost is paid.
- C. The five year duration of the payments is proposed so as not to unnecessarily economically burden the shippers by requiring full payment in advance.
- D. Shipper Name will agree to commit to X,XXX carloads per-year to be shipped via the CORP railroad during the five year term of this agreement, for a total of X,XXX carloads.
- E. Shipper Name will agree to pay CORP liquidated damages in the amount of the \$203 surcharge per carload for each carload less than your 80% annual commitment, and 100% of your 5-year commitment.
- F. If the actual cost to repair and restore the line differs from the estimate of \$23.3M the duration of the per-carload charge will adjust accordingly so that the full amount is repaid; no more and no less.

Draft Coos Bay Shippers/CORP Term Sheet

- G. Individual shipper share will be based on usage as the surcharge will be levied on any loaded car shipped or received.**

Timing

- A. The intent of this agreement is to restore service to the Coos Bay Subdivision as expeditiously as possible. From the time a decision to proceed is made, it is estimated that it will take six (6) months (outside of the rainy season between November through February) to remedy the failed tunnels on the line to a condition that affords safe service. It is hoped that agreement with the partners could be made on or before May 31.**
- B. In order to support this timing, it is necessary to have written confirmation of participation by March 1, with the understanding that your commitment will only be binding if the public-private partnership comes to fruition.**

Next Steps

Upon confirmation of your intention to participate, CORP will prepare a binding contract for signature.

From: Lovelady, Dan (CORP) [Dan.Lovelady@railamerica.com]
Sent: Thursday, September 16, 2004 5:23 PM
To: MELBO Robert I
Cc: Bader, Marc (RAWEST), Kelsey, Craig (CORP), Treece, Scott (CORP), Koff, Ken (Boca)
Subject: CORP Rehab Project

Bob,

Thanks for your patience. We have finally decided on our revised plan which is outlined in the spread sheet attached.

We have moved some ties around from the original proposal but for the most part, we will concentrate our program between MP 740 Reedsport and MP 785 North Bend. We expect to put in about 550 ties per mile. We have increased the amount of ties from 10,000 to almost 15,000 because we found some very good relay ties that we are purchasing.

Of course we anticipate purchasing materials (relay ties and ballast) with the State grant money and using our \$400,000 match to get the work done.

With the PORT of Coos Bay getting grant money to build a new rail spur to the North Spit at Cordes and the new sawmill being built there, we want to have the track rehabilitated to handle this new business. We believe the new rail spur and natural gas to the North Spit will generate many new industrial rail opportunities for the CORP.

Please advise if you have any additional needs or have any questions.

Thanks Dan

1

9/17/2004

CERTIFICATE OF SERVICE

I hereby certify that I have caused Volume II - EXHIBITS TO THE REPLY OF THE OREGON INTERNATIONAL PORT OF COOS BAY to be served by overnight delivery service this 3rd day of June 2008 on the following

Governor Theodore R. Kulongoski
State of Oregon
160 State Capitol
900 Court Street
Salem, OR 97301-4047

Oregon International Port of Coos Bay
Administration Office
125 Central Avenue, Suite 300
Coos Bay, OR 97420
JBishop@PortofCoosBay.com

J. Michael Hemmer
Bob Opal
Union Pacific Railroad Company
1400 Douglas Street
Omaha, NE 68179
mhemmer@up.com

Allyn Ford
Andy Jeffers
Roseburg Forest Products
P O Box 1088
Roseburg, OR 97470
allynf@rfpc.com

Jerry Keck
Toledo Area Manager
Georgia-Pacific Corp
1400 SE Butler Bridge Rd.
Toledo, OR 97391-1900
jnkeck@gapac.com

Fred Jacquot
Paul Brewster
American Bridge Co
135 American Bridge Way
Reedsport, OR 97467
fjacquot@americanbridge.net

Jason W. Smith
Mill Manager
Southport Forest Products
P O Box 298
Coos Bay, OR 97420
jason@southportforest.com

Allen Dasher
Retail Manager
Amerigas
425 Virginia St
North Bend, OR 97459
allen.dasher@amerigas.com

Eric Nelson
David Gray
Ferrellgas
1625 N 7th St
Coos Bay, OR 97420
ericnelson@ferrellgas.com

Patrick Ball
Tom McMann
Coos Bay Lumber Co., LLC
P O Box 750
Coos Bay, OR 97420
pat@cooshcad.com

Carl Foster
Partner
Danish Dairy
94912 Hwy 42 S
Coquille, OR 97423

Aaron Thomas
Rocky Buckles
Thomas & Sons Transportation Systems
840 South Front St
Coos Bay, OR 97420
aaron1@thomasandsonsinc.com

Doug Woolsey
Transportation Manager
Coos Bay Docks
P O Box 277
Coos Bay, OR 97420

Oregon Department of Justice
Attn Katherine Georges
1162 Court St NE
Salem, OR 97301
katherine.georges@doj.state.or.us

Terence M Hynes
Donald H Smith
Matthew J Warren
Noah Clements
Sidley Austin LLP
1501 K Street, N W
Washington, DC 20005
thynes@sidley.com

Oregon Department of Justice
Attn Stephanie Andrus
1162 Court St NE
Salem, OR 97301
stephanie.andrus@doj.state.or.us

Ronald S Yockim
Attorney at Law
430 S E Main St
Roseburg, OR 97470
ryockim@cmspan.net



David E Benz