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Surface Transportation Board Hearing
TESTIMONY BY GOVERNOR TED KULONGOSKI
Wayne Morse Federal Courthouse
Eugene, Oregon
Thursday, August 21, 2008

AB-515 Sub 2
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I want to thank the Surface Transportation Board for holding this hearing in Oregon.

I also want to thank Congressman DeFazio for working cooperatively with my office in trying to find a resolution to this issue we are here to discuss.

And I want to acknowledge the other elected representatives and local business and community leaders that are here today for this important hearing.

I find it rather appropriate that we are here in the Wayne L. Morse Federal Courthouse. Many people may not remember that Senator Morse was appointed dean at the University of Oregon Law School in the early 1930s. In 1941, President Franklin Delano Roosevelt appointed Dean Morse to be the Chairman of the federal Railway Emergency Board. His charge in that position was to settle a threatened strike by railroad workers. Here we are again, nearly 70 years later, with another emergency on one of our railroads – and we need your help.

This issue – and this railroad – is of great importance to Oregonians because of its role in our state's economy and particularly this region's economy. RailAmerica's sudden shutdown of the Coos Bay line of the CORP railroad has created great economic uncertainty for businesses in this region.

Let me give you two examples:

(1) American Bridge located to the southern Oregon Coast because of the availability of short-line rail service. That company has had to forgo business opportunities because some of their products—because of size—can be shipped only by rail. Trucking is not an alternative.

(2) Southport Lumber invested in a new facility on the old Weyerhaeuser site because of the diverse transportation options including rail and its desire to work and grow on the beautiful Oregon coast. Now the rail option is on indefinite hold.

This uncertainty cannot continue; the rail service must be restored.

I have two requests

First, accept the Port of Coos Bay's feeder-line application to purchase the entire line for a reasonable amount and restore short line service to Oregon's South Coast.

And second, reject RailAmerica's abandonment request. I want to emphasize it is important NOT to segment the line, as the abandonment request would do. Having a "short-line behind a short-line" would put the port and the businesses shipping by rail in a precarious and untenable situation because they would have to rely on RailAmerica for the last 20 miles into Danebo.

Given RailAmerica's recent actions, I do not believe this would be a positive or workable solution. Furthermore, the regional communities and businesses believe they are better able to make this vital piece of infrastructure operable and economically sustainable.

I believe it is in the best interests of all parties for the board to approve and adopt the application of the International Port of Coos Bay to operate the line.

I know you are familiar with the timeline for this situation. On September 21, 2007, with one day's notice, RailAmerica issued an embargo closing the line, citing unsafe tunnel conditions. From the very first day, Oregon state government offered to work with all of the parties to see what could be done to resolve this issue quickly to get the rail line running again.

My office and the Oregon Department of Transportation engaged with the highest levels of RailAmerica in early October to discuss their plan to fix the tunnels and reopen the line. We were told that a plan to reopen the railroad was forthcoming and that the closure was "temporary."

RailAmerica did not develop a plan to ensure that the tunnels were reopened — a \$2.9 million-dollar fix according to RailAmerica's own report. Instead, RailAmerica announced in a press conference, without any formal negotiations with any of the affected parties, that they would need a "public/private partnership" to proceed further with reopening the line.

RailAmerica's announced partnership required that the Port of Coos Bay, the shippers, the Union Pacific Railroad, and the State of Oregon each contribute \$4.6 million-dollars— a total of more than \$18 million-dollars—to repair RailAmerica's railroad.

RailAmerica also asked the State of Oregon to provide as much as \$16 million-dollars over a five-year period to defray the company's operating cost and make ongoing capital improvements to the line.

RailAmerica further announced that it was not willing to take steps to re-open the line without this investment of private and public dollars.

To facilitate a timely resumption of business on the Coos Bay Line, Congressman DeFazio and I personally convened a meeting with all of the stakeholders, including

RailAmerica. We told RailAmerica: *Repair the tunnels and get freight moving again and we would work to bring all of the players to the table to develop a long-term solution.*

RailAmerica rejected that offer.

The only option for the board at this time is to adopt the Port of Coos Bay's feeder-line application. This solution is the right thing to do on behalf of the employees, the businesses, and the communities that the line serves

Before I close, I want to talk briefly about the broader issue of investing in the multi-modal transportation infrastructure of our nation's smaller, rural communities, and what you can do as a public body to encourage that all of America be part of an investment strategy that serves all Americans.

Over the last decade, we have watched as carrier after carrier has abandoned service to our rural communities. Amtrak discontinued the Pioneer route, which served Eastern Oregon, leaving the region without passenger rail service. Greyhound and Trailways have discontinued bus service in much of rural Oregon.

UPS has cut its service and, most recently, airlines have cut back service to many communities because of the high price of fuel. Finally, we have the situation that precipitated this hearing, the loss of freight rail service to a region.

I am concerned when, as in the case of RailAmerica, a short-line railroad system is transformed from a critical economic asset to a liquid asset for a hedge fund's bottom line

At some point, providing infrastructure for rural America cannot be just a bottom-line accounting decision. Otherwise, small economic regions like the southern Oregon coast, will become more isolated and economically unstable.

In short, if something is not done at the national level to foster a national policy of investment in the transportation needs of our smaller, rural communities, they will cease to remain economically viable. If that occurs, we all lose.

This isn't good for our state or our country. The population of our small communities represents the best of who we are: independent, resilient, and hard-working.

With your help, we can create a national transportation policy that ensures connectivity of our transportation needs to every corner of our nation.

Even with de-regulation, you – the Surface Transportation Board – are part of that policy solution. I'm asking for your help to reinvest in our small communities and restore economic opportunity across America

RailAmerica must not be allowed to neglect a line, hold communities for ransom for repair and if they don't pay up, then over price it and sell it for scrap That is not fair.

I've always recognized the value of the Port of Coos Bay as the economic engine for Southern Oregon and Northern California coastal communities.

One of my first actions as Governor was to strengthen the Port of Coos Bay Commission. After several years of hard work, dedication, and new leadership, this region is on the rebound.

Whether it is investment in Port facilities or completion of new infrastructure, this region is ready to become the economic hub it can be. But without reliable rail service that is reasonably priced, this transformation will not be possible.

Do the right thing: help save these businesses and the jobs they create, and allow this community to help itself

In closing, I appreciate your willingness to listen to Oregonians first hand – and not to rely on written testimony alone. As you will hear in testimony today, this region is blessed with committed citizens who are ready and able to do their part to restore rail service and preserve their economic future.

_____ I urge you again to please grant the feeder-line application and reject
- RailAmerica's abandonment request.

- End -