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August 21, 2008

Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Chairman Charles D. "Chip" Nottingham
Vice Chairman Francis P. Mulvey
Board Member W. Douglas Buttrey

Dear STB Board:

Thank you so much for coming to our beautiful state and for allowing this hearing to take place. Because the press on this meeting was vague, many people in our area did not realize that they needed to submit a letter to you by August 11th to be able to testify at this hearing. I would like to request that the record remain open for an additional 2 weeks to give a sufficient amount of time to the public so that they are able to fully participate in this process.

I am a tax paying citizen of the Port of Coos Bay and also the executive director of an all volunteer grassroots group some 4,000 strong and growing, known as the Citizens Against LNG. I would like to speak on my behalf and also express the concerns of our group in regards to the Coos Bay Railline and the Port's attempt to become the owner of that line.

We feel that a operational rail line from Coos Bay to Eugene is an important and necessary transportation infrastructure for our area. We currently have no buss service to and from the area and are in the process of losing our Portland connection by air. In light of rising fuel cost along with transportation impacts on global warming, we feel a light rail system designed to transport people by rail should be considered as a viable mode of potential future transportation possibilities. This is probably not likely to happen without some form of public partnership/ownership of these lines. History has seemed to indicate that to be the case in regards to the success of the railroad. The Railroad Act of 1862 put government support behind the transcontinental railroad and helped create the Union Pacific Railroad, which subsequently joined with the Central Pacific at Promontory, Utah, on May 10, 1869, and signaled the linking of the continent. This likely would not have been a success without the government's involvement.

We have a vast array of public transportation highways that are maintained for the most part by public funds. Imagine the chaos if automobile and truck manufacturers where forced to maintain ownership and upkeep of our public highway systems. But this is exactly what we have been expecting our railroads to do. Even though railroads are part of a statewide transportation system, there are no state funds or federal funds for that matter to help a railroad when they get into a pinch. There are funds for airports and other transportation modes but not rail. According to Kelly Taylor in an article that came out in our local paper on December 27th 2006, Oregon actually has a state statue in place to do this known as the "State Railroad Rehabilitation Fund" but "Nobody's ever put a dime into it" she said of the Legislature.

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While an operational rail line to Eugene is an important and necessary transportation infrastructure for our area, we do not feel the Oregon International Port of Coos Bay should be the owner/operator of this line. We feel an elected state or regional board or body specific to the railroad would be a better solution.

We feel strongly that the Oregon International Port of Coos Bay should not own or operate the Coos Bay Rail line for numerous reasons:

- 1) **The Oregon International Port of Coos Bay Port Commission is a non-elected body that is not accountable nor has listened to the public. Port Commissioners are appointed positions.** There would be no accountability to tax payers with Port ownership. The Port has a history of violating public trust and due process. Information to this effect has been sent and are on file with both the Governor's staff and several governing bodies in the legislature. (Copies available upon request.)
- 2) **The Oregon International Port of Coos Bay has no experience in operating a rail line. Taxpayers are being asked to fund a project that could be extremely costly and in the end may not be viable because of that cost.** In the Oregon Southwest Economic Transportation Team pamphlet on the Oregon Gateway, Corp estimates upgrades needed to the Coos Bay line to cost between \$120 to \$140 million. (See exhibit A.) With a public entity like the Port running the line, these costs would shift to tax payers. The railroad currently is in terrible condition as noted by these pictures shown in exhibits B & C. (For even more pictures visit this website: <http://www.brian894x4.com/CentralOregonandPacificRR.html>) **Necessary repairs will involve more than just fixing up a few tunnels.** The cost of repairs could and most likely would be far more than what Corp has stated. During Senate Bill 21A hearings in Salem last year, the issue of the Coos Bay rail line and its poor dilapidated condition was brought to the attention of the Ways and Means legislative body. (See exhibit D.) Despite testimony on the railroads dilapidated condition, the legislative body allocated no money for repairs to the railroad. Without a functioning railroad, the 60 million allocated by the State for the Ports dredging project would be a very expensive waste. When we brought this to our State Senators attention, we were informed that this would not be an issue, as private money would fix the railroad line. As you can see, that has not happened. In the end the allocated state funds for the Port's dredging project were made contingent on there being agreements with CORP. **This is a significant issue and one of the reasons why the Port wants to take over this line.** 60 million in allocated funds from the State to the Oregon International Port of Coos Bay depend on this rail line being operational with adequate rail infrastructure and service capacity. An agreement of some sort needs to be in place between the rail carrier and a containerized cargo carrier. (See Exhibit E.)
- 3) **The Oregon International Port of Coos Bay has not demonstrated competence. Industries and businesses they have tried to bring into our area under the guise of creating jobs have been for the most part economically, environmentally, and logistically inappropriate for the area.** Port business dealings are usually done in secret, behind closed doors and without public oversight and/or approval. The outcome of operating like this has been one sequential Port boondoggle after another and all at taxpayer's expense. This also comes at the expense of other better-suited businesses that may have located in our area.

4) The Oregon International Port of Coos Bay has not demonstrated that they are responsible. The Port has not maintained many past Port publicly funded infrastructure projects that were built at taxpayer's expense. The Port is always willing to start a project and sink millions of taxpayer dollars into it, but never seems willing or able to finish or maintain it. The Port's investment into a host of ever changing and expensive "pie in the sky" new projects is generally done with little public oversight. Many Port Infrastructures that have already had millions sunk into them are deteriorating and are not being maintained while the Port goes on to new projects:

- a) T-Dock – A several million dollar investment currently sits rotting and unusable.**
- b) Barge Slip - Was never maintained. Current attempts to upgrade this slip to a usable condition are costing thousands of dollars.**
- c) Cross Line Ferry – Poor Port investment that taxpayers lost money on.**
- d) Transpacific Rail Spur / Transpacific Realignment Project – This line was to connect businesses, mainly Southport Lumber's new mill on the North Spit, with the Coos Bay Rail line. Southport Lumber moved from south of town and built a modern new mill on prime Port North Spit property. The mill is now located in an Enterprise Zone (tax free) and now requires less people to operate. Essentially taxpayers have made substantial Port investments (in the millions) to have fewer jobs in the area. The Port has continued to allocate funds (over a million dollars) towards the Transpacific Railroad Realignment project, even after CORP had imposed an embargo on the Coos Bay Line it connects to.**
- e) North and South Jetties: While the Port works to get funding from the State for yet another speculative project, our jetties, which are vital to our shipping and many industries in the area, currently sit in disrepair. Elected officials and the Army Corps of Engineers scramble to get money each year for band-aid repairs. Up-keeping this vital infrastructure should be of utmost importance to our Port.**

With the Central Oregon and Pacific Railroad (COPR) only abandoning the portion of the Coos Bay Line between Vaughn and Cordes, Ore and not the entire line to Eugene, public ownership of only this portion of the line they are abandoning would leave taxpayers at their mercy. COPR would have us over a barrel. We could essentially own a line that goes to nowhere. What would stop CORP from placing outlandish tariffs and transportation fees on the section of line they would still own to Eugene? One owner needs to own the entire line.

If the Jordan Cove Energy LNG Project gets approval, any accidents that might occur involving the Hazardous Natural Gas Liquids that Jordan Cove plans on transporting on this rail line, would fall on taxpayers if the line becomes publicly owned. Given the Port's past history of not keeping up the infrastructure they have invested in, and the fact the rail lines current condition appears to be unsafe (See exhibit B & C.), **we are concerned that the condition of the track could be setting up taxpayers for a huge liability.** According to a leading hazard expert, Dr. Jerry Havens, in a report he did for the city of Long Beach ¹ imported LNG from foreign sources

¹ "...It has already been stated that the composition of LNG imported into the United States varies significantly depending on several factors, most prominently the gas source location. LNG is imported from some locations that provide nearly pure methane. LNG is also imported from some other locations with concentrations of heavier hydrocarbons as high as 15-20%. Such gas is termed "hot gas" in the industry because its calorific value (energy content) is higher than an equivalent volume of methane. Typical heavy hydrocarbon gases present in LNG are ethane and propane, but others are present as well."
– Page 25 – *"An Assessment of the Potential Hazards to the Public Associated with Siting an LNG Import Terminal in the Port of Long Beach"* – Dr. Jerry Havens - September 14, 2005

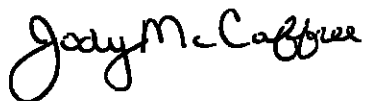
could contain as much as 15 – 20 percent of the heavier (Natural Gas Liquids (NGL)) hydrocarbons such as propane and ethane. Jordan cove Energy Project plans on producing one billion cubic feet a day of regasified LNG and transporting this gas out by way of the Pacific Connector Pipeline. They plan on taking out the heavier hydrocarbons (hot gases) beforehand and shipping these Natural Gas Liquids (NGL) out by rail. 1 billion cubic feet a day of foreign LNG from sources that contain 15 % NGL by volume would produce approximately 1.87 million gallons of NGL a day as bi-product. These are very large volumes of very hazardous liquids that potentially would be shipped out by way of this Coos Bay rail line. We want to make sure that the line would be in a condition that is able to safely handle these types and volumes of hazardous liquids and would like to know before public ownership what that would entail. We also have other questions that we feel need to be answered also such as;

- 1) How much is the current net worth of the Coos Bay rail line and what is the projected cost that will be necessary to repair the line as determined by a third nonpartisan party.
- 2) If public ownership of the line was to occur, where would the locomotive and cars to operate the line come from and at what cost.
- 3) What guarantees would the public have that the line would not be a money loser.
- 4) How has the Oregon International Port of Coos Bay determined they would be a better operator of this line than the Central Oregon and Pacific Railroad (CORP) has been?
- 5) What guarantee would citizens have that the line would be operated in a safe and reliable manner?

We as a group do not oppose a public partnership/ownership of the railroad but are adamant that any public involvement or funds concerning this Coos Bay Line have strict oversight by an elected (by the people) statewide or regional board specific to the railroad. This board needs to be highly accountable to the public. Since this Coos Bay line impacts Coos, Douglas and Lane counties and extends beyond the jurisdiction of the Oregon International Port of Coos Bay, an elected regional or state board would help give better representation and oversight to impacted landowners and businesses in all these counties.

We hope the Surface Transportation Board will consider all these issues before accepting the feeder line application by the Oregon International Port of Coos Bay.

Sincerely,



Jody McCaffree

A Vision Driving Economic Growth

"a real team effort . . .
a 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



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 RFMI 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.



We realized we have a diamond in the rough here and an opportunity to build a transportation strategy around the port.

—Representative Susan Morgan

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.

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.

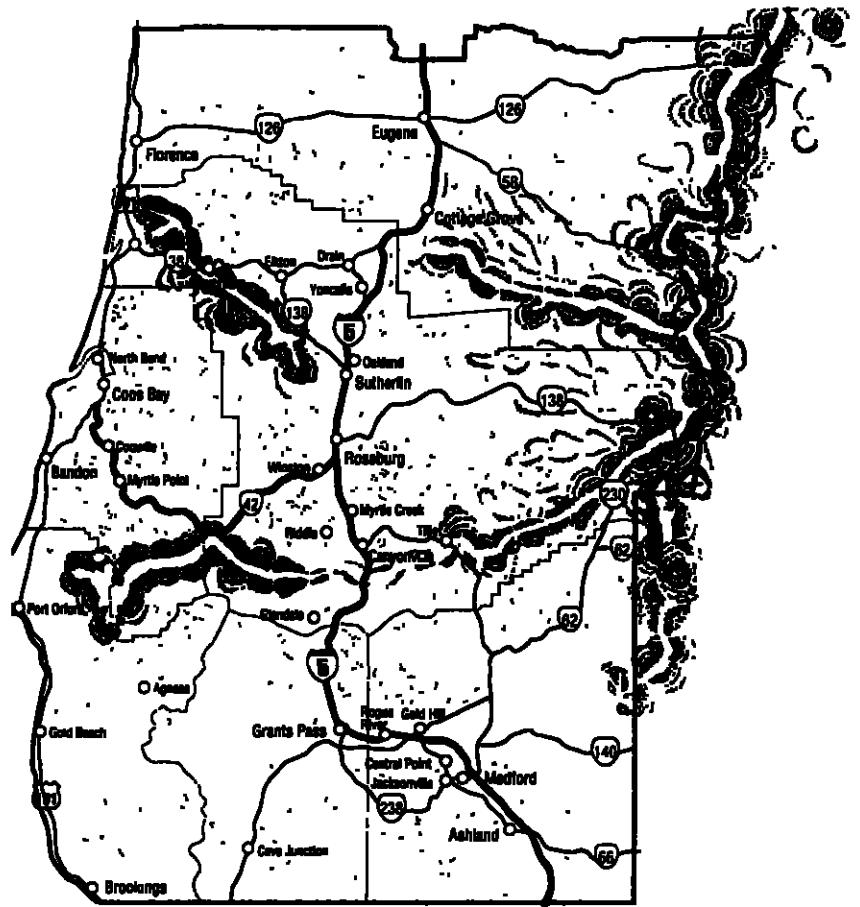
The highway investment results depict dramatic economic growth from the \$3.2 billion in highway investments. If these investments can reach benchmark network efficiency increases of 2.5 percent, then this investment strategy would result in substantial economic expansion.

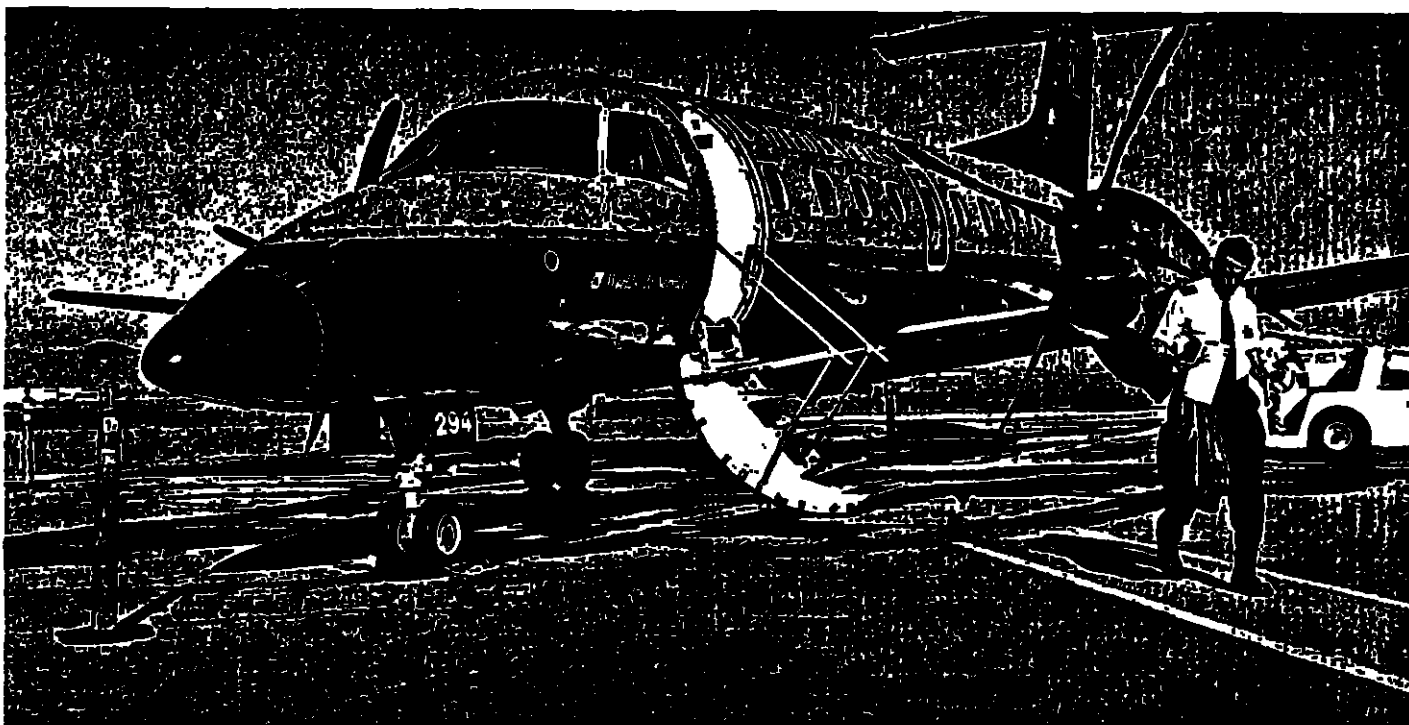
The Team recommends continued investment in Interstate 5, the key north-south freight route on the West Coast is essential. Improving connections between the Rogue Valley to the Port of Coos Bay and the coastal communities of Coos and Curry counties also involves investment in Oregon Highway 42 to a four-lane highway.

"Highway 42 is 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.



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 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.

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.

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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.***

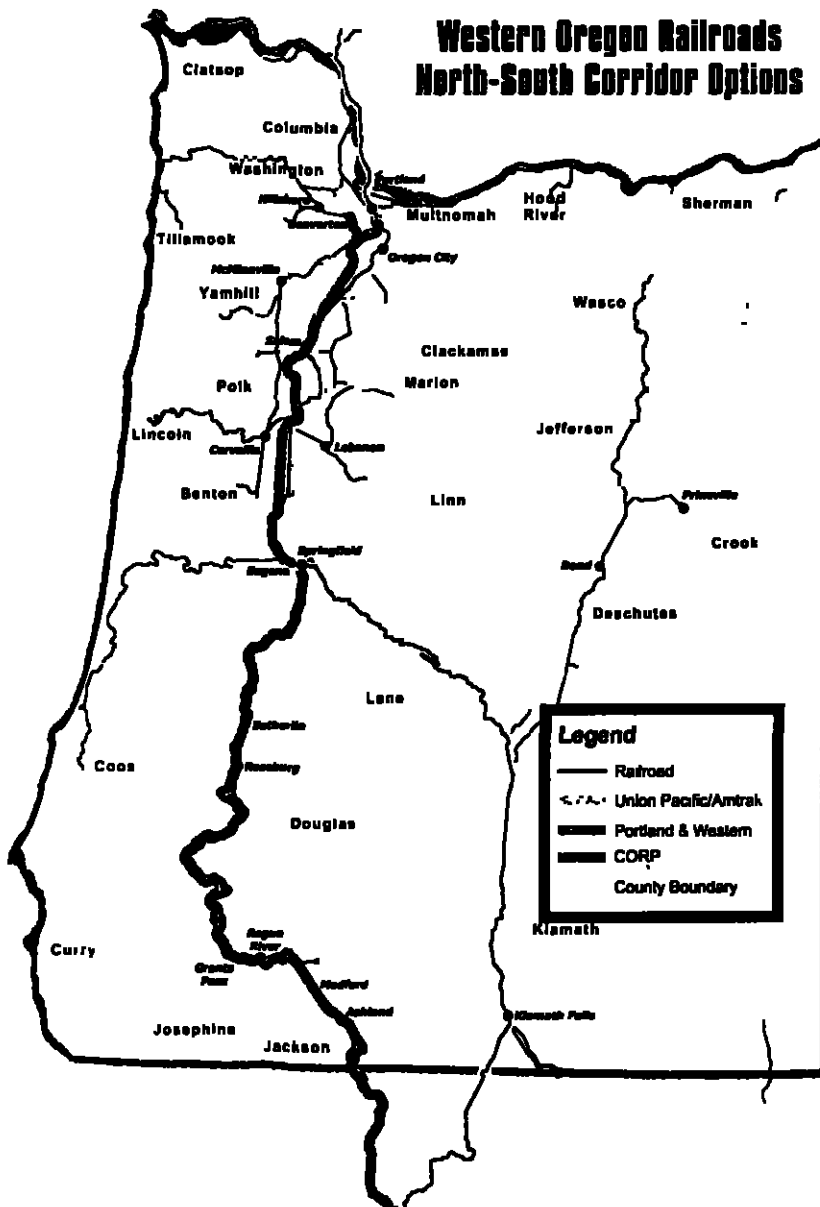
***—Stuart Foster, Chair
Oregon Transportation Commission***

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

Western Oregon Railroads North-South Corridor Options



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.

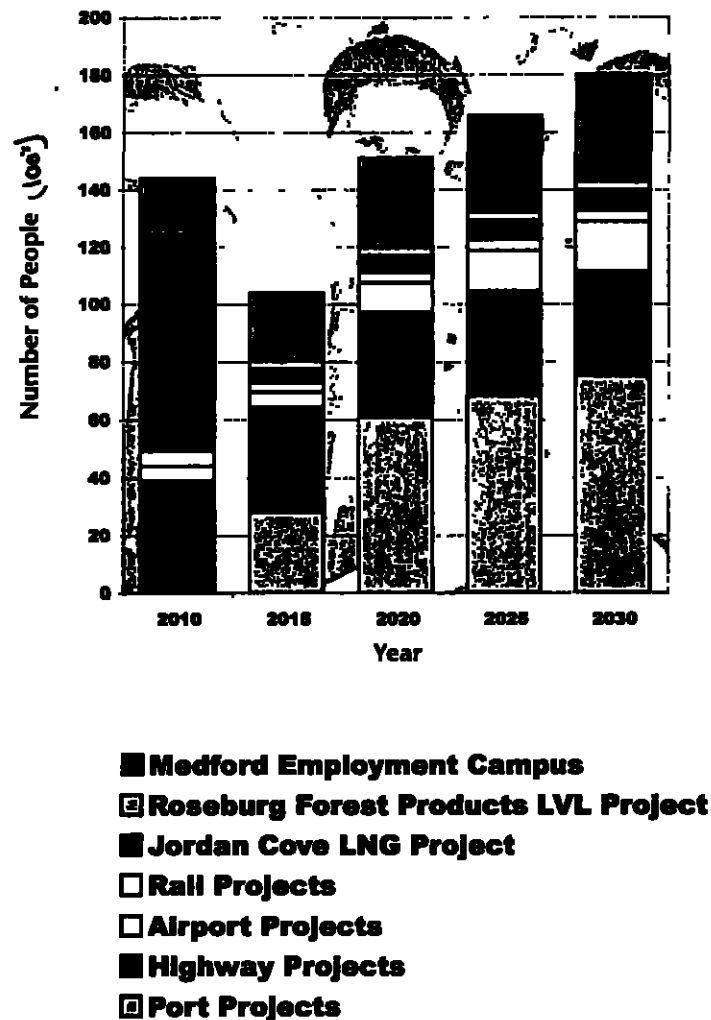
"This work, this analysis is the prototypical tool for national applications," Representative Buckley said. "With this we not only can measure the economic performance of transportation investments, we can provide a critical path for federal investment."

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.

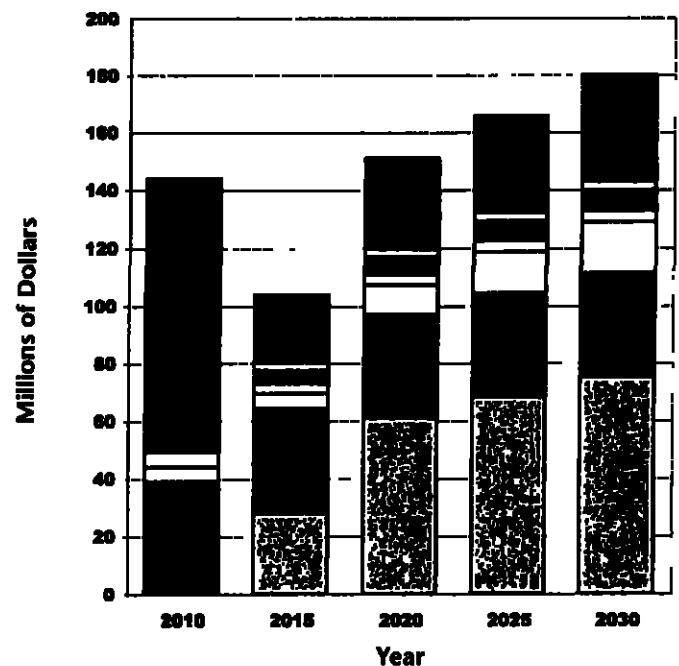
"Sometimes there is a gap between what companies need and what the policy makers provide," said Peter Kratz, Executive Vice President Operations, Harry & David Holdings, Inc.

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



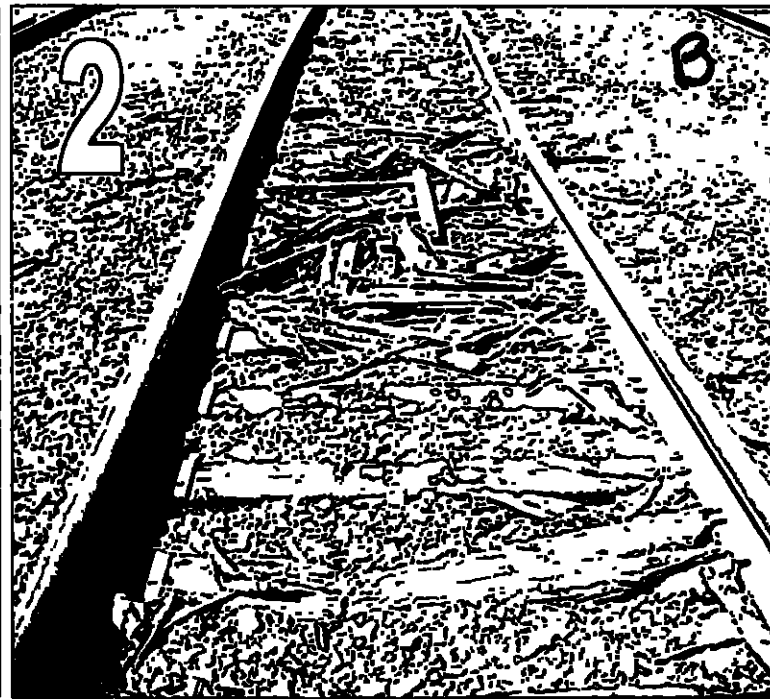
Revenue



Southwest Oregon Economic Expansion and Transportation Team

Baker, Mike	Senior Planner, Oregon Department of Transportation
Barbee, Ray	Vice President Sales, Roseburg Forest Products
Bishop, Jeffrey	Executive Director, Oregon International Port of Coos Bay
Buckley, Peter	Representative, State of Oregon
Burrill, Michael	Chair, Oregon State Aviation Board
Callery, Martin	Director of Communication & Freight Mobility, Oregon International Port of Coos Bay
Clafin, Chris	Oregon Economic and Community Development Department
Conrad, Helga	Umpqua Economic Development Partnership
Doan, Ron	Chair, Douglas County Industrial Development Board
Foster, Stuart	Chair, Oregon Transportation Commission
Gambie, Stephen	President, Rogue Disposal and Recycling
Gilman, George	Representative, State of Oregon
Griffin, Jeff	Regional Director, Governor's Economic and Revitalization Team
Hanna, Bruce	Representative, State of Oregon
Hawksworth, Tom	Marketing Manager, Central Oregon and Pacific Railroad
Hefley, Steve	General Manager, Central Oregon and Pacific Railroad
Herbert, Lynn	General Manager, Herbert Lumber
Hunter, Jeff	Co-Chair, Rogue Valley Area Commission on Transportation
Kratz, Peter	Executive Vice President Operations, Harry & David Holdings, Inc.
Krieger, Wayne	Representative, State of Oregon
Mather, Paul	Region 3 Manager, Oregon Department of Transportation
McClellan, Jim	Chair, South West Area Commission on Transportation
Messerle, Ken	Coast Consulting & Services, LLC
Montero, Michael	Co-Chair, Rogue Valley Area Commission on Transportation
Moore, Gary	Cascade Wood Products
Morgan, Susan	Representative, State of Oregon
Muscus, Kathy	Legislative Assistant to Senator Joanne Verger
Opitz, Ron	South Coast Development Council
Prozanski, Floyd	Senator, State of Oregon
Roblan, Arnie	Representative, State of Oregon
Verger, Joanne	Senator, State of Oregon
Watt, John	John Watt & Associates

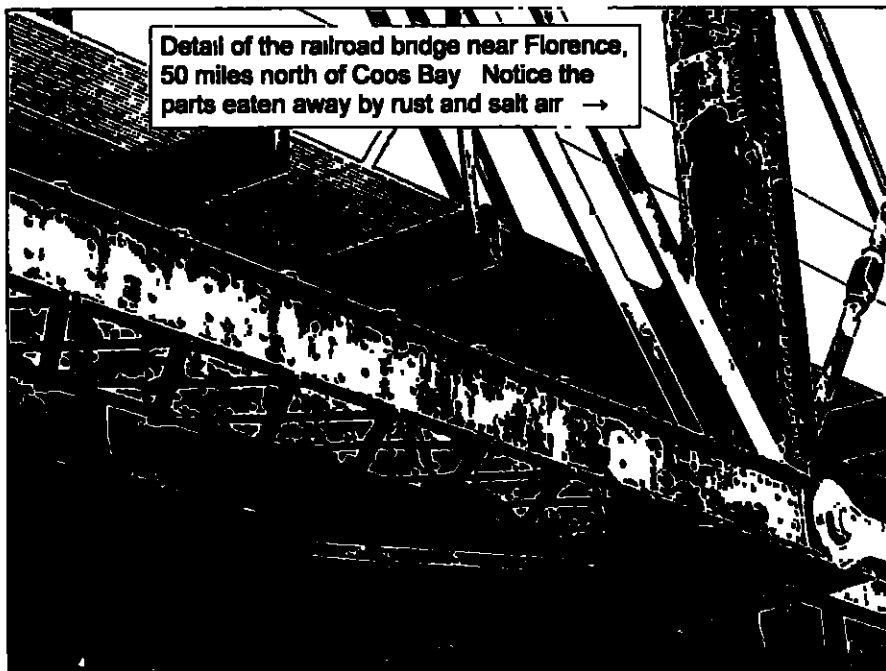
The Transportation Investment Economic Impact Analysis Report is available online at <http://www.oregon.gov/ODOT/HWY/REGION3>. For additional questions or copies, please contact Mike Baker at (541) 957-3658 or via email at michael.baker@odot.state.or.us.



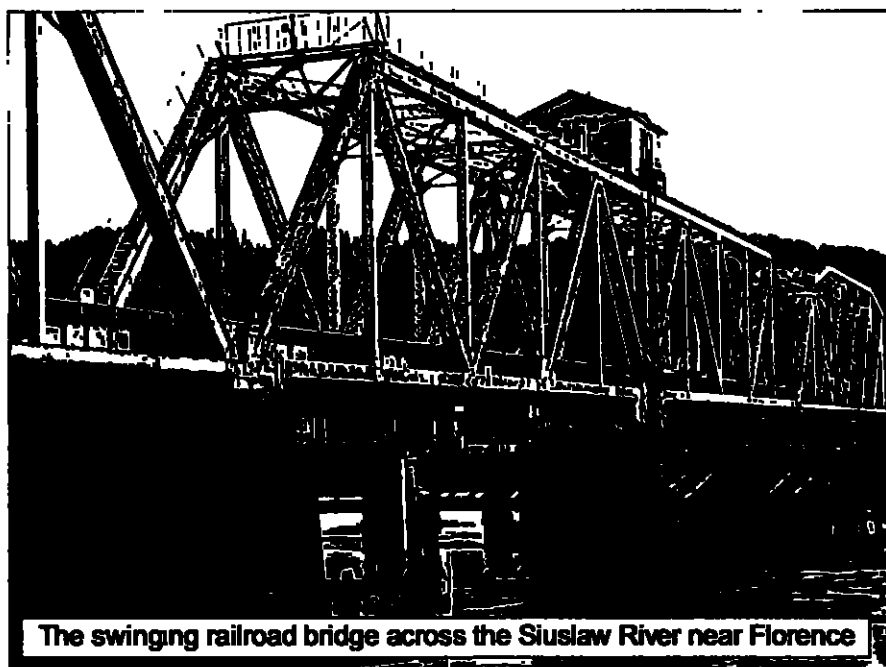
More evidence of the CORP line's deteriorated condition: (1) Squiggly track partly covered by sand dune north of Coos Bay, summer 2008; (2) Disintegrated railroad ties in Coos Bay, 2007; (3) Condition of track south of Coos Bay in 2005, still unchanged; (4) Seriously damaged rail in Coos Bay, 2007; (5) & (6): railroad spikes separated from disintegrated ties, both taken in September 2007.

Photos by Gene LaRochelle.





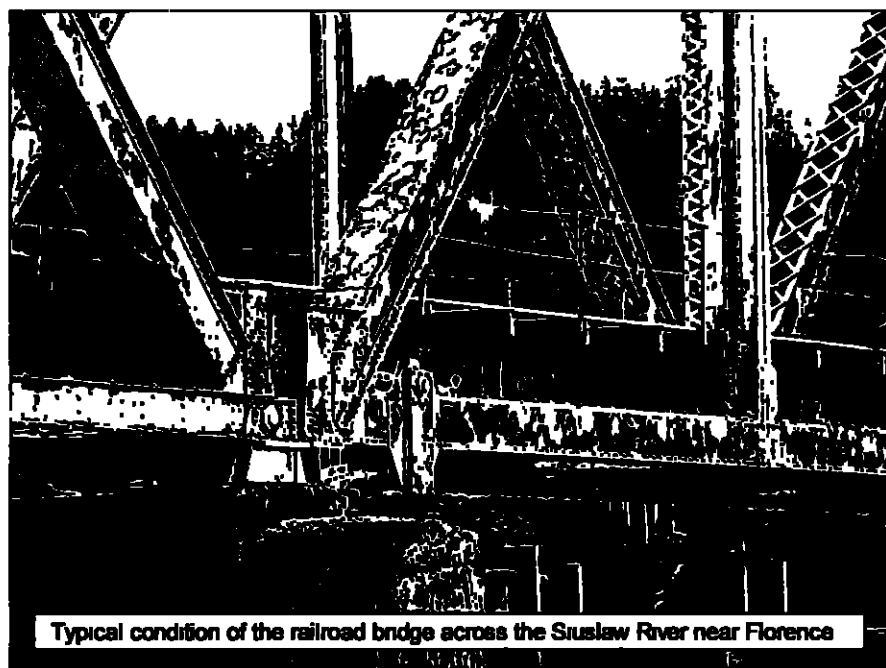
Detail of the railroad bridge near Florence, 50 miles north of Coos Bay. Notice the parts eaten away by rust and salt air →



The swinging railroad bridge across the Siuslaw River near Florence

The 147-mile CORP branch runs through challenging terrain and includes ten tunnels and several long wooden trestles (at top, one trestle north of Gardiner; second from top, two trestles crossing arms of Tenmile Lake near Coos Bay).

In addition to many short steel bridges the line includes three longer swinging steel bridges built around 1917, the longest across Coos Bay (immediately below, now acquired by the port of Coos Bay and partly restored). Another runs across the Umpqua River near Reedsport (second below) and one across the Siuslaw east of Florence, third, at bottom. All three larger pictures on the left show the condition of that one, the Siuslaw bridge, in 2005/2007.



Typical condition of the railroad bridge across the Siuslaw River near Florence



The swinging railroad bridge across the Siuslaw River near Florence



PS: The following below was one of the testimonies I e-mailed in during Senate 21 hearings in May. This one was specifically about the railroad. I also sent in several other testimonies about other issues as well including how the Jordan Cove Energy Project and the Oregon Gateway Project are in fact linked.

— Original Message —

From: Jody McCaffree
To: robin.d.lamonte@state.or.us
Cc: sen.betsyjohnson@state.or.us, rep.carolyntomei@state.or.us
Sent: Tuesday, May 29, 2007 3:10 PM
Subject: Re: Senate Bill 21A

Dear Senators and Representatives:

The following article (below) which came out last December shows the extreme poor conditions our rail lines are currently in at Coos County. If the State agrees to help the Port of Coos Bay secure the dredging loan by approving the 60 million requested in Senate Bill 21A (60 ml is the amount needed to secure the loan, not the total amount needed to do all the dredging) this may be of no value because of our dilapidated rail lines. A pamphlet released recently by the Southwest Oregon Economic Expansion and Transportation Team on the Oregon Gateway project states that the Central Oregon and Pacific Railroad would need an estimated 120 - 140 million in upgrades. This may prove to be no where near enough when actual rail conditions are analyzed. Who will pay for these upgrades? Can the Railroad guarantee that the rail line will be upgraded to the quality and speed needed for the massive amount of usage? If the rail line fails, tunnels collapse, there are land slides (a common occurrence on the Coast), what then? A lot is riding on this "ONE" rail line and the bottom line is that without a sure way to transport goods received by cargo ships inland, dredging the channel could be a very expensive waste.

Sincerely,

Jody McCaffree
P.O. Box 1113
North Bend, OR 97459
mccaffrees@verizon.net

<http://www.theworldlink.com/articles/2006/12/27/news/news04122706.txt>

Collapsed railroad tunnel costly for local lumber operations

By Elise Hamner, City Editor
Wednesday, December 27, 2006 1:12 PM PST

If fall's slumping housing market weren't bad enough, three Coos County lumber mills have another barrier to business. There's no railroad service.

The Central Oregon & Pacific Railroad has been unable to reopen its short line heading south out of Florence to Coquille due to a collapsed tunnel. After four weeks of working to remove massive boulders, CORP told its customers last week it wouldn't be able to reopen the rail line by Dec. 22 as

planned.

Now, the target date is Jan. 8.

The closure has forced the Coos Bay-area Southport Forest Products and Georgia-Pacific mills to move lumber exclusively by more expensive semi-trucks. Coquille's Roseburg Forest Products now is loading plywood onto semis, trucking it to Dillard, offloading and reloading onto railcars. That increases damage to the wood. Home Depot is its largest customer, and orders have slowed.

"We're losing money. We sell in carlot loads," said Hank Snow, Roseburg's vice president of human resources.

Rail is the cheapest way to ship. A railcar holds the equivalent of 2.5 truckloads of plywood. So far, Snow said, his company hasn't curtailed operations for its 336 Coquille employees, but "it'll get there if we keep building inventory."

The collapse

CORP's problems with the tunnel apparently started in November. The company had hired engineers to inspect the tunnel off Canary Road near Florence, said John Bullion, the railroad's assistant general manager. They recommended doing maintenance on the structure held up by rotting wooden timbers. CORP brought in a crew to work days and sent trains through at night. But then a 35- to 40-foot section of the tunnel collapsed.

The railroad pulled workers from California to help with repairs, keeping crews attacking in two shifts on the tunnel's south end. Another crew worked in from the north, drilling and grouting in bolts to stabilize the ground. Workers are shoring up the tunnel with steel arches, then digging out the 300 to 500 yards of muck.

"Unfortunately it's a slow process," Bullion said.

And dangerous.

And while mills might be lamenting their losses, Bullion said money's flowing fast out of the railroad's accounts, too. Workers had completed two-thirds of the tunnel maintenance project prior to the cave in. He estimated that the current repairs alone will add another \$1.1 million to the costs.

"We're spending money because we're not open and we're losing money because we're not moving freight," he said.

Political pressure

While the tracks are privately owned, G-P at least has been ringing phones all the way up to the governor's office. On Friday, the company's Portland-based lobbyist also called up Rep. Arnie Roblan, D-Coos Bay, and suggested that if times get too tough, G-P's Coos Bay mill, which employs 140 people, may cut operations. Two-thirds of that company's lumber heads out on rail.

"Telling me that it's a possibility that they could shut down gets my attention," Roblan said.

But, he said, there's nothing he can do to speed up repairs.

A G-P spokesman at company headquarters in Atlanta downplayed mill closure concerns.

"I think that's speculative," James Malone said, but added later, "The longer this process goes on, the harder it is to run this operation."

The Coos Bay mill is a topnotch facility, he said, and it needs to be operating efficiently; hence the phone calls to public officials.

A lot of people in Oregon probably assume railroads fall under some state jurisdiction, since they are part of the statewide transportation system. The state does have oversight when it comes to ensuring railroads, trestles and tunnels are safe, said Kelly Taylor, the administrator of the Oregon Rail Division. But she doesn't tell private companies how to do their work.

"There aren't state funds - or federal funds for that matter - to help a railroad like this when they get in a pinch," she said.

There are funds for airports and other transportation modes, but not rail.

Oregon actually has a state statute in place to do that, with the State Railroad Rehabilitation Fund.

"Nobody's ever put a dime into it," she said of the Legislature.

Big bucks

This year's been a tough one stormwise for the state's beleaguered shortlines. The Mount Hood line, with companies specializing in passenger train services, is closed. Part of the mountain slid away.

"The tracks and ties are hanging there like some jungle bridge," Taylor said.

Shortlines struggle to come up with the money for such massive repairs. CORP spent \$18 million to repair an arson-damaged tunnel on its busy line through Ashland. Insurance only covered \$10 million of the bill, Taylor said.

For the Coos Bay line, the three mills are the biggest customers, but American Bridge at Reedsport and some other small companies rely on rail, too. Leading up to the tunnel cave-in, CORP was moving an average of 78 railcars per week, almost entirely lumber, along with bridge materials and propane. For American Bridge, 95 percent of its materials come in by rail, and the week of Jan. 8, it's due to ship out 19-plus-foot-tall bascule girders to Wisconsin.

Economic engine?

When the Legislature convenes in January, lawmakers likely are going to hear from railroads. Roseburg's Snow, for one, thinks the Coos Bay line deserves a lot more attention.

"I think you're going to be the next large port on the West Coast."

There was good news out this morning, with the U.S. government reporting the "serious slump in housing" could be ending. New home sales rose in November, and there were fewer homes on the market, according to The Associated Press.

Snow's company may see that upturn, but that won't solve the long-term problems with the viability of the Coos Bay rail line.

"Somehow someone's going to have to step up and take responsibility for the repairs on that railroad," he said.

<http://www.theworldlink.com/articles/2006/12/28/news/news02122806.txt>

Rains create all types of hazards

Thursday, December 28, 2006 1:13 PM PST

World Photos by Madeline Steege

A section of Willanch Road that sank 8 feet in North Bend because of recent rains is still causing difficulties for road crews and motorists. Coos County Roadmaster Larry Van Elsberg said there was no estimated time of repair for the road, located off East Bay Drive. However, the county has received permission from Weyerhaeuser for residents to use a logging road that detours them about five miles out of their way.



http://www.theworldlink.com/articles/2006/12/27/public_records/police_reports/vitals03122706.txt

Road closures

Wednesday, December 27, 2006 1:14 PM PST

A number of county roads have been closed due to local flooding following recent heavy rains, including two that will require maintenance work.

According to Larry Van Elsberg, Coos County roadmaster, crews will spend the day mitigating damage to Lee Valley and Willanch roads. On Lee Valley Road, a section of road near milepost 3 dropped between 1 1/2 and 2 feet, Van Elsberg said.

"Our crews are going to try to ramp it up so we can try to get a lane open, possibly by this afternoon," he said.

A section of Willanch Road collapsed about five-tenths of a mile from the intersection with East Bay Drive. Van Elsberg said it was a "pretty good hole" and that his crews would try to have a lane open by late afternoon.

In addition to these two roads, a significant amount of county pavement is under water, including Stringtown Cutoff Road, Lampa Lane at Pleasant Valley, Lower Norway, North Fork Lane, Old Broadbent, the Arago boat ramp, McKinley Lane at Hervey Bridge and Fish Trap by the Coquille boat ramp. Lampa Lane was down to one lane at milepost 2 due to a washout.

Flooding was reported on state Highway 42 at Coos Sumner Junction as well as on Libby Lane, one-tenth of a mile from the Shinglehouse junction.

For more information, those interested can call the Coos County Highway Department at 396-3121, ext. 271.

State Highway 42S was closed this morning due to flooding. According to an Oregon Department of Transportation press release, state Highway 42S was closed at 7 a.m. due to high water. The 17-mile route has been cut off at its two entrances, located at U.S. Highway 101 in Bandon and state Highway 42 near Coquille. ODOT estimates the road will be clear by 3 p.m. this afternoon.

Highway 101 was closed 16 miles south of the Oregon border at about 5:16 a.m. for approximately 36 miles due to downed trees and power lines. Crews were expected to have the section cleared by 10 a.m.

House Bill 5036 (Some Pertinent Sections)**Section 13 (2) a**

(2) The director shall request the State Treasurer to issue the amount of bonds described in subsection (1)(a) of this section in increments that allow the director, at the request of the primary sponsor, to transfer:

(a) In the biennium beginning July 1, 2007, up to \$5 million in net proceeds of lottery bonds to the Coos Bay Channel Fund established in section 15 of this 2007 Act for distribution to the primary sponsor after the director finds that the primary sponsor has taken action pursuant to the grant agreement required in section 14 of this 2007 Act that triggers the distribution of bond proceeds described in this paragraph.

Section 14 (4)9a), (A), (B), (C)

(4)(a) Prior to the distribution of bond proceeds described in section 13 (2)(a) of this 2007 Act, the primary sponsor shall provide to the director a budget document outlining expenditures for the Coos Bay Channel Project and verify and certify to the director that:

(A) The primary sponsor has entered into a commercially reasonable agreement with a cargo terminal developer to construct and operate cargo terminal facilities on the Coos Bay channel;

(B) The Secretary of the Army has authorized the performance of environmental studies on the channel pursuant to section 203 of the Water Resources Development Act of 1986 (P.L. 99-662); and

(C) The cargo terminal developer has entered into, or made appropriate progress in negotiations toward, a contract with rail service providers to ensure adequate rail infrastructure and service capacity to serve the cargo terminal facilities to be developed as part of the Coos Bay Channel Project.