

U.S. Department of Transportation

National Infrastructure Investments Grant Program

“TIGER II”

GRANT APPLICATION

Project Name: NETEX Rail Line Rehabilitation

Project Type: Rural Freight Rail Transportation Project

Funds Requested: \$14,303,813

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Supporting Documentation can be found at: www.txdot.gov/business/rail/tiger.htm



I. Project Description

The project is designed to rehabilitate the state-owned Northeast Texas Rural Rail Transportation District rail line (NETEX) from railroad Milepost (MP) 489.4 at the Franklin/Titus County line (near Winfield, Texas) to MP 555 (just west of Greenville, Texas) in Hunt County. The major activities of the project will be cross tie replacements with associated ballast and surfacing work as necessary to enable 25 mph track speeds. Some railroad bridge repairs are also planned.

The project area encompasses a large, rural agricultural region that has seen some industrial development in the past few years. Rail transportation has become a vital component of the transportation system in the region as a result of aggressive efforts to increase the business on the line. Operational impacts from the condition of the tracks and speed limitations have limited the capacity on the line and also make the line non-competitive with other modes of transportation for the movement of some goods. It is important that the NETEX line be rehabilitated in order to support its continued operation and foster economic development opportunities. Improving the rail line will also encourage the diversion of freight from the highway to rail.

The project limits begin near Winfield, Texas (MP 489.4) and ends at the west side of Greenville (MP 555). The NETEX line is constructed of predominantly 112# jointed rail on ties that date from the 1940's to the 1980's. Most of the ties have exceeded their expected service life and are severely deteriorated. The line is in need of rehabilitation to address poor tie conditions, alignment, and profile deficiencies to achieve and maintain FRA Class 2 (25 mph) status. The project will consist of:

1. Replace 85,800 main line crossties
2. Replace 3,499 siding/spur track crossties
3. Replace 350 switch ties
4. Install and regulate 39,600 tons of ballast
5. Surface and align 69.6 miles of track (including siding/spurs)
6. Repairs to 51 bridges
7. Vegetation removal

a. Project Schedule

The project will require environmental clearance before construction can begin. TxDOT staff has inspected the project area and all the work would be on existing infrastructure located on existing rights-of-way. No coordination with federal agencies has occurred since the Surface Transportation Board does not require an environmental review for the rehabilitation of existing track; while the Federal Railroad Administration and Federal Highway Administration do not perform environmental review of an existing track unless



they are involved in funding the project. TxDOT believes that the completion and submission of an FRA environmental checklist will result in a finding of no significant impact and a Categorical Exclusion will be granted. TxDOT staff will develop the plans and specifications for the project and work with Grant Managers in the appropriate federal agency to get the Project Summary, Statement of Work, and Assurances and Certifications completed along with any other required information or documentation. Assuming the TIGER grant is approved for \$14,303,813 as requested, the project would be completed during the summer of 2012, as shown in Table 1.

Task	2010	2011	2012
Tiger Grant	Jun - Aug		
Environmental Approval	Sep - Dec		
STIP Revision	Sep		
Plans & Specifications Development		Jan - Mar	
DOT Review & Approvals of Project		Mar -	
Construction Contract Letting & Contract		Jun -	
Construction		Aug -	Dec - Jul

Table 1: Project Schedule

b. Transportation Challenges Addressed

The east end of the NETEX line is located at MP 489.4 (near Winfield, Texas) near the Titus/Franklin County lines and continues in a generally westward direction through Franklin, Hopkins, Delta, and Hunt Counties to the end of track at MP 555 (just west of Greenville, Texas). NETEX interchanges with the Union Pacific at the east end; with Kansas City Southern (KCS) at Sulphur Springs in Hopkins County; and with the Dallas, Garland, and Northeastern Railroad (DGNO) at Greenville in Hunt County. The NETEX line is constructed of predominantly 112# jointed rail, manufactured in the 1950's and 1960's. The last significant tie replacement project was performed in 1986 by the Southern Pacific Railway, during which selected ties were replaced to maintain operations. Many ties on the line have date nails that show installation in the late 1940's into the 1950's. The ties on the NETEX line are generally 24 years and older and are generally in bad to fair condition. These deteriorated ties cause the alignment and profile of the track to be sub-standard and do not provide adequate support of the rail.

These tie, alignment, and profile conditions cause the NETEX line to be classified as "Excepted Track" according to Federal Railroad Administration (FRA) regulations, which limits operating speeds to 10 mph, restricts the movement of hazardous materials to no more



than five (5) hazardous cars per train, and prohibits the movement of occupied passenger cars. The Excepted Track status affects the efficiency and capacity of the NETEX line and operations, and may lead to the eventual cessation of service if the track continues to deteriorate.

Current operations have not been able to generate sufficient revenues to invest in the major rehabilitation work needed to overcome the track conditions that resulted from deferred maintenance by the prior owner. The last significant maintenance program on the line was in 1986. NETEX routinely appropriates the funds they receive from operating, land and utility lease payments for additional materials and repairs.

The rehabilitation of the NETEX line will allow train operations at 25 mph speeds along the entire route. These track speeds are necessary in order to maintain existing operations, increase capacity on the line, and enable the diversion of additional freight from the highway to rail. The rehabilitation will also provide for rail oriented economic development opportunities along the route. The rehabilitation of the line is critical to the continuation of rail service to the existing customers on the route. The line had suffered from years of deferred maintenance by the prior owners before its acquisition by NETEX and the infrastructure is severely deteriorated. Failure to rehabilitate the line would result in the eventual cessation of service. This would cause the diversion of all freight moved over the line to trucks, which would increase shipper costs; increase pavement maintenance costs; increase atmospheric pollutants; and have a negative impact on vehicular safety in the region. The project will also provide operable, existing rail infrastructure for a future proposed passenger rail connection from the east Texas region to the Dallas/Fort Worth Metroplex.

Freight movement has a significant impact on Texas's state and rural roads. Research conducted by TxDOT (Project 0-4169) identified the impact of major truck traffic generators, on rural roads in Texas, and conducted extensive surveys of rural stakeholders and rural truck trip generators. The research found that over 17% of the Interstate highway, 10% of the state highway, and 13 % of the rural roadbed miles in the NETEX region were rated "Poor" or "Very Poor". If the NETEX line is not rehabilitated it will eventually be shut down and the freight would be shifted to truck. These greater demands on the rural roads impact local roadway budgets and require continued maintenance to counteract these effects.

The research also found that truck volumes are increasing at a rate of 3% annually in the region. Again, an opportunity exists to divert truck traffic to the railways, with associated economic and safety benefits. The conclusion of the research stated that..."Increasing truck numbers and axle loads on rural pavements and the identified pavement maintenance needs might mean that TxDOT will find it increasingly challenging to maintain its extensive rural road system...Available strategies to the department include the promotion of rural rail..." Rail is the most fuel efficient, environmentally friendly method of ground transportation of



freight. The NETEX line must be rehabilitated in order to continue operation and provide crucial, efficient rail transportation to the region.

c. Freight Volumes

Freight rail service was provided to 19 customers located on the line in 2009, and has increased from 453 carloads in 1999 to 2,315 in 2009. Shippers using the NETEX line are dependent upon rail transportation and some could cease operations if rail service was no longer provided. The essential rail service provided on the NETEX line has diverted an estimated 6,945 trucks from local roadways annually and has a positive impact on the region. The lower transportation rates of rail carriers versus trucking increases the profitability of rail customers, a positive economic impact. Rail freight transportation also has a lower rate of emissions per ton mile versus trucking, thereby having a positive impact on the environment.

Freight volumes moved on the NETEX line have increased dramatically since operations began in 1999, but additional growth has been limited due to the continuing deterioration of the infrastructure, which restricts train speeds to 10 mph and limits opportunities to increase business along the route. NETEX has experienced an increase in traffic despite the condition of the infrastructure, due to available capacity at the start of operations and a substantial marketing of service by the operator's management.

II. Project Parties

NETEX is a political subdivision of the state of Texas. NETEX was formed in 1994 by Delta, Franklin, Hopkins, Hunt, and Titus Counties (Texas) to prevent the abandonment of Southern Pacific's "Cotton Belt" line between Mount Pleasant and Greenville, Texas. In 1995, NETEX purchased 31 miles of track from Milepost (MP) 555 just west of Greenville, Texas, to MP 524, just west of Sulphur Springs, Texas. This section of the line was purchased through a grant-funding agreement with the Texas Department of Transportation (TxDOT). In 2000, NETEX purchased 35 miles of track from MP 524 to MP 489.4 at the Franklin County/Titus County line. This section of the line was purchased through a US Department of Agriculture grant. In 2003, NETEX purchased the 23.2 mile segment of right-of-way from west of Greenville to east of Wylie, Texas. The tracks had already been removed from that line segment by the time of the purchase. The title to the entire NETEX line is in the name of the state of Texas. NETEX has leased operations on the line to the Blacklands Railroad (BLR).

BLR provides freight rail service to customers located along approximately 66 miles of existing track. BLR has been successful in marketing their services and has increased traffic on the line from 453 carloads in 1999 to 2,468 carloads in 2008; a 444% increase in ten years. Traffic dropped somewhat in 2009 as a result of the slowing global economy, but BLR still interchanged 2,315 loaded cars that year; a modest 6% decrease over the



previous year. This is minor in comparison to the industry-wide decreases of over 16%. BLR and NETEX have averaged \$375,000 annually in track improvements at critical locations to keep the line in operation.

The BLR serves numerous local and regional businesses located along the route, including agricultural interests, plastics manufacturers, steel and metal industries, aggregates companies, and other miscellaneous customers.

BLR was nominated as one of the ten (10) best short line railroad operators by *Railway Age* magazine in April 2009. BLR has received multiple JAKE awards for safety, reflecting a strong commitment to good maintenance practices and safe operations. BLR has consistently received recognition from its customers for the quality and responsiveness of its service. This is also clearly reflected in the strong carload growth described above. BLR customers located on the NETEX line are accessed via spurs or sidings where loading operations occur at their facilities. The local economic development corporations have worked with BLR and NETEX to bring additional rail business to the line and continue to market the availability of rail service to potential businesses.

A map of the project area is shown in Figure 1 and can also be found at www.txdot.gov/business/rail/tiger.htm

NETEX Rail System

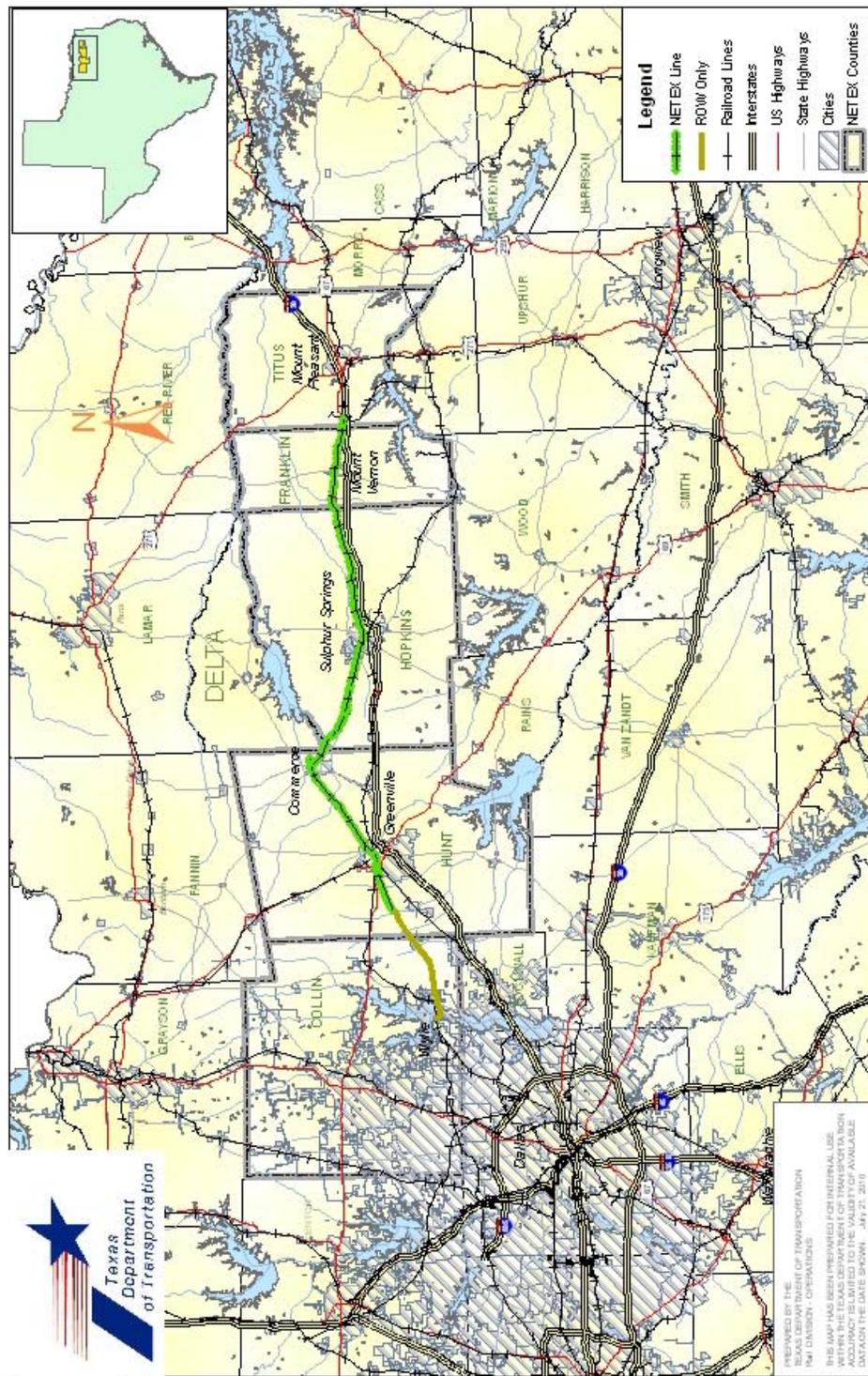


Figure 1



III. Grant Funds and Sources/Uses of Funds

The proposed rehabilitation of the NETEX line would be fully funded by a \$14,303,813 TIGER II grant. The cost of developing plans, specifications, estimates, and environmental clearances for the project would be minimal as all work would be performed by TxDOT staff at-cost. The majority of the TIGER II funds will be used for actual construction of the project and construction management activities.

Federal Railroad Administration (FRA) track safety standards (49 CFR 213) require at least eight good ties per 39' section of rail in order to maintain track at Class 2 or Class 3 standards. It has been determined that replacement of 85,800 mainline cross ties with associated ballast installation and surfacing operations, will address critical infrastructure issues to enable the main line track to be reclassified to Class 2 (25mph). An additional 3,499 crossties and 350 switch ties will be needed to rehabilitate the siding and spur tracks for continued service to customers. The project will require 39,600 tons of ballast (600 tons per mainline mile) to enable proper surfacing and alignment of the main line track. Since sidings and spurs will be operated at restricted speed, the existing ballast can be tamped and regulated after tie replacements at those locations and no additional ballast will be necessary.

The project limits include 70 bridge structures of varying lengths and types, constructed between 1919 and 1964. Over half of the bridges (57 %) were constructed between 1919 and 1949, and are timber structures. A recent bridge inspection found defective conditions on 51 of the NETEX bridge structures. Funding to repair these defective conditions is included in the estimate.

Vegetation growth along the tracks is also a concern. Vegetation removal and controls (herbicides) have been calculated based upon the acreage that needs attention. Some of the bridges also have significant amounts of debris lodged against the piles in the channels, which impedes effective drainage. Removal of this debris is included in the estimated vegetation removal and controls cost.

The estimate for the project is shown in Table 2.

Item	Unit	Quantity	Unit Cost	Total
Main Line Tie Removal & Replacement	Each	85,800	\$85.00	\$7,293,000
Siding/Spur Tie Removal & Replacement	Each	3,499	\$85.00	\$297,432
Switch Tie Removal & Replacement	Each	350	\$205	\$71,750
Ballast Delivery	Ton	39,600	\$48.00	\$1,900,800
Track Surfacing & Ballast Regulating	Mile	69	\$6,500	\$448,500
Bridge Repairs	Lot	1	\$1,500,000	\$1,500,000
Vegetation Removal & Control	Acre	476	\$1,500	\$714,000
Subtotal				\$12,225,482
Engineering & Contingencies				\$2,078,331
Total				\$14,303,813

Table 2: Project Quantities and Estimate

a. Technical Feasibility

The project is composed of typical railroad infrastructure rehabilitation work and is within the technical abilities of many contractors in the state of Texas. Once the project is environmentally cleared and the plans and specifications completed, TxDOT will take the project to letting. Contract negotiations and signatures typically take 8 weeks from the letting date, making this a “fast track” project. The federal wage rate requirement is included by TxDOT as a contractual requirement with contractors.

b. Legislative Approvals

Letters of support for the project have been received and are available for review upon request. The following entities have provided these letters:

State Representative Mark Homer
Delta County Commissioner’s Court
Hopkins County Commissioner’s Court
Texas A&M University – Commerce
City of Sulphur Springs, Texas

Franklin County Commissioner’s Court
Hunt County Commissioner’s Court
Sulphur River Regional Mobility Authority
Blacklands Railroad



c. Statewide Transportation Improvement Program

A portion of the project (Hunt County) is located in the North Central Texas Council of Governments Metropolitan Planning Organization (NCTCOG) and will be included in the 2011 STIP. Hunt County is predominantly rural in nature but was recently added to the NCTCOG. Delta, Franklin, Hopkins, and Titus Counties are in a rural area and the project will be added to the 2011 rural STIP.

d. Financial Feasibility

TxDOT has a long history of managing federal appropriations and has adequate staff to administer the grant funding and manage the construction projects. TxDOT staff has been directly involved in the development of major and minor rail infrastructure rehabilitation projects on both state and privately owned infrastructure. The cost estimates herein are based upon actual recent TxDOT bid awards with limited adjustments for materials price fluctuations. The project can be completed in budget and on time while achieving the desired results. BLR has agreed that their maintenance program will be designed to insure that the rail line will remain at 25 mph after the rehabilitation is complete, making this a sustainable project with financial feasibility and long-term benefits.

IV. Selection Criteria

a. Long Term Outcomes

i. State of Good Repair

This project is part of a regionally focused effort to improve rail service and encourage rail-oriented economic development in this area of the state. It has broad, regional support from the five counties that the line passes through and the communities and citizens in those locations, as well as support from adjacent counties that are also members of the Northeast Texas Rural Rail Transportation District (NETEX), such as Collin County. The project is not opposed by the connecting railroads (DGNO, KCS, UP) and is supported by local businesses and the economic development corporations.

The line is a state-owned transportation asset that is managed by NETEX through a lease agreement with BLR. The lease holds BLR responsible for operations and routine maintenance of the facility. Once rehabilitated by TxDOT, BLR's routine maintenance obligations and programs will keep the line in the same or better condition as when the project is completed. TxDOT has staff with maintenance and operational experience in the railroad industry that periodically reviews BLR's performance and compliance with provisions of the lease.

The success of the project can be established and measured by the following criteria:



1. The project includes approximately 66 miles of main line track which is classified as Excepted Track. This restricts the track to 10 mph with no more than five hazardous materials cars per train. The project includes the replacement of 85,800 cross ties with associated ballast and surfacing operations, statistically replacing 40% of the existing cross ties. This will improve the line to FRA Class 2, 25 mph standards. *The project will raise the Excepted Track to Class 2 (25 mph) and will be maintained at that classification by BLR's routine maintenance program.*
2. FRA Region 5 inspectors routinely visit the line and performed an analysis of conditions using a geometry car in 2003. Continued FRA inspections will identify defective conditions to assist in monitoring track conditions. *BLR will be required to correct FRA defects when they are identified once the track is raised from Excepted to Class 2 status.*
3. In addition, TxDOT will have a project manager on-site with the construction contractor daily through the duration of the project to ensure that all construction methods and materials meet or exceed the plans and specifications for the project.

ii. Economic Competitiveness

The existing, poor condition of the line threatens the economic growth and stability of the region. Several agricultural interests are served by the rail line which could face insolvency if rail service ceased and their commodities had to be diverted to truck. Other shippers include steel, plastics, chemicals, lumber, and other miscellaneous businesses that would be adversely impacted if rail service were not available. Economic development interests have promoted the availability of rail service, and traffic on the line has increased dramatically in the past 10 years. The economic stability and growth of the region relies on the continuation and improvement of rail service on the NETEX line. In 2007, Texas A&M University - Commerce completed a study of the economic impact that would occur in the region if the NETEX line ceased to provide rail service. The study found that if the NETEX line no longer operated:

- 250 to 600 jobs would be lost in Hopkins and Hunt Counties
- The regional (5-counties) economy would suffer a reduction of \$7 to \$17 million in revenues annually
- Property values would decrease by up to 25%, which could result in a \$600,000 annual reduction in education tax revenues
- Impacts to the highway system would occur due to the increased truck freight. Those impacts are considerable when considering the entire distance from origin to destination and calculating pavement impacts. Information on those impacts is included in the cost-benefit analysis.

To assess the public benefits that a rehabilitation of the rail line in support of a TIGER II Discretionary Grant, a cost-benefit analysis on the project was completed. The cost-benefit analysis assesses the benefits to society of the project to improve the rail line relative to the costs of the project. For the assessment of the NETEX line, the benefits from rehabilitating the rail line are compared to the implications of letting the line become inoperable. Under the rehabilitation scenario, freight rail continues to be carried on the line with very moderate annual growth in the future. In the base case, the rail line is not rehabilitated and the freight that was once carried on the rail line is shipped by truck. Therefore, the cost benefit analysis is an analysis of the relative public benefits of having freight shipped by rail versus truck.

Several public benefits (and dis-benefits) associated with shipping by rail have been identified and quantified over a twenty year period. These effects are measured for both the base case and alternate cases and the net effect (or benefits) monetized. These benefits include:

Benefit #1 - The reduction in transportation or shipping costs to shippers: this benefit captures the cost savings experienced by shippers as they ship by rail instead of truck. A given amount of cargo is typically more expensive to ship by truck than by rail. The increased rail capacity stemming from the project allows cargo to be diverted from truck to rail freight, and thus shipped at a lower cost.

Benefit #2 - The change in inventory costs for shippers: this benefit category captures the change in shipping time and resulting inventory cost that arises from the diversion of freight from truck to rail. While cheaper, the rail trip may take longer for some shipments.

Benefit #3 - The highway congestion relief benefits: as freight is diverted from truck to rail transit because of the project, truck travel will decrease in the region, *ceteris paribus*. A truck takes up more physical space on the road than a car and typically operates at lower speeds depending on grades, tonnage, operating characteristics, and speed limits. Reducing the amount of truck travel will lead to a decrease in highway congestion and an increase in time savings for the regional population.

Benefit #4 - The highway maintenance cost savings: heavy trucks put a great deal of physical wear and tear on roads, and the roads must be maintained at the taxpayer's expense. Diverting freight from truck to rail and reducing the amount of truck travel will lead to less required highway maintenance and associated costs. This cost reduction benefit is quantified by taking the difference between the highway maintenance costs avoided if freight is diverted from truck to rail and the expected incremental railroad maintenance costs associated with the increased rail activity.

Benefit #5 - Safety benefits: highway accidents should diminish as freight is diverted from trucks to railcars, rail accidents should increase in turn. Rail and truck



travel have their own respective accident frequency and associated cost levels, and this benefit category captures the change in safety costs.

Benefit #6 - Emission savings: this benefit category captures the emissions quantities that result from the diversion of truck freight to rail.

Other benefits may also accrue to the project improvements such as noise benefits but have not been quantified due to limitations of data.

The benefits streams and project related costs are monetized over a twenty year period and the Net Present Value of these streams derived using real discount rates of 7 percent (and 3 percent as an alternative). Table 3 provides a summary of the benefits in total and by benefit category. Total benefits are estimated to be \$4.1 Million with the main project benefits being transportation cost savings for shippers. Safety benefits and highway maintenance cost savings from truck diversion are also significant.

Benefit Category	Benefit #	PV Over 20 Years	
		7%	3%
Transportation cost saving from diverting trucks to rail	1	\$2,803,315	\$4,406,294
Increased inventory cost from diverting trucks to rail	2	-\$31,009	-\$48,740
Congestion cost saving from diverting trucks to rail	3	\$137,331	\$215,859
Maintenance cost saving from diverting trucks to rail	4	\$557,397	\$876,125
Safety saving from diverting trucks to rail	5	\$562,983	\$884,906
Emission saving from diverting trucks to rail	6	\$79,090	\$138,436
Total		\$4,109,108	\$6,472,880

Table 3: Summary of Project Benefits

The benefits are 32 percent of the total project cost using a discount rate of 7 percent and 47 percent using a discount rate of 3 percent real. The project economic indicators are summarized in Table 4.

Economic Indicators	7%	3%
Total Costs	\$13,021,178	\$13,780,630
Total Benefits	\$4,109,108	\$6,472,880
NPV	-\$8,912,070	-\$7,307,750
ROI	-68%	-53%
B/C	0.32	0.47

Table 4: Summary of Project Economic Indicators



Table 5 shows that the railcars that moved over the NETEX line in the past 5 years represent over 2.1 million vehicle-miles-traveled by trucks on parallel roadways. These benefits will continue to accrue as long as the NETEX line remains in service and will increase as traffic continues to grow on the line.

Estimated Additional VMT Due to Modal Shift from Rail To Highway									
NETEX Rail Line from Greenville to Winfield									
Year	Total Loaded Railcars		Avg. Truckloads per Railcar	=	Total Trucks		Route Mileage	=	Truck Mileage
2005	1,259	x	3.0	=	3,777	x	66	=	249,282
2006	2,334	x	3.0	=	7,002	x	66	=	462,132
2007	2,395	x	3.0	=	7,185	x	66	=	474,210
2008	2,468	x	3.0	=	7,404	x	66	=	488,664
2009	2,315	x	3.0	=	6,945	x	66	=	458,370
Totals							Total	=	2,132,658

Table 5: Estimated Avoided Truck VMT in NETEX Corridor

The logic and the assumptions behind these benefit calculations are provided in the Cost Benefit Analysis document available for review at the web site.

iii. Livability

The NETEX line runs through five counties in northeast Texas: Delta, Franklin, Hopkins, Hunt, and Titus. These counties cover two Workforce Development Areas (WDA) set out by the Texas Workforce Commission: Workforce Development Area 4 (Hunt County) and Workforce Development Area 7 (Delta, Franklin, Hopkins, and Titus Counties). Smaller cities (under 10,000 population) that fall within the project area are Mount Vernon (2,286) in Franklin County and Commerce (7,669) in Hunt County. Medium size cities (over 10,000 population) that fall in this area are Sulphur Springs (14,551) in Hopkins County and Greenville (23,960) in Hunt County. Table 6 provides demographic information for the NETEX counties that are within the project limits.

County	Population 2008 Estimated	Income Per Capita (2008 estimated)	% Ethnicity	Persons Below Poverty % (2008)
Delta	5,458	\$26,108	15.5	22.3
Franklin	11,001	\$29,946	20.2	15.4
Hopkins	33,804	\$28,983	23.2	15.8
Hunt	82,805	\$31,460	23.6	14.4
Titus	29,793	\$29,163	49.3	15.2

Table 6: Demographic Data for NETEX Counties

Aside from Hunt County, all but one of these counties has small populations, with less than 35,000 residents. The most populous county, Hunt, has fewer residents than many medium-sized cities within the U.S. By far the largest city in the project area is Greenville with a population of 23,960. Most of these counties are largely rural communities and earn less than the median average income that is seen in many other Texas regions. Delta County, for example, has a 22.3% poverty rate. All five counties have a higher poverty rate than the state average of 15.4%. These can be classed as economically disadvantaged communities.

According to the Texas Workforce Commission the state average (mean) wage is \$39,316 (or \$18.09 per hour). According to the US Census Bureau, the per capita income for Texas was \$37,187 in 2007. As Table 6 shows, all the counties in this area have lower per capita incomes than the average. The rehabilitation of the NETEX rail line will enhance economic development opportunities, bringing additional jobs and businesses to the area as a result of an improved regional freight rail transportation system that connects to two Class 1 railroads and one shortline railroad.

iv. Sustainability

From a sustainability standpoint, the rehabilitation of the NETEX line will provide for continued rail service to existing customers on the line and encourage the development of industries in northeast Texas that will have multiple benefits for many generations from air quality improvements, sustainability, economic growth, and reductions in the use of greenhouse gas hydrocarbons. Currently the major metropolitan areas of Dallas/Fort Worth, are in non-attainment status. Any activities in the region that can reduce both source and non-point source emissions should be actively encouraged. TxDOT would require the rail operator to maintain the track in the rehabilitated condition when the project is completed. The improvements would therefore be “perpetual” and self-sustaining.

v. Safety

The rehabilitation of the NETEX line will provide safety improvements to the region by reducing the risk of train derailments from operating on Excepted Track. This will improve the safety of the train crews as well as the traveling public and residences and businesses that are adjacent to the rail line. Rehabilitating the line will also increase capacity on the route, which will provide additional opportunities to divert freight from highway to rail, reducing truck traffic on the highways and reducing truck-passenger vehicle conflicts. Rail and truck travel have their own respective accident frequency and associated cost levels, and this benefit category captures the change in safety costs.

b. Job Creation and Economic Stimulus

According to a Texas A & M University - Commerce study, the continued operation of the NETEX line is a major catalyst for (a) generating employment in the region, (b) continued taxation revenues, and (c) providing transportation options for economic development efforts.

The project is located in northeast Texas and incorporates a large portion of the Blackland Prairie region of the state, one of the most agriculturally rich areas in the south-central U.S. The Blackland Prairie supports numerous farms, ranches, and agricultural businesses and is the location of over 150 dairies. Other major businesses in the area include manufacturing, natural resources and mining, and construction. In 2009, BLR interchanged 898 carloads of materials associated with the agricultural industry, 1,303 carloads of materials for the manufacturing industries, and 114 carloads for other customers. Many of the companies moving materials over the BLR are relatively small and rail transportation of materials is essential to their profitability.

The rehabilitation of the NETEX line will provide for the continuation of service to the existing customers and add capacity for further rail-oriented economic development efforts in the region. The project itself will generate construction jobs in the short term and additional permanent jobs as economic development efforts continue. There has been interest in developing an integrated intermodal facility in the region which would be adjacent to the NETEX line and served by BLR. This type of project cannot move forward without the rehabilitation of the NETEX facility.

The impact of the project construction expenditures on the economy of the United States was estimated using two different approaches: (i) using IMPLAN economic impact software with 2007 United States data; and (ii) based on the employment impact multiplier recommended by the Council of Economic Advisors (CEA), one job per \$92,000 of government expenditures, or 10.8 jobs per \$1 million of government expenditures. To be conservative,



we have summarized the lower of the two estimates of job growth shown in Table 7 as recommended by the CEA.

The cumulative impact of the project amounts to 155.5 job-years, including 99.5 direct and indirect job-years and 56.0 induced job-years. During the construction period, the project will thus generate on average 103.7 jobs each year that would last the entire year.

Effect Type	Total Job-Years	Average Number of Jobs per Year*
Direct and Indirect	99.5	66.3
Induced	56.0	37.3
Total	155.5	103.7

Table 7: Employment Impact of Project Expenditures Based on CEA Employment Multiplier, Number of Jobs-Years Created, Total, and Annual Average

NOTE: (*) Number of jobs lasting the entire year during the construction period

c. Innovation

The preservation and continued operation of the NETEX line has required an innovative approach by the state since the acquisition of the line was considered. In 1995, the Texas Legislature appropriated \$2 million for the purchase of the line from just west of Greenville to Sulphur Springs. In 2000, NETEX purchased the segment from Sulphur Springs to Winfield with a \$1.3 million U.S. Department of Agriculture grant. Critical maintenance to keep the line operable has been funded by BLR as revenues materialize, and by NETEX from limited funds remaining from the 1995 grant and some lease revenues. TxDOT will also require BLR to maintain each segment of the line in the same or better condition as it becomes when a TxDOT project is completed. The ownership of the line by NETEX and the rehabilitation also are an innovative method of providing for economic development opportunities in Texas.

d. Partnership

The state's ownership of the NETEX line and the lease agreement with BLR constitute a true, long-term public-private partnership to provide essential transportation services to a rural, economically disadvantaged region in east Texas. The rehabilitation of the NETEX line is necessary for further economic development in the region and to allow continued operation of the line. If the line is not rehabilitated, rail transportation of freight would cease and divert to the region's highways.



V. Project Readiness and NEPA

The project will require environmental clearance before construction can begin. TxDOT staff has inspected the project area and all the work would be on existing infrastructure located on existing rights-of-way. No coordination with federal agencies has occurred to date since the Surface Transportation Board does not require an environmental review for the rehabilitation of existing track; while the Federal Railroad Administration and Federal Highway Administration do not perform environmental review of an existing track unless they are involved in funding the project. TxDOT believes that the completion and submission of an FRA environmental checklist will result in a finding of no significant impact and a Categorical Exclusion will be granted. The FRA environmental checklist can be completed and the project environmentally cleared within 90 days of grant approval. TxDOT staff has reviewed the project area and has not identified any obvious areas of concern. TxDOT staff can complete the plans and specifications for the project concurrently with the environmental approval process.

VI. Federal Wage Rate Certification

The federal wage rate certification is attached.

VII. Summary

The rehabilitation of the NETEX line will provide for continued freight rail service in the region, increase rail capacity, and provide economic development opportunities for counties in east Texas that have low per-capita income and a significant percentage of the population living below the poverty level. The project will have positive direct and indirect impacts on the economy, employment levels, tax revenues, and highway costs. The project has broad support in the region and the state and would be an appropriate use of \$14,303,813 in TIGER II funds as requested.

Federal Wage Rate Certification

The Texas Department of Transportation certifies that it will ensure compliance with the requirements of Subchapter IV of Chapter 31 of Title 40, United States Code (federal wage rate requirements), as required by the FY 2010 Appropriations Act for any projects that receive federal funding under the TIGER II program.



William E. Glavin, P.E.
Rail Division Director
Texas Department of Transportation

8/19/10

Date