

U.S. Department of Transportation

CONSOLIDATED AND FURTHER CONTINUING APPROPRIATIONS ACT, 2012,
“FY2012 TIGER DISCRETIONARY GRANTS”

GRANT APPLICATION

Project Name: NETEX Rail Line Rehabilitation

Project Type: Rural Freight Rail Transportation Project

Federal Funds Requested: \$9,490,045

NETEX Match Funds: \$500,000

Total Project Cost: \$9,990,045

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I. Project Description

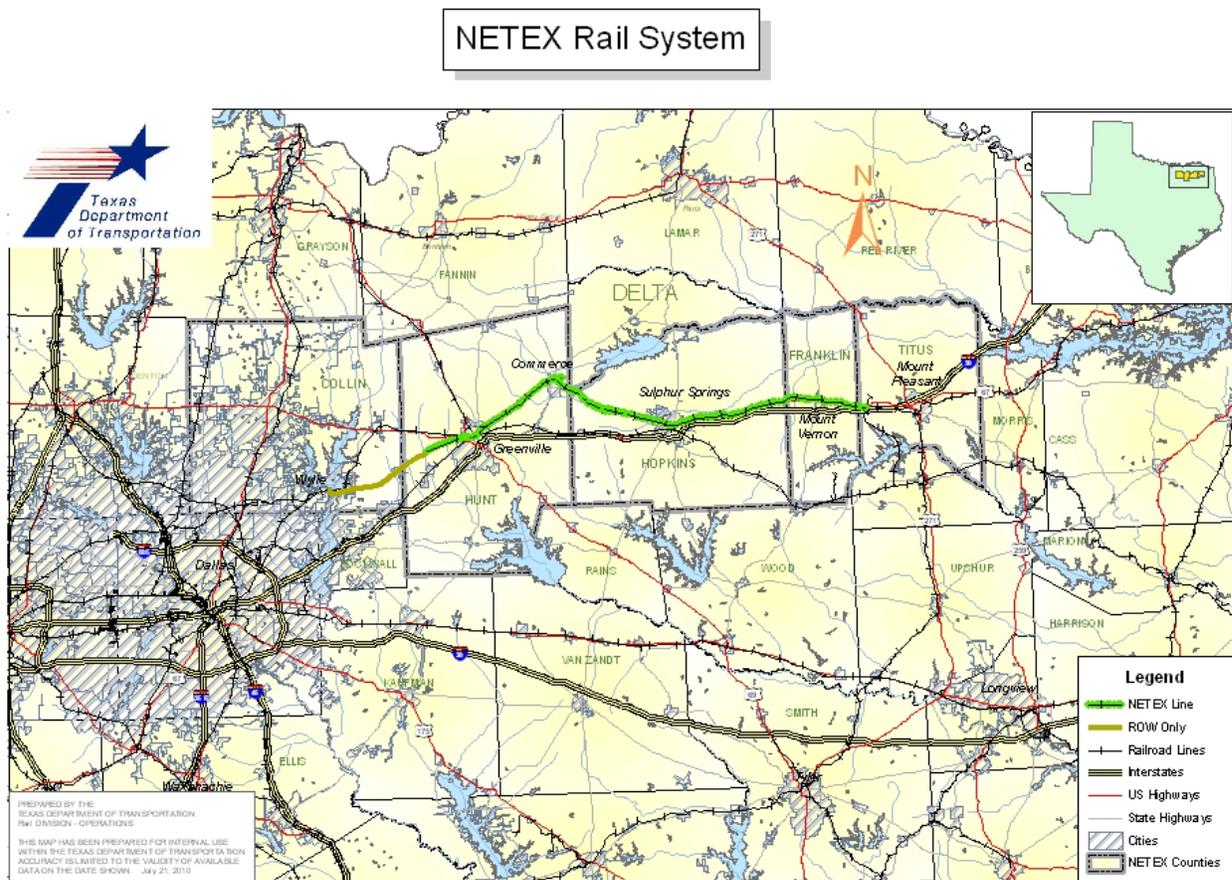
The proposed rehabilitation project is a collaborative effort of the lead applicant Northeast Texas Rural Rail Transportation District (NETEX); contract operator, Blacklands Railroad (BLR); and partnering co-applicant, the Texas Department of Transportation (TxDOT). The primary activity of the project is the replacement of (83,426 main line, 3,499 siding/spur, 350 switch) cross ties with associated ballast and installation, surfacing work, rail alignment, profile correction, and vegetation removal, necessary to achieve and maintain FRA Class 2 standards, allowing an increase to 25 mph track speeds. The rail line is classified by the FRA as “Excepted” track. Most of the ties have exceeded their expected service life and are severely deteriorated. To complete this project, the Northeast Texas Rural Rail Transportation District (NETEX) and co-applicant, the Texas Department of Transportation (TxDOT), are requesting a FY2012 TIGER Grant, in the amount of \$9,490,045 federal funds. NETEX will provide a \$500,000 non-federal match for a total project cost of \$9,990,045. Upon selection of this project, as a recipient of FY2012 TIGER funding, the co-applicant (TxDOT) will serve as the principal for the project. A “very poor state of repair” of the rail line, due to the lack of maintenance by the previous owner, Southern Pacific Railway Company, limits the operational capacity on the line and also makes the line non-competitive with other modes of transportation. Typical conditions are shown in Figure 1.

Figure 1 – The condition of deteriorated cross ties, poor rail alignment, profile and vegetation encroachment creates a safety issue for train crews. The vegetation encroachment creates a safety issue for the traveling public at road crossings on the NETEX and BLR rail line.



The rail line passes through Franklin, Hopkins, Delta, and Hunt Counties and is strategically situated parallel to Interstate 30, which is a part of the High Priority Corridor 55. (www.tradecorridors.com/) Rehabilitation will occur from railroad Milepost (MP) 489.4, Latitude 33.1753, Longitude -95.1269 at the Franklin/Titus County line (near Winfield, Texas) to Milepost (MP) 555, Latitude 33.1305, Longitude -96.7495 at Simtrott, in Hunt County (just west of Greenville, Texas), a distance of 65.6 miles of mainline track and 4 miles of siding and spurs. No bridge work is included in this project. The project area is highlighted in green on the system map in Figure 2.

Figure 2 – NETEX Rail System Map



The NETEX and Blacklands Railroad serves a region in the Northeast corner of Texas, encompassing a large, rural agricultural region that has experienced the development of an ongoing and growing industrial component. Rail has made a comeback as a vital component of the freight transportation system in the region. Aggressive efforts by NETEX and the Blacklands Railroad have increased business on the line from 453 carload loads in 1999 to 2,235 in 2011, an increase of 493%. The line is in need of rehabilitation to address a poor tie condition, rail alignment, and profile deficiencies that currently limit freight movements to 10 mph due to the FRA “Excepted Track” classification. The NETEX line is constructed of predominantly 112# jointed rail, which is in good condition, on ties that date from the 1940’s to the 1980’s. Funds committed to the proposed project will be used to achieve and maintain FRA Class 2 standards,

thus permitting 25 mph operation. Federal Railroad Administration (FRA) track safety standards (49 CFR 213.109) require at least eight (8) good ties, per 39' section of tangent track and curves of less than 2 degrees, or nine (9) good ties per 39' section of turnouts and curved track over 2 degrees, are needed to maintain track at Class 2 standards.

The rehabilitation project will consist of:

1. Replacement of 83,426 main line crossties
2. Replacement of 3,499 siding/spur track crossties
3. Replacement of 350 switch ties
4. Installation and regulation of 31,320 tons of ballast
5. Surfacing and alignment of 69.6 miles of track (including siding/spurs)
6. Vegetation removal 400 acres

To enhance the livability criteria in the region, NETEX operating as “Excepted Track,” must be rehabilitated to assure a long-term, continued operation for shippers and receivers within the region. Rehabilitation of the NETEX rail line will provide a dependable transportation alternative that will facilitate economic development along the rail corridor. The rehabilitated rail line will encourage the diversion of freight from highway to rail, lowering the cost of highway maintenance, reducing cost to shippers, enhancing safety for the traveling public, reducing fuel consumption, lowering greenhouse gases, and will provide a safe environment for the handling of Hazardous Materials.

a. Project Schedule

When the FY 2012 TIGER grant is approved for \$9,490,045 federal funds, as requested, with the \$500,000 NETEX match, for a total of \$9,990,045, construction of this “fast-track” project can begin as soon as December 1, 2012, with project completion expected in November of 2013. A State environmental review is underway with the CE expected in September of 2012. The State FRA, CE document will be submitted when the project is approved for funding. The project will require environmental clearance before construction can begin. The expected project schedule is shown in Table 1.

Table 1 – Project Schedule

<u>Task</u>	<u>2012</u>	<u>2013</u>
TIGER IV Grant Application	Mar-May	
Environmental Approval	Sept	
STIP Revision	NA	
Plans & Specifications Development	June	
Review & Approvals of Project Documents	July	
Construction Contract Letting & Contract Approval	Oct	
Construction	Dec	Jan-Nov



The co-applicant TxDOT has inspected the project area and confirms that the work will be on existing infrastructure located on existing rights-of-way. The co-applicant TxDOT believes that the completion and submission of a FRA environmental checklist, will result in a finding of no significant impact, and a Categorical Exclusion will be granted. The staff of co-applicant TxDOT will develop the plans and specifications for the project, and coordinate with Grant Managers in the appropriate federal agency, to complete the Project Summary, Statement of Work, and Assurances and Certifications, along with any other required information or documentation.

b. Transportation Challenges Addressed

This rehabilitation project will address the challenge of rail efficiency for customers along the NETEX rail line throughout the region. The major challenge to NETEX and BLR is a “very poor state of repair” of the rail line. The last significant tie replacement project was performed in 1986 by the prior owner, Southern Pacific Railway. At this time only selected bad 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 in bad to fair condition. Typically these deteriorated ties cause sub-standard alignment and profile of the track and do not provide adequate support of the rail as visible in Figure 3. Existing, typical main line track cross tie and ballast conditions are shown in Figure 4.

Figure 3 – Very Poor Track Conditions on the Main Line near Sulphur Springs, Texas.



Figure 4 – Deteriorating Crossties and insufficient Ballast on the Main Line



The “very poor state of repair” of tie deterioration, alignment, and profile conditions, contribute to the NETEX line’s classification as “Excepted Track.” On “Excepted Track,” the Federal Railroad Administration (FRA) regulations limit operating speeds to 10 mph and restrict the movement of hazardous materials to no more than five (5) hazardous cars per train. A majority of the spurs and sidings on the line are in a “very poor state of repair.” The results of deteriorating siding conditions create a safety issue for train crews and interruptions of customer service as evidenced in Figure 5.

Figure. 5 – Car off the Rail on a Commerce, Texas Siding due to Severely Deteriorated Crossties that contribute to Gauge Variances.



Vegetation growth along the tracks is a safety hazard for train crews and train operations. In addition to the safety hazards created by sight-line obstructions, vegetation and trees growing too near the track pose an ongoing risk of track blockage and service disruptions. Vegetation removal is estimated to be necessary on 400 acres of right of way. Vegetation encroachment along the mainline is shown in Figure 6.

Figure 6 – Fallen Tree Blocking the View of Tracks in Commerce, Texas.



A 493% revenue increase generated over the past decade by BLR operations, and other external sources have not been sufficient, to allow NETEX to invest in a major rehabilitation effort needed to overcome the “very poor state of repair.” The “very poor state of repair” is the result of deferred maintenance by the prior owner, Southern Pacific Railway (SP). For the past five years the Blacklands Railroad has been able to contribute a yearly average of approximately \$250,000 toward maintenance of the NETEX line. The BLR agrees to maintain this level of yearly commitment for ‘sustainability’ of the rail line after completion of the FY2012 TIGER Rehabilitation project. NETEX routinely appropriates the funds received from operations, land, and utility lease payments, for the purpose of maintaining the rail line.

The rehabilitation of the NETEX line to Class 2 standards will allow 25 mph train operations along the entire route. Assuming that no stops were made, at 10 mph or less, a train crew operating both directions of the rail line (132 miles) would require a minimum of 13.5 hours. The BLR often has to utilize two train crews for operations which could be accomplished by one crew operating at 25 miles per hour track speed. Rehabilitating track speeds to Class 2 standards is necessary to maintain existing operations, increase capacity on the line, and facilitate the

diversion of additional freight from the highways to rail. The rehabilitation will also provide for rail oriented economic development opportunities along the rail line. Rehabilitation of the line is critical to the continuation of rail service to existing customers.

Failure to rehabilitate the line will result in the eventual cessation of service. Cessation of rail service by NETEX would divert all freight moved over the line to trucks, increasing shipper costs, increasing pavement maintenance costs, increasing congestion on the highway system, increasing atmospheric pollutant, and create an unsafe environment for highway travel. The project will also provide operable existing rail infrastructure for future passenger rail connection to the Dallas/Fort Worth Metroplex (DFW).

Freight movement has a significant impact on U.S. Highways, Texas State Highways and Rural County Roads. Research conducted for TxDOT by the UT Center for Transportation Research (Project 0-4169, http://ftp.cc.utexas.edu/research/ctr/pdf_reports/0_4169_1.pdf) 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 highways, 10% of the state highways, and 13 % of the rural roadbed miles in the NETEX region were rated “Poor” or “Very Poor”. The demand of maintenance efforts to counteract these conditions continues to place a burden on the budgets of rural roads, state highways, and interstate highways. TxDOT research also found that truck volumes are increasing at a rate of 3% annually in the region. The conclusion of the research stated that...”Increasing truck numbers and axle loads on rural pavements and the identified pavement maintenance cost is possibly an indicator that TxDOT will find it increasingly challenging to maintain its extensive rural road system ...“Available strategies to TxDOT includes the promotion of rural rail...” Rail is the most fuel efficient and environmentally friendly method of ground transportation of freight. The funding of this FY2012 TIGER project is an opportunity to divert truck to rail, enhancing livability in the region by reducing greenhouse gases and highway congestion.. The NETEX line must be rehabilitated to continue operation and provide crucial, efficient rail transportation to the region. The FY2012 TIGER federal grant funding of \$9,490,045 and local non-federal match of \$500,000 by NETEX for a total project cost of \$9,990,045 will meet the major challenges of NETEX and provide a “sustainable” Class 2 rail road.

c. Freight Volumes

Freight rail service was provided to 19 customers located on the rail line in 2011, carload counts have increased from 453 in 1999 to 2235 in 2011, an increase of 493%. Shippers and receivers using the NETEX line are dependent upon rail transportation, if rail service was no longer available due to cessation, as a result of unsafe track conditions, some of the customers could be forced to cease or relocate operations. The essential rail service provided on the NETEX line has diverted an average of 5,513 trucks annually from the regions roadways. The lower transportation rates of rail carriers, compared to trucking rates, increases the profitability of rail customers. The cost saving to rail shippers and receivers provides a positive economic impact for the region. Rail freight transportation also has a lower rate of greenhouse gas emission per ton mile versus trucking, thereby having a positive impact on the environment and livability of the region. Freight volumes moved on the NETEX line have increased dramatically since operations began in 1999, at this time, growth is being limited due to the continuing deterioration of the



infrastructure. Restricted train speeds of 10 mph effect the BLR's ability to provide on time delivery and prompt switching services. Potential customers view these constraints as undesirable for their operations, thereby limiting opportunities to increase business along the corridor. Freight volume on the line is very near its maximum service capacity due to the current, "Excepted" classification of the track. "Excepted Track" status affects the efficiency and capacity of the NETEX line operations, and may lead to the eventual cessation of service.

II. Project Parties

The entities collaborating on this proposed project are the Northeast Texas Rural Rail Transportation District (NETEX), a political subdivision of the state of Texas; the Blacklands Railroad (BLR), contract operator; and co-applicant The Texas Department of Transportation (TxDOT). TxDOT, as the partnering co-applicant, is assisting NETEX with planning and reporting requirements and will function as the principal administrator of the grant upon approval of funding. TxDOT has previous experience in the management of rail construction projects.

NETEX was formed in 1994 by Franklin, Hopkins, Hunt, and Titus Counties, Texas, to prevent the abandonment of Southern Pacific's "Cotton Belt C-Branch" line between Mount Pleasant, Texas and Wylie, Texas. Collin and Delta Counties subsequently became members of the NETEX Rail District. In 1995, NETEX purchased 31 miles of track from Milepost (MP) 524, west of Sulphur Springs Texas, to Milepost (MP) 555, west of Greenville, 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 Milepost (MP) 489.4 at the Franklin County/Titus County line to Milepost (MP) 524, at Sulphur Springs, Texas. 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 Simtrott, west of Greenville, Texas, to east of Wylie, Texas. The tracks and ballast had been removed from this line segment at the time of the purchase. The Simtrott to Wylie, Texas NETEX property is not included in this FY2012 TIGER grant application. NETEX currently leases the rail line (MP) 489.4 to (MP) 555 to the Blacklands Railroad (BLR).

The Blacklands Railroad provides freight rail service to customers located along approximately 66 miles of existing mainline track. BLR has been successful in marketing their services and has increased traffic on the line from 453 carloads in 1999 to 2235, carloads in 2011, a 493% increase in eleven years. Traffic dropped somewhat in 2011 as a result of the declining global economy, BLR interchanged 2235 loaded cars in 2011, a modest 6% decrease over the previous year. This is minor in comparison to the industry-wide decreases of over 16%. BLR and NETEX averaged dedicating approximately \$250,000 annually, during the past 5 years for track improvements, at critical locations, to keep the line in operation. The BLR's track maintenance cost to revenue is 29% compared to a recent industry average of 18% for class one railroads. BLR has increased maintenance investment along with revenue to maintain a safe operating railroad. The BLR has committed to maintaining the line at Class 2 status upon completion of the proposed Rehabilitation project.



The Blacklands Railroad was honored as the 2011 Short Line Railroad of the Year by *Railway Age* magazine. In April of 2009 the BLR was nominated as one of the ten (10) best short line railroad operators by *Railway Age* magazine. 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 customers for the quality and responsiveness of service. This is clearly reflected in the strong carload growth of the Blacklands Railroad. BLR customers located on the NETEX line are accessed via spurs or sidings. Typically these sidings and spurs are in need of rehabilitation.

Economic Development Corporations in the region have collaborated with the BLR and NETEX to bring rail business to the line. The Economic Development Corporations diligently continue to market the availability of rail service to potential customers. The BLR serves numerous local and regional industries and businesses located along the route, including agricultural interests, plastics manufacturers and users, steel and metal industries, chemical processors, aggregate companies, and other miscellaneous customers.

The proposed project in northeast Texas includes four counties of the NETEX rail district: Franklin, Hopkins, Delta and Hunt. Titus and Collin Counties are in the Northeast Texas Rural Rail Transportation District, but these counties are not included in the project area defined in this FY2012 TIGER grant application. Counties in the project area are located in two Workforce Development Areas (WDA) as defined by the Texas Workforce Commission.

(www.twc.state.tx.us/) Workforce Development Area four (4) includes (Hunt County) and Workforce Development Area seven (7) includes (Franklin, Hopkins, and Delta Counties). Smaller cities (under 10,000 population) that fall within the project area are Mount Vernon (2,857) in Franklin County, Cooper (2,190) in Delta, (Cooper is located 12 miles north of the rail line) and Commerce (7,669) in Hunt County. Medium size cities with over 10,000 population are Sulphur Springs (14,551) in Hopkins County and Greenville (23,960) in Hunt County. Table 2 provides 2010 census demographic information for the NETEX counties that are within the project limits.

Table 2 – Demographic Data for NETEX Counties in Project Area (2010 census data)

<u>County</u>	<u>Population</u>	<u>Income Per Capita</u>	<u>% Ethnicity</u>	<u>Persons Below Poverty %</u>
Delta	5,231	\$20,721	14.7	18.8
Franklin	10,605	\$22,076	19.5	15.5
Hopkins	35,161	\$20,937	23.5	18.0
Hunt	86,129	\$21,276	29.3	19.9

With the exception of Hunt County, all these counties have small populations. The most populous county, Hunt, has fewer residents than many medium-sized cities within the U.S. The largest city in the project area is Greenville, Texas with a population of 23,960. All of these counties are rural with per capita income lower than the state per capita average of \$24,318 and are classified as economically disadvantaged. All of the counties, except Franklin, have poverty percentage rates higher than the state average of 17.1%.



III. Grant Funds and Sources/Uses of Project Funds

The proposed rehabilitation of the NETEX line would be funded by a \$9,490,045 FY2012 TIGER grant and a \$500,000 NETEX match, for total of \$9,990,045. The development and securing of plans, specifications, estimates, and environmental clearances for the project will be performed by the staff of the co-applicant, TxDOT. The majority of the FY2012 TIGER funds will be used for actual construction of the project and construction management activities. As a rural project in an economically disadvantaged region, the successful implementation of this project is dependent on the infusion of FY2012 TIGER federal funds and a NETEX local match. Material and construction activity cost is based on past incurred cost to NETEX for maintenance projects and proposed bid estimates. Expected materials requirements and associated costs for the project are shown in Table 3.

Table 3 – Expected Project Materials Requirements and Costs

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total</u>
Main Line Tie Removal & Replacement	Each	83,426	\$70	\$5,839,820
Siding/Spur Tie Removal & Replacement	Each	3,499	\$70	\$244,930
Switch Tie Removal & Replacement	Each	350	\$205	\$71,750
Ballast & Delivery	Ton	31,320	\$50	\$1,566,000
Track Surfacing & Ballast Regulating	Mile	69.6	\$5,977	\$416,000
Vegetation Removal	Acre	400	\$1,000	\$400,000
Subtotal				\$8,538,500
Engineering & Contingencies				\$1,451,545
Total				\$9,990,045

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, the co-applicant, TxDOT, will take the project to letting. Contract negotiations and signatures typically take eight (8) weeks from the letting date, making this a “fast track” project.

b. Legislative Approvals

Letters and resolutions of support for the project are available for review on the NETEX Website at www.NETEXrail.org/tiger/.

c. Statewide Transportation Improvement Program

A portion of the project (Hunt County) is located in the North Central Texas Council of Governments (NCTCOG) Metropolitan Planning Organization (MPO) and will be included in



the 2012 STIP. Hunt County is predominantly rural in nature but was recently added to the NCTCOG. Delta, Franklin, and Hopkins Counties are in a rural area and the project will be added to the 2012 rural STIP.

d. Financial Feasibility

The co-applicant, Texas Department of Transportation (TxDOT), will be the principal administrator for this project when funded. With a long history of managing federal appropriations (TxDOT) has the qualified staff and expertise necessary to administer the grant funds and manage the construction activities of this project. TxDOT staff members have 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 bid awards and bid proposals with limited adjustments for materials price fluctuations and construction costs. NETEX and co-applicant TxDOT are confident that the project can be completed in budget and on time, achieving the desired results. Blacklands Railroad has demonstrated the ability to generate annual revenue sufficient to financially support a routine maintenance program to insure that the rail line will be maintained at Class 2 track standards, or better, after the rehabilitation is complete. The rehabilitation of the NETEX line, with a FY2012 TIGER grant and NETEX local match, is a “sustainable” project that is necessary to provide short and long-term benefits for the nation, state, and region.

IV. Selection Criteria

a. Long Term Outcomes

i. State of Good Repair

A short- and long-term outcome of the NETEX line being returned to a “state of good repair” will be assurance to current and potential rail customers that the rail line will be there to serve their needs. NETEX does not have the financial resources to completely rehabilitate the 69.6 miles of line to a minimum FRA Class 2 status that would permit an increase in track speed to 25 miles per hour. Rehabilitation utilizing a FY2012 TIGER grant and NETEX local match would put NETEX and the operator, Blacklands Railroad, in a position to develop a routine maintenance plan, utilizing the annual resources from the BLR, to sustain the line in a “state of good repair.” A lease agreement between NETEX and Blacklands Railroad requires the BLR to be responsible for operations and routine maintenance of the rail line. TxDOT staff with maintenance and operational experience in the railroad industry, periodically review BLR’s performance and compliance with provisions of the lease. The Region 5 FRA inspectors routinely visit the line to monitor track conditions. If defective conditions are found, Blacklands Railroad is required to perform the maintenance necessary to maintain the track at FRA Class 2 standards.



ii. Economic Competitiveness

The existing, “state of poor repair” of the line threatens the economic growth and stability of the region. The agricultural industry and other business and industrial related interests served by the rail line could possibly face insolvency if rail service ceases. Agricultural, industrial, and manufacturing shippers and receivers served by the Blacklands on the NETEX rail line include: agricultural commodities, steel, plastics, chemicals, lumber, and other miscellaneous businesses and industries. Businesses and industries along the corridor would be adversely impacted if rail service was not available. Economic Development Corporations along the rail line routinely promote the availability of rail service in the region. The economic stability and growth of the region relies on the continuation and improvement of rail service by NETEX.

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 presentation of findings of this study is available on the NETEX Website at www.NETEXrail.org/tiger/.

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 (6-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 benefit/cost analysis.

iii. Livability

Livability within the region will be enhanced in the short- and long-term by maintaining the rail line as a reliable transportation mode for goods and services. Reliable access to goods and services are major components of the livability equation. Rehabilitating and preserving the NETEX line as a Class 2 railroad, with a 25 mile per hour speed limit, will provide a foundation for the further upgrading of the line as a major rail carrier, in the Northeastern region of Texas. In the future NETEX will serve seven million people in both freight rail and the potential for passenger rail capacity. A significant portion of the NETEX rail operation is in Hunt County, Texas, which is classified as a near-non-attainment county. As the growth of the Dallas/Fort Worth Metroplex continues toward the Northeast, highway congestion will become a major concern. Diverting truck traffic to rail reduces highway construction and maintenance costs, reduces greenhouse gas emissions, and creates a safer environment for the traveling public. The rehabilitation of the NETEX rail line will enhance economic development opportunities and bring additional jobs and businesses to the area as a result of an improved regional freight rail transportation system that connects to two Class I railroads and another regional short line railroad. The NETEX interchanges with the Union Pacific (UP) at Mt. Pleasant, Texas; the Kansas City Southern (KCS) at Sulphur Springs, Texas; and the Dallas, Garland, & Northeastern (DGNO) short line railroad at Greenville, Texas.



iv. Environmental Sustainability

From a sustainability standpoint, the rehabilitation of the NETEX line will provide for a “greener environmental” region. Future generations will benefit from a safer and more livable environment, sustainability of the rail line, economic growth, and reductions in the emission of hydrocarbons from greenhouse gases. Currently, the major metropolitan areas of Dallas/Fort Worth are in non-attainment status. Hunt County, which is included in this project, is classified as near-non-attainment. Any activities in the region that can reduce both source and non-point source emissions should be actively encouraged. NETEX and TxDOT would require the rail operator to maintain the track in the rehabilitated condition when the project is completed. The improvements would therefore be self-sustaining. This project will meet the immediate needs of the residents of the region without compromising the ability of future generations to meet their needs.

v. Safety

Rehabilitation of the NETEX line will provide safety enhancement to the region by reducing the risk of train derailments, due to operating on an “Excepted Track” condition. Train derailments could have an adverse affect on residences, and businesses adjacent to the rail line. Vegetation removal along the line will improve the safety of train crews and the traveling public at grade crossings.

b. Job Creation and Economic Stimulus

According to the Texas A&M University-Commerce economic impact study, the continued operation of the NETEX line is a major catalyst for (a) generating employment in the region, (b) continuing taxation revenues, and (c) providing transportation options for economic development. The project is located in Northeast Texas and incorporates a large portion of the Black land Prairie region of the state, one of the most agriculturally rich areas in the south-central U.S. The Black land 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 2011, BLR interchanged 881 carloads of materials associated with the agricultural industry, 1131 carloads of materials for the manufacturing industries, and 223 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 will generate construction jobs in the short term and additional permanent jobs as economic development efforts continue. Efforts will be made to provide opportunities for employment of low-income and unemployed individuals within the four economically distressed counties that are included in the project. These four counties are served by two Workforce Development Areas (WDA) of the Texas Workforce Commission. FY2012 TIGER grant funding will provide individuals employed by the project, an opportunity to gain broadly transportable



workforce skills as maintenance of way workers in the railroad industry. Participation by small and disadvantaged business enterprises, including veteran-owned and service disabled veteran owned businesses, will be encouraged to participate in the project. The project will require compliance with Federal laws ensuring a safe environment and fair treatment for American workers, and implementation of best practices that are consistent with U.S. civil rights and equal opportunity laws ensuring that all individuals, regardless of race, gender, age, disability, or national origin, have the opportunity to benefit from FY2012 TIGER grant funding.

The impact of the project construction expenditures on the economy of the United States was estimated using an employment impact multiplier recommended by the Council of Economic Advisors (CEA), one job per \$92,000 of government expenditures, or 10.8 jobs per \$100,000 of government expenditures. Estimates of job growth using the CEA Employment Multiplier are shown in Table 4. The cumulative impact of the project amounts to 107.9 job-years, including 69.1 direct and indirect job-years and 38.1 induced job-years. During the construction period, the project will generate on average 71.9 jobs each year that would last the entire year. The Project Schedule is estimated to be 1.5 years. The average number of jobs per year is equal to Total Job-Years (107.9)/Project Schedule Years (1.5) = 71.9. Sixty-four percent (64%) are Direct or Indirect Jobs and thirty-six percent (36%) are Induced Jobs.

Table 4 – Employment Impact of Project Expenditures Based on the CEA Employment Multiplier, Number of Jobs-Years Created, Total, and Annual Jobs:

(www.whitehouse.gov/assets)

<u>Effect Type</u>	<u>Total Job-Years (1.5)</u>	<u>Average Number of Jobs per Year*</u>
Direct and Indirect	69.1	46.1
Induced	38.8	25.8
Total	107.9	71.9

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. The management of the line by NETEX and the operation of the line by Blacklands Railroad proved to be a successful collaboration and an innovative approach to providing for economic development opportunities in region and the state of Texas. Examples of innovation by the railroad are also demonstrated by the implementation of convenient trans-load facilities to provide customized rail service to off-track customers throughout the northeast Texas region.



d. Partnership

The NETEX line, a state agency, 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 northeast 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 will eventually cease and the freight traffic of surviving businesses will be diverted to the region's highways.

e. Results of Benefit-Cost Analysis

A benefit-cost analysis was conducted to assess the benefits that rehabilitation, of the rail line supported by a FY2012 TIGER grant and local NETEX match would benefit the public. The benefit-cost analysis assesses the benefits to society resulting from the project to improve the rail line relative to the costs of the project. For the assessment of the NETEX line, the benefits realized from rehabilitating the rail line are compared to the implications of allowing the line to 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 benefit-cost is an analysis of the relative public benefits of having freight shipped by rail versus truck.

Several public 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.

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. . 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 will increase in rail operations. 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: emissions quantities are reduced as a result of the diversion of truck freight to rail.

Other benefits may also accrue to the project improvements such as noise reduction benefits but have not been quantified due to limitations of data. The benefit 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 5 provides a summary of the benefits in total and by benefit category. Total benefits are estimated to be \$4,109,108 with the major project benefits being transportation cost savings for shippers. Safety benefits and highway maintenance cost savings from truck diversion are also significant. The benefits are 0.44 to 1, using a 7 percent discount rate real, and 0.67 to 1, using a 3 percent discount rate real. The project economic indicators are summarized in Table 6.

Table 5 – Summary of Project Benefits

Benefit Category	Benefit #	Net Present Value 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. 6 – Summary of Project Economic Indicators

Economic Indicators	7%	3%
Total Costs	\$9,290,742	\$9,690,343
Total Benefits	\$4,109,108	\$6,472,880
Net Present Value	-\$5,181,634	-\$3,217,463
Return on Investment	-56%	-33%
Benefit/Cost	0.44	0.67

The logic and the assumptions behind these benefit calculations are provided in the Benefit-Cost Analysis document produced in August of 2010 for inclusion in the application for TIGER II funding. Due to the cost and short time line for the FY2012 TIGER application, a new study was not conducted. The data for the TIGER II Benefit-Cost Analysis is still considered valid and is being utilized for the FY2012 TIGER application. It should be noted that a difference exists between the total cost of \$9,990,045 in this FY2012 TIGER project which includes federal grant

funds and local match, when compared to the \$14,303,813 requested in the TIGER II application. The tables included herein reflect currently requested funds. All other information provided is deemed to be relevant and accurate. The original Benefit-Cost Analysis document for TIGER II is available on the project webpage at www.NETEXrail.org/tiger/.

Table 7 shows that the railcars that moved over the NETEX line in the past 7 years represent over 3 million vehicle-miles-traveled (VMT) 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.

Table 7 – Estimated Truck Vehicle-Miles-Traveled by year in the NETEX Corridor between Winfield and Greenville, Texas for 2005-2011.

<u>Year</u>	<u>Total Loaded Railcars</u>		<u>Avg. Truckloads per Railcar</u>	<u>=</u>	<u>Total Trucks</u>		<u>Route Mileage</u>	<u>=</u>	<u>Truck Mileage</u>
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
2010	2,377	x	3.0	=	7,131	x	66	=	470,646
2011	2,235	x	3.0	=	6,705	x	66	=	442,530
Totals	15,383				38,595				3,045,834

V. Project Readiness and NEPA

The NETEX “fast-track” project will be ready for construction within five to six months, upon notice of being selected to receive FY2012 TIGER grant funding. The environmental personnel of co-applicant, TxDOT, performed an inspection of the project area and a detailed review of the proposed scope of work. The project consists of the replacement of defective cross ties, ballast and the installation of ballast, associated surfacing work, rail alignment, profile correction and vegetation removal, on an existing rail facility. The project will be performed using on track equipment on existing railroad rights-of-way and will result in minimal to no disturbance of soils. No historical structures will be impacted. A review of biological and wildlife issues is underway. A State Categorical Exclusion (CE) determination will be made after that document has been reviewed by all state agencies. The State CE will be submitted for review along with an FRA Categorical Exclusion Checklist when the project is selected for funding and a Funding Agreement is submitted.

VI. Federal Wage Rate Certification

The federal wage rate certification statement is attached.

VII. Summary

This is a “fast track” project that will have a positive impact on the economy at the local, state and national levels. Rehabilitation of the NETEX line will assure the provision of continued



freight rail service in the region, increase rail capacity, and provide economic development and employment opportunities for counties in northeast Texas. The four counties included in the project area are Franklin, Hopkins, Delta, and Hunt. All of these counties have per-capita income lower than the state average and a significant percentage of the population that lives at or below the poverty level. The project will have positive direct and indirect impacts on economic competitiveness, livability in the region, safety enhancement, environmental sustainability, employment levels, and highway maintenance costs. The project has broad support in the region and the state. The funds requested, represents a minimal investment as compared to many major transportation projects. Funding of the Rehabilitation Project will quickly generate jobs and provide short- and long-term benefits to the region, state and nation, making this a responsible and appropriate use of FY2012 TIGER and local match funds.





NORTHEAST TEXAS RURAL RAIL TRANSPORTATION DISTRICT

March 06, 2012

TIGER Discretionary Grants Program Manager

United States Department of Transportation

Washington DC – via e-mail

Subject: Compliance with Federal Wage Rate Requirement

Dear Sirs:

In connection with this Application of the Northeast Texas Rural Rail Transportation

District ("NETEX") for a Supplemental Discretionary Grant for Capital Investment in Surface Transportation Infrastructure Under the American Recovery and Reinvestment Act (P.L. 111-5), NETEX (which is a subdivision of the State of Texas) hereby undertakes to comply with the of subchapter IV of chapter 31 of title 40, United States Code [Federal wage rate requirements] as required by the Recovery Act (P.L. 111-5).

Very truly yours,

A handwritten signature in blue ink that reads "Cletis Millsap". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cletis Millsap, Chairman

NETEX Board of Directors