

U.S. Department of Transportation

TRANSPORTATION INVESTMENT GENERATING  
ECONOMIC RECOVERY - III

“TIGER III”

GRANT APPLICATION

Project Name: NETEX Rail Line Rehabilitation and Trans-load Facility Improvement

Project Type: Rural Freight Rail Transportation Project

Funds Requested: \$9,990,045

Lead Applicant: Northeast Texas Rural Rail Transportation District (NETEX)

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## I. Project Description

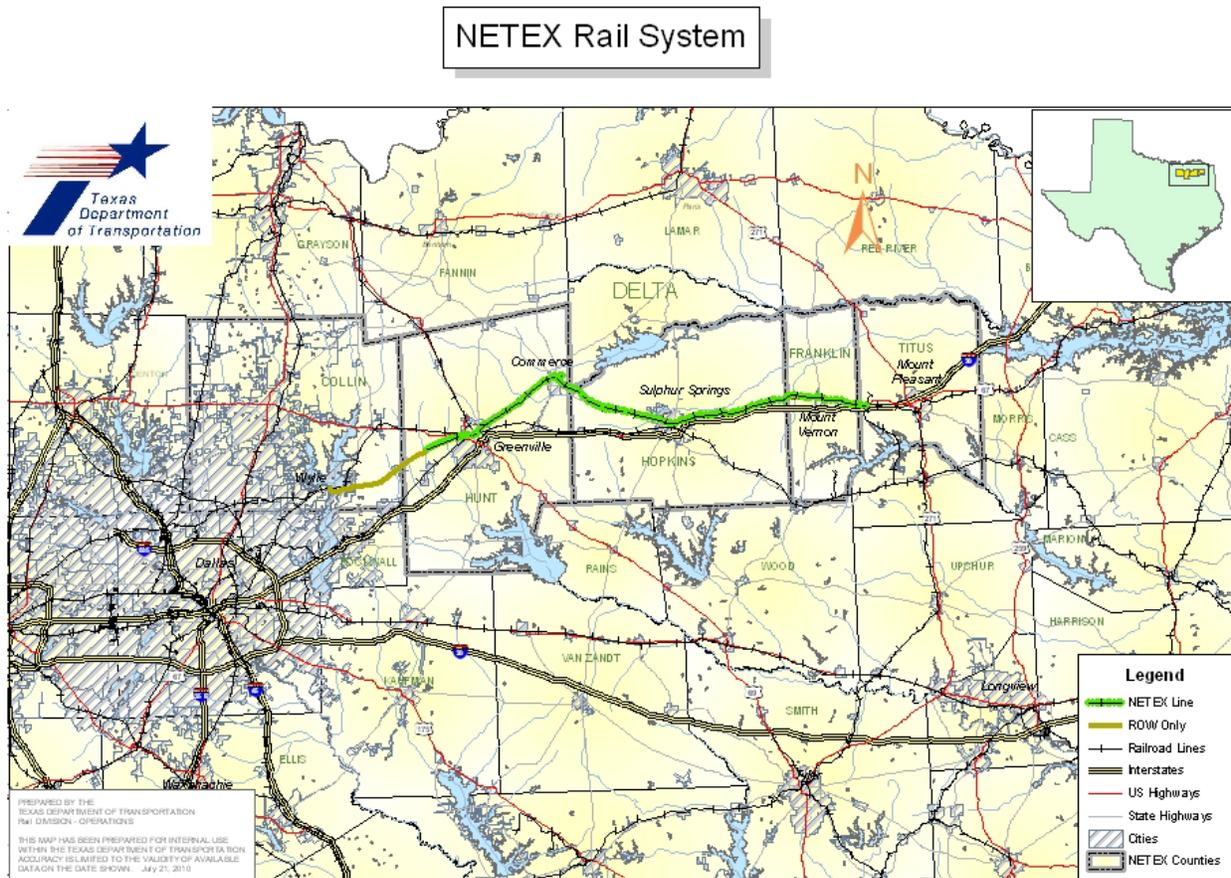
The proposed rehabilitation project is a collaborative effort of the lead applicant, the Northeast Texas Rural Rail Transportation District (NETEX); the contract operator, Blacklands Railroad (BLR); and the partnering co-applicant, the Texas Department of Transportation (TxDOT). The NETEX/Blacklands 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 transportation has become a vital component of the 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 2,400 in 2010, an increase of 530%. 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. 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, rail alignment, and profile deficiencies that currently limit freight movements to 10 mph due to its FRA “Excepted Track” classification. Funds committed to the proposed project will be used to achieve and maintain FRA Class 2 standards, thus permitting 25 mph operation. Typical track conditions, alignment, and vegetation encroachments are illustrated in Figure 1.

Figure 1 – NETEX/Blacklands Railroad at Neylandville, Texas



The primary activities of the project are to rehabilitate the NETEX rail line and improve two trans-load facilities on the state-owned Northeast Texas Rural Rail Transportation District rail line (NETEX). 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. The rail line passes through Franklin, Hopkins, Delta, and Hunt Counties and is strategically situated parallel to Interstate 30, which is a part of High Priority Corridor 55. The project area is shown highlighted in green on the system map in Figure 2.

Figure 2 – NETEX Rail System Map



The major rehabilitation activity of the project will be cross-tie replacement with associated ballast and surfacing work, rail alignment, profile correction, and vegetation removal and control necessary to achieve and maintain FRA Class 2 standards, allowing an increase to 25 mph track speeds. Minor activity number one (1) will be the improvement of a trans-load facility at Sulphur Springs, Texas, located at Milepost (MP) 517.7, and will include the installation of approximately 400' of new track parallel to the main line with a paved loading/unloading area. Minor activity number two (2) will be the improvement of a trans-load facility at Commerce, Texas, on the former Texas Midland Paris Branch spur located at Milepost (MP) 537.1, and will include the addition of and/or improvement to approximately 600' of track and improvements to the loading/unloading area.

The rehabilitation project will consist of:

1. Replacement of 73,151 main line crossties
2. Replacement of 3,499 siding/spur track crossties
3. Replacement of 350 switch ties
4. Installation and regulation of 39,600 tons of ballast
5. Surfacing and alignment of 69.6 miles of track (including siding/spurs)
6. Improvements to two (2) trans-load facilities including approximately 1000' of track.
7. Vegetation removal

Critical to the livability criteria within the region, the NETEX line, operating as “Excepted Track,” must be rehabilitated in order to assure long-term, continued operation to shippers and the promotion of economic development opportunities along the rail corridor. Rehabilitation of the 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 providing a safer environment for the handling of Hazardous Materials.

The Northeast Texas Rural Rail Transportation District (NETEX) and co-applicant, The Texas Department of Transportation (TxDOT), are requesting a Tiger III Grant in the amount of \$9,990,045 for completion of this rural project. Upon selection of this project as a recipient of funds through the proposed grant application, the co-applicant (TxDOT) will serve as the principal for the project.

*a. Project Schedule*

When the TIGER III grant is approved for \$9,990,045, as requested, construction on this “fast-track” project can begin as soon as May 2012 with project completion expected during the summer of 2013. A State environmental review is underway with the CE expected in April 2012. The State FRA CE document will be submitted at this time. 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>2011</u>	<u>2012</u>	<u>2013</u>
TIGER III Grant Application	Jun-Oct		
Environmental Approval	Dec	April	
STIP Revision	Dec		
Plans & Specifications Development		Mar	
Review & Approvals of Project Documents		Mar-May	
Construction Contract Letting & Contract Approval		April	
Construction		May-Dec	Jan-Jul



The co-applicant, TxDOT, has inspected the project area and confirmed that the work would be on existing infrastructure located on existing rights-of-way. 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 complete the Project Summary, Statement of Work, and Assurances and Certifications along with any other required information or documentation.

*b. Transportation Challenges Addressed*

The NETEX rail line interchanges with the Union Pacific (UP) at the east end of the line; the Kansas City Southern (KCS) at Sulphur Springs in Hopkins County; and the Dallas, Garland, and Northeastern Railroad (DGNO) at Greenville in Hunt County. On-track customers are served via dedicated rail spurs and off-track customers are served via trans-load facilities located on the main line or adjacent sidings and spurs. The recognized service record and reputation of the Blacklands Railroad and the economic benefits of rail shipping/receiving are attracting additional on-track rail customers and a growing number of off-track businesses and industries in the north-east Texas region are also expressing an interest in making use of the railroad's services through trans-loading operations. This project will address the challenge of rail efficiency for on-track customers and rail access for off-track shippers and receivers along the NETEX rail line and throughout the region by also improving and expanding, on existing railroad rights-of-way, trans-load facilities at Sulphur Springs and Commerce, Texas.

The NETEX main line is constructed of predominantly 112# jointed rail manufactured in the 1950's and 1960's and is in good condition. 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, as seen in Figure 4.

The "very poor state of repair" of ties, alignment, and profile conditions contribute to the NETEX line's classification as "Excepted Track." (See Figure 5.) 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. The Excepted Track status affects the efficiency and capacity of the NETEX line operations, and may lead to the eventual cessation of service as the track continues to deteriorate. A majority of the spurs and sidings on the line are also in a "very poor state of repair." The detrimental results of deteriorating siding conditions and potential for service disruptions can be seen in Figure 6.



Figure 4 – Main Line Rails Suspended Above Deteriorated Ties



Figure 5 – Main Line near Sulphur Springs, Texas

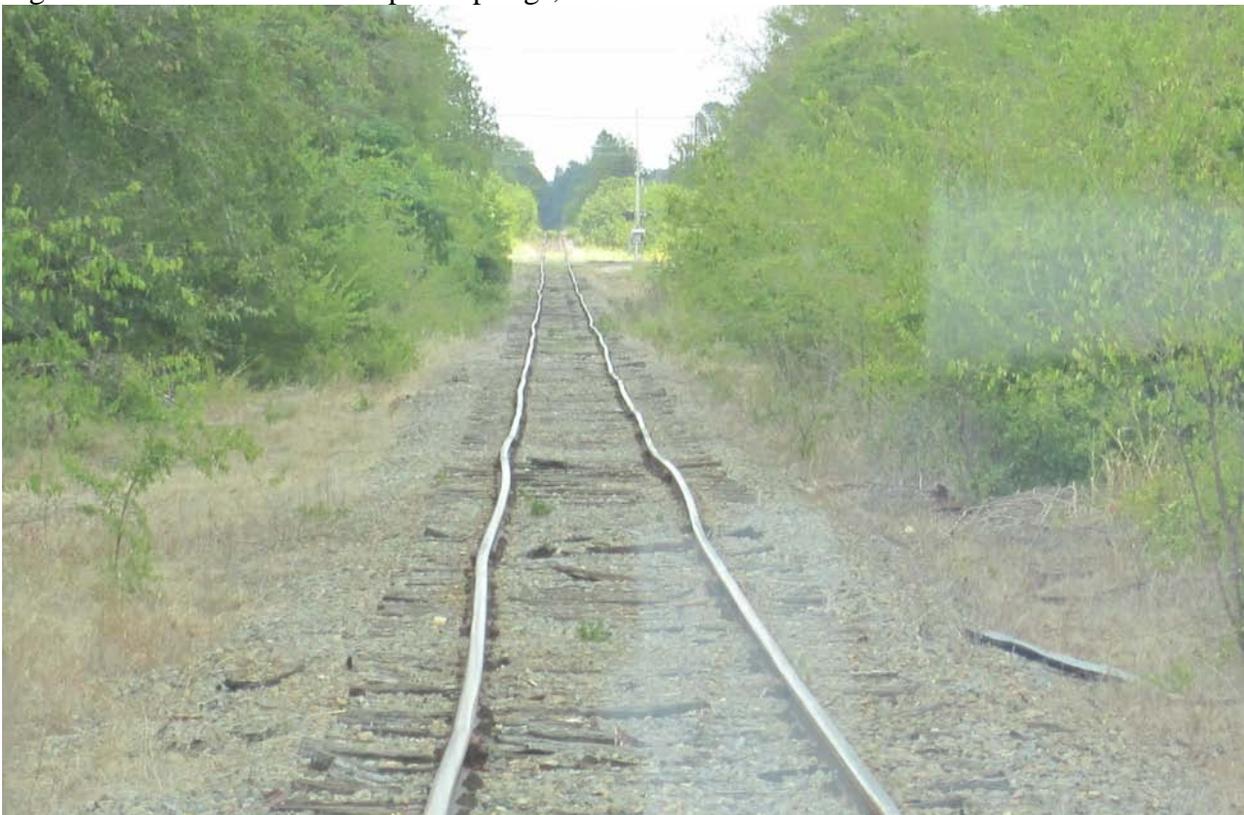


Figure 6 – Split Rail on Commerce Siding Due to Severely Deteriorated Crossties and Resulting Gauge Variances.



Revenue generated from the BLR operations and other external sources have not been sufficient to allow NETEX to invest in a major rehabilitation effort needed to overcome the dilapidated track conditions that resulted from deferred maintenance by the prior owner. For the past five years the Blacklands Railroad has been able to contribute a yearly average of \$580,000 toward maintenance of the line. The BLR agrees to maintain this level of yearly commitment for 'sustainability' of the rail line after completion of the project. NETEX routinely appropriates the funds received from operations, land, and utility lease payments for additional materials for maintenance of the rail line.

The rehabilitation of the NETEX line to Class 2 standards will allow 25 mph train operations along the entire route. At 10 mph, the BLR often has to utilize two train crews for operations which could be accomplished by one crew at 25 miles per hour. The 25 mph 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. Failure to rehabilitate the line will result in the eventual cessation of service. Cessation of service would cause the diversion of all freight moved over the line to trucks, increasing shipper costs; increasing pavement maintenance costs; increasing 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 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](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 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 closed and the freight shifted to truck. These greater demands on the rural roads impact local roadway budgets and require increased maintenance efforts to counteract these effects.

TxDOT 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 2010, and carload counts have increased from 453 in 1999 to 2400 in 2010. Shippers and receivers using the NETEX line are dependent upon rail transportation and some could be forced to cease or relocate operations if rail service was no longer provided. The essential rail service provided on the NETEX line has diverted an estimated 5,000 trucks from local roadways annually. The lower transportation rates of rail carriers versus trucking rates increases the profitability of rail customers, a positive economic impact for the region. 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 is being limited due to the continuing deterioration of the infrastructure. Restricted train speeds of 10 mph effect the BLR’s ability to provide prompt delivery and timely switching services. Potential shippers 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 given the current condition and classification of the track.

## 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 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.



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 had been removed from that line segment by the time of the purchase. The Simtrott to Wylie, Texas NETEX property is not included in this Tiger III grant application. The title to the entire NETEX line is in the name of the state of Texas. NETEX currently leases operations on the line to the Blacklands Railroad (BLR).

Blacklands Railroad 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 2,400, carloads in 2010; a 530% 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 dedicating \$580,000 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 recent industry average of 18% for class one railroads. BLR has increased the maintenance spending along with the revenue to maintain a safe operating railroad.

Blacklands Railroad was honored as the 2011 Short Line Railroad of the Year by *Railway Age* magazine. BLR was previously 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 of the Blacklands Railroad. BLR customers located on the NETEX line are accessed via spurs or sidings where loading operations occur at their facilities.

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 is in northeast Texas and 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 rights of way located in these counties are not included in the project area defined in this Tiger III grant application. Counties in the project area cover two



Workforce Development Areas (WDA) set out by the Texas Workforce Commission: Workforce Development Area 4 (Hunt County) and Workforce Development Area 7 (Franklin, Hopkins, and Delta). 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 (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 2 provides 2010 demographic information for the NETEX counties that are within the project limits.

Table 2 – Demographic Data for NETEX Counties in Project Area (2010 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 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 fully funded by a \$9,990,045 TIGER III grant. 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 TIGER III 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 wholly dependent on the infusion of external funds. Expected materials requirements and associated costs for the project are shown in Table 3.

Federal Railroad Administration (FRA) track safety standards (49 CFR 213) require at least eight (8) good ties per 39' section of rail in order to maintain track at Class 2 standards. It has been estimated that replacement of 73,151 mainline cross ties, (assuming every third tie is replaced or good) with associated ballast installation and surfacing operations, will address critical infrastructure issues to enable the main line track to be reclassified to a minimum of Class 2 (25mph). Existing, typical main line track conditions are shown in Figure 7. 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 and little to no additional ballast will be necessary.



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	73,151	\$70	\$5,120,570
Siding/Spur Tie Removal & Replacement	Each	3,499	\$70	\$244,930
Switch Tie Removal & Replacement	Each	350	\$205	\$71,750
Ballast & Delivery	Ton	39,600	\$48	\$1,900,800
Track Surfacing & Ballast Regulating	Mile	69	\$6,000	\$414,500
Trans-load Facility Number one (1)	Each	1		\$184,290
Trans-load Facility Number two (2)	Each	1		\$181,660
Vegetation Removal	Acre	420	\$1,000	\$420,000
Subtotal				\$8,538,500
Engineering & Contingencies				\$1,451,545
<b>Total</b>				<b>\$9,990,045</b>

Figure 7 – Deteriorating Crossties on Main Line



Vegetation growth along the tracks is also a threat to safety and 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. (See Figures 8 & 9) Vegetation removal is estimated to be necessary on 420 acres of right of way.

Figure 8 – Fallen Tree Blocking Tracks



Figure 9 – Fallen Tree Blocking Tracks in Commerce



*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. The federal wage rate requirement is included by TxDOT as a contractual requirement with contractors.

*b. Legislative Approvals*

Letters and resolutions of support for the project are available for review on the NETEX Website at <http://www.NETEXrail.org/tiger/>. The following entities have provided these letters:

US Congressman Ralph Hall (Dist 4)	State Senator Robert “Bob” Deuell (Dist. 2)
State Representative Erwin Cain (Dist. 3)	Franklin County Commissioner’s Court
Hopkins County Commissioner’s Court	Delta County Commissioner’s Court
Hunt County Commissioner’s Court	Hopkins County Economic Development Corp.
Commerce Economic Development Corp.	City of Sulphur Springs, Texas
Greenville Board of Development	Texas A&M University – Commerce

*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 2011 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 2011 rural STIP.

*d. Financial Feasibility*

The Texas Department of Transportation (TxDOT), co-applicant and principal administrator, has a long history of managing federal appropriations and has the qualified staff and expertise necessary to administer the grant funding and manage the construction projects. 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 TxDOT are confident that the project can be completed in budget and on time while 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 Tiger III grant, 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 miles of line to a minimum Class 2 status and allow an increase in track speed to 25 miles per hour. Rehabilitation utilizing a Tiger III grant 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 will be required to perform the maintenance necessary to maintain the track at Class II 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 that are 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. These industries would be adversely impacted if rail service were not available. The Economic Development Corporations along the rail line have routinely promoted 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 to 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 presentation of findings of this study is available on the NETEX Website at: <http://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 (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.



*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 with the capacity to serve the seven million people in both a freight and passenger transportation capacity in the Northeastern region of Texas. 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 Metro-plex continues toward the Northeast, highway congestion is becoming 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 one short line railroad.

*iv. Environmental 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 business and industry in Northeast Texas. 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 “perpetual” and self-sustaining.

*v. Safety*

Rehabilitation of the NETEX line will provide safety improvements to the region by reducing the risk of train derailments due to operating on “Excepted Track” conditions. Rehabilitation of the line will improve the safety of the train crews as well as the traveling public, residences, and businesses adjacent to the rail line.

**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. Job creation resulting from the funding of this project will begin by mid-May 2012.



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 2010, 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. Efforts will be made to provide opportunities for employment of low-income and unemployed individuals within the four economically distressed counties inclusive of the project. These four counties are served by two Workforce Development Areas (WDA) of the Texas Workforce Commission. Project activities will provide employees an opportunity to gain broadly transportable workforce skills. Participation by small and disadvantaged business enterprises, including veteran-owned and service disabled veteran owned businesses, will be encouraged. The project will require compliance with Federal laws ensuring a safe environment and fair treatment for American workers and implement 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 TIGER III grant funding.

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, the lower of the two estimates of job growth have been summarized and shown in Table 4 as recommended by the CEA. 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 thus 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 CEA Employment Multiplier, Number of Jobs-Years Created, Total, and Annual Average

<u>Effect Type</u>	<u>Total Job-Years</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 has proven to be a successful collaboration and an innovative approach to providing for economic development opportunities in 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 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 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

To assess the public benefits that a rehabilitation of the rail line in support of a TIGER III Discretionary Grant, a benefit-cost analysis was conducted. The cost benefit 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 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 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 53 percent of the total project cost using a discount rate of 7 percent and 67 percent using a discount rate of 3 percent real. The project economic indicators are summarized in Table 6.

Table 7 shows that the railcars that moved over the NETEX line in the past 6 years represent over 2.1 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. The logic and the assumptions behind these benefit calculations are provided in the Benefit-Cost Analysis document produced in 2010 for inclusion in the application for TIGER II funding. It should be noted that a minor difference exists between the total grant funds requested in the TIGER III application and the amount previously requested in



TIGER II. 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 is available on the project webpage at <http://www.NETEXrail.org/tiger/>.

Table 5 – Summary of Project Benefits

<u>Benefit Category</u>	<u>Benefit #</u>	<u>Net Present Value Over 20 Years</u>	
		<u>7%</u>	<u>3%</u>
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

<u>Economic Indicators</u>	<u>7%</u>	<u>3%</u>
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	-47%	-33%
Benefit/Cost	0.53	0.67

Table 7 – Estimated Truck Vehicle-Miles-Travelled by year in NETEX Corridor between Winfield and Greenville, 2005-2010.

<u>Year</u>	<u>Total Loaded Railcars</u>		<u>Avg. Truckloads per Railcar</u>		<u>Total Trucks</u>		<u>Route Mileage</u>		<u>Truck Mileage</u>
2005	1,259	x	2.5	=	3,147	x	66	=	207,702
2006	2,334	x	2.5	=	5,835	x	66	=	385,110
2007	2,395	x	2.5	=	5,987	x	66	=	395,142
2008	2,468	x	2.5	=	6,170	x	66	=	407,220
2009	2,315	x	2.5	=	5,787	x	66	=	381,942
2010	2,400	x	2.5	=	6,000	x	66	=	396,000
Totals	13,171				32,926				2,173,116

## 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 Tiger III 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 and the installation of ballast with associated surfacing work 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. Description of Relevant Material Changes to the Pre-Application

Initially, the project plans included the relocation of the Sulphur Springs trans-load facility from its present location to property owned by the Hopkins County and Sulphur Springs, Texas, Economic Development Corporation which would have required acquisition of additional Rights-of-Way. The plans have been changed due to local concerns over adequate access to the location of the proposed facility. The decision has been made to improve two smaller existing trans-load facilities. Improvements will be made to a 400' trans-load facility located in Sulphur Springs, Texas, and a 600' trans-load facility located in Commerce, Texas. The proposed trans-loading facility improvements have the potential to increase annual carloads handled by BLR. There will be no request for additional funds beyond the request on the Pre-Application form and the request will remain at \$9,990,045. Therefore, the response to the question on the Pre-Application Form, "will this project require right-of-way acquisition before construction can begin," should be changed from Yes to No.

#### VIII. 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 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, tax revenues for schools and local governments, and highway maintenance costs. The project has broad support in the region and the state. The \$9,990,045 requested represents a minimal federal investment as compared to many major transportation projects and would quickly generate jobs and provide short- and long-term benefits, making this a responsible and appropriate use of TIGER III funds.





## **Northeast Texas Rural Rail Transportation District**

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641 Church Street  
Sulphur Springs, Texas  
75482  
903-439-0738  
903-439-0809 FAX

17 October 2011

TIGER Discretionary Grants Program Manager  
United States Department of Transportation  
Washington DC

**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. 111-117); NETEX (which is a subdivision of the State of Texas) hereby undertakes to comply with the Federal wage rate requirements included in subchapter IV of chapter 31 of title 40, United States Code as required by the FY2011 Continuing Appropriations Act.

Very truly yours,

A handwritten signature in blue ink that reads "Cletis Millsap". The signature is written in a cursive, flowing style.

Cletis Millsap, Chairman  
NETEX Board of Directors

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