



a Genesee & Wyoming Company

January 31, 2020

The Honorable Members of the Committee on Taxation
Kansas House of Representatives

My name is Marty Pohlod and I am the President of the Kyle Railroad. I am writing in support of HB 2460, the short line railroad infrastructure tax credit legislation introduced by House Committee on Taxation.

This legislation if enacted would help to solve a critical problem that has been vexing Kansas's rail infrastructure for decades: the short line railroad industry's ability to haul rail cars weighted at the current industry standard.

The railroad network across Kansas is a series of interconnected rail lines owned and operated by multiple different companies spanning 4,216 miles. The Class I railroads operate the majority of that with 2,723 miles of track while the rest is operated by the Class III railroads. These short lines exist to serve parts of the state that were neglected by previous owners due to lack of customer volume or inefficiency of routing. This caused critical short line infrastructure to suffer from years of deferred maintenance and inactive marketing.

The Kyle Railroad, for example, is a 508-mile, class III short line railroad operating in northwest Kansas. The Kyle's history is one of a classic short line railroad. In 1975, a group of investors purchased the line from the bankrupt Chicago, Rock Island, and Pacific Railroad to preserve rail service in Kansas' northern tier and eastern Colorado. From there the line was purchased by Willis B. Kyle in 1982. It was then sold to States Rail in 1997. States Rail was acquired by RailAmerica ten years later. RailAmerica was acquired by current owner Genesee & Wyoming in 2013.

Genesee & Wyoming is taking the long-term approach by investing heavily in the infrastructure and the customer base. Today the Kyle principally transports grain harvested in the northern Kansas agriculture belt. The amount of grain moved by rail over the Kyle is the equivalent of approximately 96,000 semi-truck loads per year that are staying off Kansas highways.

The Kyle, like many other short lines in Kansas still share one common theme: the need to develop funding resources to improve the infrastructure so we can better serve our customers.

The Kyle Railroad's Goodland, Belleville, Phillipsburg, Yuma, and part of the Concordia Subdivisions are not able to haul the industry standard weighted rail car of 286,000 pounds. Although Kyle is working with KDOT to address these issues through the State Rail Service Improvement fund, there is still a considerable amount of work to do.

KYLE's inability to load standard 286,000-pound railcars adversely affects the farmers and grain elevators served by KYLE, thus the local rural economy, not just through increased transportation costs, but also by excluding them from participating in many U.S. and international markets.

The major growth market for grain exports is through the Texas and Central Gulf ports. The connecting Class I railroads, BNSF Railway (BNSF) and Union Pacific Railroad (UP) serve these high-demand grain markets with unit trains consisting of 100 or more 286,000-pound covered hopper cars to meet the required 420,000 bushel contract spec.

Export elevators in the Texas and Central Gulf discount the price on bushels that do not meet contract spec, as is the case with KYLE's smaller railcars. Thus, grain shipments originating on those short lines are relegated to already-saturated domestic markets due to their inability to compete with a single unit train. Consequently, the grain elevators served by KYLE, and ultimately the Kansas farmers, receive lower prices for their grain.

Creating a tax credit for short line rehabilitation and maintenance allows for the short line industry to further target the investments that are most needed on the railroad to support our customers, and Kansas' infrastructure. The proposed credit is targeted to only the smaller railroads, those most in need of increased infrastructure funding.

I'd encourage you to support HB 2460 which allow the short line railroads to continue to provide a positive impact on the State's transportation system.

Thank you.

A handwritten signature in black ink, appearing to read "Marty Phibbs". The signature is fluid and cursive, with the first name "Marty" written in a larger, more prominent script than the last name "Phibbs".