



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

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"This institution is an equal opportunity organization"
John Margeson, Chairman

Self-Evaluation for STERA for the year ending December 31, 2010

1. Operating railroad providing adequate rail service

Evaluation: The WNYP is providing adequate rail service on a cost—effective, as-needed basis on both the STE and Buffalo lines from the terminus points at each end of both rail lines. STERA is meeting this goal.

2. Increased rail shipping carload volumes

Evaluation: The STE freight volume in 2010 continued to be down from the historical maximum of 54,000 carloads per year experienced several years prior (up from 75 carloads per year prior to takeover in 2001), and also from levels in 2009. However, the Buffalo line freight volume in 2010 experienced an increase from 2009 levels.

Total carloads for the entire railroad

2009

Overhead Coal – 16,930 carloads (all STE East-West mainline traffic)
Local Freight – 8,623 carloads (incl. 5,371 carloads developed on and over the Buffalo Line)
Total – 25,553 carloads

2010

Overhead Coal – 13,420 carloads (all STE East-West mainline traffic)
Local Freight – 9,910 carloads (incl. 6,584 carloads developed on and over the Buffalo Line)
Total – 23,330 carloads

Conclusions – Overhead Coal traffic is down substantially from its historical maximum and also is down somewhat even from the prior year. Local Freight traffic is up largely due to increased activity on the Buffalo Line. STERA attributes lower Overhead Coal traffic levels to national economic conditions, and anticipates that the levels will rebound when the economy recovers and oil prices stabilize at a higher level after recovery. For 2011, coal loads are projected at 11,500 and freight at 12,000, largely attributable to the Buffalo Line.

STERA is not meeting this goal, but control of this performance result is a macroeconomic condition largely outside STEDRA's control.

3. Opportunities for additional business expansion and development based on rail service

Evaluation: STERA has proposed construction and operation of a transload facility in the Olean railroad yards, which should assist businesses throughout the region (especially those not located along the railroad lines) with obtaining rail service at competitive pricing. This should facilitate the retention and expansion of these businesses. STERA also has worked with the counties to develop an inventory of developable sites along the railroad lines, and in 2011 will work toward encouraging the counties to make these sites shovel-ready and market the sites for business development. STERA is meeting this goal.

4. Documentation of rehabilitation efforts and functional performance of railroad line

Evaluation: STERA has regularly undertaken rehabilitation projects as State and Federal funds have been available. STERA continues to look for funding opportunities for capital rehabilitation projects.

STERA plans to begin a program of rehabilitating three railroad bridges in 2011 using NYS DOT funds. STERA received notice of this funding in 2010, but has not received a contract for the funds from NYS DOT as of December 31, 2010.

WNYP has participated financially in State-funded and Federally-funded projects over the years and has self-funded a limited number of rehabilitation projects when State and Federal funds have not been available. Penn DOT has funded a number of rehabilitation projects in Pennsylvania in combination with WNYP with no STERA involvement.

Although the railroad line continues to experience deterioration with the passage of time and exposure to weather, and especially as the prior owner Conrail had deferred any maintenance on the line (and in fact had removed line assets for use elsewhere in its system) for over 25 years, and as heavy Norfolk Southern coal trains place a heavy stress on the rail lines, the net effect has been placing all of the railroad line back in service, and increasing traffic speeds toward 25 miles per hour on all of the line (exceptions being areas that occasionally are flagged for 10 mile service until repairs can be made), with some sections at 40 miles per hour.

STERA is meeting this goal.

5. Clean audit report and NYS ABO compliance report

Evaluation: STERA has received clean audits in the past and anticipates receiving one for the year ending December 31, 2010. STERA has been in compliance with the PAAA, the

PARA, the Public Authorities Law, and other laws and regulations. STERA is meeting this goal.

Overall Self-Evaluation: On the whole, STERA is achieving its purpose and meeting its goals. Once macroeconomic conditions improve, STERA expects rail traffic volumes to grow once again. Once NYS DOT funds are in place, STERA anticipates undertaking ongoing rehabilitation activities.

Adopted by the STERA
Board of Directors on
March 8, 2011

Thomas M. Barnes
STERA Corporate Secretary