



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

# **Southern Tier Extension Railroad Authority**

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779  
TEL (716) 945-5301 FAX (716) 945-5550 TDD (716) 945-5301

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

## **Self-Evaluation for STERA for the year ending December 31, 2012**

### **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 2012 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 recent years. Freight volume decreased from 2011 to 2012 on both the Southern Tier Extension and the Buffalo lines.

#### **Total carloads for the entire system:**

##### **2009**

Overhead Coal	16,930 carloads (all STE East-West mainline traffic)
Local Freight	<u>8,623</u> 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	<u>9,910</u> carloads (incl. 6,584 carloads developed on and over the Buffalo Line)
Total	23,330 carloads

##### **2011**

Overhead Coal	11,770 carloads (all STE East-West mainline traffic)
Local Freight	<u>9,261</u> carloads (incl. 6,605 carloads developed on and over the Buffalo Line)
Total	21,031 carloads

## **2012**

Overhead Coal	0	carloads (all STE East-West mainline traffic)
Local Freight	<u>6,473</u>	carloads (incl. 4,320 carloads developed on and over the Buffalo Line)
Total	6,473	carloads

**Conclusions** – Overhead coal traffic has been eliminated by Norfolk Southern Corporation. Local freight traffic also is down somewhat, on both the Southern Tier Extension and the Buffalo Line. The elimination of overhead coal traffic may be attributed to national economic conditions, the closure of coal-fired power plants, and the relative price disadvantage that coal occupies relative to natural gas. STERA does not anticipate that overhead coal traffic will return to the line unless all three of these issues were to change. STERA is not meeting the overall goal of increased rail carload shipping volumes, but the decrease in total carload shipping volumes is primarily attributable to the elimination of overhead coal traffic, which does not have regional economic impact (outside of its impact on WNYP profitability and employment). Some of the decrease in local shipping volumes is a function of the elimination of traffic related to shale gas extraction activities in Pennsylvania, which was halted by State moratorium in Pennsylvania. Control of coal and shale gas traffic levels are outside STERA’s control, so this does not imply a failure of the authority’s performance. For 2013, overhead coal traffic is projected at 0 carloads and local freight traffic is projected at or above the 6,473 carloads in 2012, largely attributable to the Buffalo Line.

### **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 2013 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 the railroad line**

**Evaluation:** Rehabilitation projects on the STERA railroad system are either STERA-sponsored or WNYP sponsored.

#### **STERA-Sponsored Rehabilitation Projects**

Historically, STERA has undertaken rehabilitation projects as State and Federal funds have been available, and when cash matching funds have been available from WNYP. STERA continues to look for funding opportunities for capital rehabilitation projects.

During 2012, STERA completed the following capital rehabilitation project:

1. The repair of storm damage in Allegany County

This project was funded by a combination of State and federal funding and cash matching funds provided by WNYP.

In 2012, STERA made preparations to commence two additional capital rehabilitation projects:

1. The rebuilding of 5 bridges in Allegany and Cattaraugus Counties
2. The rebuilding of a bridge and the realignment of track in Chautauqua County

These projects are funded by a combination of State and federal funding and cash matching funds provided by WNYP. STERA plans to complete these projects in 2012. The second project involves funds that, as of the end of 2012, were being re-purposed from a project that was to involve the installation of welded rail and ties between Salamanca and Carrollton.

### **WNYP-Sponsored Rehabilitation Projects**

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.

**Conclusions** – 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. The Chautauqua County bridge repair and track realignment project also is part of an overall initiative to make the line capable of carrying 286,000 pound cars, the federal standard.

STERA is meeting this goal.

### **3. 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, 2012. STERA has been in compliance with the PAAA, the PARA, the Public Authorities Law, and other laws and regulations. STERA is meeting this goal.

In 2012, the auditor recommended several operational changes relating to Board oversight of the internal preparation of interim financial statements and the separation of duties, all of which were implemented in 2012.

**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. As additional NYS DOT funds become available, STERA anticipates undertaking ongoing rehabilitation activities.

Adopted by the STERA  
Board of Directors on  
March 18, 2013



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Thomas M. Barnes  
STERA Corporate Secretary