

Kansas State Legislative Board
International Association of Sheet Metal, Air, Rail, and Transportation Workers

TYE DRAGOO
Director/Chairman
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February 3, 2020

The Honorable Representative Steven Johnson
Chair of Standing Committee on Taxation
Distinguished Members of the Committee
Kansas State Legislature, House
State Capitol, Room 112-N
Topeka, KS 66612

Re: HB2460 — Providing an income tax credit for qualified railroad track maintenance expenditures of short line railroads.

Dear Rep. Johnson and Members of the Committee:

The Sheet Metal Air Rail and Transportation Workers (SMART) is an opponent of HB2460.

SMART represents over three thousand members active and retired in the state of Kansas. Our members work in all areas of transportation in the state, especially railroad operations.

In the United States, shortline and regional railroads grew exponentially following railroad deregulation in 1980. Railroad corporations successfully lobbied congress and the Railroad Track Maintenance Tax Credit was created in 2004. With more than \$330 million in shortline infrastructure investment made annually, credits of \$165 million are placed back in the hands of the railroads and shippers through the tax credit.[1] HB2460 mimics components of the federal tax credit.

The railroad industry in Kansas and throughout the nation has seen profits rise substantially. Most shortline railroad holding companies have seen quarterly profits surge into the billions. This is primarily due to deregulation and the tax breaks such as the 45G tax credit. The 45G Tax Credit is a federal income tax credit for track maintenance conducted by shortlines and regional railroads in the United States. The credit grants an amount equal to fifty (50) percent of qualified track maintenance expenditures and other qualifying railroad infrastructure projects.

All the tax breaks and deregulation have set up railroads for success; the rail industry is seeing all-time record profits. But at what cost? We, the public, are paying for significant corporate gains, while selling out our communities. Many instances across the country and world have seen governments invest in infrastructure, and jobs in the community only to have the railroad abandon the lines after revenue doesn't meet Wall Street profit projections.

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This legislation is especially outrageous when you consider the holding company's finances and where their money is going.

The Kyle railroad, whose parent is Genesee & Wyoming Inc. an American shortline railroad holding company that owns and maintains an interest in 120 railroads throughout six countries: the United States, Canada, Australia, Belgium, Netherlands, Poland, and the United Kingdom. Brookfield Infrastructure Partners just recently acquired the G&W with \$500 billion of assets under management. And GIC, Government of Singapore Investment Corporation, which is the sovereign wealth fund established by the Government of Singapore to manage Singapore's foreign reserves. \$440 billion in assets.

The Southern Kansas & Oklahoma Railroad (SKOL) and the Kansas & Oklahoma Railroad (K&O) are owned by of Watco Transportation Services, L.L.C. (WTS), which operates 41 short line railroads in the U.S. and Australia. It is one of the largest short line railroad companies in the United States.

OmniTRAX owns the Nebraska Kansas Colorado railroad this is a transportation and transportation infrastructure holding company based in Denver, Colorado. It primarily owns and operates railroads, with a network of 21 regional and shortline railroads in 12 U.S. states and three Canadian provinces. It is one of the largest privately-owned railroad companies in the United States. The firm also invests in, develops, and operates ports, multimodal transportation terminals, and industrial parks. The Broe Group owns OmniTRAX.

The Denver-based Broe Group directs a multibillion-dollar portfolio of real estate, transportation, energy, and investment assets that span North America. On Broe's corporate website they boast at the amount of money they have made in Kansas alone, just to turn around and sale.

"In the early 90s, Class I operators like the Santa Fe were trying to shed light-density lines. When Broe learned that their contracted buyer for 1000 miles of the Central Kansas Railway couldn't complete the financing, he knew the window to act was short.

Three Broe executives were at the Santa Fe headquarters the next day, ready to buy.

Acting decisively: initial meeting to acquisition in 41 days.

Viewing railroads as an engine for growth by winnowing unproductive branches.

Increased development, especially of wheat transport, along a remaining core set of rail lines.

Profitable operation for almost a decade, then a sale nine years after acquisition for \$33 million, three times the purchase price." [2]

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While communities in Kansas struggle with basic needs, education, public utilities, streets, emergency services, food tax rates, sales tax, etc., railroads, at a time of record profits are asking for more. Is it good public policy to have taxpayers dole out corporate welfare to railroads making record profits? Is it good public policy To boost the investment portfolios of foreign governments? We do not believe so.

Please oppose HB2460.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Ty E Drago".

Ty Drago
SMART-TD
Kansas State Legislative Board
Director/Chairman

[1] Berman, Jeff (December 17, 2010). "Tax Cut Bill is Good News for Shortline Railroads". Logistics Management Modern Materials Handling and Supply Chain Management Review. Retrieved 26 December 2010.

[2] <https://broe.com/transport> under "speed counts" tab.

KDOT, partners plan short-line rail upgrade

ASSOCIATED PRESS

NOVEMBER 07, 2009 12:00 AM

SUBLETTE — In the heart of Kansas' agricultural region, farmers and grain merchants have relied on the Cimarron Valley Railroad, a short-line railroad that helps get their crops to market, for the past 13 years.

Now, with the help of a partnership between the Kansas Department of Transportation, the Port Authority of the Southwest and the railroad, much-needed upgrades will be made to the track.

"It's a major rehabilitation project," said John Maddox, with the freight and rail unit of the Kansas Department of Transportation. New cross ties will be installed and new ballast, as well as other track components, including some rail replacement.

TOP ARTICLES

The project will cost \$15 million, with each partner contributing \$5 million.

According to Maddox, KDOT's money is coming from a grant and a convertible incentive-based loan.

"This is not federal money," he said. "These are state funds through the rail service improvement fund."

The rail lines run from Boise City, Okla., through Elkhart, Satanta and to Dodge City. It also travels west from Satanta, through Grant and Stanton counties and into eastern Colorado.

Teresa Propeck, marketing director for the Western Group, the railroad's parent company, based in Ogden, Utah, said the line's business was growing.

"The railroad improvements are literally a foundation for growth," said Greg Kissel, executive vice president of the Western Group. "Upgrading the track structure should make it possible to attract new businesses to a number of cities and counties scattered across southwest Kansas."

In Sublette, with a bumper fall harvest, the line of trucks dumping crops at the Sublette Cooperative has been causing traffic jams.

Meanwhile workers are shipping tons of grain from the past summer's harvest.

On a recent afternoon, workers loaded cars of corn to be shipped southwest to Hugoton and Seaboard Farms, said Gaylord Sanneman, manager of the Sublette Co-operative.

At Dodge City and Boise City, the short-line rail connects with the Burlington Northern Santa Fe line.

In recent years, the Cimarron Valley Railroad has grown to include 24 employees supervised by Satanta resident Henry Hale, a former Santa Fe railroad conductor.

"For a short-line railroad, they do a wonderful job," Sanneman said. "This year they purchased some of their own cars, used on their own tracks."

Loading grain cars and sending them directly southwest to Seaboard is something new this year.

"It helps us to be more efficient to move grain. It's a little cheaper to move by railcar than truck," Sanneman said.

No starting date has been set to begin the improvements, Maddox said.

The project will take about five years to complete.

Trains

Genesee & Wyoming sold in \$8.4 billion deal

Shortline holding company to be taken private by Brookfield Infrastructure

July 1, 2019



DARIEN, Conn. — Genesee & Wyoming, North America’s largest shortline holding company, is being purchased for \$8.4 billion.

The acquisition, for \$112 per share by Brookfield Infrastructure, was announced shortly before 7 a.m. EDT today. The deal will result in G&W becoming a privately held company.

“We believe this transaction is an excellent outcome for all G&W stakeholders,” said Jack Hellmann, G&W Chairman and Chief Executive Officer, in a press release. “For our current stockholders, the sale price realizes significant value and represents a 39.5% premium to our March 8th share price. And for long-term investors who have owned our shares for the past two decades, the sale price represents a return of more than 5,400%.”

Genesee & Wyoming owns 120 shortline railroads, 114 in North America, with additional operations in Europe and Australia. Its North American railroads serve 41 states and four Canadian provinces and have over 13,000 track-miles

Brookfield Infrastructure, based in Toronto, owns utility, transportation, and energy assets including electric transmission and telecommunication lines, pipelines, ports, and toll roads. On its website, the company says it invests in “infrastructure assets that deliver essential goods and services” and that it currently manages over \$65 billion in assets.

This is a breaking news story. Follow *Trains* News Wire for additional coverage.

Genesee & Wyoming Announces Completion of Sale to Brookfield Infrastructure and GIC

Published: Dec 30, 2019 9:07 a.m. ET

Genesee & Wyoming Inc. (G&W) today announced the completion of its previously announced sale to affiliates of Brookfield Infrastructure and GIC.

Under the terms of the sale, each issued and outstanding share of G&W common stock converted into the right to receive \$112 in cash. As a result of the completion of the sale, G&W's common stock ceased trading on the NYSE prior to market open today and will no longer be listed for trading on the NYSE.

"This transaction is an excellent outcome for all G&W stakeholders," said Jack Hellmann, Chief Executive Officer of G&W. "For our customers, employees, and Class I partners, the long-term investment horizon of Brookfield and GIC is perfectly aligned with the long lives of G&W railroad assets. We look forward to building on G&W's track record of safety, service excellence and commercial growth as we become an important component of a portfolio of global infrastructure assets."

About Genesee & Wyoming

G&W owns or leases 119 freight railroads organized in locally managed operating regions with 8,000 employees serving 3,000 customers.

- G&W's six North American regions serve 42 U.S. states and four Canadian provinces and include 113 short line and regional freight railroads with more than 13,000 track-miles.
- G&W's Australia Region serves New South Wales, the Northern Territory and South Australia and operates the 1,400-mile Tarcoola-to-Darwin rail line. The Australia Region is 51.1% owned by G&W and 48.9% owned by a consortium of funds and clients managed by Macquarie Infrastructure and Real Assets.
- G&W's UK/Europe Region includes the U.K.'s largest rail maritime intermodal operator and second-largest freight rail provider, as well as regional rail services in Continental Europe.

G&W subsidiaries and joint ventures also provide rail service at more than 40 major ports, rail-ferry service between the U.S. Southeast and Mexico, transload services, contract coal loading, and industrial railcar switching and repair. For more information, please visit www.gwrr.com or [LinkedIn](#).

About Brookfield Infrastructure

Brookfield Infrastructure Partners is a leading global infrastructure company that owns and operates high quality, long-life assets in the utilities, transport, energy and data infrastructure sectors across North and South America, Asia Pacific and Europe. We are focused on assets that generate stable cash flows and require minimal maintenance

capital expenditures. Brookfield Infrastructure Partners is listed on the New York and Toronto stock exchanges. Further information is available at www.brookfieldinfrastructure.com.

Brookfield Infrastructure is the flagship listed infrastructure company of Brookfield Asset Management, a leading global alternative asset manager with over \$500 billion of assets under management. For more information, go to www.brookfield.com.

About GIC

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. As a disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. In infrastructure, GIC's primary strategy is to invest directly in operating assets with a high degree of cash flow visibility and which provide a hedge against inflation. GIC has investments in over 40 countries. Headquartered in Singapore, GIC employs over 1,500 people across 10 offices in key financial cities worldwide. For more information on GIC, please visit www.gic.com.sg or [LinkedIn](#).

Statement by the Honourable Jim Carr, Minister of Natural Resources, on Rail Service to Churchill, Manitoba

NEWS PROVIDED BY
Natural Resources Canada

Oct 13, 2017, 14:00 ET

WINNIPEG, Oct. 13, 2017 /CNW/ - The Honourable Jim Carr, Canada's Minister of Natural Resources, today issued the following statement regarding actions taken against OmniTRAX Inc., the status of the Hudson Bay Rail line and continued federal support to Churchill, Manitoba:

"The Government of Canada recognizes the importance of the rail line to Churchill and northern Manitoba. We share the vision of a safe and reliable rail line.

Since the rail service disruption in late May 2017, the Government of Canada has been working towards the restoration of the rail line. Despite these efforts, OmniTRAX Inc., the parent company of the owner and operator responsible for restoring service to the affected communities, has not met its obligations. As such, today, Transport Canada sent OmniTRAX Inc. a notice of default of its agreement, demanding that it complete all railway repairs and resume rail service within 30 days. Failing this, Transport Canada will instruct Justice Canada to file a lawsuit for breach of contract.

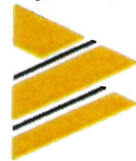
The Government of Canada will continue to meet with key stakeholders and buyers interested in acquiring the rail line. I am encouraged by the significant breakthrough towards an agreement between Missinippi Rail and One North to create a unified group as a potential buyer. I am optimistic that the partnership can develop a viable, sustainable business plan towards owning and operating the line. Their collective interest in regional ownership and focus on long-term sustainable operations represents an important step towards ensuring viable transportation in the years to come.



Kansas Short Line Railroads



Multi National transportation holding companies



Operates 41 short line railroads in the U.S. and Australia.

International investment corporations & Hedge funds



Government of Singapore \$440 Billion in assets

\$500 Billion in assets

Multibillion-dollar portfolio