

HOUSATONIC RAILROAD COMPANY

TESTIMONY

Regarding

Proposed Bill No. 6343 An Act Concerning the Restoration of the Housatonic Railroad Line

Before the

Committee on Transportation

February 11, 2015

Chairman Maynard, Chairman Guerrero and Members of the Transportation Committee. On behalf of Housatonic Railroad I appreciate this opportunity to testify in support of House Bill 6343.

Housatonic Railroad strongly supports the dual goals of HB 6343 - investing in the rail line between Danbury and the Massachusetts Border in North Canaan to foster continued strong rail freight services in Western Connecticut and to reestablish rail passenger service along the entire corridor between Danbury and North Canaan. Passage of HB 6343 will support and promote long term strong economic growth throughout the Western Connecticut region.

In Connecticut, Housatonic Railroad serves a number of very large industries which are major contributors to the economy of the region and which depend on efficient rail freight services. Those include Specialty Minerals and Becton Dickinson in North Canaan, Kimberly Clark in New Milford, Winters Brothers in Danbury and many others. We operate over the fifty mile corridor between Danbury and North Canaan on rail that was manufactured in the early 1920's. The rail is beyond its useful life and must be replaced. 37 miles of the corridor belong to the State of Connecticut.

Investment in the rail line will strengthen rail freight services for the long term for all existing and future customers on the line. It will also support efforts by Housatonic and many others to restore rail passenger services to the entire corridor. HB 6343 also offers us all the opportunity to create a new approach to operating rail passenger services that combines the cost efficiencies and strengths of the private sector with the resources of the public sector. We believe the development of a strong public private partnership for the operation of rail passenger services will offer a template for new services in many regions throughout the country.

Over 6 years ago Housatonic Railroad initiated a comprehensive market analysis to determine if there was potential for a privately operated rail passenger service between our service area and New York City. (See Attached Map) In 2009 we retained the services of a market research firm skilled in utilizing techniques similar to those used in the airline industry to estimate potential ridership. We used this model because traditional census based models do not capture certain market segments such as tourists, students and second homeowners.

While we sought an estimate of potential ridership, we also wanted to know what factors were critical to attaining ridership goals. The firm we hired developed a survey that measured the true intensity of responses from those surveyed. They gave us a good indication of what amenities are important in order to attract riders to the service. Important amenities included free wifi, food service, comfortable seats and clean bathrooms. There is a strong interest in bringing bicycles onto the train. This last interest also reflects that the train appeals to a significantly younger visitor market than those historically visiting the region.

Our market research determined that there are four major market groups that would use the proposed service. They are visitors to the region, primarily from New York City, commuters from the region, second homeowners and students, primarily at the many private schools along the rail line.

Our market research also enabled us to determine that, properly structured, the proposed passenger service could be operated privately and once fully operational could operate without an operating subsidy. It was also clear that the service could not sustain the capital costs necessary to initiate the service.

After completion of the market analysis we decided it would be prudent to calculate the direct value of the proposed service to the region. To do that we retained the services of The Center of Creative Community Development. The Center is run by an economics professor at Williams College, Stephen Sheppard. He has done numerous studies in the region for other projects and has an excellent track record. We asked Professor Sheppard to calculate direct benefits for the first ten years of the project including construction years. Professor Sheppard determined that the proposed passenger project would generate new economic activity in the region of nearly \$1 billion. He also estimated the proposed service would bring an average of 610 new jobs to the region with a maximum of 733 new jobs during the construction period.

We would be happy to share information from both the Market and Benefits analysis with the committee.

We are now working to perfect and implement the plan. In Massachusetts the regional planning agency responsible for the region that would be served has now completed a comprehensive station location study. They have determined that the Massachusetts portion of the line should be served by four stations, one in Pittsfield, one in Lee, one Great Barrington and one on or near the Connecticut Border. The border station could well serve as a regional station for northwestern Connecticut.

Massachusetts has also approved full funding for the Massachusetts portion of the proposed service. We have executed agreements with the Commonwealth that enable them to invest in the service and we are proceeding with a phase 1 rehabilitation of the 37 miles of line in Massachusetts. It should be noted that all Rail traffic on the Housatonic line moves to and from Pittsfield over the rail line that is subject to the Phase 1 investment being made by Massachusetts. Phase 1 will replace all of the rail in Massachusetts that is the same age and type as the rail on the line in Connecticut. The work will be highly beneficial to all freight customers

in Connecticut. Phase 2 investment will not take place until Connecticut has committed to the proposed service.

Proposed bill 6343 fully complements actions that have been taken in Massachusetts. HB 6343 will provide significant long term benefits to all present and future freight users in Connecticut. It will provide a modern, efficient transportation system to a region of Connecticut that to date has received very little to modernize its transportation network. HB 6343 addresses the need to provide geographic equity in how public funds are invested in transportation infrastructure in Connecticut and particularly for public transportation. It will promote smart land use while also protecting the environment. It will provide the investment necessary to enable Massachusetts and Connecticut working with Housatonic to finalize plans for a comprehensive rail passenger service.

As we have worked to develop a comprehensive rail passenger plan, we have worked to make sure that the service we are proposing complements those services that are already being provided by Metro North. While the proposed Housatonic service will operate over a longer distance and require rail cars more suitable for longer haul travel we have planned for a strong interface with Metro North. We have proposed that Metro North service be extended to New Milford and that station facilities be constructed in New Milford that would support efficient cross platform movement of Housatonic passengers to Metro North trains and visa versa. In conclusion, I would like to include a brief quote from Professor Sheppard's summary of findings. He states: "Naturally, there are important benefits that are difficult to quantify and as a result are excluded from the analysis reported here. Perhaps the most important is to promote the continued transformation of the local economy from one that is stagnant or even declining towards one that is stable or growing in a sustainable fashion. Such a prospect seems entirely possible should events proceed to make the proposed rail service a reality."

The improvements proposed in HB 6343 will provide enormous long term benefits to the region by strengthening our transportation system and supporting our industries. The rail passenger service that the bill supports will also provide the many economic benefits normally created by the availability of public transportation and, in addition, will transport many visitors from New York to the region for recreational, cultural and other purposes. Those new visitors to the region will arrive with new money to spend and that new spending will generate new economic growth.

Thank you for the opportunity to present our views.

Housatonic Railroad Company

