

Lake Railway
1410 S. 3rd Street
Lakeview, OR 97630

March 2, 2015

House Transportation and Economic Development Committee
Informational Hearing on Freight Rail

Madam Chair and Members of the Committee:

For the record, I'm Rob Didelius, here on behalf of Lake Railway in Lakeview, Oregon and President of the Oregon Rail Users League (ORULE).

The *ConnectOregon* Program has invested public funds in Lake County's railroad in recent years. This funding program has greatly supported economic development and employment, both in Lake County's rural communities and also statewide. Though geographically isolated, Lake County has abundant natural resources, making a rail link vital to the region's economy.

A perlite mining and lumber mill are the county's major private employers, and each depends on the railroad to provide consistent service to get their products to market. Due to Lake County's location far from the state's ports and industrial centers, rail transport is the only cost-effective means of shipping perlite and lumber. These industries are steadily growing, employ a large percentage of the community, and comprise a large portion of the county's tax base.

In order to provide consistent rail service to the community, Lake Railway (the contract operator of Lake County's railroad) has significantly invested in rehabilitating and upgrading the railroad infrastructure. This means repairing dilapidated parts of the track, originally built in the 1930s, and also installing larger rail to support the bigger, heavier railcars used by modern railroad shippers. *ConnectOregon* funds supplement the railroad's track repair/upgrade budget to pay for this public infrastructure investment.

In addition to providing cost effective transportation vital to local employers in Lake County, Lake Railway hires local locomotive engineers and track maintenance technicians and uses local equipment dealers, repair shops, and hardware stores. The railroad also has an impact on the entire state's economy by buying rail, ties, rail car parts, and other railroad material from suppliers in the Willamette Valley. Lumber and perlite shipped out of Lakeview passes over other railroads in the state before ending up at factories and ports in Western Oregon.

Already Lake County is starting to see the economic growth generated by the *ConnectOregon* program. Warner Mountain Lumber will commence operations in 2015 and Red Rock Biofuels has announced plans to build a biomass refinery that will start producing jet fuel made from wood chips in 2016. Both customers will ship the vast majority of their products on Lake Railway. Neither customer would have come to this region without *ConnectOregon* investment in local transportation infrastructure.

Though the *ConnectOregon* program already has a loan component available, only a *ConnectOregon* grant would have worked for Lake Railway. A loan would have tied-up future cash flows which would have been too risky in a challenging economic environment such as Lake County. Cheaper financing would be available through the private sector.

ConnectOregon funding is money well spent, providing immediate economic stimulus to both rural and urban Oregon, while developing publicly-owned transportation infrastructure that will support future growth. Please continue your support of *ConnectOregon*. Thank you for your consideration, and I'll be happy to answer questions. Lake Railway is a member of the Oregon Rail Users' League (ORULE).

Rob Didelius
Lake Railway