Port Terminal Railroads

Public Private Partnerships

September 18, 2018
Established in 1995 in Philadelphia to advise short line railroads and companies in the rail industry, SRF has advised on projects in 42 US states and Canadian provinces

• Public and private finance
• Business sales and acquisitions
• Transportation planning and policy
• Business development and site selection

Created OnTrackNorthAmerica in 2007, a 501c3 non-profit advancing sound transportation policy and collaborative, holistic growth of the rail industry
Presentation Outline

Railroad industry as context
Menu for hybrid investment-public-private partnerships with railroads
Financial and “Programmatic” return on investment
Case Study: closing a funding gap for on-dock, rail-served development
Structure of the North American Rail Industry

Class I Railroads
Class II and III Railroads
Industrial Rail Shippers

- 7 Class I Railroads
- 600+ Class II and III Railroads
- 3000+ Industrial Rail Shippers
Comparison of Railroad Types

**Class I and Regional Railroads**
- Long-haul carriers
- The railroads are “public” like a utility but without price controls
- Railroads privately fund the infrastructure and locomotives
- Railroads maintain exclusive operational control over tens of thousands of route miles

**Terminal Railroads**
- Last-mile carriers
- Typically operate a few miles of track and switching yards
- Many public, private and hybrid ownership / operation models
- Perform the blocking and interchange for Class Is and switching for customers
Hybrid Investment-Ownership-Operation

Ownership
- Land
- Repair facilities
- Locomotives
- Mainline and yard tracks
- Structures
- Industrial tracks
- Rolling stock
- Leasing options

Operations
- Train operations
- Signals and dispatching
- Track maintenance
- Overhead rights
- Trackage rights
- Level of service

Pricing
- Tariff rate setting
- Interchange agreements
- Utility easements
- Land leases
- Industrial switch agreements
- Storage rates
Hybrid Investment - Ownership - Operation

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Business Development
Return on Investment

- **Risk**
  - Financial Returns
  - 12-15%
  - T-Bills
  - Zero risk
  - Investment grade
  - Hybrid
  - Equity
  - No-go zone

- **Programmatic Returns**

**AAPA Real Estate Conference**

**Strategic Rail Finance**

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Return on Investment—the Third Dimension

Financial Returns

Programmatic Returns

Public interest define

Equity

Debt

Hybrid

Subsidized Debt

Grants and Tax Credit Equity

Limits of Politics and Prudence
Group Exercise – “Mind the Gap”

**On-Dock, Rail Served Prospect**
- $400mm chemical plant, including $30mm for port and rail improvements
- Feedstock via pipeline and rail
- Finished product of 2.2 million tons by barge and rail
- Landlord Port owns the land, wharf, and railroad track

**How to Close a Funding Gap**
- Another state offered a lot of incentives
- The Company needs the Port and RR to close a $20mm funding gap to pick your site
- With no land lease revenue or available port bond capacity, how do we close the gap?
Thank You!

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