



Madame Chairwoman and Members of the Committee, I appreciate the opportunity to speak before you today. My name is Ken Pippin and I am the owner of a short line railroad located in the southeastern corner of the Carolina's known as the Carolina Southern Railroad. The line consists of approximately 100 miles of track, 5 historic train depots, bridges over the Lumber, Pee Dee, Waccamaw Rivers and a Bastille bridge spanning the Intracoastal Waterway linking Myrtle Beach to a rail network that covers the United States, Mexico and Canada.

I appear before you today as the temporary custodian of a significant piece of infrastructure that for more than 125 years has proved to and continues to be vital to the industries, communities and citizens it serves. I consider myself, my two sons and the dedicated employees of the railroad its temporary custodians because regardless of ownership, this valuable rail corridor connecting the Carolina's to the rest of the world has been in place since the late 1800's. I am confident that long after I am gone it will continue to maintain that same and even a higher level of importance. Perhaps in the not too distant future a return to carrying passengers.

Several years ago a tall sturdy white haired gentlemen approached me at a charity fund raiser I was attending at Brookgreen Gardens. He asked me if I was the local railroad man and I answered yes. He then went on to say, "The 1st time I ever rode your railroad my parents were taking me to Myrtle Beach to visit my great uncle who had lost his right arm in the 1st battle of Manassas! It is one of my favorite memories. If you ever take that train to Washington or someplace fun I'd sure like to be on it." I responded, "General Westmoreland I promise if we take that ride you will be the 1st one I call."

The most thriving cities in America have a multiple of transportation modes, good highway systems, airports, waterways and railroads. There is no argument that each of these should be maintained and enhanced.

Serving The Carolinas Since 1886

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Our particular railroad originally part of the famous Atlantic Coastline was spun off by the Class I railroad because they could no longer financially justify the cost of maintenance versus the rail traffic on the line. Many of the 500 plus short lines that exist today fall in this same category. If we hypothetically apply the same logic to the US highway system then we would close or discontinue maintenance on roads that do not generate sufficient traffic to justify maintaining them, even though these roads still serve and are important to the communities and businesses that they run through.

The importance of The Carolina Southern to our area is significant. We deliver unit coal trains to Santee Cooper in Conway, which generates electric power for the region. We provide unit rock trains for Martin Marietta that supply the materials for roads and concrete for construction in the ever growing area of Myrtle Beach. We export feed from farmers in North Carolina for Perdue Farms that has significant importance for our food supply. We move Steel for Hitachi Metals (who is currently undergoing a \$20 million expansion on our line). They manufacture parts for medical devices and new, more energy efficient and environmental friendly power transformers. Within the past 2 months a biodiesel manufacturer has located on our line. We also move lumber for Georgia Pacific, paper to a large manufacturer for air filters that go into home HVAC systems and many more vital materials necessary to enhance growth and quality of life in our community.

When the Class I's can no longer effectively operate these line segments small companies, entrepreneurs and family owned businesses step in and bring a new energy and flexibility that our rail shippers love. But the Class I's love us too. They consider us retailers and valuable partners. The short lines account for a considerable portion of the Class I's overall business. Part of our success stems from our position as a local company that knows each customer personally and communicates with them on a regular basis.

Our property, like many short lines earns a profit, but we do not earn enough for the many years of deferred maintenance our lines have experienced under their former Class I owners.

This brings us to the Railroad Rehabilitation and Improvement Financing Program, and why we are here today. The railroad business is a highly fixed cost business. The single most important part of our operation is the infrastructure that we operate over, tens of thousands of railroad ties, thousands of tons of stone, ballast and miles of iron rail every day. The bare iron and wooden railroad ties are exposed to

the elements as well as a 150 ton locomotive and railcars loaded with coal and stone running over it. I know this committee understands the attention and expense required to keep the freight moving and keep it moving safely. In our specific case some of the rail that we operate on was manufactured in 1905. It was purchased after it had been used for 20 years and laid on our line in 1925. It was designed for 40 foot boxcars with a weight of no more than 263,000 pounds and much smaller locomotives. Shippers now use 60 foot rail cars with a weight of 286,000 pounds.

We face the constant race to find funds to keep the right-a-way up for the safety of our employees and the ability to deliver the goods that we ship. We also must meet all of the FRA safety standards. In the 15 years that we have owned this line we have maintained an excellent record with the FRA. We very much want to continue that record.

The average replacement cost for 1 mile of rail is close to 1 million dollars. For a small company that has 97 miles of track some of it over 100 years old, it is easy to see how the costs of maintenance and replacement can out pace our ability to keep up without assistance of some kind.

Short lines are risky businesses. We are, after all operating in areas where the Class I's could not succeed. As such, it is very difficult to find funding from traditional banking facilities at all, let alone under the terms provided by the RRIF program. This is why the RRIF program was created and why its existence is so vital to the short line industry. It is a financial outlet that allows small railroads to obtain funds to rehabilitate track and keep these vital rights-of-ways active and providing service to the regions they serve. Unlike many programs available to industries this is not a grant, but a loan that is repaid just like any other loan. The loans are secured by the value of the railroads and their right-of-ways value. In our specific case for example our net liquidated value is 3 times greater than the loan amount we are requesting. The law requires that we pay a credit risk premium which is the government's own calculation of the risk of the loan. The collateral requirements in combination with the credit risk premium provide the government two layers of protection. I don't know of any other loan program, public or private that can say that.

Most of us are familiar with the advantage of rail, how railroads reduce highway congestion, conserve fuel, more efficiently and safely move goods and lower the cost to the taxpayer for maintaining roads and highways. What many people do not understand is that adding new right-of-way or replacing lost right-of-way is

nearly impossible. With the development in the US trying to find 66 foot strip of land that extends 100 miles to build a new railroad would be an unbelievable task if it could be done at all. United States railroads are infrastructure resources that we would not be able to recreate, so we must preserve, maintain and enhance what we have.

Without the RRIF loan program available to small railroads and specifically this one there is no other way to maintain this valuable infrastructure. We would like to receive an infrastructure loan, fully secured, at little risk to the Government, that would allow for the rehabilitation of this vitally important rail network in the Carolina's.

We also feel that this program is vital to the health of the entire railroad industry and their shippers. On behalf of ourselves and other small railroads that desperately need these funds we ask the Committee to not only continue the RRIF but help make it more accessible to those who need it.

IF WE DON'T GET THE LOAN

The Carolina Southern has worked hard for 18 months in an attempt to receive a RRIF loan. The cost to our railroad of this process has reached nearly \$80,000 so far. Given the length of the process we had no choice but to proceed with the track and locomotive upgrades which was the subject of the application. We have now obtained the last 2 items required by the FRA to approve the loan and hope by the time of this hearing or within a few days we will be approved and begin to receive the much needed funds.

Thank you for your attention and consideration.

Respectfully Submitted,



Ken Pippin
President

**ENGINEERING DEPARTMENT
INFRASTRUCTURE &
REGULATION DIVISION**

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April 15, 2009

The Honorable Ray Lahood
United States Department of Transportation
1200 New Jersey Ave, SE
Washington, D.C. 20590

Dear Mr. Secretary,

I am writing this letter on behalf of Horry County, SC at the request of the Carolina Southern Railroad.

The Carolina Southern Railroad is currently in the process of applying for a loan from the FRA's Railroad Infrastructure Funding Program. It was explained to me that this infrastructure loan will be used for improvements throughout the entire rail line, including the 14.1 miles of track the Carolina Southern is currently operates under a long term lease from Horry County. We have a good working relationship with Carolina Southern and our intention is to protect this very valuable piece of infrastructure for rail use and service to the various important industries along the line. Horry County and Carolina Southern Railroad negotiated over a number of years a lease of the county's railroad that effectively preserves rail service over the county's rail corridor for 50 years. Viable rail service is very important to Horry County in that the transportation of freight by rail keeps the costs of goods coming into our area at a low and reasonable rate and the use of rail for freight also continues to mitigate vehicular traffic on our local roads.

We are glad to see the Carolina Southern taking proactive measures to assure the preservation of this rail line and are happy to answer any further questions that your department may have in relationship to this matter.

Sincerely,

HORRY COUNTY

Steven S. Gostell, P.E.
Division Director
Infrastructure and Regulation Division

SSG:

C: Mr. Danny Knight, County Administrator
Senator Lindsey Graham
Congressman Henry Brown
Mr. Jason Pipen, Carolina Southern Railroad



Bill McCall, Jr.
Executive Vice President &
Chief Operating Officer

One Riverwood Drive
Post Office Box 2346101
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FAX: (843) 761-7037

April 3, 2009

The Honorable Ray LaHood
United States Department of Transportation
1200 New Jersey Ave, SE
Washington, D.C. 20590

Dear Mr. Secretary:

The purpose of writing you today is to express Santee Coopers strong support of the Carolina Southern Railroads request for a loan from the FRA's Railroad Infrastructure Funding Program. Since 1994, The Carolina Southern has consistently and efficiently provided excellent rail service to our Grainger Generating Plant in Conway, S.C. The proximity of this plant to the rapidly growing Myrtle Beach area is of significant importance to our present and future generating forecast.

We currently have a ten year rail services contract with the Carolina Southern for the delivery of 85 to 100 car unit trains of coal. The reliable delivery of these coal trains is vital to our operation. We are of the belief that any investment in this permanent and important piece of infrastructure will be a benefit to the citizens and industry of the region indefinitely.

Mr. Secretary, any consideration and support that you can give Carolina Southern's request would be greatly appreciated.

Sincerely,

A handwritten signature in blue ink that reads 'Bill McCall, Jr.' with a stylized flourish at the end.

Bill McCall, Jr.
Executive Vice President and
Chief Operating Officer

BMCjr:mtw



Len Kellermann
Director Regional & Short Line Development
CSX Transportation
500 Water St, J848
Jacksonville, FL 32202

April 2, 2009

The Honorable Corrine Brown
Subcommittee on Railroads, Pipelines, and Hazardous Materials
2167 Rayburn HOB
Washington, D.C. 20515

Dear Chairwoman Brown,

I am writing this letter in support of Mr. Ken Pippin, who will be testifying before you on April 22, 2009 regarding the Railroad Rehabilitation and Improvement Financing Program. Mr. Pippin is the owner and operator of two railroads, the Carolina Southern Railroad (CALA) and Waccamaw Coastline Railroad (WCLR), both of which connect with CSX Transportation in Mullins, SC. Mr. Pippin has been a member of CSXT's Short Line Caucus (an advisory group of key leaders from the Short Line Industry) and a solid business partner of ours for over a decade.

In 2008, CSXT moved more than 7,700 carloads of business with the CALA and WCLR. Mr. Pippin and his team work diligently with CSXT to develop new rail opportunities that grows the business for both railroads. This business provides economic stimulus and generates new jobs for local communities in South Carolina, in addition to the jobs provided by the CALA and WCLR.

Mr. Pippin's railroads provide an eco-friendly and economically advantageous transportation solution for customers in the South Carolina area. The largest city served by the WCLR is Myrtle Beach, which during the 2000 census was the thirteenth fastest growing metropolitan area in the U.S. As there is no current interstate access into Myrtle Beach or the surrounding counties, both of these railroads help minimize the number of trucks on the state and local roads and bridges, providing a safer, more fuel efficient form of ground transportation.

We trust you will weigh his testimony carefully, and ultimately encourage future rail investments in South Carolina and the region in general. CSXT greatly appreciates your leadership and looks forward to continue working with you to enhance our nation's infrastructure.

Yours truly,

Len Kellermann
Director Regional and Short Line Development

Cc: The Honorable Henry E. Brown, Jr.



MYRTLE BEACH
REGIONAL
ECONOMIC
DEVELOPMENT

843 347 4604 office
843 347 2292 fax
800 844 4983 toll free

2431 Highway 501 East
Conway, SC 29526

March 30, 2009

Chairwoman Brown
Ranking Member Shuster
Members of the Committee on Transportation and Infrastructure
589 Ford House Office Building
Washington, D.C. 20515

Re: Railroad Infrastructure Growth

Dear Madam Chairwoman and Mr. Shuster:

Economic growth in Horry County, and our surrounding area, depends in large part on our ability to provide adequate infrastructure to meet growing demand. We believe that a satisfactory railroad system is essential to the county's development. We support the need for establishing infrastructure upgrades to railroads in both Horry County and the surrounding area.

The Carolina Southern Railroad will no doubt be a key player in meeting future needs as our county continues to experience tremendous growth. The population of Horry County has increased by an estimated 27% since the last census was taken. The Myrtle Beach-Conway-North Myrtle Beach MSA was recently ranked as twelfth in the nation as one of the "100 Fastest Growing Metropolitan Statistical Areas" (July 1, 2007 to July 1, 2008: US Census Bureau, Population Division). A stronger railroad system will be better able to address the ever-increasing freight and transportation needs of established businesses. It will also serve to help draw new businesses to the area. Economic development is fostered by the investment in modern, efficient infrastructure. The continual maintenance and upgrade of our existing rail system is critical to recruiting new industry and diversifying our economy.

Additionally, as our highway system exhibits increased congestion and warrants persistent repair, railroads offer relief. The Carolina Southern Railroad helps to keep over 200,000 tractor-trailers a year off of our local roads. This in turn contributes to smoother travel for not only our full-time residents, but also for the estimated 14 million tourists that visit each year.

It is our hope that these issues will be considered by the committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Hugh Owens".

Hugh Owens
President and CEO



March 26, 2009

Mr. Jason Pippin
Vice President & General Manager
The Carolina Southern Railroad Co.
171 Hwy 905
Conway, SC 29526

Dear Jason,

Please consider this as a letter of support for the Carolina Southern Railroad's efforts to obtain public funding to upgrade the infrastructure on their line.

As you know, Perdue AgriBusiness Incorporated has operated a grain elevator located at Chadbourn, NC in Columbus County since 2003. The facility was previously operated by Southern States Cooperative.

We activated our rail switch, and thereby service, at this location in spring 2008 and we shipped 207 carloads of grain and soybeans in cy2008. We have shipped 37 cars ytd 2009. The flexible service offered by the CALA has enabled our operation to grow competitively and profitably.

The ability to ship agricultural products by rail is important to our business, and offers us an expanded market reach in a cost-competitive manner. Rail service also benefits area grain farmers through the improved efficiency of our operations.

We have found the CALA to be a good partner to work with!

Regards,

A handwritten signature in black ink that reads "Sharon Clark". The signature is written in a cursive, flowing style.

Sharon Clark
VP Transportation
Perdue AgriBusiness Incorporated

cc: Steve Schwalb, Government Relations, Perdue Inc.
Jack Kelly, Government Relations, Perdue Inc.



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March 19, 2009

Carolina Southern Railroad

171 Hwy 905

Conway, SC 29526

Re: Railcar Capability Letter of Intent

Dear Mr. Pippen,

I am pleased to inform your company that Coastal Biodiesel Group, Inc. and Southeast Industrial Services Company, LLC (SISCO) will be commencing operations the week of March 23, 2009. We are actively pursuing options with GATX to clean and provide access to perform maintenance, repair and store railcars coming off lease. Your company is obviously an integral part of this scenario and we are looking to partner with Carolina Southern in this endeavor. SISCO would like to clean tank cars at our facility on 127 French Collins and have your company switch cars in and out as needed. We would like to offer our services to any customers and potential customers of Carolina Southern and/or its affiliates. SISCO has cleaned over 1000 railcars over the past 7 years and has the equipment, expertise and resources necessary to safely and properly clean most commodities transported by rail. SISCO employees are Confined Entry Trained (CSE) and certified and all entries will be properly performed and documented. Any railcars cleaned will be inspected by qualified staff and issued a Certificate of Cleanliness and documented as such. Any and all wastes will be properly characterized, packaged, labeled, manifested and transported offsite to a SCDHEC approved facility for final disposal.

SISCO would like to offer GATX the storage capabilities available through your company. We would like to maximize any available capacity on your line. Additionally, Coastal Biodiesel Group, Inc will soon be bringing in and shipping out rail cars containing used cooking oils and Biodiesel respectively. This process will take some time to ramp up but anticipate this happening very soon and possibly in conjunction with the cleaning repair operations. If in the event, there is no useable space at our facility, we could possibly need an alternate location where SISCO or GATX may gain access to rail cars to perform additional activities. Such an event would be rare and avoided if possible but would communicate any activity and request permission prior to any work commencement.

We are looking forward to working with Conway Southern Railroad and are excited about the opportunities that lay before us. Thank you in advance and please contact us for any additional information needed to start this process.

Regards,

Mark Hefner, President

Coastal Biodiesel Group/SISCO

Carolina Southern RR

