

**MINUTES OF THE OHIO RAIL DEVELOPMENT COMMISSION
PANHANDLE COMMITTEE MEETING
OCTOBER 5, 2007**

CALL TO ORDER AND ROLL CALL

Commissioner Tom McOwen, Chair of ORDC's Panhandle Committee, called the meeting to order at 11:35 a.m. on Friday, October 5, 2007. Members of the committee present were as follows: Chairman Tom McOwen, Commissioner Kimberly Gibson, Commissioner Solomon Jackson, Commissioner Jim Hartung, ORDC Executive Director Matt Dietrich, ORDC Chief of Project Development Lou Jannazo and Associate Assistant Attorney General Alan Klodell.

Chairman McOwen requested everyone introduce themselves and identify their professional affiliation prior to commencement of discussion. Chairman McOwen relayed his background and professional experience; announcing he has been a commissioner for the past 10 years and was once Owner and President of Indiana & Ohio Railroad. Chairman McOwen also spoke of his experience as a trustee of the Cincinnati Southern. This railroad is in its 125th year lease with Norfolk Southern. Chairman McOwen has had extensive experience in operating a shortline, operating excursion trains and has been involved in long term lease issues.

Chairman McOwen indicated his goal for this first meeting is to identify the key issues surrounding the lease of the Panhandle Rail Line. He stressed a level of informality to the meetings. He asked if anyone wanted to start for discussion. Lou Jannazo indicated he would start and identified the following points for discussion:

- How do we get public input?
- What is the value of the lease? What is its cost?
- How do we get rid of the COPS?
- We need to discuss the issue of access on the line.
- What is the maintenance needed?
- What are the track standards?

Commissioner Hartung raised the point he feels it is the lessors' obligation to improve/invest in the asset. Fair compensation for the leasing of the asset beyond the retirement of the debt is something to consider.

Commissioner Gibson inquired what the public purpose of the asset is. What standards does the commission want to put forth with economic goals in mind?

Jerry Rampelt, Executive Director of Ohio Rails to Trails, asked the committee members to consider Rails to Trails while reviewing the potential for a long-term lease. He indicated access is their key issue.

Rick Platt, Executive Director, Heath, Newark, Licking County Port Authority, announced his members have drafted a white paper outlining the needs of the Port and area communities with respect to a long term lease agreement on the line. Mr. Platt asked the question "are there multiple ways to solve the long term needs identified by the railroad that might better be solved in other ways without the risk of a 25 year term lease?" He indicated there are broad picture

issues that need to be considered. He announced that any proceeds gained from the lease of the line should be reinvested regionally.

After more discussion Commissioner McOwen reported that one word identifies the key issue with respect to the lease – Risk. The challenge is to identify who will take that risk. Chairman McOwen indicated we are dealing with a unique situation but in order to be successful we cannot create something that is so foreign (i.e., never been tried before) that the operator cannot compete in this industry. We cannot saddle the operator with too many costs.

Chairman McOwen reiterated the issues to be reviewed with the committee in determining a decision with the lease so he was sure he understood exactly what the committee members desired to be reviewed and discussed.

Lou requested an additional point be added as an issue. How do we ensure the investment we want within the lease?

Mr. Bill Strawn, President of the Ohio Central and the current operator on the line, reported his company has operated on this line for fifteen years. He indicated it is a model to how public/private partnerships can be formed and be successful. Mr. Strawn thanked the commissioners for their consideration of a long term lease; stating it is within the best interest of all involved. He announced competitive access has occurred ever since they have been the operator along the line, reiterating that any company who has requested access on the line has been granted that access. Mr. Strawn reported his company has invested over \$8 million in this line.

Mr. Rod Wilcox, attorney for the Ohio Central, echoed Mr. Strawn's comments and indicated the Ohio Central will make any capital improvements necessary to get a customer on the line.

Executive Director Matt Dietrich reported for the past seven years that he has been with the commission this issue, what to do regarding the Panhandle, has either been on the agenda or is an off-shoot to something that is on the agenda. Director Dietrich indicated he feels that if anything is broken it is the uncertainty surrounding this line. He specified that part of the mission with this committee should be to provide a level of certainty to all stakeholders.

Chairman McOwen agreed with Matt, adding that the railroad needs to have a level of certainty for a period of time while they are the operator. Chairman McOwen stated that this industry is one of the most capital-intensive and requires lengthy terms for the railroad companies to be able to pay the debt service. Chairman McOwen compared the trucking industry to the railroad industry stating that the railroad industry assumes a much greater risk. He spoke about the price of gasoline today and that the economics are getting better due to rail being three times more efficient than trucks.

Commissioner Gibson spoke about the trend of private companies buying up formerly public entities. She indicated this whole issue is complex and we need to be sure, in the end, we have a profitable system.

Chairman McOwen reiterated again “the economics have now swung toward the railroads.” The price of fuel has helped to drive this change. Trucking is just not as economical as it was in the past. He reported the railroads are investing as much as possible. Many of them are operating at full capacity which is an indication that times have changed.

Lou Jannazo spoke about the need for a draft lease that can be reviewed and dissected and inquired when such a draft should be ready for review. He asked the commissioners to provide guidance..

Director Dietrich suggested that he, Lou and Alan Klodell work together to prepare such a draft lease for the commissioners to review at the next committee meeting. He also suggested they work to provide a few scenarios for public outreach efforts with regard to this issue.

Commissioner Gibson requested that comments be added to the draft lease (i.e., pro vs. con) to assist the committee members in fully understanding why the verbiage is there and what it means.

Chairman McOwen stated he concurred. He asked if Matt could send something out to the committee members for review prior to the next meeting. It was decided a draft should be provided to the members the week of the 19th. The next committee meeting was scheduled for Wednesday, October 31, 2007 at 11:30 a.m. in ORDC’s Conference Room with a follow up meeting after the regular commission meeting scheduled for November 8, 2007 at the Vern Riffe Center.

Chairman McOwen adjourned the committee meeting at 1:00 p.m.