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## **Proposed CARB In-Use Locomotive Regulation November 3, 2022**

Modesto and Empire Traction Company (MET) is a short-line railroad located in Modesto, California. Our main line is five miles long with an additional 50 miles of industry track. M&ET connects with two class-1 railroads, Union Pacific (UP) and Burlington Northern Santa Fe Railway (BNSF).

We remain family owned and have since operations began in 1911. Our railroad provides vital service to approximately 30 customers on daily basis. The commodities we handle are predominately food, beverage, and agriculture.

For operations, we own 11 locomotives; nine Rail Power locomotives that are Tier III Genset units. The remaining two 1500 switch engine locomotives are Tier 0+ and rarely utilized. MET utilized grants from the State of California to upgrade to Tier III fuel efficient locomotives. For grant assistance, MET split the cost to upgrade nine (9) of our locomotives. Our company was happy to be early adopters to reduce emissions. However, with the proposed regulation, our company will need to start replacing locomotives since they will reach the mature age as outlined in the regulation.

MET has existing grant agreements in place for our nine locomotives, which have expiration dates ranging from 2026-2032. The proposed CARB regulation requires companies to establish a savings account to deposit funds for future locomotive purchases. MET will face a cash flow problem if forced to contribute to a savings account. Our railroad, along with others will have to make a choice to invest in normal safety and infrastructure maintenance and improvements, or add these funds to the savings account. We simply cannot afford to do both. The estimated amount, per the proposed CARB calculation, will prohibit investment in safety, infrastructure, and personnel growth, while absorbing any profits the company may presently generate. The shift in cash flows will drive our company to a singular focus: survival. To add to these savings accounts amounts to the remaining funds from our normal budget; not allowing additional investments into safety, infrastructure, or the human component with competitive wages.

MET will be applying for a 2022 Consolidated Rail Infrastructure and Safety Improvements (CRISI) grant to assist in funding the upgrade of our two 1500 switch engines to Tier 4, final. The estimated cost to upgrade both locomotives is approximately \$4MM. This cost does not include the frame of the locomotive, as we are utilizing the

existing frame. Our company has received letters of support from rail customers who represent 80% of our rail volume, class I railroads, state senators, as well as California state and local agencies. Our company is attempting to improve our operations, but financial assistance is necessary.

As previously mentioned, our railroad customers have a heavy focus on food, beverage, and agriculture commodities. These customers supply vital food resources for retail, restaurants, and institutions, whom also operate on tight margins. Shippers that have the option to shift transportation mode from rail to truck, will see an additional cost for this change; current estimates are as much as a 40% increase in cost. Consumers, in turn, will have to pay more for their final product. These customers utilize boxcars, where each boxcar equates to 3.5 - 4 truckloads. Some other customers may not be able to survive, and close business in California. Our largest customer in this segment ships approximately 265 cars per week, Monday - Friday. Converting these shipments to truckloads, equates to approximately 1,100 truckloads per week. The sheer volume converting to truck is staggering.

Agriculture commodities ship primarily into an area, known as our transload, which receives between 9,000-10,000 annual units. This traffic is shipped via unit trains, 100+ cars, or manifest/single cars. If this number is converted to truck traffic, the number grows to 40,000 new, additional truckloads on the California highway system. The additional truck traffic adds to our already congested roads, needing taxpayer dollars to maintain. Some smaller customers may not be able to compete. Others can utilize their out-of-state locations, and truck to their end uses in California. This would cause job loss in California, as well as increased trucks on the highways.

Thank you for your consideration as we move through this process. Our company would also like to extend an invitation to the CARB team to visit our Railroad. We are very proud of the work our team does to manage a very complex, important supply chain.

Regards,



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