



John C. Hellmann
President and Chief Executive Officer

July 1, 2012

The Honorable Daniel R. Elliott, III
Chairman, Surface Transportation Board
395 E Street, SW, Suite 1220
Washington, DC 20423-0001

Dear Chairman Elliott:

This letter is in response to the Board's June 11th request for comments from ASLRRRA member railroads regarding our outlook and service plans for the remainder of 2012. Consistent with past years, Genesee & Wyoming Inc. (GWI) does not anticipate any service problems related to peak season traffic volumes at any of our 59 U.S. short line railroads. Like most short lines, our railroads are lower density lines, and our existing train service plans have available capacity to support seasonal and unexpected volume increases. Currently, our carload volumes are still below pre-recession levels, and we have capacity to handle both seasonal and long-term traffic growth across all of our short line railroads. As of today, we have 6% of our U.S. locomotive fleet in storage, as well as surplus railcars to accommodate most unexpected increases in rail volumes. However, we are experiencing a decrease in the availability of steel coil gondolas and high capacity boxcars and we are adjusting our planning accordingly.

With respect to the Board's inquiry regarding specific commodity groups and our service preparation related thereto, I offer the following observations:

- We continue to fund capital upgrades at our Talleyrand Terminal Railroad in Florida and at our Golden Isles Terminal Railroad in Brunswick Georgia, in support of finished autos and light trucks traffic.
- GWI's New York-Pennsylvania Region and Ohio Region presently haul frac sand, pipe, drill cuttings, drilling fluids, stone and cement in support of both Utica and Marcellus Shale oil & gas exploration & production. The railroads in Ohio also expect to begin hauling crude oil, diluents and other gas related products in the next 6 months in merchandise train service, with the potential for unit train traffic. In support of these opportunities we have added dedicated marketing support staff, and the region expects to invest more than \$4 million in capital investments in rail sidings, storage tracks and yard expansions in the next 12 months.

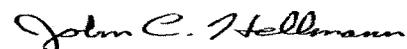
- GWI is committed to working with state and local communities on commuter rail projects and GWI's Oregon Region has a long-standing relationship with the Washington County Commuter Line (WES), which operates over a 14.7 mile corridor from Beaverton, Oregon to Wilsonville, Oregon. The route is within the heavily traveled Interstate 5 and Highway 217 corridor and serves 5 stations. On behalf of WES, our Portland & Western Railroad operates a total of 32 trips to cover peak morning and evening commute cycles. Ridership averages 1,700 passengers per day and on time performance was better than 98% in 2011 and year-to-date 2012. We are engaged in ongoing discussions with WES to address the upcoming capital commitments associated with the implementation of PTC on our Portland & Western Railroad.

With respect to the Board's inquiry relating to investments made in freight service and capacity improvements in the U.S., GWI expects to spend approximately \$94 million (inclusive of government grants) in capital expenditures in 2012, of which approximately 80% relates to track and bridge improvements. In general, our capital investments are not targeted at new track capacity but rather to upgrade existing rail, ties and bridges. These upgrades allow us to handle higher tonnages and operate at higher speeds, which ultimately results in additional capacity. In addition to track upgrades and bridge rebuilds, we have also invested in both our locomotive and car fleets and have enhanced our training programs for train and engine employees.

Over the past three years, we have invested nearly \$200 million in our U.S. operations and we are confident that our railroads are able to handle traffic demands above and beyond the projected seasonal peak level. Please note that our ability to invest at this high level has been supported by the short line tax credit, and the long term extension of this tax credit provides tremendous support in advancing our long term infrastructure investments.

Thank you for the opportunity to comment on GWI's U.S. operations and for the Board's interest in the role that short lines play in the U.S. rail network. Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,



John C. Hellmann
President and Chief Executive Officer

Cc: Mr. Richard F. Timmons