



John C. Hellmann  
President and Chief Executive Officer

September 26, 2011

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 September 6<sup>th</sup> request for comments from ASLRRA member railroads regarding our outlook and service plans for the 2011 Fall Peak shipping season. Consistent with past years, Genesee & Wyoming Inc. (GWI) does not anticipate any service problems related to peak season traffic volumes at any of our 58 U.S. short line railroads. Like most short lines, our railroads are lower density lines, and existing train service has available capacity to support seasonal volume increases. Currently, our carload volumes are still trailing pre-recession levels and we stand ready to handle both seasonal and long-term traffic growth across all of our short line railroads.

With regard to the impact of extreme weather, most railroads are affected when these events occur since the industry operates as a network. With that said, GWI's U.S. railroads have experienced only minor weather related issues in 2011, and we have not sustained any significant damage to our rail infrastructure. As winter weather approaches, we will implement cold weather operating plans across the appropriate railroads in order minimize weather-related disruptions. In addition, we will work closely with our connecting carriers to maintain fluidity across the rail network.

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

1. Agriculture Products: GWI's agriculture franchise in the U.S. is primarily related to export grain operations at the Port of Galveston, the Port of Corpus Christi and the Port of Brunswick. As our export grain volumes have grown significantly over the past several years, we have added additional track and equipment capacity and to date have not experienced any congestion. Based on the crop forecasts provided by the USDA, the 2011 harvest is generally expected to be lower than 2010 levels. Therefore, we do not expect any capacity constraints at our port operations and expect fluid train operations during the fall harvest.
2. Coal: GWI's U.S. coal franchise is primarily related to inbound coal shipments to major power plants, outbound coal shipments from either mine sites or load-outs, and overhead coal traffic for both export and domestic use. In 2011, our thermal coal shipments have been relatively flat while

our metallurgical shipments have been strong, the latter strength being driven by the export coal market and short term supply constraints due to flooding in northeast Australia. Overall, we are confident that we have the manpower, equipment and track capacity to handle any increases in thermal and metallurgical coal shipments above current levels.

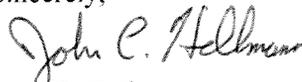
3. Intermodal: GWI's U.S. intermodal franchise is generally limited to on-dock-rail, port and terminal operations, with capacity at these locations driven primarily by port capacity and Class 1 interchange fluidity. Most of the ports we serve have proactively made investments in their operations while connecting Class 1s have invested heavily in their intermodal networks, which has translated into additional throughput capacity. This increased capacity is particularly evident at our Commonwealth Railway in Portsmouth, VA serving the APM Terminal, where today we handle twice the container volume of last year and have not experienced any service issues. The Commonwealth Railway handles both NS and CSX intermodal traffic into and out of the APM Terminal. The increased volume has been supported by Class 1 investments in corridor projects (Heartland and National Gateway), as well as investments made by the Commonwealth of Virginia and the Commonwealth Railway to upgrade our rail line.

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 \$71 million (inclusive of government grants) in capital expenditures in 2011, of which approximately 85% relates to track 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. As of today, we have 5% of our locomotive fleet in storage, as well as surplus railcars that provide flex capacity when volume improves.

Over the past three years, we have invested more than \$210 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 significantly supported by the U.S. short line tax credit, and the long term extension of this tax credit remains critical to upgrading short line track infrastructure.

Thank you for the opportunity to comment on GWI 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