GENESEE & WYOMING INC
Form 10-K
February 27, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________
Commission File No. 001-31456
GENESEE & WYOMING INC.
(Exact name of registrant as specified in its charter)

Delaware	06-0984624
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 West Avenue, Darien, Connecticut	06820
(Address of principal executive offices)	(Zip Code)

(203) 202-8900
(Registrant's telephone number, including area code)
Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	NYSE
5.00% Tangible Equity Units	NYSE

Securities registered pursuant to section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	þ	Accelerated filer	o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b of the Exchange Act). ¨ Yes þ No

Aggregate market value of Class A Common Stock held by non-affiliates based on the closing price as reported by the New York Stock Exchange on the last business day of the registrant's most recently completed second fiscal quarter: $5,399,103,465. Shares of Class A Common Stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determinant for other purposes.

Shares of common stock outstanding as of the close of business on February 18, 2015:

Class	Number of Shares Outstanding
Class A Common Stock	52,953,492
Class B Common Stock	1,020,485

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year ended December 31, 2014 in connection with the Annual Meeting to be held on May 12, 2015 are incorporated by reference in Part III hereof and made a part hereof.

Genesee & Wyoming Inc.
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Unless the context otherwise requires, when used in this Annual Report on Form 10-K (Annual Report), the terms "Genesee & Wyoming," "G&W," the "Company," "we," "our" and "us" refer to Genesee & Wyoming Inc. and its subsidiaries. All references to currency amounts included in this Annual Report, including the financial statements, are in United States dollars unless specifically noted otherwise.

Cautionary Statement Regarding Forward-Looking Statements

The information contained in this Annual Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), regarding future events and future performance of G&W. Words such as "anticipates," "intends," "plans," "believes," "should," "seeks," "expects," "estimates," "trends," "outlook," "goal," "budget," variations of these words and similar expressions are intended to identify these forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Actual results may differ materially from those expressed or forecast in these forward-looking statements.

The areas in which there is risk and uncertainty are further described in "Part I Item 1A. Risk Factors" in this Annual Report, which contain additional important factors that could cause actual results to differ from current expectations and from the forward-looking statements contained herein. Readers of this document are cautioned that our forward-looking statements are not guarantees of future performance and our actual results or developments may differ materially from the expectations expressed in the forward-looking statements.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed or incorporated by reference in this Annual Report not to occur.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies without fear of litigation. We are taking advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act in connection with the forward-looking statements included in this Annual Report.

Our forward-looking statements speak only as of the date of this Annual Report or as of the date they are made, and except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Annual Report.

Information set forth in "Part I Item 1. Business" and in "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the risk factors set forth in Item 1A. in this Annual Report.

PART I

ITEM 1. Business.

OVERVIEW

We own and operate short line and regional freight railroads and provide railcar switching and other rail-related services in the United States, Australia, Canada, the Netherlands and Belgium. In addition, we operate a longer-haul railroad that runs approximately 1,400 miles between Tarcoola in South Australia and Darwin in the Northern Territory of Australia. We currently operate in 41 states in the United States, four Australian states, one Australian territory and four Canadian provinces and provide rail service at 37 ports in North America, Australia and Europe. We operate over approximately 15,600 miles of owned, jointly owned or leased track (inclusive of the Tarcoola to Darwin rail line operated under a concession agreement) and approximately 3,300 additional miles under other contractual track access arrangements.

GROWTH STRATEGY

Since our initial public offering in 1996 through December 31, 2014, our revenues have increased at a compound annual growth rate of 17.4%, from $77.8 million in 1996 to $1.6 billion in 2014. Over the same period, our diluted earnings per common share (EPS) increased at a compound annual growth rate of 15.6%, from $0.29 (adjusted for stock splits) in 1996 to $4.58 in 2014. We have achieved these results primarily through the disciplined execution of our growth strategy, which has two main drivers: (1) our operating strategy and (2) our acquisition and investment strategy.

Operating Strategy

Our railroads operate under strong local management teams, with centralized administrative, commercial and operational support and oversight. As of December 31, 2014, our operations were organized as 11 regions. In the United States, we have eight regions: Central, Coastal (which includes industrial switching and port operations), Midwest, Mountain West, Northeast, Ohio Valley, Pacific and Southern. Outside the United States, we have three regions: Australia, Canada (which includes a contiguous railroad located in the United States) and Europe (which consists of operations in the Netherlands and Belgium).

In each of our regions, we seek to encourage the entrepreneurial drive, local knowledge, customer service and safety culture that we view as critical to achieving our financial goals. Our regional managers continually focus on increasing our return on invested capital, earnings and cash flow through the disciplined execution of our operating strategy. At the regional level, our operating strategy consists of the following five principal elements:

- Continuous Safety Improvement. We believe that a safe work environment is essential for our employees, our customers and the communities in which we conduct business. Each year, we establish stringent safety targets as part of our safety program. In 2014, G&W operations achieved a consolidated Federal Railroad Association (FRA) reportable injury frequency rate of 0.60 per 200,000 man-hours worked. Through the implementation of our safety program, we have reduced our injury frequency rate by 69% since 2006, when it was 1.95 injuries per 200,000 man-hours worked. For comparative purposes, from January 2014 through November 2014, the most recent month for which FRA data is publicly available, the United States short line average reportable injury frequency rate was 3.0 injuries per 200,000 man-hours worked, and the United States regional railroad average was 3.2 injuries per 200,000 man-hours worked. Based on these results, in 2014, G&W operations were more than five times safer than the short line and regional railroad averages and safer than any United States Class I railroad.
- Outstanding Customer Service. We are committed to providing exceptional service to our customers and each of our local railroads is intently focused on exceeding customer expectations. This customer commitment results not only in traffic growth, but also customer loyalty and new business development opportunities. To ensure the needs of our customers are addressed promptly, we employ technology-based service exception tools to monitor service information, communicate issues and track corrective actions. Periodically, we engage a leading independent customer-satisfaction research firm to conduct a comprehensive customer satisfaction survey. The survey results are used to measure our performance and develop continuous improvement programs.

- Focused Regional Marketing. We generally build and operate each of our regions based on the local customer base within our operating geographies and seek to grow rail traffic through intensive marketing efforts to new and existing customers. As a result of the acquisition of RailAmerica, Inc. (RailAmerica) in 2012, we believe that our expanded North American footprint provides us with greater visibility to new commercial and industrial development opportunities in North America that should help increase the success of our marketing efforts. We also pursue additional sources of revenue by providing ancillary rail services such as railcar switching, repair, storage, cleaning, weighing and blocking and bulk transfer, which enable shippers and Class I carriers to move freight more easily and cost-effectively. Separately, in Australia and Europe, where there are open access regimes, we are able to compete for new business opportunities with customers at most locations on the open access rail networks.
- Low Cost Structure. We focus on running cost effective railroad operations and historically have been able to operate acquired rail lines more efficiently than they were operated prior to our acquisition. We typically achieve efficiencies by lowering administrative overhead, consolidating equipment and track maintenance contracts, reducing transportation costs and selling surplus assets.
- Efficient Use of Capital. We invest in track and rolling stock to ensure that we operate safe railroads that meet the needs of customers. At the same time, we seek to improve our return on invested capital by focusing on cost effective capital programs. For example, in our short haul and regional operations in North America, we typically rebuild older locomotives rather than purchase new ones and invest in track at levels appropriate for our traffic type and density. In addition, because of the importance of certain of our customers and railroads to their regional economies, we are able, in some instances, to obtain state, provincial and/or federal grants to upgrade track. Typically, we seek government funds to support investments that otherwise would not be economically viable for us to fund on a stand-alone basis.

To assist our local management teams, we provide administrative, commercial and operational support from corporate staff groups where there are benefits to be gained from centralized expertise. Our commercial group assists local management by providing assistance with regional pricing, origin and destination offerings across the Company, managing real estate revenue (including from land leases and crossing and access rights), industrial development project expertise, 24/7 customer service and Class I railroad relationship management. Our operations department assists with implementing our safety culture and training programs, leveraging our scale in purchasing rail and rail-related equipment, ensuring efficient equipment utilization and service design, and providing mechanical, locomotive and bridge engineering expertise. In addition, we maintain other traditional, centralized functions, such as accounting, finance, legal, corporate development, government and industry affairs, human resources and information technology.

Acquisition and Investment Strategy

Our acquisition and investment strategy includes the acquisition or long-term lease of existing railroads, as well as investment in rail equipment and/or track infrastructure to serve new and existing customers. Since 2000, we have added 98 railroads through execution of our acquisition and investment strategy. Historically, our acquisition, investment and long-term lease opportunities have been from the following five sources:

- Acquisitions of additional short line and regional railroads in the United States and Canada, such as our acquisitions of Pinsly Railroad Company's Arkansas Division (Pinsly Arkansas) in January 2015, RailAmerica in 2012, Arizona Eastern Railway Company (AZER) in 2011, CAGY Industries, Inc. in 2008, the Ohio Central Railroad System in 2008 and Rail Management Corporation in 2005. Based on Association of American Railroads (AAR) data as of December 31, 2013, there are currently approximately 460 short line and regional railroads in the United States not owned by us;
- Investments in track and/or rolling stock to support growth in new or existing areas of operations, such as the purchase of railcars in the United States in 2014 and our upgrade of the Chicago, Fort Wayne and Eastern Railroad to enhance Class I traffic flow east of Chicago;
- Acquisitions of international railroads, such as our acquisitions of FreightLink Pty Ltd (FreightLink) in Australia in 2010 and Rotterdam Rail Feeding (RRF) in the Netherlands in 2008. We believe that there are additional acquisition and investment opportunities in Australia, Europe and other international markets;
- Acquisitions or long-term leases of branch lines of Class I railroads, such as our acquisition of the assets comprising the western end of the Dakota Minnesota & Eastern Railroad Corporation (DM&E) from Canadian Pacific (CP) in 2014; and

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- Acquisitions of rail lines from industrial companies, such as our acquisition of railroads owned by Georgia-Pacific Corporation in 2003.

When we make acquisitions, we seek to increase revenues and reduce costs wherever possible and to implement best practices to increase the value of our investment, which is frequently accomplished through the elimination of duplicative overhead costs, implementation of our safety culture, improvements to operating plans, more efficient equipment utilization and enhanced customer service and marketing initiatives. In some cases, however, the best way to maximize the value of an investment is to increase expenditures at a new acquisition, such as for track upgrades, in order to improve customer service and drive additional revenue growth.

We also believe that our footprint of railroads in North America provides opportunities to make contiguous short line railroad acquisitions due to a higher number of touchpoints with other railroads. On a global basis, we believe that our scale and financial resources improve our ability to invest in rail opportunities worldwide. We have made a number of important railroad investments in North America and in international markets, and we expect to continue to pursue our acquisition and investment strategy while adhering to our disciplined valuation approach.

INDUSTRY

North America

United States

According to the AAR, there are 574 freight railroads in the United States operating over 138,400 miles of track. As described in the table below, the United States Surface Transportation Board (STB) classifies railroads operating in the United States into one of three categories based on the amount of an individual railroad's operating revenues (adjusted for inflation).

The following table shows the breakdown of freight railroads in the United States by classification:

Classification of Railroads	Number	Aggregate Miles Operated	Revenues and Miles Operated
Class I (1)	7	95,264	$467.1 million or more
Regional or Class II	21	10,355	At least $20 million and 350 or more miles operated or $37.4 million to $467.1 million
Local or Class III	546	32,858	Less than $37.4 million and less than 350 miles operated
Total	574	138,477	

(1) CSX Corp, BNSF Railway Co., Norfolk Southern Corp., Kansas City Southern Railway Co., Union Pacific Railroad Co., Canadian National Railway Co. and Canadian Pacific Railway Limited.

Source: AAR 2014 Railroad Facts Book

Class I railroads operate across many different states and concentrate largely, though not exclusively, on long haul, high density and intercity traffic lanes. The primary function of the regional and local railroads is to provide local service to rail customers and communities not located on the Class I railroad networks. Regional railroads typically operate 400 to 650 miles of track and provide service to selected areas of the country, mainly connecting neighboring states and/or economic centers. We refer to local railroads as short line railroads. Typically, local, or short line railroads, serve as branch lines connecting customers with Class I railroads. Short line railroads generally have more predictable and straightforward operations as they largely perform point-to-point, light density service over shorter distances, versus the complex networks associated with the Class I railroads or larger regional railroads.

A significant portion of regional and short line railroad traffic is driven by carloads that are interchanged with other carriers. For example, a Class I railroad may transport freight hundreds or thousands of miles from its origination point and then pass the railcar to a short line railroad, which provides the final step of service directly to the terminating customer.

The railroad industry in the United States has undergone significant change since the passage of the Staggers Rail Act of 1980 (Staggers Act), which effectively deregulated certain pricing and types of services provided by railroads. Following the passage of the Staggers Act, Class I railroads in the United States took steps to improve profitability and recapture market share lost to other modes of transportation, primarily trucks. In furtherance of that goal, Class I railroads focused their management and capital resources on their core long-haul systems, and some of them sold branch lines to short line railroads, whose smaller scale and more cost-efficient operations allowed them to commit the resources necessary to meet the needs of customers located on those lines. Divestiture of branch lines spurred the growth in the short line railroad industry and enabled Class I railroads to minimize incremental capital expenditures, concentrate traffic density, improve operating efficiency and avoid traffic losses associated with rail line abandonment.

We operate two regional and 103 local (short line) railroads in the United States over approximately 14,500 miles of track.

Canada

According to Rail Trends 2014, published by The Railway Association of Canada (RAC), there are 27,270 miles of track operated by railroads in Canada.

We operate eight local (short line) railroads in Canada over approximately 1,500 miles of track.

Australia

Australia has approximately 25,000 miles (approximately 40,000 kilometers) of both publicly and privately owned track that link major capital cities and key regional centers together and also connect key mining regions to ports. The Australian rail network comprises three track gauges: broad, standard and narrow gauge. There are three major interstate rail segments in Australia: the east-west corridor (Sydney, New South Wales to Perth, Western Australia); the east coast corridor (Brisbane, Queensland to Melbourne, Victoria); and the north-south corridor (Darwin, Northern Territory to Adelaide, South Australia). In addition, there are a number of intrastate rail freight networks servicing major agricultural and mining regions in Queensland, New South Wales, Western Australia and South Australia.

Through our Australian subsidiaries, we manage approximately 2,900 miles (approximately 4,700 kilometers) of track in South Australia and the Northern Territory, which includes approximately 1,400 miles (approximately 2,200 kilometers) of track between Darwin and Tarcoola that we manage pursuant to a concession agreement that expires in 2054, unless canceled due to our failure to meet our commitments under the concession agreement.

The Australian rail freight industry is largely open access, which means that network owners and managers must provide access to the rail network to all accredited rail service providers, subject to the rules and negotiation framework of each applicable access regime. We are an accredited rail service provider in all mainland Australian states and in the Northern Territory. The access rules generally include pricing principles and standards of use, and are established by the applicable state or Commonwealth government. The Australian freight rail industry is structured around two components: train operations for freight haulage services (above rail) and rail track access operation and management (below rail). This contrasts with the North American freight rail industry where railroad operators almost always have exclusive use of the track they own or lease. Through our concession agreements, we have long-term economic ownership of the primary tracks that we manage in South Australia and the Northern Territory, and we receive below rail access fees when other rail operators use the track we manage. Our economic ownership of the tracks we manage, combined with our above rail operations, makes our Australian operations more similar to a typical North American railroad despite the open access environment.

Because Australian rail customers have access to multiple rail carriers under "open access" regimes, all rail carriers face possible competition on their above rail business from other rail carriers, as well as from competing modes of transportation, such as trucks. The open access nature of the Australian freight rail industry enables rail operators to develop new business and customer relationships in areas outside of their current operations, and there are limited barriers to entry that preclude any rail operator from approaching a customer to seek new business. However, shipments of bulk commodities in Australia are generally handled under long-term agreements with dedicated equipment that may include take-or-pay provisions and/or exclusivity arrangements, which make capturing new business from an existing rail operator difficult.

Netherlands

According to ProRail, the entity responsible for a substantial majority of the Dutch rail infrastructure, there are approximately 4,350 miles of track under its control on the Dutch rail network. As a result of the country's open access regime, this track may be accessed by any admitted and licensed rail operator. According to the trade association Rail Cargo Information Netherlands, there are currently 19 rail operators that provide freight rail services in the Netherlands.

Belgium

According to Infrabel, the Belgian railways infrastructure manager, there are approximately 2,225 miles of track under its control on the Belgian rail network and currently there are 13 rail operators certified for freight transport in Belgium. As a result of the country's open access regime, this track may be accessed by any operator admitted and licensed to provide freight transport in the country.

OPERATIONS

Through our subsidiaries, we own or lease 116 freight railroads, including 103 short line railroads and two regional freight railroads located in the United States, eight short line railroads located in Canada, one railroad located in Australia and one railroad located in the Netherlands and Belgium, with a total of approximately 14,200 miles of track. We also operate one longer-haul, 1,400-mile railroad that links the Port of Darwin to the Australian interstate rail network in South Australia, pursuant to a concession agreement. Also, through various track access arrangements, we operate over approximately 3,300 additional miles of track that is owned or leased by others.

Freight Revenues

We generate freight revenues from the haulage of freight by rail. Freight revenues represented 76.4%, 75.1% and 71.4% of our total revenues in the years ended December 31, 2014, 2013 and 2012, respectively.

Non-Freight Revenues

We generate non-freight revenues primarily from the following activities:

- Railcar switching - revenues generated from industrial switching (the movement of railcars within industrial plants and their related facilities), port terminal switching (the movement of customer railcars from one track to another track on the same railroad, primarily at United States ports) and contract coal loading;
- Car hire and rental income - charges paid by other railroads for the use of our railcars and properties;
- Demurrage and storage - charges paid by customers for holding or storing their railcars;
- Car repair services - charges paid to us for repairing railcars owned by others, either under contract or in accordance with AAR rules;
- Railroad construction - primarily revenues earned by Atlas Railroad Construction, LLC (Atlas) for railroad engineering, construction, maintenance and repair, primarily in the midwestern, northeastern and southeastern United States, for short line and regional railroads and industrial customers; and
- Other operating income - primarily revenues for providing crewing services and track access and management fees, the use of our real estate holdings, and for providing access to passenger operations, such as for Amtrak's use of the New England Central Railroad's track.

Non-freight revenues represented 23.6%, 24.9% and 28.6% of our total operating revenues in the years ended December 31, 2014, 2013 and 2012, respectively. Railcar switching represented 44.0%, 41.3% and 54.0% of our total non-freight revenues in the years ended December 31, 2014, 2013 and 2012, respectively.

Customers

As of December 31, 2014, our operations served more than 2,000 customers. Revenues from our 10 largest customers accounted for approximately 24%, 24% and 31% of our operating revenues in the years ended December 31, 2014, 2013 and 2012, respectively. Two of our 10 largest customers in 2014 were located in Australia, one of which was in our metallic ores (iron ore) commodity segment and the other of which was in our agricultural products commodity segment.

In North America, we typically handle freight pursuant to transportation contracts between us, our connecting carriers and the customer. These contracts are in accordance with industry norms and vary in duration, with terms generally ranging from less than one year to 10 years. These contracts establish a price or, in the case of longer term contracts, a methodology for determining a price, but do not typically obligate the customer to move any particular volume. Generally, our freight rates and volumes are not directly linked to the prices of the commodities being shipped. In Australia, we generally handle freight pursuant to transportation contracts directly with our customers. These contracts generally contain a combination of fixed and variable pricing, with the fixed portion based upon our invested capital and the variable portion based on the volumes shipped.

Commodities

Our railroads transport a wide variety of commodities. For a comparison of freight revenues, carloads and average freight revenues per carload by commodity group for the years ended December 31, 2014, 2013 and 2012, see the discussion under "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Commodity Group Descriptions

The agricultural products commodity group consists primarily of wheat, barley, corn and other grains, as well as soybean meal.

The chemicals and plastics commodity group consists primarily of sulfuric acid, ethanol and other chemicals used in manufacturing, particularly in the paper industry.

The metals commodity group consists primarily of finished steel products and copper, as well as scrap metal and pig iron.

The metallic ores commodity group consists primarily of manganese ore, iron ore, copper concentrate and ore, alumina and nickel ore.

The coal and coke commodity group consists primarily of shipments of coal to power plants and industrial customers.

The minerals and stone commodity group consists primarily of cement, gypsum, salt used in highway ice control, sand used in hydraulic fracturing of oil and gas wells, roofing granules, clay and limestone.

The pulp and paper commodity group consists primarily of outbound shipments of container board and finished papers and inbound shipments of wood pulp.

The intermodal commodity group consists of various commodities shipped in trailers or containers on flat cars.

The lumber and forest products commodity group consists primarily of finished lumber, wood pellets, export logs and wood chips used in paper manufacturing.

The petroleum products commodity group consists primarily of liquefied petroleum gas, natural gas liquids, crude oil, asphalt and diesel fuel.

The food and kindred products commodity group consists primarily of canned fruits and vegetables and food oils.

The autos and auto parts commodity group consists primarily of finished automobiles and stamped auto parts.

The waste commodity group consists primarily of municipal solid waste and construction and demolition debris.

The other commodity group consists of all freight not included in the commodity groups set forth above.

Segment and Geographic Information

For financial information with respect to each of our segment and geographic areas, see Note 18, Segment and Geographic Area Information, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

Traffic

Rail traffic shipped on our rail lines can be categorized either as interline or local traffic. Interline traffic passes over the lines of two or more rail carriers. It can originate or terminate with customers located along a rail line, or it can pass over the line from one connecting rail carrier to another without the traffic originating or terminating on the rail line (referred to as overhead traffic). Local traffic both originates and terminates on the same rail line and does not involve other carriers. Unlike overhead traffic, originating, terminating and local traffic in North America provides us with a more stable source of revenues because this traffic represents shipments to and/or from customers located along our rail lines and is less susceptible to competition from other rail routes or other modes of transportation. In 2014, revenues generated from originating, terminating and local traffic in North America constituted approximately 93% of our North American freight revenues. In Australia, railroads generally serve from origin to destination with few, if any, interline movements.

Seasonality of Operations

Some of the commodities we carry have peak shipping seasons, either as a result of the nature of the commodity or its demand cycle. For instance, certain agricultural and food products, such as winter wheat in Canada, ship only during certain months each year.

Seasonality is also reflected in our results of operations as a result of weather patterns. See Note 19, Quarterly Financial Data (unaudited), to our Consolidated Financial Statements included elsewhere in this Annual Report. Typically, we experience relatively lower revenues in North America in the first and fourth quarters of each year as the winter season and colder weather in North America tend to reduce shipments of certain products such as construction materials. In addition, due to adverse winter conditions, we may also experience reduced shipments as a result of weather-related network disruptions and also tend to incur higher operating costs. We typically initiate capital projects in North America in the second and third quarters when weather conditions are more favorable. In addition, we experience relatively lower revenues in Australia in the first quarter of each year as a result of the wet season (i.e., monsoonal rains in the Northern Territory).

Employees

As of December 31, 2014, we had approximately 5,200 full-time employees. Of this total, approximately 1,900 employees were union members. Our railroads have 76 labor agreements with unions. We are currently engaged in negotiations with respect to 10 of those agreements. We are also a party to employee association agreements covering an additional 72 employees who are not represented by a national labor organization. In Australia, Genesee & Wyoming Australia Pty Ltd (GWA) has a collective enterprise bargaining agreement covering the majority of its employees. RRF is not party to any collective bargaining agreements in the Netherlands, but it is party to a collective bargaining agreement in Belgium.

The Railway Labor Act (RLA) governs the labor relations of employers and employees engaged in the railroad industry in the United States. The RLA establishes the right of railroad employees to organize and bargain collectively along craft or class lines and imposes a duty upon carriers and their employees to exert every reasonable effort to make and maintain collective bargaining agreements. The Canada Labour Code and the relevant provincial labor laws govern the labor relations of employers and employees engaged in the railroad industry in Canada. The Federal Fair Work Act governs the labor relations of employers and employees engaged in the railroad industry in Australia. The RLA and foreign labor regulations contain detailed procedures that must be exhausted before a lawful work stoppage may occur.

We believe we maintain positive working relationships with our employees.

SAFETY

Our safety program involves all employees and focuses on the prevention of accidents and injuries. Operating personnel are trained and certified in train operations, the transportation of hazardous materials, safety and operating rules and governmental rules and regulations. In order to continuously improve our safety results, we utilize various safety metrics, such as human factor incidents, that are instrumental in reducing our FRA reportable injuries. G&W operations achieved a consolidated FRA reportable injury frequency rate, as defined by the FRA as reportable injuries per 200,000 man-hours worked, of 0.60 and 0.80 for the years ended December 31, 2014 and 2013, respectively. The average injuries per 200,000 man-hours worked for all United States short line railroads in the rail industry was 3.0 in both 2014 (through November) and 2013 (through December). Based on these results, in 2014, G&W operations were more than five times safer than the short line and regional railroad averages and safer than any United States Class I railroad.

Our safety program also focuses on the safety and security of our train operations, and we continue to enhance the use of technology to analyze our track so as to prevent track-caused derailments. In addition, our information technology staff also routinely assess the security of our computer networks from cyber attacks. To date, we have not experienced any material disruptions of our networks or operations due to cyber attacks.

Our employees also strive to heighten awareness of rail safety in the communities where we operate through participation in governmental and industry sponsored safety programs, such as Operation Lifesaver, a non-profit organization that provides public education programs to prevent collisions, injuries and fatalities on and around railroad tracks and highway-rail grade crossings. During 2014, employees of our railroads made more than 275 Operation Lifesaver presentations focused on the dangers associated with highway-rail grade crossings and trespassing on railroad property. We also participate in safety committees of the AAR and the American Short Line and Regional Railroad Association.

INSURANCE

We maintain liability and property insurance coverage to mitigate the financial risk of providing rail and rail-related services. Incidents involving entities previously owned by RailAmerica that occurred prior to our August 1, 2013 insurance renewal are insured under RailAmerica's legacy liability and property insurance policies.

Our primary liability policies currently have self-insured retentions of up to $2.5 million per occurrence. RailAmerica's prior primary liability policies' self-insured retentions were as high as $4.0 million per occurrence. The liability policies cover third-party claims and damages associated with sudden releases of hazardous materials, including hazardous commodities transported by rail, and expenses related to evacuation as a result of a railroad accident. Personal injuries associated with grade crossing accidents are also covered under our liability policies. Our property policies cover property and equipment that we own, and property in our care, custody and control and have various self-insured retentions, which vary based on the type and location of the incident, that are currently up to $1.0 million per occurrence, except in Australia where our self-insured retention for property damage due to a cyclone or flood is A$2.5 million. RailAmerica's property damage policies previously had self-insured retentions up to $1.5 million per occurrence. The property policies also provide business interruption insurance arising from covered events. The self-insured retentions under our policies may change with each annual insurance renewal depending on our loss history, the size and make-up of our company and general insurance market conditions.

Employees of our United States railroads are covered by the Federal Employers' Liability Act (FELA), a fault-based system under which claims resulting from injuries and deaths of railroad employees are settled by negotiation or litigation. FELA-related claims are covered under our liability policies. Employees of our industrial switching, transloading and railroad construction businesses are covered under workers' compensation policies.

Employees of our Canadian railroads are covered by the applicable provincial workers' compensation policy. Employees of our Australian operations are covered by the respective state-based workers' compensation legislation in Australia. Employees of our European operations are covered by the workers' compensation legislation of the Netherlands and Belgium, as applicable.

COMPETITION

Railroads' unique and private ownership and control of infrastructure is difficult to replicate as compared to other modes of transportation, such as trucking (which uses public highways, toll roads, etc.) and shipping (which uses river systems and ports). However, railroads do compete directly with other modes of transportation, principally highway competition from trucks and, on some routes, ships, barges and pipelines. Competition is based primarily upon the rate charged and the transit time required, as well as the quality and reliability of the service provided.

In North America, there normally is only one rail carrier directly serving a customer on its line, while most freight is interchanged with other railroads prior to reaching its final destination. To the extent that highway competition is involved, the degree of that competition is affected by government policies with respect to fuel and other taxes, highway tolls and permissible truck sizes and weights.

In Australia, the Netherlands and Belgium, our customers have access to other rail carriers under open access regimes so we face competition from other rail carriers in addition to competition from competing modes of transportation.

To a lesser degree, we also face competition from similar products made in other areas where we are not located, a kind of competition commonly known as "geographic competition." For example, a paper producer may choose to increase or decrease production at a specific plant served by one of our railroads depending on the relative competitiveness of that plant as compared to its paper plants in other locations. In some instances, we face "product competition," where commodities we transport are exposed to competition from substitutes (e.g., coal we transport can compete with natural gas as a fuel source for electricity generation).

In acquiring rail properties and making rail equipment and/or track infrastructure investments in projects, we generally compete with other railroad operators and with various financial institutions, including infrastructure and private equity firms, operating in conjunction with rail operators. Competition for rail properties and investment projects is based primarily upon price and the seller's assessment of the buyer's railroad operating expertise and financing capability. We believe our established reputation as a successful acquirer and long-term operator of rail properties, our managerial and financial resources, as well as our commitment to safety and the communities in which we operate, positions us well in a competitive acquisition and investment environment.

REGULATION

United States

In addition to federal, state and local laws and regulations generally applicable to many businesses, our United States railroads are subject to regulation by:

- STB;
- FRA;
- federal agencies, including the United States Department of Transportation (DOT), Occupational Safety and Health Administration (OSHA), Pipeline and Hazardous Material Safety Administration (PHMSA), Mine Safety and Health Administration (MSHA) and Transportation Security Administration (TSA), which operates under the Department of Homeland Security (DHS);
- state departments of transportation; and
- some state and local regulatory agencies.

The STB is the successor to certain regulatory functions previously administered by the Interstate Commerce Commission (ICC). Established by the ICC Termination Act of 1995, the STB has jurisdiction over, among other things, certain freight rates (where there is no effective competition), extension or abandonment of rail lines, the acquisition of rail lines and the consolidation, merger or acquisition of control of rail common carriers. In limited circumstances, the STB may condition its approval of an acquisition upon the acquirer of a railroad agreeing to provide severance benefits to certain subsequently terminated employees. The FRA, DOT, OSHA and PHMSA have jurisdiction over certain aspects of safety, which include the regulation of equipment standards, track maintenance, handling of hazardous shipments, locomotive and railcar inspection, repair requirements, operating practices and crew qualifications. The TSA has broad authority over railroad operating practices that have implications for homeland security. Additionally, various state and local agencies have jurisdiction over disposal of hazardous waste and may regulate movement of hazardous materials in ways not preempted by federal law.

In 2014, the STB continued various proceedings on whether to expand rail regulation. The STB continues to evaluate the impact of "access" regulation that would impact railroads' ability to limit the access of other rail service providers to their rail infrastructure and has held hearings to assess the impact of changes to the access regime in the United States. During the past several legislative sessions, bills have been introduced in Congress that would expand the regulatory authority of the STB and could include new antitrust provisions that alter the regulatory structure of the railroad industry. Additionally, a two-year DOT study on the impacts of a possible increase in federal truck size and weight limits, which commenced in 2012 but has not yet been released, could result in subsequent federal legislation following completion and review. The majority of the actions under consideration and pending are directed at Class I railroads; however, we continue to monitor these initiatives. The outcome of these initiatives could impact regulation of railroad operations and prices for our rail services, which could undermine the economic viability of certain of our railroads, as well as threaten the service we are able to provide to our customers.

Also in 2014, the PHMSA issued proposed rules concerning the transportation of certain flammable liquids, which includes the transportation of crude oil. The proposed rules include a variety of possible measures including enhanced tank car standards, speed restrictions, braking system requirements, community notification and other operating restrictions. Our railroad operations and those of the entire railroad industry could be impacted depending on the outcome of the final rules. We will continue to monitor this rulemaking process.

In 2010, the FRA issued regulations mandating the installation of positive train control (PTC) systems and technology on certain railroads as early as the end of 2015. PTC is a collision avoidance technology intended to override locomotive controls and stop a train before an accident. However, the United States rail industry publicly stated it does not believe that PTC can be fully implemented by the end of 2015 due to issues with interoperability. As a consequence, members of the rail industry are seeking an extension of the 2015 deadline. Certain of our railroads may be required to install PTC-related equipment by the end of 2015. We are working with the Class I railroads to finalize our implementation plans and are monitoring the implementation deadline, though we do not expect that our compliance with the final rules governing the installation of PTC will give rise to any material financial expenditures.

Canada

Railroads that operate in more than one province are subject to extensive federal laws, regulations and rules and the jurisdiction of the federal government. St. Lawrence & Atlantic Railroad (Quebec), Ottawa Valley Railway, Southern Ontario Railway and Knob Lake & Timmins Railway are federally regulated railroads that fall under the jurisdiction of the Canadian Transportation Agency (CTA) and Transport Canada (TC) and are subject to the Railway Safety Act. The CTA regulates construction and operation of federally regulated railways, financial transactions of federally regulated railway companies, all aspects of rates, tariffs and services and the transferring and discontinuing of the operation of railway lines. TC administers the Railway Safety Act, which ensures that federally regulated railway companies abide by all regulations with respect to engineering standards governing the construction or alteration of railway works and the operation and maintenance standards of railway works and equipment.

Railways operating only within one province are regulated by that province and must hold a Certificate of Fitness delivered by the appropriate provincial authority. Quebec Gatineau Railway and Cape Breton & Central Nova Scotia Railway are subject to the jurisdiction of the provincial governments of Quebec and Nova Scotia, respectively. In addition, Huron Central Railway and Goderich-Exeter Railway are subject to the jurisdiction of the provincial government of Ontario. Generally, construction, operation and discontinuance of operation are regulated by the provincial authorities, as are railway services.

Acquisitions of additional railroad operations in Canada, whether federally or provincially regulated, may be subject to review under the Investment Canada Act (ICA), a federal statute that applies to the acquisition of a Canadian business or establishment of a new Canadian business by a non-Canadian. In the case of an acquisition that is subject to review, a non-Canadian investor must observe a statutory waiting period prior to completion and satisfy the minister responsible for the administration of the ICA that the investment will be of net benefit to Canada, considering certain evaluative factors set out in the legislation.

Any contemplated acquisitions may also be subject to Canada's Competition Act, which contains provisions relating to pre-merger notification as well as substantive merger provisions.

In early 2015, the Canadian Minister of Transport issued proposed legislation concerning the transportation of crude oil, which includes mandated insurance levels and changes to the liability regime for railroad accidents involving crude oil. Our railroad operations could be impacted depending on the outcome of the final legislation.

Australia

In Australia, regulation of rail safety is predominately governed by national legislation and administered by the Office of the National Rail Safety Regulator or under a service level agreement with various state regulatory agencies. Our Australian assets are subject to the regulatory regimes governing safety in each of the states and the one territory in which we operate. Regulation of track access is governed by federally legislated guidelines that are implemented by the states. The state access regimes are required to be certified by the Australian Competition and Consumer Commission. As a result, with respect to rail infrastructure access, our Australian subsidiaries are subject to the state-based access regimes. In addition, certain new acquisitions in Australia will also be subject to review by the Foreign Investment Review Board and the Australian Competition and Consumer Commission.

Europe

In the European Union (EU), several directives have been issued concerning the transportation of goods by rail. These directives generally cover the development of railways, the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and the licensing of railway undertakings. The EU legislation also sets a framework for a harmonized approach towards railway safety. Every railway company must obtain a safety certification before it can run trains on the European network, and EU Member States must set up national railway safety authorities and independent accident investigation bodies. These directives have been implemented in Dutch railway legislation, such as the Railways Act, and in Belgian railway legislation, such as the Law on Railway Safety.

In the Netherlands, we are subject to regulation by the Ministry of Infrastructure and Environment; the Human Environment and Transport Inspectorate; the Dutch railways infrastructure manager, ProRail; and Keyrail (the Dutch railways infrastructure manager for the Betuweroute, a dedicated freight railway connecting the Port of Rotterdam to the German border and within the Port of Rotterdam). All railways in the Netherlands must have a license and a safety certificate issued by the regulator, the Human Environment and Transport Inspectorate, part of the Netherlands Ministry of Infrastructure and Environment. A rail operator must also have a license from ProRail and/or Keyrail, the Dutch rail infrastructure authorities, to use the rail infrastructure. The Dutch Competition Authority is charged with the supervision of compliance with the European Community's directives on the development of the railways, the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure.

In Belgium, we are subject to regulation by the Federal Public Service (FPS) Mobility and Transport, the Regulatory Service for Railway Transport and for Brussels Airport Operations and the Belgian railways infrastructure manager, Infrabel. Rail service providers based in Belgium must obtain a rail operator license from the Federal Minister for Mobility and Transport. Rail service providers that wish to operate in Belgium must obtain a safety certificate, which is comprised of Parts A and B. Part A must be obtained from the Railway Safety and Interoperability Service (DVIS) if the rail service provider is based in Belgium. Part B must be obtained from DVIS regardless of where the rail service provider is based. In Belgium, the Belgium Competition Authority is responsible for promoting and safeguarding active competition in Belgium.

Both the Dutch Competition Authority and the Belgium Competition Authority work together with other competition authorities and are part of the European Competition Network, the European Competition Authorities and the International Competition Network.

ENVIRONMENTAL MATTERS

Our operations are subject to various federal, state, provincial and local laws and regulations relating to the protection of the environment. These regulations have the effect of increasing the costs, risks and liabilities associated with rail operations, which frequently involve transporting hazardous materials. We are also indirectly affected by environmental laws that impact the operations of our customers. In the United States, these environmental laws and regulations, which are administered and implemented principally by the United States Environmental Protection Agency (EPA) and comparable state agencies, govern the management of hazardous wastes, the discharge of pollutants into the air and into surface and underground waters and the manufacture and disposal of certain substances. The primary laws affecting our operations are the Resource Conservation and Recovery Act, regulating the management and disposal of solid and hazardous wastes; the Comprehensive Environmental Response, Compensation, and Liability Act, regulating the cleanup of contaminated properties; the Clean Air Act, regulating air emissions and the Clean Water Act, regulating water discharges.

In Canada, environmental laws and regulations are administered at the federal level by Environment Canada and by the Ministry of Transport and comparable agencies at the provincial level. In Australia, these functions are administered primarily by the Department of Environment at the federal level and by environmental protection agencies at the state and territories level. In the Netherlands, European, national and local laws regulating the protection of the environment are administered by the Ministry of Infrastructure and Environment and authorities at the provincial and municipal level, whereas laws regulating the transportation of hazardous goods are primarily administered by the Ministry of Infrastructure and Environment. European, national and local environmental policies are administered by the FPS Health, Food Chain Safety and Environment in Belgium.

In the United States, we received a notice in November 2014 from the EPA requesting information under the Clean Water Act related to the discharge of crude oil as a result of a derailment of one of our trains in November 2013 in the vicinity of Aliceville, Alabama. As a result of our operations, we receive notices from time to time from the EPA and state environmental agencies alleging we may be liable under federal or state environmental laws for remediation costs at various sites throughout the United States.

The Commonwealth of Australia has acknowledged that certain portions of the leasehold and freehold land that we acquired from them and used by our Australian operations contain contamination arising from activities associated with previous operators. Consequently, the Commonwealth has carried out certain remediation work to meet existing South Australia environmental standards. Noncompliance with applicable laws and regulations may result in the imposition of fines, temporary or permanent shutdown of operations or other injunctive relief, criminal prosecution or the termination of our concession.

We believe our railroads operate in compliance with current environmental laws and regulations and agency agreements. We estimate any expenses incurred in maintaining compliance with current environmental laws and regulations will not have a material effect on our earnings or capital expenditures. We cannot predict the effect, if any, that unidentified environmental matters or the adoption of additional or more stringent environmental laws and regulations would have on our results of operations, financial condition or liquidity.

AVAILABLE INFORMATION

We were incorporated in Delaware on September 1, 1977. We completed our initial public offering in June 1996, and since September 27, 2002, our Class A Common Stock has been listed on the New York Stock Exchange (NYSE) under the symbol GWR. Our principal executive offices and corporate headquarters are located at 20 West Avenue, Darien, Connecticut 06820, and our telephone number is (203) 202-8900.

Our Internet website address is www.gwrr.com. We make available free of charge, on or through our Internet website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after those materials are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Also, filings made pursuant to Section 16 of the Exchange Act with the SEC by our executive officers, directors and other reporting persons with respect to our common shares are made available, free of charge, through our Internet website. Our Internet website also contains charters for each of the committees of our Board of Directors, our corporate governance guidelines and our Code of Ethics and Conduct.

The information regarding our Internet website and its content is for your convenience only. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at www.gwrr.com/investors. In addition, you may automatically receive email alerts and other information about us by enrolling your email address in the "E-mail Alerts" section of www.gwrr.com/investors.

The information contained on or connected to our Internet website is not deemed to be incorporated by reference in this Annual Report or filed with the SEC.

ITEM 1A. Risk Factors.

Our operations and financial condition are subject to certain risks that could cause actual operating and financial results to differ materially from those expressed or forecast in our forward-looking statements, including the risks described below and the risks that may be identified in future documents that are filed or furnished with the SEC.

GENERAL RISKS ASSOCIATED WITH OUR BUSINESS

Adverse global macroeconomic and business conditions could negatively impact our business.

Slower growth, an economic recession, significant changes in global commodity prices or government regulation that affects the countries where we operate or their imports and exports, could negatively impact our business. For instance, in Australia, a portion of the commodities we transport are supporting economic growth and industrial development in Asian countries, particularly China. A sustained slowdown in such countries could impact us. Slower growth in China, and the resulting impact on demand for, and lower prices of, natural resources could be a factor influencing decisions to delay, cancel and suspend certain mining projects in Australia. In addition, we anticipate benefiting from development of crude oil, natural gas and natural gas liquids from shale regions in the United States, but low natural gas, natural gas liquids or crude oil prices or additional regulations impacting the energy sector could reduce such development and the benefit we could realize.

In addition, we are required to assess for potential impairment of non-current assets whenever events or changes in circumstances, including economic circumstances, indicate that the respective asset's carrying amount may not be recoverable. Given the asset intensive nature of our business, weakness in the general economy increases the risk of significant asset impairment charges. A decline in current macroeconomic and financial conditions or commodity demand from changing patterns of economic activity could have a material adverse effect on our results of operations, financial condition and liquidity.

Our results of operations and rail infrastructure are susceptible to weather conditions and other natural occurrences.

We are susceptible to adverse weather conditions, including floods, fires, hurricanes (or cyclones), tornadoes, droughts, earthquakes and other natural occurrences. For example, bad weather and natural disasters, such as blizzards in the United States or Canada and hurricanes (or cyclones) in the United States or Australia, and resulting floods, could cause a shutdown, derailment or other substantial disruption of our operations and those of the entire freight rail network, which could have a material adverse effect on our results of operations, financial condition and liquidity.

Weather impacts or other conditions that do not directly affect our operations can still impact the operations of our customers or connecting carriers. For example:

- Our minerals and stone freight revenues may be reduced by mild winters in the northeastern United States, which lessen demand for road salt.
- Our coal and coke freight revenues may be reduced by mild winters in the United States, which lessen demand for coal.
- Our revenues generated from the transportation of agricultural products in North America and Australia are susceptible to the impact of drought conditions and our South Australian grain harvest is also susceptible to the impact of heavy rains and flooding in the Northern Territory.

Furthermore, our expenses could be adversely impacted by weather conditions, including, for example, higher track maintenance, overtime and diesel fuel costs in the winter at our railroads in the United States and Canada related to snow removal, mandated work breaks and locomotive idling. Weather conditions could also cause our customers or connecting carriers to reduce or suspend their operations. Adverse weather conditions that disrupt the entire freight rail network can also cause traffic diversions, prolonged delays and equipment shortages that impact our ability to serve our customers, all of which could have a material effect on our results of operations, financial condition and liquidity.

The loss of important customers or contracts may adversely affect our results of operations, financial condition and liquidity.

Our operations served more than 2,000 customers in 2014. Revenues from our 10 largest customers accounted for approximately 24% of our operating revenues in 2014. Two of our 10 largest customers in 2014 were located in Australia and accounted for approximately 8% of our operating revenues. One of these customers, Arrium Limited, recently announced its intention to mothball its Southern Iron mine, which is served by GWA, citing the significant decline in the price of iron ore. During 2014, GWA carried approximately 26,000 carloads of iron ore from the Southern Iron mine, generating approximately A$65 million in freight revenues (or approximately $52 million, at current exchange rates of A$1.00 = US$0.80) in revenue under a fixed and variable payment structure that is customary in large contracts in Australia. As a result of the Arrium announcement, we expect to receive only the fixed portion of the revenue following the mothballing of the Southern Iron mine, which is anticipated by June of 2015. In North America, we typically handle freight pursuant to transportation contracts between us, our connecting carriers and the customer. All of our contracts are in accordance with industry norms and vary in duration. These contracts establish price or, in the case of longer term contracts, a methodology for determining the price, but do not typically obligate the customer to move any particular volume. As a consequence, there is rarely a guarantee that past volumes or revenues will continue in the future. Further, under these contracts, freight rates and volumes are not directly linked to changes in the prices of the commodities being shipped, and there is no customary contractual protection in the event of a bankruptcy or insolvency of a customer. Substantial reduction in business with, or loss of, important customers or contracts could have a material adverse effect on our results of operations, financial condition and liquidity.

Because we depend on Class I railroads and other connecting carriers for a significant portion of our operations in North America, our results of operations, financial condition and liquidity may be adversely affected if our relationships with these carriers deteriorate.

The railroad industry in the United States and Canada is dominated by seven Class I carriers that have substantial market control and negotiating leverage. In 2014, approximately 83% of our total carloads in the United States and Canada were interchanged with Class I carriers. A decision by any of these Class I carriers to cease or re-route certain freight movements could have a material adverse effect on our results of operations, financial condition and liquidity. The financial impact of such a decision would depend on which of our routes and freight movements were affected. In addition, Class I carriers also have traditionally been significant sources of business for us, as well as sources of potential acquisition candidates as they divest branch lines to smaller rail operators.

Our ability to provide rail service to customers in the United States and Canada depends in large part upon our ability to maintain cooperative relationships with connecting carriers with respect to lease arrangements, freight rates, revenue divisions, fuel surcharges, car supply, reciprocal switching, interchange and trackage rights. Deterioration in the operations of, or service provided by, those connecting carriers or in our relationship with those connecting carriers could have a material adverse effect on our results of operations, financial condition and liquidity.

We are dependent on lease agreements with Class I railroads and other third parties for our operations, strategy and growth.

In North America, our rail operations are dependent, in part, on lease agreements with Class I railroads and other third parties that allow us to operate over certain segments of track critical to our operations. We lease several railroads from Class I carriers and other third parties under lease arrangements with varied expirations, which railroads collectively accounted for approximately 9% of our 2014 total revenues. We also own several railroads that lease portions of the track or right-of-way upon which they operate from Class I railroads and other third parties. Our ability to provide comprehensive rail services to our customers on the leased lines depends in large part upon our ability to maintain and extend these lease agreements. Leases from Class I railroads and other third parties that are subject to expiration in each of the next 10 years represent less than 3% of our annual revenues in the year of expiration based on our operating revenues for the year ended December 31, 2014. For example, our revenues associated with leases from Class I railroads and other third parties subject to expiration in each of the next five years (2015 - 2019) would represent approximately 1.9%, 0.0%, 0.7%, 2.1% and 0.0% of our operating revenues in each of those years, respectively, based on our operating revenues for the year ended December 31, 2014. Expiration or termination of these leases or the failure of our railroads to comply with the terms of these leases could result in the loss of operating rights with respect to those rail properties and could have a material adverse effect on our results of operations, financial condition and liquidity.

Changes in commodity prices could decrease demand for the commodities we transport, which could adversely affect our results of operations, financial condition and liquidity.

Changes in the price of commodities that we transport could decrease demand for the transport of such commodities, which could reduce our revenues or have other adverse effects. In 2014, the rapid and significant decline in the price of iron ore has negatively impacted the operations of several of our large customers. As a result of surging global iron ore supply, weaker global iron ore demand, and government subsidies of certain high-cost iron ore mines in other countries, several of our customers' mines have become unprofitable. Agricultural commodities are also susceptible to fluctuation. For example, a decline in the price of corn that we transport may result in lower revenues for us if farmers decide to store such corn until the price increases. In such instances, we could experience reduced revenues and unexpected costs associated with the storage of locomotives, railcars and other equipment, labor adjustments and other related activities, which could negatively impact our results of operations, financial condition and liquidity.

If we are unable to consummate additional acquisitions or investments or manage our growth effectively, then we may not be able to implement our growth strategy successfully.

Our growth strategy is based in part on the selective acquisition and development of, and investment in, rail operations, both in new regions and in regions in which we currently operate. The success of this strategy will depend on, among other things:

- the availability of suitable opportunities;
- the level of competition from other potential buyers;
- our ability to value acquisition and investment opportunities accurately and negotiate acceptable terms for those acquisitions and investments;
- our ability to identify and enter into mutually beneficial relationships with partners; and
- the receipt of government approvals and financial constraints or other restrictions that may be specific to the particular company or asset to be acquired.

We have experienced significant growth in the past, partially due to the acquisition of additional railroads. Effective management of rapid growth presents challenges, including the availability of management resources to oversee the integration and operation of the new businesses effectively, the need to expand our management team and staff when necessary, the need to enhance internal operating systems and controls and the ability to consistently achieve targeted returns on capital. These challenges are more pronounced when we experience growth in numerous geographies and on a larger scale. We may not be able to maintain similar rates of growth in the future or manage our growth effectively.

Our inability to integrate acquired businesses successfully or to realize the anticipated cost savings and other benefits could have adverse consequences to our business.

We may not be able to integrate acquired businesses successfully. Integrating acquired businesses could also result in significant unexpected costs. Further, the process of integrating businesses may be disruptive to our existing business and may cause an interruption or reduction of our business as a result of the following factors, among others:

- loss of key employees, customers or contracts;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies among the combined companies and the need to implement company-wide financial, accounting, information technology and other systems;
- failure to maintain the safety or quality of services that have historically been provided;
- inability to hire or recruit qualified employees;
- failure to effectively integrate employees of rail lines acquired from other entities into our regional railroad culture;
- unanticipated environmental or other liabilities;
- failure to coordinate geographically dispersed organizations; and
- the diversion of management's attention from our day-to-day business as a result of the need to manage any disruptions and difficulties and the need to add management resources to do so.

These disruptions and difficulties, if they occur, may cause us to fail to realize the cost savings, synergies, revenue enhancements and other benefits that we expect to result from integrating acquired companies and may cause material adverse short- and long-term effects on our results of operations, financial condition and liquidity.

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Even if we are able to integrate the operations of acquired businesses into our operations, we may not realize the full benefits of the cost savings, synergies, revenue enhancements or other benefits that we may have expected at the time of acquisition. We may be unable to realize these savings or other benefits in the time frame that we expect or at all. Expected savings and benefits are frequently based on due diligence results and on extensive analyses that involve assumptions as to future events, including general business and industry conditions, the longevity of specific customer plants and factories served, the ability to negotiate acceptable contractual arrangements, including renewals of leases with Class I railroads, operating costs, competitive factors and the ongoing cost of maintaining track infrastructure, many of which are beyond our control and difficult to predict. There is no guarantee that the due diligence results will be accurate or that we will not discover unanticipated liabilities. Further, while we believe these analyses and their underlying assumptions are reasonable, they are estimates that are necessarily speculative in nature. In addition, even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame. Also, the cost savings and other benefits from these acquisitions may be offset by unexpected costs incurred in integrating the companies, increases in other expenses or problems in the business unrelated to these acquisitions. For example, if key employees of acquired companies depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become our employees, our ability to realize the anticipated benefits of such acquisitions could be reduced or delayed. Accordingly, you should not place undue reliance on our anticipated synergies.

Many of our recent acquisitions have involved the purchase of stock of existing companies. These acquisitions, as well as acquisitions of substantially all of the assets of a company, may expose us to liability for actions taken by an acquired business and its management before our acquisition. The due diligence we conduct in connection with an acquisition and any contractual guarantees or indemnities that we receive from the sellers of acquired companies may not be sufficient to protect us from, or compensate us for, actual liabilities. Generally, the representations made by the sellers, other than certain representations related to fundamental matters, such as ownership of capital stock, expire within several years of the closing. A material liability associated with an acquisition, especially where there is no right to indemnification, could adversely affect our results of operations, financial condition and liquidity.

We may need additional capital to fund our acquisitions and investments. If we are unable to obtain this capital at a reasonable cost, then we may forego potential opportunities, which would impair the execution of our growth strategy.

We intend to continue to review acquisition and investment opportunities and potential purchases of railroad assets and to attempt to acquire companies and assets that meet our investment criteria. As in the past, we expect that we will pay cash for some or all of the purchase price of acquisitions and purchases that we make. In addition, from time to time we may make investments in equipment and assets to support our customers. Depending on the number of acquisitions and investments and funding requirements, we may need to raise substantial additional capital. To the extent we raise additional capital through the sale of equity, equity-linked or convertible debt securities, the issuance of such securities could result in dilution to our existing stockholders. If we raise additional funds through the issuance of debt securities, the terms of such debt could impose additional restrictions and costs on our operations. Additional capital, if required, may not be available on acceptable terms or at all. If we are unable to obtain additional capital, we may forego potential acquisitions, which could impair the execution of our growth strategy.

As a common carrier by rail, we are required to transport hazardous materials, regardless of cost or risk, which could result in material losses.

We transport certain hazardous materials and other materials, including crude oil and toxic/poisonous inhalation hazard (TIH/PIH) materials, such as chlorine, that pose certain risks in the event of a release or combustion. Additionally, United States laws impose common carrier obligations on railroads that require us to transport certain hazardous materials regardless of risk or potential exposure to loss. A rail accident or other incident or accident on our railroads, at our facilities, or at the facilities of our customers involving the release or combustion of hazardous materials could create catastrophic losses in terms of personal injury, property damage and environmental remediation costs and compromise critical parts of our railroads. In addition, insurance premiums charged for, or the self-insured retention associated with, some or all of the coverage currently maintained by us could increase dramatically or certain coverage may not be available to us in the future if there is a catastrophic event related to rail transportation of these commodities. Also, federal regulators have previously prescribed regulations governing railroads' transportation of hazardous materials and have the ability to put in place additional regulations. For instance, existing legislation requires pre-notification for hazardous materials shipments. Such legislation and regulations could impose significant additional costs on railroads. Additionally, regulations adopted by the DOT and the DHS could significantly increase the costs associated with moving hazardous materials on our railroads. Further, certain local governments have sought to enact ordinances banning hazardous materials moving by rail within their borders. Such ordinances could require the re-routing of hazardous materials shipments, with the potential for significant additional costs. Increases in costs associated with the transportation of hazardous materials could have a material adverse effect on our results of operations, financial condition and liquidity.

Certain of our capital projects may be impacted by our inability to obtain government funding.

Certain of our existing capital projects are, and certain of our future capital projects may be, partially or completely funded through government grant programs. During 2014, we obtained partial or complete funding by United States and Canadian federal, state, provincial and municipal agencies for 25 new projects. The spending associated with these grant-funded projects represented approximately 5% of our total capital expenditures during 2014. Government funding for projects is limited, and there is no guarantee that budget pressure at the federal, state, provincial and local level or changing governmental priorities will not eliminate funding availability or require us to accept onerous contractual obligations. In certain jurisdictions, the acceptance of government funds may impose additional legal obligations on our operations. If we are unable to obtain adequate government funding, we may have to defer or forgo certain capital projects, incur additional debt or use additional cash.

The occurrence of losses or other liabilities that are either not covered by insurance or that exceed our insurance limits could materially adversely affect our results of operations, financial condition and liquidity.

We purchase insurance coverage for losses arising from personal injury and for property damage in the event of derailments, grade crossing accidents, collisions or other incidents or occurrences. Unexpected or catastrophic circumstances associated with derailments of valuable lading, grade crossing accidents, collisions or other incidents involving passenger trains or spillage of hazardous materials or other accidents involving our operations could cause our losses to exceed our insurance coverage limits or sub-limits or give rise to losses or penalties that are not covered by our insurance. In addition, on certain of the rail lines over which we operate, freight trains are operated over the same track as passenger trains. For instance, in Oregon, our Portland & Western Railroad operates certain passenger trains for the Tri-County Metropolitan Transportation District of Oregon and our New England Central Railroad is also used by Amtrak for passenger service in New England. In Australia, The Ghan passenger train is operated by a third party over the track of GWA (North) Pty Ltd between Adelaide and Darwin. Further, we operate excursion trains on behalf of third parties on certain of the rail lines over which we operate. Derailments, collisions or other incidents involving us and passenger or excursion trains could give rise to losses that exceed our insurance coverage. Moreover, certain third-party freight and excursion train operators have contractual trackage rights to operate over certain of our rail lines. These third-party operators generally are required to maintain minimum levels of insurance coverage, but there can be no assurance that such insurance coverage will be sufficient to cover all of the losses arising from an incident involving such operators on our rail lines. Also, insurance is available from only a very limited number of insurers, and we may not be able to obtain insurance protection at current levels or at all or obtain it on terms acceptable to us. Deteriorating insurance market conditions caused by global property or rail liability losses, as well as subsequent adverse events directly and indirectly attributable to us, including such things as derailments, accidents, discharge of toxic or hazardous materials, or other like occurrences in the industry, may result in additional increases in our insurance premiums and/or our self-insured retentions, volatility in our claims' expenses and limitations to the coverage under our existing policies and could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, we are subject to the risk that one or more of our insurers may become insolvent and would be unable to pay a claim that may be made in the future. Even with insurance, if any catastrophic interruption of service occurs, we may not be able to restore service without a significant interruption to our operations, which could have a material adverse effect on our results of operations, financial condition and liquidity.

We are subject to significant governmental regulation of our railroad operations. The failure to comply with governmental regulations or changes to the legislative and regulatory environment could have a material adverse effect on our results of operations, financial condition and liquidity.

We are subject to governmental regulation with respect to our railroad operations and to a variety of health, safety, security, labor, environmental and other matters by a significant number of federal, state and local regulatory authorities. In the United States, these agencies include the STB, DOT, FRA, MSHA, OSHA, PHMSA, EPA, DHS and other federal and state agencies. New rules or regulations mandated by these agencies could increase our operating costs. For example, in 2010, the FRA issued rules governing the implementation of an interoperable positive train control system (PTC), which generally is to be completed as early as December 31, 2015. The FRA's rule contains certain exceptions to these PTC requirements for Class II and Class III railroads, including but not limited to, excepting from the PTC requirements trains traveling less than 20 miles on PTC-required track, and providing Class II and Class III railroads until 2020 to employ PTC-equipped locomotives. Notwithstanding these exceptions, certain of our railroads may be required to install PTC-related equipment by the end of 2015. While we do not expect that our compliance with these PTC requirements will give rise to any material financial expenditures, non-compliance with these and other applicable laws or regulations could undermine public confidence in us and subject us to fines, penalties and other legal or regulatory sanctions.

In addition, there are various legislative and regulatory actions that have been considered in the United States in recent years to modify the regulatory oversight of the rail industry. Various proceedings have been initiated by the STB related to rail competition, interchange commitments and competitive "access." A two-year DOT study on the impacts of a possible increase in federal truck size and weight limits also commenced in 2012 but has not yet been released, and could result in subsequent federal legislation following completion and review. Further, in 2014 PHMSA issued proposed rules concerning the transportation of certain flammable liquids, which includes the transportation of crude oil. The proposed rules include a variety of possible measures that could impact our ability to transport flammable liquids. Many of the actions under consideration and pending are directed at Class I railroads; however, specific initiatives being considered by Congress, the STB or other regulators could expand regulation of our railroad operations and undermine the economic viability of certain of our railroads, as well as threaten the service we are able to provide to our customers. The cost of compliance with the proposed rules and regulations could also be significant.

In the other geographies in which we operate, federal, state, provincial and local regulatory authorities could change the regulatory framework (including the access regimes) or take actions without providing us with any recourse for the adverse effects that the changes or actions could have on our business, including, without limitation, regulatory determinations or rules regarding dispute resolution and business relationships with our customers and other railroads. Expanded regulation of our railroad operations will increase the cost of providing rail services, which could reduce capital spending on our rail network, facilities and equipment and have a material adverse effect on our results of operations, financial condition and liquidity.

In Australia, we are subject to both Commonwealth and state regulations. In Canada, we are subject to regulation by the CTA, TC and the regulatory departments of the provincial governments of Quebec, Ontario and Nova Scotia. In the Netherlands, we are subject to regulation by the Ministry Infrastructure and Environment, the Human Environment and Transport Inspectorate and the Dutch railways infrastructure managers, ProRail and Keyrail. In Belgium, we are subject to regulation by the Federal Public Service (FPS) Mobility and Transport, the Regulatory Service for Railway Transport and for Brussels Airport Operations and the Belgian railways infrastructure manager, Infrabel. See "Part I Item 1. Business – Regulation" for a discussion of these regulations. Our failure to comply with applicable laws and regulations could have a material adverse effect on our results of operations, financial condition and liquidity.

We could incur significant costs for violations of, or liabilities under, environmental laws and regulations.

Our railroad operations and real estate ownership are subject to extensive federal, state, local and foreign environmental laws and regulations concerning, among other things, emissions to the air, discharges to waters, the handling, storage, transportation and disposal of waste and other materials and cleanup of hazardous materials (including lading) or petroleum releases. We generate and transport hazardous and non-hazardous waste in our operations. We may incur environmental liability from conditions or practices at properties previously owned or operated by us, properties leased by us and other properties owned by third parties (for example, properties at which hazardous substances or wastes for which we are responsible have been treated, stored, spilled or disposed), as well as at properties currently owned or operated by us. Under some environmental statutes, such liability may be found without regard to whether we were at fault and may also be "joint and several," whereby we are responsible for all the liability at issue even though we (or the entity that gives rise to our liability) may be only one of a number of entities whose conduct contributed to the liability.

Environmental liabilities may also arise from claims asserted by owners or occupants of affected properties, other third parties affected by environmental conditions (for example, contractors and current or former employees) seeking to recover in connection with alleged damages to their property or personal injury or death, and/or by governmental authorities seeking to remedy environmental conditions or to enforce environmental obligations.

While we maintain insurance for certain environmental damages and claims, environmental requirements and liabilities could obligate us to incur significant costs and expenses to investigate and remediate environmental contamination that may or may not be covered by our insurance, which could have a material adverse effect on our results of operations, financial condition and liquidity.

Our Senior Secured Syndicated Credit Facility Agreement dated October 1, 2012, as amended by Amendment No. 1, dated March 28, 2013, as further amended and restated by Amendment No. 2 on May 27, 2014 (Amended and Restated Credit Agreement) contains numerous covenants that impose certain restrictions on the way we operate our business.

Our Amended and Restated Credit Agreement contains numerous covenants that impose restrictions on our ability to, among other things:

- incur additional indebtedness;
- pay dividends on capital stock or redeem, repurchase or retire capital stock or indebtedness;
- make investments, loans, advances and acquisitions;
- engage in certain transactions with affiliates;
- create liens;
- sell assets, including capital stock of any of our subsidiaries;
- consolidate or merge;
- enter into sale leaseback transactions;
- change the business conducted by us and the guarantors;
- change our fiscal year; and
- enter into certain agreements containing negative pledges and upstream limitations.

Our Amended and Restated Credit Agreement also contains financial covenants that require us to meet financial ratios and tests. Our failure to comply with the obligations in our Amended and Restated Credit Agreement and other debt agreements could result in an increase in our interest expense and could give rise to events of default under the Amended and Restated Credit Agreement or other debt agreements, as applicable, which, if not cured or waived, could permit lenders to accelerate our indebtedness and foreclose on the assets securing such debt, if any.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under such indebtedness.

We have a significant amount of indebtedness. As of December 31, 2014, we had a total indebtedness of $1.6 billion, and we had unused commitments of $579.2 million under our Amended and Restated Credit Agreement (after giving effect to $2.6 million of undrawn letters of credit that reduces such availability).

Subject to the limits contained in the Amended and Restated Credit Agreement and our other debt instruments, we may be able to incur additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult to satisfy our obligations with respect to our outstanding debt;
- limiting our ability to obtain additional financing for working capital, capital expenditures, investments or acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, investments or acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the Amended and Restated Credit Agreement, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We are exposed to the credit risk of our customers and counterparties, and their failure to meet their financial obligations could adversely affect our business.

Our business is subject to credit risk. There is a risk that customers or counterparties, which include government entities related to grants and financial institutions related to derivative transactions, will fail to meet their obligations when due. Customers and counterparties that owe us money have defaulted and may continue to default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, shutdowns, operational failures or other reasons. For interline traffic, one railroad typically invoices a customer on behalf of all railroads participating in the route. The invoicing railroad then pays the other railroads their portion of the total amount invoiced on a monthly basis. Therefore, when we are the invoicing railroad, we are exposed to customer credit risk for the total amount invoiced and we are required to pay the other railroads participating in the route even if we are not paid by the customer. Also, when we are not the invoicing railroad, we are exposed to credit risk at the customer and invoicing railroad levels.

We have procedures for reviewing our receivables and credit exposures to specific customers and counterparties; however, default risk may arise from events or circumstances that are difficult to detect or foresee. Certain of our risk management methods depend upon the evaluation of information regarding markets, customers or other matters. This information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. In addition, we may make substantial investments in equipment and assets to support our customers, in particular those in the mining and natural resources industry, before the customer commences operations. In those cases, we may be exposed to start-up risks that we would not be exposed to in respect of customers with active operations. As a result, unexpected credit exposures or start-up delays could have a material adverse effect on our results of operations, financial condition and liquidity.

We face competition from numerous sources, including those relating to geography, substitute products, other types of transportation and other rail operators.

In North America, each of our railroads is typically the only rail carrier directly serving our customers. In certain circumstances, including under the open access regimes in Australia, the Netherlands and Belgium, our customers have direct access to other rail carriers. In addition, our railroads also compete directly with other modes of transportation, principally trucks and, on some routes, ship, barge and pipeline operators. Transportation providers such as trucks and barges utilize public rights-of-way that are built and maintained by governmental entities, while we must build and maintain our own network infrastructure. Competition for our services could increase if other rail operators build new rail lines to access certain of our customers or grant to other rail carriers access rights to our rail lines or if legislation is passed that provides materially greater latitude for trucks with respect to size or weight restrictions.

We are also subject to geographic and product competition. A customer could shift production to a region where we do not have operations. Also, commodities that are not transported by rail could be substituted for another commodity that we transport by rail. For example, natural gas can compete with coal we transport as a fuel source for electricity generation. In either case, we could lose a source of revenues.

The extent of competition varies significantly among our railroads. Competition is based primarily upon the rate charged, the relative costs of substitutable products and the transit time required. In addition, competition is based on the quality and reliability of the service provided. Because a significant portion of our carloads in the United States and Canada involve interchange with another carrier, we have only limited control over the total price, transit time or quality of such service. It is difficult to quantify the potential impact of competition on our business, since not only each customer, but also each customer location and each product shipped from such location is subject to different types of competition. However, changes to the competitive landscape could have a material adverse effect on our results of operations, financial condition and liquidity.

For information on the competition associated with the open access regimes in Australia and Europe, see "Additional Risks Associated with our Foreign Operations."

Market and regulatory responses to climate change, including the closure of coal-fired power plants we serve, climate change litigation and climate change itself could adversely affect our operating costs, decrease demand for the commodities we transport and adversely affect our results of operations, financial condition and liquidity.

Market and regulatory responses to climate change, as well as its physical impacts, could materially affect us. For example, federal, state and local laws, regulations, restrictions, caps, taxes or other controls on emissions of greenhouse gases, including diesel exhaust, could significantly increase our operating costs to comply with these laws and regulations to the extent they apply to our diesel locomotives, equipment, vehicles and machinery or our rail yards. Further, restrictions on emissions could affect our customers that use commodities that we carry to produce energy, that use significant amounts of energy in producing or delivering the commodities we carry, or that manufacture or produce goods that consume significant amounts of energy or burn fossil fuels, including, for example, coal mining operations, natural gas developers and producers, coal-fired power plants, chemical producers, farmers and food producers, automakers and other manufacturers. Significant cost increases, government regulation, or changes in consumer preferences for goods or services relating to alternative sources of energy or emissions reductions could materially affect the markets for the commodities we carry, such as by resulting in the closure of coal-fired power plants that we serve, which in turn could have a material adverse effect on our results of operations, financial condition and liquidity. Government incentives encouraging the use of alternative sources of energy could also affect certain of our customers and the markets for certain of the commodities we carry in an unpredictable manner that could alter our traffic patterns, including, for example, the impacts of ethanol incentives on farming and ethanol producers. Finally, we could face increased costs related to defending and resolving legal claims and other litigation related to climate change including claims alleging the impact of our operations on climate change. Any such market or regulatory responses or litigation, as well as physical impacts attributed to climate change and global warming, such as floods, rising sea levels and increasingly frequent and intense storms, individually or in conjunction with one or more of the impacts discussed above or other unforeseen impacts of climate change, could have a material adverse effect on our results of operations, financial condition and liquidity.

Exposure to market risks, particularly changes in interest rates and foreign currency exchange rates, and hedging transactions entered into to mitigate these and other risks could adversely impact our results of operations, financial condition and liquidity.

We are exposed to various market risks, including interest rate and foreign currency exchange rate risks. It is impossible to fully mitigate all such exposure and higher interest rates and unfavorable fluctuations in foreign currency exchange rates could have an adverse effect on our results of operations, financial condition and liquidity. From time to time, we may use various financial instruments to reduce our exposure to certain market risks. For instance, we have entered into interest rate swaps to mitigate the risk associated with the floating interest rate payments under our Amended and Restated Credit Agreement. While these financial instruments reduce our exposure to market risks, the use of such instruments may ultimately limit our ability to benefit from lower interest rates or favorable foreign currency exchange rate fluctuations due to amounts fixed at the time of entering into the hedge agreement and may have significant costs associated with early termination, which could have a material adverse effect on our results of operations, financial condition and liquidity.

We may be adversely affected by diesel fuel supply constraints resulting from disruptions in the fuel markets and increases in diesel fuel costs.

In 2014, we consumed 47.1 million gallons of diesel fuel. Fuel availability could be affected by any limitation in the fuel supply or by any imposition of mandatory allocation or rationing regulations. If a severe fuel supply shortage arose from production curtailments, disruption of oil imports or domestic oil production, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war or otherwise, diesel fuel may not be readily available and may be subject to rationing regulations.

In addition, diesel fuel costs constitute a significant portion of our total operating expenses. Currently, we receive fuel surcharges and other rate adjustments to offset fuel prices. However, if Class I railroads change their policies regarding fuel surcharges, the compensation we receive for increases in fuel costs may decrease and could have a negative effect on our profitability. Costs for fuel used in operations were approximately 12% of our operating expenses for the years ended December 31, 2014 and 2013.

If diesel fuel prices increase dramatically from production curtailments, a disruption of oil imports or domestic oil production or otherwise, these events could have a material adverse effect on our results of operations, financial condition and liquidity.

We may be subject to various claims and lawsuits that could result in significant expenditures.
The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, environmental contamination, freight loss, property damage and other matters. For example, United States job-related personal injury claims by our railroad employees are subject to FELA, which is applicable only to railroads. FELA's fault-based tort system produces results that are unpredictable and inconsistent as compared with a no-fault worker's compensation system. The variability inherent in this system could result in the actual costs of claims being very different from the liability recorded.
Any material changes to current litigation trends or a catastrophic rail accident or series of accidents involving material freight loss or property damage, personal injury and environmental liability against us that is not covered by insurance could have a material adverse effect on our results of operations, financial condition and liquidity.
Some of our employees belong to labor unions, and strikes or work stoppages could adversely affect our results of operations, financial condition and liquidity.
We are a party to 76 collective bargaining agreements with various labor unions in the United States, Australia, Canada and Belgium. We are currently engaged in negotiations with respect to 10 of those agreements. Approximately 1,900 of our approximately 5,200 full time employees are union members. We have also entered into employee association agreements with an additional 72 employees who are not represented by a national labor organization. GWA has a collective enterprise bargaining agreement covering the majority of its employees.
Our inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. If the unionized workers were to engage in a strike, work stoppage or other slowdown, or other employees were to become unionized, or the terms and conditions in future labor agreements were renegotiated, we could experience a significant disruption of our operations and/or higher ongoing labor costs. A substantial majority of the employees of the Class I railroads with which we interchange are unionized. If such Class I railroads were to have a work stoppage or strike, the national rail network and our operations would be adversely affected. Additional unionization of our workforce could result in higher employee compensation and restrictive working condition demands that could increase our operating costs or constrain our operating flexibility.
If we are unable to employ a sufficient number of qualified workers, or attract and retain senior leadership, our results of operations, financial condition and liquidity may be materially adversely affected.
We believe that our success and our growth depend upon our ability to attract and retain skilled workers who possess the ability to operate and maintain our equipment and facilities. The operation and maintenance of our equipment and facilities involve complex and specialized processes and often must be performed in harsh and remote conditions, resulting in a high employee turnover rate when compared to many other industries. The challenge of attracting and retaining the necessary workforce is increased by the expected retirement of an aging workforce, training requirements and significant competition for specialized trades. Within the next five years, we estimate that approximately 14% of our current workforce will become eligible for retirement. Many of these workers hold key operating positions, such as conductors, engineers and mechanics. In addition, the demand for workers with the types of skills we require has increased, especially from Class I railroads, which can usually offer higher wages and more generous benefits. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force or an increase in the wage rates that we must pay or both. In addition, if key employees of acquired companies depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become our employees, our ability to realize the anticipated benefits of such acquisitions could be reduced or delayed.
Finally, there can be no assurance that we will be able to attract and retain senior leadership necessary to manage and grow our business. Our performance significantly depends upon the continued contributions of our executive officers and key employees, both individually and as a group, and our ability to retain and motivate them. Our officers and key personnel have many years of experience with us and in our industry and it may be difficult to replace them. Further, the loss of any executive officers or key employees could require the remaining senior leadership to divert immediate and substantial attention to seeking a replacement. The loss of the services of any of our senior leadership, and the inability to find a suitable replacement, could adversely affect our operating, acquisition and investment strategies.

Our operations are dependent on our ability to obtain railcars, locomotives and other critical railroad items from suppliers.

Due to the capital intensive nature and industry-specific requirements of the rail industry, there are high barriers to entry for potential new suppliers of core railroad items such as railcars, locomotives and track materials. If the number of available railcars is insufficient or if the cost of obtaining these railcars either through lease or purchase increases, we might not be able to obtain railcars on favorable terms, or at all, and shippers may seek alternate forms of transportation. For example, in the event of additional government regulations affecting tank cars, there is no guarantee that a sufficient number of tank cars will be available to support the demand for transport of petroleum products in North America. In some cases we use third-party locomotives to provide transportation services to our customers and such locomotives may not be available. Without these third-party locomotives, we would need to invest additional capital in locomotives. Even if purchased, there is no guarantee that locomotives would be available for delivery without significant delay. For example, in Australia, the availability of new locomotives is limited, with long lead times for delivery. Additionally, we compete with other industries for available capacity and raw materials used in the production of certain track materials, such as rail and ties. Changes in the competitive landscapes of these limited-supplier markets could result in equipment shortages that could have a material adverse effect on our results of operations, financial condition and liquidity in a particular year or quarter and could limit our ability to support new projects and achieve our growth strategy.

We may be affected by acts of terrorism or anti-terrorism measures.

Our rail lines, port operations and other facilities and equipment, including railcars carrying hazardous materials that we are required to transport under federal law as a common carrier, could be direct targets or indirect casualties of terrorist attacks. Any terrorist attack or other similar event could cause significant business interruption and may adversely affect our results of operations, financial condition and liquidity. In addition, regulatory measures designed to control terrorism could impose substantial costs upon us and could result in impairment to our service, which could also have a material adverse effect on our results of operations, financial condition and liquidity.

ADDITIONAL RISKS ASSOCIATED WITH OUR FOREIGN OPERATIONS

We are subject to the risks of doing business in foreign countries.

Some of our subsidiaries transact business in foreign countries, namely in Australia, Canada, the Netherlands and Belgium. In addition, we may consider acquisitions or other investments in other foreign countries in the future. The risks of doing business in foreign countries include:

- adverse changes or greater volatility in the economies of those countries;
- adverse currency movements that make goods produced in those countries that are destined for export markets less competitive;
- adverse effects due to changes in the eurozone membership;
- adverse changes to the regulatory environment or access regimes of those countries;
- adverse changes to the tax laws and regulations of those countries;
- restrictions on the withdrawal of foreign investment, or a decrease in the value of repatriated cash flows;
- a decrease in the value of foreign sourced income as a result of exchange rate changes;
- the actual or perceived failure by us to fulfill commitments under concession agreements;
- the ability to identify and retain qualified local managers; and
- the challenge of managing a culturally and geographically diverse operation.

Any of the risks above could have a material adverse effect on our results of operations, financial condition and liquidity.

Because some of our subsidiaries and affiliates transact business in foreign currencies and because a significant portion of our net income comes from the operations of our foreign subsidiaries, exchange rate fluctuations may adversely affect us and may affect the comparability of our results between financial periods.

Our operations in Australia, Canada and Europe accounted for 19%, 7% and 1% of our consolidated operating revenues, respectively, for the year ended December 31, 2014. The results of operations of our foreign entities are maintained in the local currency (the Australian dollar, the Canadian dollar and the Euro) and then translated into United States dollars at the applicable exchange rates for inclusion in our consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar can impact our results of operations. The financial statements of the Company's foreign subsidiaries are prepared in the local currency of the respective subsidiary and translated into United States dollars based on the exchange rate at the end of the period for balance sheet items and, for the statement of operations, at the average rate for the statement period. The exchange rates between these currencies and the United States dollar have fluctuated significantly in recent years and may continue to do so in the future.

We may not be able to manage our exchange rate risks effectively, and the volatility in currency exchange rates may have a material adverse effect on our results of operations, financial condition and liquidity. In addition, because our financial statements are stated in United States dollars, such fluctuations may affect our results of operations and financial condition and may affect the comparability of our results between financial periods.

Our concession and/or lease agreements in Australia could be canceled, and there is no guarantee these agreements will be extended beyond their terms.

Through our subsidiaries in Australia, we have entered into long-term concession and/or lease agreements with governmental authorities in the Northern Territory and South Australia. Our concession agreement for the Tarcoola to Darwin rail line expires in 2054 and our lease agreement for our other South Australia rail lines expires in 2047. If our concession or lease agreements expire, we will no longer act as the below rail access provider, but will still be permitted to participate in the above rail market. These concession and lease agreements are subject to a number of conditions, including those relating to the maintenance of certain standards with respect to service, price and the environment. These concession and lease agreements also typically carry with them a commitment to maintain the condition of the railroad and to make a certain level of capital expenditures, which may require capital expenditures that are in excess of our projections. Our failure to meet these commitments under the long-term concession and lease agreements could result in the termination of those concession or lease agreements. The termination of any concession or lease agreement could result in the loss of our investment relating to that concession or lease agreement. Further, the expiration of these agreements and the end of their term would result in the loss of the associated revenues and income. Either of these events could have a material adverse effect on our results of operations, financial condition and liquidity.

Open access regimes in Australia and Europe could lead to additional competition for rail services and decreased revenues and profit margins.

The legislative and regulatory framework in Australia allows third-party rail operators to gain access to our Australian railway infrastructure and also governs our access to track owned by others. The Netherlands and Belgium also have open access regimes that permit third-party rail operators to compete for the business of RRF, our subsidiary in the Netherlands. There are limited barriers to entry to preclude a current or prospective rail operator from approaching our customers and seeking to capture their business. The loss of our customers to competitors could result in decreased revenues and profit margins, which could have a material adverse effect on our results of operations, financial condition and liquidity.

Changes to the open access regimes in Australia and Europe could have a significant impact on our operations.

Access fees paid for our access onto the track of other companies and access fees we charge under state and federal regimes are subject to change. Where we pay access fees to others, if those fees were increased, our operating margins could be negatively affected. In Australia, if the federal government or respective state regulators were to alter the regulatory regime or determine that access fees charged to current or prospective third-party rail freight operators by our Australian railroads did not meet competitive standards, our income from those fees could decline. In addition, when we operate over track networks owned by others, the owners of the networks are responsible for scheduling the use of the tracks as well as for determining the amount and timing of the expenditures necessary to maintain the tracks in satisfactory condition. Therefore, in areas where we operate over tracks owned by others, our operations are subject to train scheduling set by the owners as well as the risk that the network will not be adequately maintained.

Revocation of our safety accreditations could result in a loss of revenue and termination of our concession.

Our operating subsidiaries in Australia, the Netherlands and Belgium hold safety accreditations that are required in order for them to provide freight rail services. Continued maintenance of our safety accreditation in Australia is a requirement under our concession deeds and some customer contracts. These safety accreditations are essential for us to conduct our business and are subject to removal. Following significant derailments, the government entities responsible for oversight of rail safety frequently perform investigations. Any loss of, failure to maintain or inability to renew, rail safety accreditations necessary to carry on rail operations in any jurisdiction, or any changes in government policy and legal or regulatory oversight, including changes to the rail safety regulatory regime, could have a material adverse effect on our business, results of operations, financial condition and liquidity.

RISKS RELATED TO TAXATION

Our ability to use RailAmerica's Section 45G tax credit carryforwards may be subject to limitation due to a change in the ownership of its stock.

As of December 31, 2014, we had tax benefits totaling approximately $74.8 million of Section 45G tax credit carryforwards related to the RailAmerica acquisition. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change tax attribute carryforwards to offset its post-change income tax may be limited and may result in a partial or full write down of the related deferred tax assets. An ownership change is defined generally for these purposes as a greater than 50% change in ownership over a three-year period, taking into account shareholders that own 5% or more by value of common stock. While we currently believe it is more likely than not that we will be able to utilize these tax attributes, our ability to use RailAmerica's net operating loss carryforwards and other tax attributes to reduce our future tax liabilities may be limited.

The United States Short Line Tax Credit expired on December 31, 2014. As a result, our effective tax rate in 2015 will be higher if the credit is not extended.

Since 2005, we have benefited from the effects of the United States Short Line Tax Credit, which is an income tax credit for Class II and Class III railroads to reduce their federal income tax based on qualified railroad track maintenance expenditures (the Short Line Tax Credit). Qualified expenditures include amounts incurred for maintaining track, including roadbed, bridges and related track structures owned or leased by a Class II or Class III railroad. The credit is equal to 50% of the qualified expenditures, subject to an annual limitation of $3,500 multiplied by the number of miles of railroad track owned or leased by the Class II or Class III railroad as of the end of their tax year. On December 19, 2014, the Short Line Tax Credit (which had previously expired on December 31, 2013) was extended for 2014. The most recent extension of the Short Line Tax Credit only extended the credit through December 31, 2014. If the Short Line Tax Credit is not extended for additional tax years, the loss of the credit will increase our tax rate and reduce our earnings per share.

If the earnings of our controlled foreign subsidiaries were required to be distributed, our effective tax rate could be higher.

We file a consolidated United States federal income tax return that includes all of our United States subsidiaries. Each of our foreign subsidiaries files income tax returns in each of its respective countries. No provision is made for the United States income taxes applicable to the undistributed earnings of our controlled foreign subsidiaries. The amount of those earnings was $305.2 million as of December 31, 2014. Although it is our current intention to fully utilize those earnings in the operations of our controlled foreign subsidiaries, if the earnings were to be distributed in the future, those distributions may be subject to United States income taxes (appropriately reduced by available foreign tax credits) and withholding taxes payable to various foreign countries, and could result in a higher effective tax rate for us, thereby reducing our earnings. See "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Repatriation" for additional information.

Non-U.S. holders who own or owned more than a certain ownership threshold may be subject to United States federal income tax on gains realized on the disposition of the shares of our Class A Common Stock.

It is possible that we are a United States real property holding corporation currently or will become one in the future for United States federal income tax purposes. If we are or become a United States real property holding corporation, so long as our Class A Common Stock continues to be regularly traded on an established securities market, only a non-U.S. holder (i.e., a holder that is not a United States citizen or resident, a corporation or partnership organized under the laws of the United States or any state thereof and certain trusts and estates) who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of our Class A Common Stock will be subject to United States federal income tax on the disposition of our Class A Common Stock. Non-U.S. holders should consult their own tax advisors concerning the consequences of disposing of shares of our Class A Common Stock.

We rely on the stability and availability of our technology systems to operate our business.

We rely on information technology in all aspects of our business. The performance and reliability of our technology systems is critical to our ability to operate and compete safely and effectively. A cyber security attack, which is a deliberate theft of data or impairment of information technology systems, or other significant disruption or failure, could result in a service interruption, train accident, misappropriation of confidential information, process failure, security breach or other operational difficulties. Such an event could result in increased capital, insurance or operating costs, including security costs to protect our infrastructure. A disruption or compromise of our information technology systems, even for short periods of time, could have a material adverse effect on our results of operations.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

Genesee & Wyoming, through our subsidiaries, currently has interests in 116 freight railroads, including 103 short line railroads and two regional freight railroads located in the United States, eight short line railroads located in Canada, one railroad located in Australia and one railroad located in the Netherlands and Belgium. We also operate the Tarcoola to Darwin rail line, which links the Port of Darwin to the Australian interstate rail network in South Australia. These rail properties typically consist of the track and the underlying land. Real estate adjacent to the railroad rights-of-way is generally owned by others, and our holdings of such real estate are not material. Similarly, sellers typically retain mineral rights and rights to grant fiber optic and other easements in the properties acquired by us. Several of our railroads are operated under leases or operating licenses in which we do not assume ownership of the track or the underlying land.

Our railroads operate over approximately 15,600 miles of track that is owned, jointly owned or leased by us, which includes the Tarcoola to Darwin rail line that we manage under a concession agreement that expires in 2054. Several of our railroads are operated pursuant to lease agreements that will expire in the next few years and may not be extended. Leases from Class I railroads and other third parties that could expire in each of the next 10 years would represent less than 3% of our annual revenues in the year of expiration, based on our operating revenues for the year ended December 31, 2014. For additional information on these lease expirations see "Part I. Item 1A. Risk Factors" of this Annual Report. We also operate, through various trackage and operating rights agreements, over approximately 3,300 additional miles of track that are owned or leased by others under contractual track access arrangements. The track miles listed below exclude approximately 1,940 miles of sidings and yards, which includes 1,710 miles in the United States, 160 miles in Canada and 70 miles in Australia. Track miles owned by others, but available to us, under open access regimes in Australia, the Netherlands and Belgium are also excluded. During 2013, we recorded mortgages on many of the owned properties described in the table below as additional security for our outstanding obligations under our Amended and Restated Credit Agreement. See "Part I Item 1A. Risk Factors" for additional information on our Amended and Restated Credit Agreement.

The following table sets forth certain information with respect to our railroads:

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
NORTH AMERICAN AND EUROPEAN OPERATIONS			
UNITED STATES:			
Genesee and Wyoming Railroad Company (GNWR) New York (1)	1899	27	Owned
The Dansville and Mount Morris Railroad Company (DMM) New York (1)	1985	8	Owned
Rochester & Southern Railroad, Inc. (RSR) New York (1)	1986	58	Owned
Louisiana & Delta Railroad, Inc. (LDRR) Louisiana	1987	86	Owned/Leased
Buffalo & Pittsburgh Railroad, Inc. (BPRR) New York, Pennsylvania (2) (3) (4)	1988	368	Owned/Leased
Allegheny & Eastern Railroad, LLC (ALY) Pennsylvania (2)	1992	128	Owned
Bradford Industrial Rail, Inc. (BR) Pennsylvania (3)	1993	4	Owned
Willamette & Pacific Railroad, Inc. (WPRR) Oregon	1993	178	Leased
Portland & Western Railroad, Inc. (PNWR) Oregon	1995	288	Owned/Leased
Pittsburg & Shawmut Railroad, LLC (PS) Pennsylvania (4)	1996	108	Owned
Illinois & Midland Railroad, Inc.	1996	97	Owned

(IMRR) Illinois			
Commonwealth Railway, Incorporated (CWRY) Virginia	1996	24	Owned/Leased
Talleyrand Terminal Railroad Company, Inc. (TTR) Florida	1996	2	Leased
Corpus Christi Terminal Railroad, Inc. (CCPN) Texas	1997	42	Leased

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Golden Isles Terminal Railroad, Inc. (GITM) Georgia	1998	13	Owned/Leased
Savannah Port Terminal Railroad, Inc. (SAPT) Georgia	1998	18	Leased
South Buffalo Railway Company (SB) New York	2001	54	Owned/Leased
St. Lawrence & Atlantic Railroad Company (SLR) Maine, New Hampshire, Vermont	2002	143	Owned
York Railway Company (YRC) Pennsylvania	2002	42	Owned
Utah Railway Company (UTAH) Utah	2002	41	Owned
Salt Lake City Southern Railroad Company, Inc. (SLCS) Utah	2002	2	Owned
Chattahoochee Industrial Railroad (CIRR) Georgia	2003	15	Owned
Arkansas Louisiana & Mississippi Railroad Company (ALM) Arkansas, Louisiana	2003	53	Owned
Fordyce and Princeton R.R. Co. (FP) Arkansas	2003	57	Owned
Tazewell & Peoria Railroad, Inc. (TZPR) Illinois	2004	24	Leased
Golden Isles Terminal Wharf (GITW) Georgia	2004	6	Owned
First Coast Railroad Inc. (FCRD) Florida, Georgia	2005	32	Leased
AN Railway, L.L.C. (AN) Florida	2005	96	Leased
Atlantic & Western Railway, Limited Partnership (ATW) North Carolina	2005	10	Owned
The Bay Line Railroad, L.L.C. (BAYL) Alabama, Florida	2005	108	Owned
East Tennessee Railway, L.P. (ETRY) Tennessee	2005	4	Owned/Leased
Galveston Railroad, L.P. (GVSR) Texas	2005	39	Leased
Georgia Central Railway, L.P. (GC) Georgia	2005	171	Owned/Leased
KWT Railway, Inc. (KWT) Kentucky, Tennessee	2005	69	Owned
Little Rock & Western Railway, L.P. (LRWN) Arkansas	2005	79	Owned
Meridian & Bigbee Railroad, L.L.C. (MNBR) Alabama, Mississippi	2005	147	Owned/Leased
Riceboro Southern Railway, LLC (RSOR) Georgia	2005	18	Leased
Tomahawk Railway, Limited Partnership (TR) Wisconsin	2005	6	Owned

Valdosta Railway, L.P. (VR) Georgia	2005	10	Owned
Western Kentucky Railway, L.L.C. (WKRL) Kentucky	2005	—	Owned
Wilmington Terminal Railroad, Limited Partnership (WTRY) North Carolina	2005	17	Leased
Chattahoochee Bay Railroad, Inc. (CHAT) Alabama, Georgia	2006	26	Owned
Maryland Midland Railway, Inc. (MMID) Maryland	2007	70	Owned
Chattooga & Chickamauga Railway Co. (CCKY) Georgia	2008	49	Leased
Luxapalila Valley Railroad, Inc. (LXVR) Alabama, Mississippi	2008	34	Owned

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Columbus and Greenville Railway Company (CAGY) Mississippi	2008	151	Owned
The Aliquippa & Ohio River Railroad Co. (AOR) Pennsylvania	2008	6	Owned
The Columbus & Ohio River Rail Road Company (CUOH) Ohio	2008	247	Owned/Leased
The Mahoning Valley Railway Company (MVRY) Ohio	2008	6	Owned
Ohio Central Railroad, Inc. (OHCR) Ohio	2008	70	Owned/Leased
Ohio and Pennsylvania Railroad Company (OHPA) Ohio	2008	3	Owned
Ohio Southern Railroad, Inc. (OSRR) Ohio	2008	18	Owned
The Pittsburgh & Ohio Central Railroad Company (POHC) Pennsylvania	2008	35	Owned
The Warren & Trumbull Railroad Company (WTRM) Ohio	2008	4	Leased
Youngstown & Austintown Railroad Inc. (YARR) Ohio	2008	5	Leased
The Youngstown Belt Railroad Company (YB) Ohio	2008	14	Owned
Georgia Southwestern Railroad, Inc. (GSWR) Alabama, Georgia	2008	231	Owned/Leased
Arizona Eastern Railway Company (AZER) Arizona, New Mexico	2011	200	Owned
Hilton & Albany Railroad, Inc. (HAL) Georgia	2011	56	Leased
Columbus & Chattahoochee Railroad, Inc. (CCH) Alabama	2012	26	Leased
Alabama & Gulf Coast Railway LLC (AGR) Alabama, Mississippi, Florida	2012	283	Owned/Leased
Arizona & California Railroad Company (ARZC) Arizona, California	2012	190	Owned
Bauxite & Northern Railway Company (BXN) Arkansas	2012	5	Owned
California Northern Railroad Company (CFNR) California	2012	210	Leased
Carolina Piedmont Railroad (CPDR) South Carolina	2012	28	Owned
Cascade and Columbia River Railroad Company (CSCD) Washington	2012	131	Owned
Central Oregon & Pacific Railroad, Inc. (CORP) Oregon, California	2012	305	Owned/Leased
The Central Railroad Company of Indiana (CIND) Indiana, Ohio	2012	82	Owned
Central Railroad Company of Indianapolis (CERA) Indiana	2012	62	Owned/Leased

Chesapeake and Albermarle Railroad (CA) North Carolina, Virginia	2012	68	Leased
Chicago, Fort Wayne & Eastern Railroad (CFE) Indiana, Ohio	2012	281	Owned/Leased
Conecuh Valley Railway, L.L.C. (COEH) Alabama	2012	13	Owned
Connecticut Southern Railroad, Inc. (CSO) Connecticut	2012	23	Owned/Leased
Dallas, Garland & Northeastern Railroad, Inc. (DGNO) Texas	2012	168	Owned/Leased
Eastern Alabama Railway, LLC (EARY) Alabama	2012	26	Owned
Grand Rapids Eastern Railroad (GR) Michigan	2012	22	Owned

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Huron and Eastern Railway Company, Inc. (HESR) Michigan	2012	320	Owned/Leased
Indiana & Ohio Railway Company (IORY) Indiana, Ohio, Michigan	2012	469	Owned/Leased
Indiana Southern Railroad, LLC (ISRR) Indiana	2012	166	Owned
Kiamichi Railroad Company L.L.C. (KRR) Oklahoma, Arizona, Texas	2012	231	Owned
Kyle Railroad Company (KYLE) Colorado, Kansas	2012	505	Owned/Leased
Marquette Rail LLC (MQT) Michigan	2012	126	Leased
The Massena Terminal Railroad Company (MSTR) New York	2012	3	Owned
Michigan Shore Railroad (MS) Michigan	2012	4	Owned
Mid-Michigan Railroad, Inc. (MMRR) Michigan	2012	87	Owned/Leased
Missouri & Northern Arkansas Railroad Company, Inc. (MNA) Arizona, Missouri, Kansas	2012	483	Owned/Leased
New England Central Railroad, Inc. (NECR) Vermont, New Hampshire, Massachusetts, Connecticut	2012	324	Owned
North Carolina & Virginia Railroad Company L.L.C. (NCVA) North Carolina, Virginia	2012	53	Owned
Otter Tail Valley Railroad Company, Inc. (OTVR) Minnesota	2012	54	Owned
Point Comfort & Northern Railway Company (PCN) Texas	2012	14	Owned
Puget Sound & Pacific Railroad (PSAP) Washington	2012	135	Owned/Leased
Rockdale, Sandow & Southern Railroad Company (RSS) Texas	2012	4	Owned
San Diego & Imperial Valley Railroad Company, Inc. (SDIY) California	2012	1	Leased
San Joaquin Valley Railroad Co. (SJVR) California	2012	297	Owned/Leased
South Carolina Central Railroad Company, LLC (SCRF) South Carolina	2012	47	Owned
Texas Northeastern Railroad (TNER) Texas	2012	67	Leased
Three Notch Railway, L.L.C. (TNHR) Alabama	2012	34	Owned
Toledo, Peoria & Western Railway Corp. (TPW) Illinois, Indiana	2012	207	Owned/Leased
Ventura County Railroad Company (VCRR) California	2012	9	Leased
Wellsboro & Corning Railroad, LLC (WCOR) Pennsylvania, New York	2012	35	Leased

Wiregrass Central Railway, L.L.C. (WGCR) Alabama	2012	20	Owned
Rapid City, Pierre & Eastern Railroad (RCPE) Minnesota, North Dakota, Nebraska, Wyoming	2014	651	Owned
Arkansas Midland Railroad (AKMD) Arkansas	2015	126	Owned/Leased
Prescott & Northwestern Railroad (PNW) Arkansas	2015	6	Owned
Warren & Saline River Railroad (WSR) Arkansas	2015	5	Owned
CANADA:			
Huron Central Railway Inc. (HCRY) Ontario	1997	173	Owned/Leased

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Quebec Gatineau Railway Inc. (QGRY) Québec	1997	303	Owned/Leased
St. Lawrence & Atlantic Railroad (Québec) Inc. (SLQ) Québec	2002	95	Owned
Cape Breton & Central Nova Scotia Railway Limited (CBNS) Nova Scotia	2012	242	Owned
Goderich-Exeter Railway Company Limited (GEXR) Ontario	2012	184	Owned/Leased
Ottawa Valley Railway (OVR) Ontario, Québec	2012	157	Leased
Southern Ontario Railway (SOR) Ontario	2012	46	Leased
Kérail Inc. (KERY) Québec	2014	10	Owned
EUROPE:			
Rotterdam Rail Feeding, B.V. (RRF)	2008	—	Open Access
AUSTRALIAN OPERATIONS			
AUSTRALIA:			
Genesee & Wyoming Australia Pty Ltd (GWA)	2006	791	Leased/Open Access
GWA (North) Pty Ltd (GWA North)	2010	1,395	Leased/Open Access

(1) The GNWR and DMM are now operated by RSR
(2) ALY merged with BPRR in January 2004
(3) BR merged with BPRR in January 2004
(4) PS merged with BPRR in January 2004

EQUIPMENT

As of December 31, 2014, our rolling stock consisted of 1,094 locomotives, of which 932 were owned and 162 were leased, and 24,141 railcars, of which 5,558 were owned and 18,583 were leased. A breakdown of the types of railcars owned and leased by us is set forth in the table below:

	Owned	Leased	Total
Railcars by Car Type:			
Box	1,199	8,283	9,482
Hoppers	1,247	1,176	2,423
Flats	784	1,500	2,284
Gondolas	390	2,517	2,907
Covered hoppers	1,816	4,990	6,806
Tank cars	12	116	128
Maintenance of way	67	—	67
Crew cars	13	1	14
Other	30	—	30
	5,558	18,583	24,141

ITEM 3. Legal Proceedings.

From time to time, we are a defendant in certain lawsuits resulting from our operations in the ordinary course as the nature of our business exposes us to the potential for various claims and litigation related to property damage, personal injury, freight loss, labor and employment, environmental and other matters. As described in Note 2, Significant Accounting Policies, to our Consolidated Financial Statements included elsewhere in this Annual Report, we maintain insurance policies to mitigate the financial risk associated with such claims.

Any material changes to current litigation trends or a catastrophic rail accident or series of accidents involving material freight loss or property damage, personal injury and environmental liability or other claims against us that are not covered by insurance could have a material adverse effect on our results of operations, financial condition and liquidity.

Management believes there are adequate provisions in the financial statements for any probable liabilities that may result from disposition of the pending lawsuits. Based upon currently available information, we do not believe it is reasonably possible that any such lawsuit or related lawsuits would be material to our results of operations or have a material adverse effect on our financial position or liquidity.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II
ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
Market Information
Our Class A Common Stock publicly trades on the NYSE under the trading symbol "GWR." The tables below present quarterly information on the price range of our Class A Common Stock. This information indicates the high and low closing sales prices for each recent fiscal quarter in the last two years as reported by the NYSE. Our Class B Common Stock is not publicly traded.

Year Ended December 31, 2014	High	Low
4th Quarter	$100.89	$83.33
3rd Quarter	$105.47	$93.82
2nd Quarter	$105.51	$93.37
1st Quarter	$99.89	$87.19
Year Ended December 31, 2013	High	Low
4th Quarter	$101.77	$91.66
3rd Quarter	$94.84	$84.78
2nd Quarter	$92.60	$79.84
1st Quarter	$94.14	$79.72

Number of Holders
On February 18, 2015, there were 164 Class A Common Stock record holders and 14 Class B Common Stock record holders.
Dividends
We did not pay cash dividends to our Class A or Class B common stockholders in the years ended December 31, 2014 and 2013. We do not intend to pay cash dividends to our common stockholders for the foreseeable future and intend to retain earnings, if any, for future operation and expansion of our business. Any determination to pay dividends to our common stockholders in the future will be at the discretion of our Board of Directors and subject to applicable law and any restrictions contained in our Amended and Restated Credit Agreement.
In connection with the funding of the RailAmerica acquisition in 2012, we sold $350.0 million of Series A-1 Preferred Stock with an effective 5% coupon (Preferred Stock) to affiliates of Carlyle Partners V, L.P. (collectively, Carlyle). We paid $2.1 million of Preferred Stock dividends in 2013. On February 13, 2013, we converted all of the outstanding Preferred Stock issued to Carlyle into 5,984,232 shares of our Class A Common Stock. In November 2013, Carlyle sold all of these outstanding shares of our Class A Common Stock in a public offering.
For more information on contractual restrictions on our ability to pay dividends, see "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreement."
Securities Authorized for Issuance Under Equity Compensation Plans
See "Part III Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information about securities authorized for issuance under our equity compensation plan.
Recent Sales of Unregistered Securities
None.

Issuer Purchases of Equity Securities

2014	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 to October 31	325	$ 97.03	—	—
November 1 to November 30	161	98.83	—	—
December 1 to December 31	1,141	97.55	—	—
Total	1,627	$ 97.57	—	—

(1) The 1,627 shares acquired in the three months ended December 31, 2014 represent Class A Common Stock acquired by us from our employees who surrendered shares in lieu of cash to either fund their exercise of stock options or to pay taxes on stock-based awards made under our Second Amended and Restated 2004 Omnibus Incentive Plan.

ITEM 6. Selected Financial Data.

The following selected financial data was derived from the consolidated statements of operations and consolidated balance sheets of Genesee & Wyoming as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. All of the information should be read in conjunction with the consolidated financial statements and related notes included in "Part IV Item 15. Exhibits, Financial Statement Schedules" and "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report.

Because of variations in the structure, timing and size of acquisitions and dispositions, our results of operations in any reporting period may not be directly comparable to our results of operations in other reporting periods. For financial information with respect to our principles of consolidation and basis of presentation, see Note 2, Significant Accounting Policies, to our Consolidated Financial Statements, and for a complete description of our most recent acquisitions and dispositions, see Note 3, Changes in Operations, to our Consolidated Financial Statements, in each case, included within "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

	For the Year Ended December 31,				
	2014 (1)	2013 (2)	2012 (3)	2011 (4)	2010 (5)
	(In thousands, except per share amounts)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues	$1,639,012	$1,568,643	$874,916	$829,096	$630,195
Operating expenses	1,217,441	1,188,455	684,594	637,317	499,785
Income from operations	421,571	380,188	190,322	191,779	130,410
Gain on sale of investments	—	—	—	907	—
Interest income	1,445	3,971	3,725	3,243	2,397
Interest expense	(56,162)	(67,894)	(62,845)	(38,617)	(23,147)
Contingent forward sale contract mark-to-market expense	—	—	(50,106)	—	—
Other income/(expense), net	1,259	2,122	2,182	703	(827)
Income from continuing operations before income taxes and income from equity investment	368,113	318,387	83,278	158,015	108,833
Provision for income taxes	(107,107)	(46,296)	(46,402)	(38,531)	(30,164)
Income from equity investment in RailAmerica, net	—	—	15,557	—	—
Income from continuing operations, net of tax	261,006	272,091	52,433	119,484	78,669
Income from discontinued operations, net of tax	—	—	—	—	2,591
Net income	261,006	272,091	52,433	119,484	81,260
Less: Series A-1 Preferred Stock dividend	—	2,139	4,375	—	—
Less: Net income attributable to noncontrolling interest	251	795	—	—	—
Net income available to common stockholders	$260,755	$269,157	$48,058	$119,484	$81,260
Basic earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:					
Basic earnings per common share from continuing operations	$4.71	$5.00	$1.13	$2.99	$2.02
Basic earnings per common share from discontinued operations	$—	$—	$—	$—	$0.07
Weighted average shares—Basic	55,305	53,788	42,693	39,912	38,886
Diluted earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:					
Diluted earnings per common share from continuing operations	$4.58	$4.79	$1.02	$2.79	$1.88
	$—	$—	$—	$—	$0.06

Diluted earnings per common share from discontinued operations					
Weighted average shares—Diluted	56,972	56,679	51,316	42,772	41,889
BALANCE SHEET DATA AT YEAR-END:					
Total assets	$5,595,753	$5,319,821	$5,226,115	$2,294,157	$2,067,560
Long-term debt and capital leases (excluding portion due within one year)	$1,548,051	$1,540,346	$1,770,566	$569,026	$475,174
Series A-1 Preferred Stock	$—	$—	$399,524	$—	$—
Total equity	$2,357,980	$2,149,070	$1,500,462	$960,634	$817,240

(1) On May 30, 2014, our new subsidiary, Rapid City, Pierre and Eastern Railroad, Inc. (RCP&E), purchased the assets of the western end of CP's DM&E rail line for a cash purchase price of $218.6 million, including the purchase of materials and supplies, railcars, equipment and vehicles.

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(2) On February 13, 2013, we exercised our option to convert all of the outstanding Series A-1 Preferred Stock issued to Carlyle in conjunction with the RailAmerica acquisition into 5,984,232 shares of our Class A Common Stock. On the conversion date, we also paid to Carlyle cash in lieu of fractional shares and all accrued and unpaid dividends on the Series A-1 Preferred Stock totaling $2.1 million. In addition, we incurred $17.0 million of integration and acquisition-related costs associated with RailAmerica during 2013.

(3) On October 1, 2012, we acquired 100% of RailAmerica for approximately $2.0 billion (equity purchase price of approximately $1.4 billion, or $27.50 per share, plus the payoff of RailAmerica's debt of $659.2 million). The shares of RailAmerica were held in a voting trust while the STB considered our control application, which application was approved with an effective date of December 28, 2012. Accordingly, we accounted for the earnings of RailAmerica using the equity method of accounting while the shares were held in the voting trust and our preliminary determination of fair values of the acquired assets and assumed liabilities were included in our consolidated balance sheet at December 31, 2012. In addition, we incurred $30.0 million of integration and acquisition-related costs associated with RailAmerica during 2012.

(4) On September 1, 2011, we acquired the stock of AZER with net assets of $90.3 million.

(5) On December 1, 2010, we acquired $320.0 million of net assets from FreightLink. In 2010, we incurred $28.2 million of acquisition-related expenses charged to earnings related to this transaction. In addition, we reversed $2.3 million of accrued restructuring expense related to our Huron Central Railway Inc.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Annual Report. Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Outlook for 2015

Safety

Operating a safe railroad benefits our employees, our customers, our shareholders and the communities we serve. We have led the railroad industry in safety for the past six years and our goal for 2015 is an injury frequency ratio of 0.45 reportable injuries per 200,000 man-hours.

Agreement to Acquire Freightliner

On February 24, 2015, we announced our entry into an agreement to acquire approximately 95% of the shares of Freightliner Group Limited (Freightliner) for cash consideration of approximately £490 million (or approximately $755 million at current exchange rates) and to assume approximately £8.5 million (or approximately $13 million at current exchange rates) in net debt and capitalized leases. Members of the existing Freightliner management team will retain an approximate 5% ownership interest, and we expect to own 100% of Freightliner by mid-2020. The acquisition is expected to close during the first quarter of 2015. We plan to finance the acquisition of Freightliner through an amendment to our Amended and Restated Senior Secured Syndicated Credit Facility Agreement (Amended and Restated Credit Agreement), with approximately $650 million from the issuance of new term loans and the remainder from funds drawn on our existing revolving credit facility.

Headquartered in London, England, Freightliner is an international freight rail operator with operations in the United Kingdom (U.K.), Poland, Germany, the Netherlands and Australia. Freightliner's principal business is located in the U.K. where it is the second largest freight rail operator, providing intermodal and heavy haul service throughout England, Scotland and Wales. Freightliner operates in open access rail freight markets and therefore has limited ownership of track assets. Its fleet of primarily leased equipment includes approximately 250 standard gauge locomotives (mostly diesel-electric) as well as 5,500 wagons. Freightliner employs over 2,500 people worldwide.

Financial Expectations

Excluding the anticipated benefits from the Freightliner acquisition, we expect our revenues to decrease slightly in 2015 as strong growth in North America is expected to be offset by three significant factors: (1) a decline in iron ore traffic in Australia, (2) the negative currency translation impact of the weaker Australian and Canadian dollars and the Euro relative to the United States dollar and (3) lower fuel surcharge revenues. Fuel surcharges are expected to be lower due to a lower average price for diesel fuel in 2015 compared with 2014. The growth in North America is expected from: (1) a less severe winter in 2015 compared with 2014, (2) revenues from the Pinsly Arkansas Division (Pinsly Arkansas), which we acquired on January 5, 2015, and the full-year impact of the Rapid City, Pierre & Eastern Railroad, Inc. (RCP&E), which began operations on June 1, 2014, and (3) carload growth and rate increases in our same railroad operations. Despite our expectation of a slight decrease in revenues, we expect our income from operations to increase as the growth in North America will only be partially offset by lower income from operations in Australia and the negative impact of foreign currency translation.

Capital Plan

Excluding the anticipated capital requirements of Freightliner, we expect to make capital investments totaling $277 million in 2015. Of this total, $190 million is planned for ongoing railroad track and equipment capital, $21 million is planned for matching capital spending associated with government grant funded projects in seven operating regions in the United States and $29 million is planned for specific 2015 infrastructure upgrade projects. In addition, we expect to spend $37 million on business development related capital related to known projects, split equally between track projects and equipment purchases. Our capital plan excludes acquisitions and new business development projects that arise during the year.

United States Short Line Tax Credit

The United States Short Line Tax Credit, from which we have benefited since 2005, expired on December 31, 2014. Without an extension to the tax credit, we expect our income tax rate to increase significantly in 2015. While the Short Line Tax Credit has been extended on four separate occasions in the past with retroactive benefits, we are unable to predict the outcome of the United States legislative process. If legislation extending the Short Line Tax Credit were enacted during 2015, we expect it would increase our earnings by approximately $27 million based on our current railroad ownership.

Corporate and Business Development

While we have completed two acquisitions in the past 12 months and expect to close the acquisition of Freightliner during the first quarter of 2015, we continue to evaluate a number of potential projects located in all of the geographic markets in which we currently operate and elsewhere around the world.

Overview

We own and operate short line and regional freight railroads and provide railcar switching and other rail-related services in the United States, Australia, Canada, the Netherlands and Belgium. In addition, we operate the Tarcoola to Darwin rail line, which links the Port of Darwin to the Australian interstate rail network in South Australia. Our operations currently include 116 railroads organized into 11 regions, with approximately15,600 miles of owned, jointly owned or leased track and approximately 3,300 additional miles under contractual track access arrangements. In addition, we provide rail service at 37 ports in North America, Australia and Europe and perform contract coal loading and railcar switching for industrial customers.

On January 5, 2015, we completed the acquisition of certain subsidiaries that constitute Pinsly Arkansas from Pinsly Railroad Company for approximately $40 million in cash, subject to adjustment for final working capital. We funded the acquisition with borrowings under our Amended and Restated Credit Agreement. For additional information regarding the agreement, see "Liquidity and Capital Resources—Credit Agreement" below.

Headquartered in Jones Mills, Arkansas, Pinsly Arkansas serves the Hot Springs and Little Rock areas, as well as the southwestern and southeastern portions of Arkansas and includes (1) the Arkansas Midland Railroad (AKMD), which is comprised of seven non-contiguous branch lines; (2) the Prescott & Northwestern Railroad (PNW); (3) the Warren & Saline River Railroad (WSR); and (4) the two Arkansas transload operations of Pinsly's Railroad Distribution Services subsidiary. Operations are composed of 137 miles of owned and leased track, 77 employees and 16 locomotives. The railroads currently haul approximately 35,000 carloads per year and serve a diverse customer base in industries including aluminum, forest products, aggregates, energy and carton board.

On May 30, 2014, our new subsidiary, RCP&E, purchased the assets comprising the western end of Canadian Pacific Railway Limited's (CP) Dakota, Minnesota & Eastern Railroad Corporation (DM&E) rail line for a cash purchase price of $218.6 million, including the purchase of materials and supplies, railcars, equipment and vehicles. RCP&E commenced freight service on the line on June 1, 2014. For additional information regarding this purchase, see "Changes in Operations—United States—Rapid City, Pierre & Eastern Railroad" below. The acquisition was financed with borrowings under our Amended and Restated Credit Agreement.

Net income in the year ended December 31, 2014 was $261.0 million, compared with net income of $272.1 million in the year ended December 31, 2013. Our diluted earnings per common share (EPS) attributable to our common stockholders in the year ended December 31, 2014 were $4.58 with 57.0 million weighted average shares outstanding, compared with diluted EPS attributable to our common stockholders of $4.79 with 56.7 million weighted average shares outstanding in the year ended December 31, 2013.

Our effective income tax rate for the year ended December 31, 2014 was 29.1%. In December 2014, the United States Short Line Tax Credit (which had previously expired on December 31, 2013) was extended for fiscal year 2014. During the three months ended December 31, 2014, we recorded a tax benefit of $27.0 million associated with the extension of the Short Line Tax Credit. Included in our net income for the year ended December 31, 2013 was a $41.0 million benefit associated with the retroactive extension of the United States Short Line Tax Credit for fiscal year 2012, which was signed into law on January 2, 2013. Excluding the $41.0 million retroactive benefit, our provision for income tax was $87.2 million for the year ended December 31, 2013, which represented 27.4% of income before income taxes and income from equity investment. The increase in the effective income tax rate for the year ended December 31, 2014 compared with the year ended December 31, 2013 was primarily attributable to changes in the mix of income among tax jurisdictions, particularly an increase in United States earnings which were at a higher marginal tax rate.

Our results in the years ended December 31, 2014 and 2013 included certain items affecting comparability between the periods that are set forth below (dollars in millions, except per share amounts):

	Income/(Loss) Before Income Taxes Impact	After-Tax Net Income/(Loss) Impact	Diluted Earnings/(Loss) Per Common Share Impact
2014			
Business development and related costs	$(5.2)	$(3.2)	$(0.06)
Credit facility refinancing-related costs	$(4.7)	$(2.9)	$(0.05)
Net gain on sale of assets	$5.1	$3.5	$0.06
2014 Short Line Tax Credit	$—	$27.0	$0.47
RailAmerica-related tax benefit	$—	$3.9	$0.07
Adjustments for tax returns from previous fiscal year	$—	$(0.7)	$(0.01)
2013			
Business development and related costs	$(17.0)	$(10.7)	$(0.19)
RailAmerica integration/acquisition costs	$(2.2)	$(1.4)	$(0.03)
Net gain on sale of assets	$4.7	$3.2	$0.06
Retroactive Short Line Tax Credit for 2012	$—	$41.0	$0.72
2013 Short Line Tax Credit	$—	$25.9	$0.46
Valuation allowance on foreign tax credits	$—	$(2.0)	$(0.03)
Adjustment for tax returns from previous fiscal year	$—	$1.4	$0.02

Operating revenues increased $70.4 million, or 4.5%, to $1,639.0 million in the year ended December 31, 2014, compared with $1,568.6 million in the year ended December 31, 2013. The increase in our operating revenues included $45.1 million in revenues from RCP&E and a $25.2 million, or 1.6%, increase in revenues from existing operations. The increase in our revenues from existing operations was partially offset by a $29.4 million decrease from the depreciation of foreign currencies relative to the United States dollar. Excluding the impact from foreign currency depreciation, same railroad operating revenues, which exclude revenues from RCP&E, increased $54.6 million, or 3.5%. When we discuss either revenues from existing operations or same railroad revenues, we are referring to the change in our revenues, period-over-period, associated with operations that we managed in both periods (i.e., excluding the impact of acquisitions).

Our traffic in the year ended December 31, 2014 was 2,007,051 carloads, an increase of 121,039 carloads, or 6.4%, compared with the year ended December 31, 2013. The traffic increase included 84,145 carloads, or 4.5%, from existing operations and 36,894 carloads from RCP&E. The increase from existing operations was principally due to increases of 32,248 carloads of coal and coke traffic (primarily in the Midwest and Ohio Valley regions), 19,508 carloads of minerals and stone traffic (across most of our regions), 17,397 carloads of other commodity group traffic (primarily overhead Class I shipments), 8,253 carloads of metals traffic (primarily in the Ohio Valley and Southern regions) and 6,299 carloads of metallic ores traffic (primarily in the Australia and Mountain West regions). All remaining traffic increased by a net 440 carloads.

Income from operations in the year ended December 31, 2014 increased $41.4 million, or 10.9%, to $421.6 million, compared with $380.2 million in the year ended December 31, 2013. Our operating ratio, defined as operating expenses divided by operating revenues, was 74.3% in the year ended December 31, 2014, compared with 75.8% in the year ended December 31, 2013.

During the year ended December 31, 2014, we generated $491.5 million in cash flows from operating activities. During the same period, we purchased $331.5 million of property and equipment, including $92.9 million for new business investments, partially offset by $28.0 million in cash received from government grants and other outside parties for capital spending and $7.1 million in cash proceeds from the sale of property and equipment. We also paid $221.5 million for acquisitions.

Changes in Operations

United States

Rapid City, Pierre & Eastern Railroad, Inc.: On May 30, 2014, our new subsidiary, RCP&E, purchased the assets comprising the western end of CP's DM&E rail line for a cash purchase price of $218.6 million, including the purchase of materials and supplies, railcars, equipment and vehicles. RCP&E commenced freight service on the line on June 1, 2014. The results of operations from RCP&E have been included in our statement of operations since the acquisition date within our North American & European Operations segment.

RCP&E operates approximately 670 miles of rail line between Tracy, Minnesota and Rapid City, South Dakota; north of Rapid City to Colony, Wyoming; south of Rapid City to Dakota Junction, Nebraska; and connecting branch lines as well as trackage from Dakota Junction to Crawford, Nebraska, currently leased to the Nebraska Northwestern Railroad Inc. (NNW). Customers on the RCP&E ship approximately 63,000 carloads annually of grain, bentonite clay, ethanol, fertilizer and other products. RCP&E has the ability to interchange with CP, Union Pacific Railroad, BNSF Railway Company and NNW. RCP&E has approximately 180 employees, most of whom were hired from the DM&E operations.

We accounted for the acquisition as a business combination using the acquisition method of accounting under U.S. GAAP. The following acquisition-date fair values were assigned to the acquired net assets (dollars in thousands):

Materials and supplies	$3,621
Prepaid expenses and other	116
Property and equipment	217,032
Deferred income tax assets	325
Total assets	221,094
Current portion of long-term debt	1,121
Accounts payable and accrued expenses	108
Long-term debt, less current portion	1,260
Net assets	$218,605

RailAmerica, Inc.: On October 1, 2012, we acquired 100% of RailAmerica's outstanding shares for cash at a price of $27.50 per share and, in connection with such acquisition, we repaid RailAmerica's term loan and revolving credit facility. The calculation of the total consideration for the RailAmerica acquisition is presented below (in thousands, except per share amount):

RailAmerica outstanding common stock as of October 1, 2012	49,934
Cash purchase price per share	$27.50
Equity purchase price	$1,373,184
Payment of RailAmerica's outstanding term loan and revolving credit facility	659,198
Cash consideration	2,032,382
Impact of pre-acquisition share-based awards	9,400
Total consideration	$2,041,782

We financed the $1.4 billion cash purchase price for RailAmerica's common stock, the refinancing of $1.2 billion of G&W's and RailAmerica's outstanding debt prior to the acquisition as well as transaction and financing-related expenses with approximately $1.9 billion of debt from our Amended and Restated Credit Agreement (see Note 9, Long-Term Debt, to our Consolidated Financial Statements included elsewhere in this Annual Report), $475.5 million of gross proceeds from the public offerings of our Class A Common Stock and Tangible Equity Units (TEUs) (see Note 4, Earnings Per Common Share, to our Consolidated Financial Statements included elsewhere in this Annual Report) and $350.0 million through a private issuance of Preferred Stock to Carlyle. (See Note 4, Earnings Per Common Share, and Note 10, Derivative Financial Instruments, to our Consolidated Financial Statements included elsewhere in this Annual Report).

Commencing on October 1, 2012, the shares of RailAmerica were held in an independent voting trust while the STB considered our control application, which application was approved with an effective date of December 28, 2012. Accordingly, we accounted for the earnings of RailAmerica using the equity method of accounting while the shares were held in the voting trust and our acquisition date fair values of the acquired assets and assumed liabilities have been included in our consolidated balance sheets since December 28, 2012. The results from the operations acquired from RailAmerica are included among the various line items in our consolidated statement of operations for the years ended December 31, 2014 and 2013 and are included in our North American & European Operations segment.

In accordance with U.S. GAAP, a new accounting basis was established for RailAmerica on October 1, 2012 for its stand-alone financial statements. Condensed consolidated financial information for RailAmerica as of and for the period ended December 28, 2012 is included in Note 8, Equity Investment, to our Consolidated Financial Statements included elsewhere in this Annual Report.

During the year ended December 31, 2013, as discussed more fully under Contingent Forward Sale Contract in Note 10, Derivative Financial Instruments, to our Consolidated Financial Statements included elsewhere in this Annual Report, we recorded a $50.1 million non-cash mark-to-market expense related to an investment agreement governing the sale of the Series A-1 Preferred Stock to Carlyle in connection with the funding of the RailAmerica acquisition (the Investment Agreement). The expense resulted from the significant increase in G&W's share price between July 23, 2012 (the date we entered into the Investment Agreement) and September 28, 2012 (the last trading date prior to issuing the Preferred Stock). On February 13, 2013, we exercised our option to convert all of the outstanding Series A-1 Preferred Stock into 5,984,232 shares of our Class A Common Stock. In November 2013, Carlyle sold all of these outstanding shares of our Class A Common Stock in a public offering.

We also incurred $17.0 million and $30.0 million of RailAmerica integration and acquisition-related costs during the years ended December 31, 2013 and 2012, respectively. We recognized $15.6 million of net income from our equity investment in RailAmerica during the three months ended December 31, 2012. The income from our equity investment included $3.5 million of after-tax acquisition/integration costs incurred by RailAmerica in the three months ended December 31, 2012.

Headquartered in Jacksonville, Florida, with approximately 2,000 employees, RailAmerica owned and operated 45 short line freight railroads in North America with approximately 7,100 miles of track in 28 U.S. states and three Canadian provinces as of the October 1, 2012 acquisition date.

We accounted for the RailAmerica acquisition using the acquisition method of accounting under U.S. GAAP. Under the acquisition method of accounting:

- The assets and liabilities of RailAmerica were recorded at their respective acquisition-date preliminary fair values by RailAmerica as of October 1, 2012, which is referred to as the application of push-down accounting, and were included in G&W's consolidated balance sheet in a single line item following the equity method of accounting as of that date (see RailAmerica as of October 1, 2012 column in the following table).
- Upon approval by the STB for us to control RailAmerica, our preliminary determination of fair values of the acquired assets and assumed liabilities were consolidated with our assets and liabilities as of December 28, 2012 (see RailAmerica as of December 28, 2012 Preliminary column in the following table). Between October 1, 2012 and December 28, 2012, we recognized income from our equity investment in RailAmerica of $15.6 million and other comprehensive loss of $2.0 million, primarily resulting from foreign currency translation adjustments. In addition, we recognized $21.8 million, representing the change in RailAmerica's cash and cash equivalents from October 1, 2012

to December 28, 2012, as a reduction in net cash paid for the acquisition.

- In 2013, we finalized our determination of fair values of RailAmerica's assets and liabilities (see RailAmerica as of December 28, 2012 Final column in the following table). The measurement period adjustments to the fair values were as follows: 1) property and equipment increased $10.7 million, 2) intangible assets decreased $29.9 million, 3) deferred income tax liabilities, net decreased $16.0 million, 4) noncontrolling interest decreased $5.0 million, 5) all other assets, net increased $1.3 million and 6) goodwill decreased $3.1 million as an offset to the above-mentioned changes. This resulted in additional annualized depreciation and amortization expense of approximately $4 million. We do not consider these adjustments material to our consolidated financial statements taken as a whole and as such, prior periods were not retroactively adjusted.

The fair values assigned to the acquired net assets of RailAmerica were as follows (dollars in thousands):

	RailAmerica		
	As of	As of December 28, 2012	
	October 1, 2012	Preliminary	Final
Cash and cash equivalents	$86,102	$107,922	$107,922
Accounts receivable	104,839	91,424	90,659
Materials and supplies	6,406	7,325	7,325
Prepaid expenses and other	15,146	14,815	15,801
Deferred income tax assets	49,074	49,074	56,998
Property and equipment	1,579,321	1,588,612	1,599,282
Goodwill	474,115	474,115	471,028
Intangible assets	451,100	446,327	416,427
Other assets	116	116	116
Total assets	2,766,219	2,779,730	2,765,558
Accounts payable and accrued expenses	143,790	135,117	140,160
Long-term debt	12,158	12,010	12,010
Deferred income tax liabilities, net	542,210	551,856	535,864
Other long-term liabilities	20,754	19,618	21,439
Noncontrolling interest	5,525	5,525	481
Net assets	$2,041,782	$2,055,604	$2,055,604

Australia

Arrium Limited: In July 2012, our subsidiary, Genesee & Wyoming Australia Pty Ltd (GWA), announced that it had expanded two existing rail haulage contracts with Arrium Limited (formerly OneSteel), including Arrium's Southern Iron mine and its Whyalla-based operations, to transport additional export iron ore in South Australia. To support the increased shipments under the two contracts, during the year ended December 31, 2012, GWA invested A$52.1 million (or $54.1 million at the exchange rate on December 31, 2012) to purchase narrow gauge locomotives and railcars as well as to construct a standard gauge rolling-stock maintenance facility in order to support the increased shipments under the two contracts. During the year ended December 31, 2013, GWA spent an additional A$22.3 million (or $19.9 million at the exchange rate on December 31, 2013) on these projects.

In January 2015, Arrium Limited announced that it is redesigning its mining business and expects to mothball its Southern Iron mine by June of 2015, citing the significant decline in the price of iron ore. During 2014, GWA carried approximately 26,000 carloads of iron ore from the Southern Iron mine, generating approximately A$65 million in freight revenues (or approximately $52 million, at current exchange rates of A$1.00 = US$0.80), under a fixed and variable payment structure. As a result of the announcement, we expect to receive only the fixed portion of the payments under the rail haulage agreement after the mine is mothballed. GWA also provides switching services to Arrium's Whyalla-based operations serving several of its iron mines located in the Middleback Range on the Eyre Peninsula, which services are not expected to be materially impacted by the announcement. As a result of the announcement by Arrium Limited, we evaluated our Australian Operations' long-lived assets for potential impairment and concluded there was no impairment as of December 31, 2014.

Canada

Tata Steel Minerals Canada Ltd.: In August 2012, we announced that our newly formed subsidiary, Kérail Inc. (Kérail), entered into a long-term agreement with Tata Steel Minerals Canada Ltd. (TSMC), for Kérail to provide rail transportation services to the direct shipping iron ore mine TSMC is developing near Schefferville, Quebec in the Labrador Trough (the Mine). In June 2014, Kérail completed construction of an approximately 25-kilometer rail line that connects the Mine to the Tshiuetin Rail Transportation interchange point in Schefferville. Upon receipt of the necessary permits from the Canadian and provincial governments, we commenced shipments in the fourth quarter of 2014. Shipments, as anticipated, ceased in the winter and are expected to restart once the weather permits. Operated as part of our Canada Region, Kérail hauls unit trains of iron ore from its rail connection with the Mine, and then travels over three privately owned railways to the Port of Sept-Îles for export primarily to Tata Steel Limited's European operations.

Results from Operations

When comparing our results from operations from one reporting period to another, it is important to consider that we have historically experienced fluctuations in revenues and expenses due to acquisitions, changing economic conditions, commodity prices, competitive forces, changes in foreign currency exchange rates, rail network congestion, one-time freight moves, fuel price fluctuations, customer plant expansions and shut-downs, sales of property and equipment, derailments and weather-related conditions, such as hurricanes, cyclones, tornadoes, droughts, heavy snowfall, unseasonably hot or cold weather, freezing and flooding. In periods when these events occur, our results of operations are not easily comparable from one period to another. Finally, certain of our railroads have commodity shipments that are sensitive to general economic conditions, such as steel products, paper products and lumber and forest products, as well as product specific market conditions, such as the availability of lower priced alternative sources of power generation (coal) and energy commodity price differentials (crude oil). Other shipments are relatively less affected by economic conditions and are more closely affected by other factors, such as winter weather (salt) and seasonal rainfall (agricultural products). As a result of these and other factors, our results of operations in any reporting period may not be directly comparable to our results of operations in other reporting periods.

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

Operating Revenues

Overview

Operating revenues were $1,639.0 million in the year ended December 31, 2014, compared with $1,568.6 million in the year ended December 31, 2013, an increase of $70.4 million, or 4.5%. The $70.4 million increase in operating revenues consisted of $45.1 million in revenues from new operations and a $25.2 million, or 1.6%, increase in revenues from existing operations. New operations are those that were not included in our consolidated financial results for a comparable period in the prior year. The $25.2 million increase in revenues from existing operations included an increase of $34.2 million in freight revenues, partially offset by a decrease of $9.0 million in non-freight revenues.

The following table breaks down our operating revenues and total carloads into new operations and existing operations for the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014			2013	Increase/(Decrease) in Total Operations		Increase/(Decrease) in Existing Operations		
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Freight revenues	$1,251,941	$40,328	$1,211,613	$1,177,364	$74,577	6.3 %	$34,249	2.9 %	$(22,410)
Non-freight revenues	387,071	4,812	382,259	391,279	(4,208)	(1.1)%	(9,020)	(2.3)%	(6,983)
Total operating	$1,639,012	$45,140	$1,593,872	$1,568,643	$70,369	4.5 %	$25,229	1.6 %	$(29,393)

revenues										
Carloads	2,007,051	36,894	1,970,157	1,886,012	121,039	6.4	%	84,145	4.5	%

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Freight Revenues

The following table compares freight revenues, carloads and average freight revenues per carload for the years ended December 31, 2014 and 2013 (dollars in thousands, except average freight revenues per carload):

	Freight Revenues						Carloads						Average Freight Revenues Per Carload	
	2014			2013			2014			2013				
Commodity Group	Amount	% of Total		Amount	% of Total		Amount	% of Total		Amount	% of Total		2014	2013
Agricultural Products	$153,268	12.2	%	$130,577	11.1	%	264,500	13.2	%	240,840	12.8	%	$579	$542
Chemicals & Plastics	136,492	10.9	%	128,935	11.0	%	169,160	8.4	%	163,123	8.7	%	807	790
Metals	131,161	10.5	%	127,769	10.9	%	184,264	9.2	%	175,636	9.3	%	712	727
Metallic Ores*	127,234	10.2	%	125,928	10.7	%	78,665	3.9	%	72,366	3.8	%	1,617	1,740
Coal & Coke	126,377	10.0	%	110,836	9.4	%	355,762	17.7	%	323,500	17.2	%	355	343
Minerals & Stone	121,920	9.7	%	96,771	8.2	%	247,742	12.4	%	219,163	11.6	%	492	442
Pulp & Paper	117,299	9.4	%	112,663	9.6	%	174,942	8.7	%	169,708	9.0	%	671	664
Intermodal**	92,285	7.4	%	98,759	8.4	%	66,917	3.4	%	73,666	3.9	%	1,379	1,341
Lumber & Forest Products	82,271	6.6	%	79,035	6.7	%	136,768	6.8	%	133,649	7.1	%	602	591
Petroleum Products	64,498	5.2	%	65,223	5.5	%	104,958	5.2	%	108,901	5.8	%	615	599
Food and Kindred Products	35,534	2.8	%	31,982	2.7	%	60,741	3.0	%	55,084	2.9	%	585	581
Autos & Auto Parts	23,619	1.9	%	26,415	2.2	%	34,470	1.7	%	36,510	1.9	%	685	724
Waste	18,449	1.5	%	22,750	1.9	%	39,994	2.0	%	43,166	2.3	%	461	527
Other	21,534	1.7	%	19,721	1.7	%	88,168	4.4	%	70,700	3.7	%	244	279
Total	$1,251,941	100.0	%	$1,177,364	100.0	%	2,007,051	100.0	%	1,886,012	100.0	%	624	624

* Carload amounts include carloads and intermodal units

** Carload amounts represent intermodal units

Total freight traffic increased 121,039 carloads, or 6.4%, in 2014 compared with 2013. Carloads from existing operations increased by 84,145 carloads, or 4.5%, and new operations contributed 36,894 carloads. The existing traffic increase was principally due to increases of 32,248 carloads of coal and coke traffic, 19,508 carloads of minerals and stone traffic, 17,397 carloads of other commodity group traffic, 8,253 carloads of metals traffic and 6,299 carloads of metallic ores traffic. All remaining traffic increased by a net 440 carloads.

Average freight revenues per carload were $624 in 2014 and 2013. Average freight revenues per carload from existing operations decreased 1.4% to $615. The depreciation of the Australian and Canadian dollars relative to the United States dollar and changes in the commodity mix decreased average freight revenues per carload from existing operations by 1.9% and 1.4%, respectively, while changes in fuel surcharges increased average freight revenues per carload from existing operations by 0.1%. Other than the impacts from these factors, average freight revenues per carload from existing operations increased by 1.8%. Average freight revenues per carload were also negatively impacted by the changes in mix of customers within certain commodity groups, primarily other commodity group traffic and waste traffic.

The following table sets forth freight revenues by commodity group for the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014			2013	Increase/(Decrease) in Total Operations		Increase/(Decrease) in Existing Operations		
Commodity Group	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Agricultural Products	$153,268	$19,115	$134,153	$130,577	$22,691	17.4 %	$3,576	2.7 %	$(3,211)
Chemicals & Plastics	136,492	3,146	133,346	128,935	7,557	5.9 %	4,411	3.4 %	(953)
Metals	131,161	397	130,764	127,769	3,392	2.7 %	2,995	2.3 %	(948)
Metallic Ores	127,234	—	127,234	125,928	1,306	1.0 %	1,306	1.0 %	(6,984)
Coal & Coke	126,377	24	126,353	110,836	15,541	14.0 %	15,517	14.0 %	(231)
Minerals & Stone	121,920	16,640	105,280	96,771	25,149	26.0 %	8,509	8.8 %	(894)
Pulp & Paper	117,299	—	117,299	112,663	4,636	4.1 %	4,636	4.1 %	(1,202)
Intermodal	92,285	—	92,285	98,759	(6,474)	(6.6)%	(6,474)	(6.6)%	(6,175)
Lumber & Forest Products	82,271	172	82,099	79,035	3,236	4.1 %	3,064	3.9 %	(325)
Petroleum Products	64,498	11	64,487	65,223	(725)	(1.1)%	(736)	(1.1)%	(762)
Food and Kindred Products	35,534	788	34,746	31,982	3,552	11.1 %	2,764	8.6 %	(92)
Autos & Auto Parts	23,619	—	23,619	26,415	(2,796)	(10.6)%	(2,796)	(10.6)%	(451)
Waste	18,449	—	18,449	22,750	(4,301)	(18.9)%	(4,301)	(18.9)%	(21)
Other	21,534	35	21,499	19,721	1,813	9.2 %	1,778	9.0 %	(161)
Total freight revenues	$1,251,941	$40,328	$1,211,613	$1,177,364	$74,577	6.3 %	$34,249	2.9 %	$(22,410)

The following information discusses the significant changes in freight revenues from existing operations by commodity group. Changes in average freight revenues per carload in a commodity group can be impacted by changes in customer rates, fuel surcharges and changes in foreign currency exchange rates, as well as changes in the mix of customer traffic within a commodity group.

Agricultural products revenues increased $3.6 million, or 2.7%. Agricultural products traffic increased 1,986 carloads, or 0.8%, which increased revenues by $1.1 million, and average freight revenues per carload increased 1.8%, which increased revenues by $2.5 million. The carload increase was primarily due to increased shipments in North America, partially offset by decreased shipments in Australia. The increase in average freight revenues per carload included a 2.5%, or $3.2 million, negative impact due to the depreciation of the Australian and Canadian dollars relative to the United States dollar.

Chemicals and plastics revenues increased $4.4 million, or 3.4%. Chemicals and plastics average freight revenues per carload increased 2.7%, which increased revenues by $3.3 million, and traffic volume increased 1,352 carloads, or 0.8%, which increased revenues by $1.1 million. The carload increase was primarily due to increased shipments in the western United States.

Metals revenues increased $3.0 million, or 2.3%. Metals traffic volume increased 8,253 carloads, or 4.7%, which increased revenues by $5.9 million, while average freight revenues per carload decreased 2.2%, which decreased revenues by $2.9 million. The carload increase was primarily due to increased shipments of steel in the United States.

Metallic ores revenues increased $1.3 million, or 1.0%. Metallic ores traffic volume increased 6,299 carloads, or 8.7%, which increased revenues by $10.2 million, while average freight revenues per carload decreased 7.1%, and included a 5.5%, or $7.0 million, negative impact due to the depreciation of the Australian and Canadian dollars relative to the United States dollar. The carload increase was primarily due to increased iron ore, manganese and copper ore shipments in Australia and copper concentrate in the western United States.

Coal and coke revenues increased $15.5 million, or 14.0%. Coal and coke traffic volume increased 32,248 carloads, or 10.0%, which increased revenues by $11.5 million, and average freight revenues per carload increased 3.5%, which increased revenues by $4.1 million. The carload increase was primarily due to increased demand for steam coal in the midwestern United States, partially offset by decreased coal shipments in the western United States.

Minerals and stone revenues increased $8.5 million, or 8.8%. Minerals and stone traffic volume increased 19,508 carloads, or 8.9%, which increased revenues by $8.6 million. The carload increase was primarily due to increased shipments of rock salt, frac sand, cement, construction aggregates and industrial minerals in North America, partially offset by decreased shipments of limestone in Australia.

Pulp and paper revenues increased $4.6 million, or 4.1%. Pulp and paper traffic volume increased 5,234 carloads, or 3.1%, which increased revenues by $3.5 million, and average freight revenues per carload increased 1.1%, which increased revenues by $1.1 million. The carload increase was primarily due to increased shipments of container board in the United States, partially offset by decreased shipments of finished papers and wood pulp in Canada. The increase in average freight revenues per carload included a 1.0%, or $1.2 million, negative impact due to the depreciation of the Canadian dollar relative to the United States dollar.

Intermodal revenues decreased $6.5 million, or 6.6%. Effective December 1, 2013, the classification of a North American customer's traffic changed from intermodal to other commodity groups, resulted in a 3,575 carload decrease. Otherwise, intermodal traffic volume decreased 3,174 carloads, or 4.5%, and revenues decreased $6.1 million, or 6.2%. The decrease in revenues included a $6.2 million negative impact due to the depreciation of the Australian and Canadian dollar relative to the United States dollar. The carload decrease was primarily due to weaker shipments from our customers in Australia and Canada.

Lumber and forest products revenues increased $3.1 million, or 3.9%. Lumber and forest products traffic volume increased 2,974 carloads, or 2.2%, which increased revenues by $1.8 million, and average freight revenues per carload increased 1.7%, which increased revenues by $1.3 million. The carload increase was primarily due to increased shipments of wood pellets, wood chips and finished lumber in the southeastern United States, partially offset by decreased shipments in Canada.

Waste revenues decreased $4.3 million, or 18.9%, primarily due to the closure of a waste facility in the fourth quarter of 2013 that we served in the midwestern United States.

Freight revenues from all remaining commodity groups combined increased by $1.0 million.

Non-Freight Revenues

The following table compares non-freight revenues for the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014			2013		
	Amount	% of Total		Amount	% of Total	
Railcar switching	$170,267	44.0	%	$161,942	41.3	%
Car hire and rental income	44,466	11.5	%	34,721	8.9	%
Demurrage and storage	56,653	14.6	%	58,312	14.9	%
Car repair services	27,776	7.2	%	21,078	5.4	%
Construction revenues	23,156	6.0	%	41,677	10.7	%
Other non-freight revenues	64,753	16.7	%	73,549	18.8	%
Total non-freight revenues	$387,071	100.0	%	$391,279	100.0	%

The following table sets forth non-freight revenues by new operations and existing operations for the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014			2013	Increase/(Decrease) in Total Operations		Increase/(Decrease) in Existing Operations		
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Railcar switching	$170,267	$121	$170,146	$161,942	$8,325	5.1 %	$8,204	5.1 %	$(3,170)
Car hire and rental income	44,466	2,601	41,865	34,721	9,745	28.1 %	7,144	20.6 %	(437)
Demurrage and storage	56,653	145	56,508	58,312	(1,659)	(2.8)%	(1,804)	(3.1)%	(677)
Car repair services	27,776	703	27,073	21,078	6,698	31.8 %	5,995	28.4 %	(128)
Construction revenues	23,156	—	23,156	41,677	(18,521)	(44.4)%	(18,521)	(44.4)%	—
Other non-freight revenues	64,753	1,242	63,511	73,549	(8,796)	(12.0)%	(10,038)	(13.6)%	(2,571)
Total non-freight revenues	$387,071	$4,812	$382,259	$391,279	$(4,208)	(1.1)%	$(9,020)	(2.3)%	$(6,983)

Total non-freight revenues from existing operations declined $9.0 million in the year ended December 31, 2014 compared with the year ended December 31, 2013 and were partially offset by $4.8 million in non-freight revenues from new operations. The decrease from existing operations was principally due to an $18.5 million decrease in low margin construction revenues, a $7.5 million decrease in other non-freight revenues and a $7.0 million decrease from the impact of foreign currency depreciation, partially offset by an $11.4 million increase in railcar switching, primarily due to higher narrow gauge iron ore shipments in Australia and a new customer in Europe, a $7.6 million increase in car hire and rental income, primarily due to easement contracts in the northeastern United States and the purchase of a new fleet of railcars in the United States, and a $6.1 million increase in car repair services, primarily related to increased railcar maintenance for customers in Australia and revenues from our new car repair shop in the midwestern United States. We expect construction revenues to further decline in 2015 as we intend to focus our construction business on internal capital work and select industrial development projects.

Operating Expenses

Overview

Total operating expenses for the year ended December 31, 2014 included $33.2 million from new operations and an increase of $17.1 million from existing operations compared with the year ended December 31, 2013. The increase from existing operations was primarily due to increases of $27.7 million in labor and benefits expense, $14.0 million in depreciation and amortization expense, $4.1 million in trackage rights expense and $3.4 million in casualties and insurance expense, partially offset by decreases of $23.3 million in purchased services and $8.5 million in other expenses. The depreciation of the Australian and Canadian dollars relative to the United States dollar resulted in a $21.4 million decrease in operating expenses from existing operations.

Operating Ratio

Our operating ratio, defined as total operating expenses divided by total operating revenues, was 74.3% in the year ended December 31, 2014, compared with 75.8% in the year ended December 31, 2013. Income from operations in the year ended December 31, 2014 included business development and related costs of $5.2 million, partially offset by a $5.1 million net gain on sale of assets. Income from operations in the year ended December 31, 2013 included business development and related costs of $1.6 million and $17.0 million of RailAmerica integration and acquisition-related costs, partially offset by a $4.7 million net gain on sale of assets. Changes in foreign currency exchange rates can have a material impact on our operating revenues and operating expenses. However, the net impact of these foreign currency translation effects should not have a material impact on our operating ratio.

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The following table sets forth a comparison of our operating expenses in the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014 Amount	2014 % of Operating Revenues	2013 Amount	2013 % of Operating Revenues	Currency Impact
Labor and benefits	$471,713	28.8 %	$441,312	28.1 %	$(7,076)
Equipment rents	82,730	5.0 %	77,595	4.9 %	(1,023)
Purchased services	98,704	6.0 %	122,584	7.8 %	(3,733)
Depreciation and amortization	157,081	9.6 %	141,644	9.0 %	(2,856)
Diesel fuel used in operations	149,047	9.1 %	147,172	9.4 %	(3,097)
Casualties and insurance	41,568	2.5 %	38,564	2.5 %	(891)
Materials	78,624	4.8 %	76,454	4.9 %	(574)
Trackage rights	53,783	3.3 %	50,911	3.2 %	(1,292)
Net gain on sale of assets	(5,100)	(0.3)%	(4,677)	(0.3)%	133
Other expenses	89,291	5.5 %	96,896	6.3 %	(959)
Total operating expenses	$1,217,441	74.3 %	$1,188,455	75.8 %	$(21,368)

Labor and benefits expense was $471.7 million in the year ended December 31, 2014, compared with $441.3 million in the year ended December 31, 2013, an increase of $30.4 million, or 6.9%. The increase in labor and benefits expense consisted of $20.6 million from existing operations and $9.8 million from new operations. The increase from existing operations was primarily due to an increase in the average number of employees, partially offset by a decrease of $7.1 million due to the depreciation of the Australian and Canadian dollars relative to the United States dollar. Our average number of employees increased for our existing operations primarily as a result of insourcing equipment maintenance activities in Australia and the midwestern United States and an increase in transportation employees as a result of higher traffic levels.

Equipment rents expense was $82.7 million in the year ended December 31, 2014, compared with $77.6 million in the year ended December 31, 2013, an increase of $5.1 million, or 6.6%. The increase in equipment rents expense consisted of $0.9 million from existing operations and $4.3 million from new operations.

Purchased services expense, which consists of the costs of services provided by outside contractors for repairs and maintenance of track property, locomotives, railcars and other equipment, as well as contract labor costs for crewing services, was $98.7 million in the year ended December 31, 2014, compared with $122.6 million in the year ended December 31, 2013, a decrease of $23.9 million, or 19.5%. The decrease in purchased services consisted of $27.0 million from existing operations, partially offset by $3.2 million from new operations. The decrease from existing operations was primarily attributable to the insourcing of equipment maintenance activities in Australia, as well as a reduction in the level of construction projects at Atlas and $3.7 million due to the depreciation of the Australian and Canadian dollars relative to the United States dollar.

Depreciation and amortization expense was $157.1 million in the year ended December 31, 2014, compared with $141.6 million in the year ended December 31, 2013, an increase of $15.4 million, or 10.9%. The increase consisted of an $11.2 million increase from existing operations and $4.3 million from new operations. The increase from existing operations was primarily due to additional capital expenditures, including new business development projects, partially offset by a decrease of $2.9 million due to the depreciation of the Australian and Canadian dollars relative to the United States dollar.

The cost of diesel fuel used in operations was $149.0 million in the year ended December 31, 2014, compared with $147.2 million in the year ended December 31, 2013, an increase of $1.9 million, or 1.3%. The increase consisted of $6.0 million from new operations, partially offset by a decrease of $4.1 million from existing operations. The decrease from existing operations was composed of $6.4 million due to a 4.3% decrease in average fuel costs and a decrease of $3.1 million due to the depreciation of the Australian and Canadian dollars relative to the United States dollar, partially offset by $5.4 million due to a 3.7% increase in diesel fuel consumption.

Casualties and insurance expense was $41.6 million in the year ended December 31, 2014, compared with $38.6 million in the year ended December 31, 2013, an increase of $3.0 million, or 7.8%. The increase was primarily due to three severe weather-related incidents including a washout in Canada during the spring thaw, a bridge failure in the midwestern United States due to ice damage during the first quarter of 2014 and a washout in the southeastern United States due to heavy rain from a severe thunderstorm in the second quarter of 2014.

Materials expense, which primarily consists of the costs of materials purchased for use in repairing and maintaining our track property, locomotives, railcars and other equipment, as well as costs for general tools and supplies used in our business, was $78.6 million in the year ended December 31, 2014, compared with $76.5 million in the year ended December 31, 2013, an increase of $2.2 million, or 2.8%. The increase consisted of $3.4 million from new operations, partially offset by a $1.2 million decrease from existing operations. The decrease from existing operations was due to a reduction in the level of construction projects at Atlas, partially offset by an increase in materials purchased from the insourcing of our equipment maintenance activities in Australia.

Trackage rights expense was $53.8 million in the year ended December 31, 2014, compared with $50.9 million in the year ended December 31, 2013, an increase of $2.9 million, or 5.6%. The increase was primarily attributable to a new customer in Europe and expanded services for an iron ore customer in South Australia that moves over a segment of track owned by a third party.

Other expenses were $89.3 million in the year ended December 31, 2014, compared with $96.9 million in the year ended December 31, 2013, a decrease of $7.6 million, or 7.8%. The decrease from existing operations was primarily due to RailAmerica integration costs incurred in 2013.

Interest Income

Interest income was $1.4 million in the year ended December 31, 2014, compared with $4.0 million in the year ended December 31, 2013. The decrease in interest income is primarily related to the repayment and termination of our cross-currency swap agreements. See Note 10, Derivative Financial Instruments, to our Consolidated Financial Statements included elsewhere in this Annual Report for further details on the repayment and termination of our cross-currency swap agreements.

Interest Expense

Interest expense was $56.2 million in the year ended December 31, 2014, compared with $67.9 million in the year ended December 31, 2013. The decrease in interest expense was primarily due to lower borrowing costs consistent with our reduced leverage, the expiration of various interest rate swap agreements, the termination of our cross-currency swap agreements and reduced amortization of deferred financing fees resulting primarily from the refinancing of our credit agreement in May 2014. Interest expense in the year ended December 31, 2014 included the write-off of deferred financing fees of $4.6 million associated with the refinancing of our credit agreement.

Provision for Income Taxes

Our income tax provision for the year ended December 31, 2014 was $107.1 million, which represented 29.1% of income before income taxes and income from equity investment. Our provision for income taxes for the year ended December 31, 2014 included a $3.9 million tax benefit as a result of receiving consent from the United States Internal Revenue Service (IRS) to change a tax accounting method retroactively for companies acquired as a result of the RailAmerica acquisition.

Included in our net income for the year ended December 31, 2013 was a $41.0 million benefit associated with the retroactive extension of the United States Short Line Tax Credit for fiscal year 2012. Since the extension became law in 2013, the 2012 impact was recorded in the first quarter of 2013. Excluding the $41.0 million retroactive benefit, our provision for income taxes was $87.2 million for the year ended December 31, 2013, which represented 27.4% of income before income taxes and income from equity investment.

The United States track maintenance credit is an income tax credit for Class II and Class III railroads, as defined by the STB, to reduce their federal income tax based on qualified railroad track maintenance expenditures (the Short Line Tax Credit). Qualified expenditures include amounts incurred for maintaining track, including roadbed, bridges and related track structures owned or leased by a Class II or Class III railroad. The credit is equal to 50% of the qualified expenditures, subject to an annual limitation of $3,500 multiplied by the number of miles of railroad track owned or leased by the Class II or Class III railroad as of the end of their tax year. The Short Line Tax Credit was in existence from 2005 through 2011 and was extended for fiscal years 2012 and 2013 on January 2, 2013 and further extended on December 19, 2014 for fiscal year 2014.

Net Income and Earnings Per Share Attributable to G&W Common Stockholders

Net income was $261.0 million in the year ended December 31, 2014, compared with net income of $272.1 million in the year ended December 31, 2013. Our basic EPS were $4.71 with 55.3 million weighted average shares outstanding in the year ended December 31, 2014, compared with basic EPS of $5.00 with 53.8 million weighted average shares outstanding in the year ended December 31, 2013. Our diluted EPS in the year ended December 31, 2014 were $4.58 with 57.0 million weighted average shares outstanding, compared with diluted EPS in the year ended December 31, 2013 of $4.79 with 56.7 million weighted average shares outstanding. On February 13, 2013, we converted all of our outstanding Series A-1 Preferred Stock into 5,984,232 shares of our Class A Common Stock. The conversion resulted in an increase in our weight average basic shares outstanding of 5,984,232 and 5,262,845 for the years ended December 31, 2014 and 2013, respectively.

Segment Information

Our various railroad lines are organized into 11 operating regions. All of the regions have similar economic and other characteristics; however, we present our financial information as two reportable segments — North American & European Operations and Australian Operations.

The results of operations of our foreign entities are maintained in the respective local currency (the Australian dollar, the Canadian dollar and the Euro) and then translated into United States dollars at the applicable exchange rates for inclusion in our consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar can impact our results of operations.

The following table sets forth our North American & European Operations and Australian Operations for the years ended December 31, 2014 and 2013 (dollars in thousands):

	2014			2013		
	North American & European Operations	Australian Operations	Total Operations	North American & European Operations	Australian Operations	Total Operations
Revenues:						
Freight	$1,008,236	$243,705	$1,251,941	$917,971	$259,393	$1,177,364
Non-freight	317,594	69,477	387,071	325,876	65,403	391,279
Total operating revenues	1,325,830	313,182	1,639,012	1,243,847	324,796	1,568,643
Operating expenses:						
Labor and benefits	400,497	71,216	471,713	374,935	66,377	441,312
Equipment rents	72,757	9,973	82,730	67,296	10,299	77,595
Purchased services	64,696	34,008	98,704	70,339	52,245	122,584
Depreciation and amortization	128,986	28,095	157,081	114,542	27,102	141,644
Diesel fuel used in operations	122,701	26,346	149,047	116,204	30,968	147,172
Casualties and insurance	30,669	10,899	41,568	28,185	10,379	38,564
Materials	70,968	7,656	78,624	73,724	2,730	76,454
Trackage rights	31,688	22,095	53,783	29,595	21,316	50,911
Net gain on sale of assets	(4,668)	(432)	(5,100)	(4,491)	(186)	(4,677)
Other expenses	76,976	12,315	89,291	89,396	7,500	96,896
Total operating expenses	995,270	222,171	1,217,441	959,725	228,730	1,188,455
Income from operations	$330,560	$91,011	$421,571	$284,122	$96,066	$380,188
Operating ratio	75.1%	70.9%	74.3%	77.2%	70.4%	75.8%
Interest expense	$43,722	$12,440	$56,162	$52,740	$15,154	$67,894
Interest income	$1,157	$288	$1,445	$3,631	$340	$3,971
Provision for income taxes	$83,664	$23,443	$107,107	$24,038	$22,258	$46,296
Carloads	1,779,157	227,894	2,007,051	1,649,914	236,098	1,886,012
Expenditures for additions to property & equipment, net of grants from outside parties	$280,657	$25,064	$305,721	$163,545	$51,860	$215,405

Revenues from our North American & European Operations were $1,325.8 million in the year ended December 31, 2014, compared with $1,243.8 million in the year ended December 31, 2013, an increase of $82.0 million, or 6.6%. The $82.0 million increase in revenues from our North American & European Operations consisted of a $90.3 million increase in freight revenues, partially offset by an $8.3 million decrease in non-freight revenues. The $90.3 million increase in freight revenues consisted of an increase of $49.9 million from existing operations and $40.3 million from new operations. The $49.9 million increase from existing operations was primarily related to increased demand for steam coal in the midwestern United States, increased agricultural products shipments and increased shipments of rock salt, frac sand, cement, construction aggregates and industrial minerals in North America. The $8.3 million decrease in non-freight revenues consisted of a $13.1 million decrease from existing operations, partially offset by $4.8 million from new operations. The decrease from existing operations was primarily related to a decrease in low margin construction revenues at Atlas and a decrease in other non-freight revenues, partially offset by an increase in railcar switching revenues resulting from a new customer in Europe, an increase in car hire and rental income in the United States and an increase in car repair services from a new car repair shop in the midwestern United States.

Operating expenses from our North American & European Operations were $995.3 million in the year ended December 31, 2014, compared with $959.7 million in the year ended December 31, 2013, an increase of $35.5 million, or 3.7%. The increase in operating expenses consisted of $33.2 million from new operations and $2.3 million from existing operations. The increase from existing operations was primarily related to an $18.5 million increase from labor and benefits expense, primarily as a result of an increase in the average number of employees; an $11.2 million increase in depreciation and amortization expense, primarily related to capital expenditures in 2013 including new business development projects; a $2.2 million increase in casualties and insurance expense, primarily resulting from severe weather related incidents in North America and a $2.0 million increase in trackage rights expense. These increases were partially offset by a $13.8 million decrease in other expenses, primarily resulting from RailAmerica integration costs recorded in 2013; an $8.4 million decrease in purchased services and a $5.8 million decrease in materials expense, both of which were primarily related to a reduction in the level of construction projects at Atlas and a decrease of $6.7 million due to the depreciation of the Canadian dollar relative to the United States dollar. Our average number of employees increased primarily as a result of insourcing our equipment maintenance activities in the midwestern United States and due to an increase in transportation employees as a result of higher traffic levels.

Revenues from our Australian Operations were $313.2 million in the year ended December 31, 2014, compared with $324.8 million in the year ended December 31, 2013, a decrease of $11.6 million, or 3.6%. The decrease in revenues included a $15.7 million decrease in freight revenues, partially offset by a $4.1 million increase in non-freight revenues. The $15.7 million decrease in freight revenues consisted of $16.4 million due to the depreciation of the Australian dollar relative to the United States dollar and $8.8 million due to an 8,024, or 3.5%, carload decrease, partially offset by $9.5 million due to a 3.9% increase in average freight revenues per carload. The decrease in carloads was primarily due to decreased shipments of agricultural products and limestone, partially offset by an increase in shipments of iron ore, manganese and copper ore. The $4.1 million increase in non-freight revenues was primarily attributable to an increase in railcar switching revenues due to higher narrow gauge iron ore shipments and increased railcar maintenance for customers in Australia, partially offset by the loss of track access income from an iron ore mine that ceased operations.

Operating expenses from our Australian Operations were $222.2 million in the year ended December 31, 2014, compared with $228.7 million in the year ended December 31, 2013, a decrease of $6.6 million, or 2.9%. The decrease in operating expenses was primarily related to $14.9 million from purchased services expense resulting from insourcing equipment maintenance activities and $14.7 million due to the decrease of the Australian dollar relative to the United States dollar. These decreases were partially offset by increases of $9.2 million from labor and benefit expenses and $5.1 million of materials expense, both of which were primarily related to the insourcing of equipment maintenance activities; $2.8 million in depreciation and amortization expense primarily resulting from capital expenditures in 2013 including new business development projects; and $2.0 million in trackage rights expense, primarily due to expanded services for an iron ore customer that moves over a segment of track owned by a third party.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Operating Revenues

Overview

Operating revenues were $1,568.6 million in the year ended December 31, 2013, compared with $874.9 million in the year ended December 31, 2012, an increase of $693.7 million, or 79.3%. The $693.7 million increase in operating revenues consisted of $635.2 million in revenues from new operations and a $58.5 million, or 6.7%, increase in revenues from existing operations. New operations are those that were not included in our consolidated financial results for a comparable period in the prior year. The $58.5 million increase in revenues from existing operations included an increase of $67.9 million in freight revenues, partially offset by a decrease of $9.3 million in non-freight revenues.

The following table breaks down our operating revenues and total carloads into new operations and existing operations for the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013			2012	Increase in Total Operations		Increase/(Decrease) in Existing Operations		
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Freight revenues	$1,177,364	$484,691	$692,673	$624,809	$552,555	88.4 %	$67,864	10.9 %	$(16,481)
Non-freight revenues	391,279	150,516	240,763	250,107	141,172	56.4 %	(9,344)	(3.7)%	(4,872)
Total operating revenues	$1,568,643	$635,207	$933,436	$874,916	$693,727	79.3 %	$58,520	6.7 %	$(21,353)
Carloads	1,886,012	909,768	976,244	927,094	958,918	103.4 %	49,150	5.3 %	

Freight Revenues

The following table compares freight revenues, carloads and average freight revenues per carload for the years ended December 31, 2013 and 2012 (dollars in thousands, except average freight revenues per carload):

	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2013		2012		2013		2012			
Commodity Group	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	2013	2012
Agricultural Products	$130,577	11.1 %	$59,378	9.5 %	240,840	12.8 %	96,734	10.4 %	$542	$614
Metallic Ores*	125,928	10.7 %	75,188	12.0 %	72,366	3.8 %	41,918	4.5 %	1,740	1,794
Chemicals & Plastics	128,935	11.0 %	55,146	8.8 %	163,123	8.7 %	68,999	7.4 %	790	799
Metals	127,769	10.9 %	62,129	9.9 %	175,636	9.3 %	94,621	10.2 %	727	657
Pulp & Paper	112,663	9.6 %	65,696	10.5 %	169,708	9.0 %	101,588	11.0 %	664	647
Coal & Coke	110,836	9.4 %	70,052	11.2 %	323,500	17.2 %	168,574	18.2 %	343	416
Minerals & Stone	96,771	8.2 %	48,023	7.7 %	219,163	11.6 %	130,602	14.1 %	442	368
Intermodal**	98,759	8.4 %	94,735	15.2 %	73,666	3.9 %	66,706	7.2 %	1,341	1,420
Lumber & Forest Products	79,035	6.7 %	34,839	5.7 %	133,649	7.1 %	70,896	7.6 %	591	491

Petroleum Products	65,223	5.5 %	25,293	4.1 %	108,901	5.8 %	26,907	2.9 %	599	940
Food and Kindred Products	31,982	2.7 %	5,230	0.8 %	55,084	2.9 %	11,011	1.2 %	581	475
Waste	22,750	1.9 %	13,622	2.2 %	43,166	2.3 %	21,676	2.3 %	527	628
Autos & Auto Parts	26,415	2.2 %	8,313	1.3 %	36,510	1.9 %	10,148	1.2 %	724	819
Other	19,721	1.7 %	7,165	1.1 %	70,700	3.7 %	16,714	1.8 %	279	429
Total	$1,177,364	100.0 %	$624,809	100.0 %	1,886,012	100.0 %	927,094	100.0 %	624	674

* Carload amounts include carloads and intermodal units

** Carload amounts represent intermodal units

Total freight traffic increased 958,918 carloads, or 103.4%, in 2013 compared with 2012. Carloads from existing operations increased by 49,150 carloads, or 5.3%, and new operations contributed 909,768 carloads. The existing traffic increase was principally due to increases of 20,601 carloads of metallic ores traffic, 12,577 carloads of petroleum products traffic, 7,676 carloads of metals traffic, 6,958 carloads of intermodal traffic and 5,625 carloads of agricultural products traffic, partially offset by a 4,250 carload decrease in pulp and paper traffic. All remaining traffic decreased by a net 37 carloads.

Average freight revenues per carload decreased 7.4% to $624 in 2013 compared with 2012. Average freight revenues per carload from existing operations increased 5.3% to $710. Changes in the commodity mix and fuel surcharges increased average freight revenues per carload from existing operations by 4.8% and 0.5%, respectively, partially offset by the depreciation of the Australian and Canadian dollars relative to the United States dollar, which decreased average freight revenues per carload from existing operations by 2.9%. Other than the impacts from these factors, average freight revenues per carload from existing operations increased by 2.9%. Average freight revenues per carload were also positively impacted by the changes in the mix of customers within certain commodity groups, primarily metallic ores.

The following table sets forth freight revenues by commodity group segregated into new operations and existing operations for the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013			2012	Increase in Total Operations		Increase/(Decrease) in Existing Operations		
Commodity Group	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Agricultural Products	$130,577	$72,704	$57,873	$59,378	$71,199	119.9 %	$(1,505)	(2.5)%	$(2,383)
Metallic Ores	125,928	6,608	119,320	75,188	50,740	67.5 %	44,132	58.7 %	(5,166)
Chemicals & Plastics	128,935	72,356	56,579	55,146	73,789	133.8 %	1,433	2.6 %	(188)
Metals	127,769	57,599	70,170	62,129	65,640	105.7 %	8,041	12.9 %	(352)
Pulp & Paper	112,663	43,531	69,132	65,696	46,967	71.5 %	3,436	5.2 %	(319)
Coal & Coke	110,836	40,442	70,394	70,052	40,784	58.2 %	342	0.5 %	(19)
Minerals & Stone	96,771	46,029	50,742	48,023	48,748	101.5 %	2,719	5.7 %	(827)
Intermodal	98,759	2	98,757	94,735	4,024	4.2 %	4,022	4.2 %	(6,744)
Lumber & Forest Products	79,035	42,103	36,932	34,839	44,196	126.9 %	2,093	6.0 %	(82)
Petroleum Products	65,223	34,926	30,297	25,293	39,930	157.9 %	5,004	19.8 %	(191)
Food and Kindred Products	31,982	26,788	5,194	5,230	26,752	511.5 %	(36)	(0.7)%	(7)
Waste	22,750	8,821	13,929	13,622	9,128	67.0 %	307	2.3 %	(4)
Autos & Auto Parts	26,415	18,637	7,778	8,313	18,102	217.8 %	(535)	(6.4)%	(163)
Other	19,721	14,145	5,576	7,165	12,556	175.2 %	(1,589)	(22.2)%	(36)
Total freight revenues	$1,177,364	$484,691	$692,673	$624,809	$552,555	88.4 %	$67,864	10.9 %	$(16,481)

The following information discusses the significant changes in freight revenues from existing operations by commodity group. Changes in average freight revenues per carload in a commodity group can be impacted by changes in customer rates, fuel surcharges and changes in foreign currency exchange rates, as well as changes in the mix of customer traffic within a commodity group.

Agricultural products revenues decreased $1.5 million, or 2.5%. Agricultural products average freight revenues per carload decreased 8.0%, which decreased revenues by $4.7 million, while traffic volumes increased 5,625 carloads, or 5.8%, which increased revenues by $3.2 million. The decrease in average freight revenues per carload included a 3.9%, or $2.4 million, negative impact due to the depreciation of the Australian and Canadian dollars relative to the United States dollar. The carload increase was primarily due to increased export grain traffic in Australia, partially offset by lower volumes of Canadian winter wheat shipments. Because rates for Australian grain traffic have both a fixed and a variable component, the increase in Australian grain traffic resulted in lower average freight revenues per carload.

Metallic ores revenues increased $44.1 million, or 58.7%. Metallic ores traffic volume increased 20,601 carloads, or 49.1%, which increased revenues by $39.3 million, and average freight revenues per carload increased 6.4%, which increased revenues by $4.8 million. The increase in volume and average freight revenues per carload was primarily due to a new iron ore contract in South Australia, which began in the fourth quarter of 2012. The increase in average freight revenues per carload included a 7.9%, or $5.2 million, negative impact due to the depreciation of the Australian and Canadian dollars relative to the United States dollar.

Metals revenues increased $8.0 million, or 12.9%. Metals traffic volume increased 7,676 carloads, or 8.1%, which increased revenues by $5.3 million, and average freight revenues per carload increased 4.4%, which increased revenues by $2.8 million. The carload increase was primarily due to increased shipments in the northeastern and southern United States.

Pulp and paper revenues increased $3.4 million, or 5.2%. Average freight revenues per carload increased 9.7%, which increased revenues by $6.5 million, while traffic volumes decreased 4,250 carloads, or 4.2%, which decreased revenues by $3.0 million. For the year ended December 31, 2013, as a result of the RailAmerica acquisition, 6,494 carloads of pulp and paper traffic originating on a RailAmerica railroad that is contiguous to a legacy G&W railroad were reported as new operations. Otherwise, pulp and paper traffic volume increased 2,244 carloads, or 2.2%, and average freight revenues per carload increased 3.0%.

Minerals and stone revenues increased $2.7 million, or 5.7%. Average freight revenues per carload increased 3.3%, which increased revenues by $1.6 million, and traffic volume increased 2,986 carloads, or 2.3%, which increased revenues by $1.1 million. The increase in volume was primarily related to increased rock salt shipments due to severe winter weather in the United States, partially offset by reduced traffic in Australia.

Intermodal revenues increased $4.0 million, or 4.2%. Intermodal traffic volume increased 6,958 carloads, or 10.4%, which increased revenues by $9.3 million, while average freight revenues per carload decreased 5.6%, which decreased revenues by $5.3 million. The carload increase was primarily due to new business converted to rail from road in Australia and new business in Canada. The decrease in average freight revenues per carload included a 7.3%, or $6.7 million, negative impact due to the depreciation of the Australian and Canadian dollars relative to the United States dollar.

Petroleum products revenues increased $5.0 million, or 19.8%. Petroleum products traffic volume increased 12,577 carloads, or 46.7%, which increased revenues by $9.7 million, while average freight revenues per carload decreased 18.4%, which decreased revenues by $4.6 million. The carload increase was primarily due to a new crude oil customer in the Pacific Northwest. The decrease in the average freight revenues per carload was due to customer mix.

Freight revenues from all remaining commodity groups combined increased by $2.0 million.

Non-Freight Revenues

The following table compares non-freight revenues for the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013			2012		
	Amount	% of Total		Amount	% of Total	
Railcar switching	$161,942	41.3	%	$134,929	54.0	%
Car hire and rental income	34,721	8.9	%	21,280	8.5	%
Fuel sales to third parties	—	—	%	11,868	4.7	%
Demurrage and storage	58,312	14.9	%	26,125	10.4	%
Car repair services	21,078	5.4	%	7,934	3.2	%
Construction revenues	41,677	10.7	%	—	—	%
Other non-freight revenues	73,549	18.8	%	47,971	19.2	%
Total non-freight revenues	$391,279	100.0	%	$250,107	100.0	%

The following table sets forth non-freight revenues by new operations and existing operations for the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013			2012	Increase/ (Decrease) in Total Operations		Increase/ (Decrease) in Existing Operations		
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Railcar switching	$161,942	$20,528	$141,414	$134,929	$27,013	20.0 %	$6,485	4.8 %	$(1,805)
Car hire and rental income	34,721	18,250	16,471	21,280	13,441	63.2 %	(4,809)	(22.6)%	(502)
Fuel sales to third parties	—	—	—	11,868	(11,868)	(100.0)%	(11,868)	(100.0)%	(416)
Demurrage and storage	58,312	30,537	27,775	26,125	32,187	123.2 %	1,650	6.3 %	(116)
Car repair services	21,078	12,455	8,623	7,934	13,144	165.7 %	689	8.7 %	(22)
Construction revenues	41,677	41,677	—	—	41,677	100.0 %	—	— %	—
Other non-freight revenues	73,549	27,069	46,480	47,971	25,578	53.3 %	(1,491)	(3.1)%	(2,011)
Total non-freight revenues	$391,279	$150,516	$240,763	$250,107	$141,172	56.4 %	$(9,344)	(3.7)%	$(4,872)

Total non-freight revenues in the year ended December 31, 2013 included $150.5 million from new operations, including construction revenues of $41.7 million from Atlas, a rail construction business acquired in the RailAmerica acquisition, which were partially offset by a decrease of $9.3 million from non-freight revenues from existing operations compared with the year ended December 31, 2012. The decrease from existing operations was principally due to a $11.9 million decrease in fuel sales to third parties as a result of the sale of our fuel-sales business in South Australia in the third quarter of 2012 and a $4.9 million decrease from the impact of foreign currency depreciation, partially offset by higher railcar switching revenues of $6.5 million primarily due to new and expanded customer contracts in Australia and the United States.

Operating Expenses

Overview

Operating expenses were $1,188.5 million in the year ended December 31, 2013, compared with $684.6 million in the year ended December 31, 2012, an increase of $503.9 million, or 73.6%. Labor and benefits increased $188.3 million in the year ended December 31, 2013, primarily related to the addition of employees from the acquisition of RailAmerica and wage and benefit increases for existing employees. Of the remaining $315.6 million increase in operating expenses, $304.3 million was from new operations and $39.5 million was from existing operations, partially offset by a decrease in other expenses related to RailAmerica integration and acquisition-related costs of $13.0 million and a $15.2 million decrease due to the net depreciation of the Australian and Canadian dollars relative to the United States dollar. The increase in operating expenses from existing operations was driven primarily by lower net gain on sale of assets and insurance recoveries, as well as increases in trackage rights expense, depreciation and amortization expense, other operating expenses and materials expense in the year ended December 31, 2013, partially offset by a decrease in diesel fuel sold to third parties, primarily due to the sale of our fuel-sales business in South Australia in the third quarter of 2012.

Operating Ratio

Our operating ratio, defined as total operating expenses divided by total operating revenues, was 75.8% in the year ended December 31, 2013 compared with 78.2% in the year ended December 31, 2012. Income from operations in the year ended December 31, 2013 included $17.0 million of RailAmerica integration and acquisition-related costs, partially offset by a $4.7 million net gain on sale of assets. Income from operations in the year ended December 31, 2012 included $30.0 million of RailAmerica integration and acquisition-related costs, partially offset by an $11.2 million net gain on sale of assets. Changes in foreign currency exchange rates can have a material impact on our operating revenues and operating expenses. However, the net impact of these foreign currency translation effects should not have a material impact on our operating ratio.

The following table sets forth a comparison of our operating expenses in the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013		2012		
	Amount	% of Operating Revenues	Amount	% of Operating Revenues	Currency Impact
Labor and benefits	$441,312	28.1 %	$257,615	29.5 %	$(4,579)
Equipment rents	77,595	4.9 %	37,077	4.3 %	(718)
Purchased services	122,584	7.8 %	80,559	9.2 %	(3,789)
Depreciation and amortization	141,644	9.0 %	73,405	8.4 %	(1,689)
Diesel fuel used in operations	147,172	9.4 %	88,399	10.1 %	(2,374)
Diesel fuel sold to third parties	—	— %	11,322	1.3 %	(406)
Casualties and insurance	38,564	2.5 %	24,858	2.8 %	(611)
Materials	76,454	4.9 %	25,485	2.9 %	(211)
Trackage rights	50,911	3.2 %	28,250	3.2 %	(670)
Net gain on sale of assets	(4,677)	(0.3)%	(11,225)	(1.3)%	240
Gain on insurance recoveries	—	— %	(5,760)	(0.7)%	368
Other expenses	96,896	6.3 %	74,609	8.5 %	(760)
Total operating expenses	$1,188,455	75.8 %	$684,594	78.2 %	$(15,199)

Labor and benefits expense was $441.3 million in the year ended December 31, 2013, compared with $257.6 million in the year ended December 31, 2012, an increase of $183.7 million, or 71.3%. The increase consisted of $176.8 million due to an increase in the average number of employees, $8.6 million due to annual wage increases and $2.9 million due to an increase in benefit expenses (primarily health care costs), partially offset by $4.6 million due to the net depreciation of the Australian and Canadian dollars relative to the United States dollar. Our average number of employees during the year ended December 31, 2013 increased by approximately 2,060 over the prior year, primarily as a result of the RailAmerica acquisition.

Equipment rents expense was $77.6 million in the year ended December 31, 2013, compared with $37.1 million in the year ended December 31, 2012, an increase of $40.5 million, or 109.3%. The increase primarily resulted from the newly acquired RailAmerica railroads.

Purchased services expense, which consists of the costs of services provided by outside contractors for repairs and maintenance of track property, locomotives, railcars and other equipment as well as contract labor costs for crewing services, was $122.6 million in the year ended December 31, 2013, compared with $80.6 million in the year ended December 31, 2012, an increase of $42.0 million, or 52.2%. The increase was primarily attributable to the newly acquired RailAmerica railroads.

Depreciation and amortization expense was $141.6 million in the year ended December 31, 2013, compared with $73.4 million in the year ended December 31, 2012, an increase of $68.2 million, or 93.0%. The increase was attributable to $62.6 million from new operations, primarily driven by the newly acquired RailAmerica railroads, and an increase of $5.6 million from existing operations, primarily due to depreciation expense related to new locomotives and railcars purchased in Australia in 2012.

The cost of diesel fuel used in operations was $147.2 million in the year ended December 31, 2013, compared with $88.4 million in the year ended December 31, 2012, an increase of $58.8 million, or 66.5%. The increase was primarily driven by the newly acquired RailAmerica railroads.

The decrease in cost of diesel fuel sold to third parties was primarily due to the sale of our third-party fuel-sales business in South Australia in the third quarter of 2012.

Casualties and insurance expense was $38.6 million in the year ended December 31, 2013, compared with $24.9 million in the year ended December 31, 2012, an increase of $13.7 million, or 55.1%. The increase primarily resulted from the newly acquired RailAmerica railroads, as well as an increase in derailment expense and insurance premiums in Australia.

Materials expense, which primarily consists of the costs of materials purchased for use in repairing and maintaining our track property, locomotives, railcars and other equipment as well as costs for general tools and supplies used in our business, was $76.5 million in the year ended December 31, 2013, compared with $25.5 million in the year ended December 31, 2012, an increase of $51.0 million. The increase was attributable to $47.3 million from new operations, including $19.3 million from Atlas, and a $3.7 million increase from existing operations. The increase from existing operations was due to increased track property and locomotive repairs in the year ended December 31, 2013.

Trackage rights expense was $50.9 million in the year ended December 31, 2013, compared with $28.3 million in the year ended December 31, 2012, an increase of $22.7 million, or 80.2%. The increase was primarily attributable to $11.4 million from new operations, primarily driven by the newly acquired RailAmerica railroads, and an $11.3 million increase in existing operations, primarily due to new traffic from an iron ore customer in South Australia that moves over a segment of track owned by a third party.

Net gain on sale of assets was $4.7 million in the year ended December 31, 2013, compared with $11.2 million in the year ended December 31, 2012.

Gain on insurance recoveries of $5.8 million for the year ended December 31, 2012 was primarily related to a business interruption claim associated with a derailment in Australia in December 2011.

Other expenses were $96.9 million in the year ended December 31, 2013, compared with $74.6 million in the year ended December 31, 2012, an increase of $22.3 million, or 29.9%. The increase was primarily attributable to the newly acquired RailAmerica railroads.

Interest Income

Interest income was $4.0 million in the year ended December 31, 2013, compared with $3.7 million in the year ended December 31, 2012.

Interest Expense

Interest expense was $67.9 million in the year ended December 31, 2013, compared with $62.8 million in the year ended December 31, 2012. The increase in interest expense was primarily due to a higher debt balance resulting from the acquisition of RailAmerica.

Contingent Forward Sale Contract

In conjunction with our announcement on July 23, 2012 of our plan to acquire RailAmerica, we entered into the Investment Agreement with Carlyle in order to partially fund the acquisition of RailAmerica. Pursuant to the Investment Agreement, Carlyle agreed to purchase a minimum of $350.0 million of Preferred Stock, which Preferred Stock was convertible into our Class A Common Stock in certain circumstances. The conversion price of the Preferred Stock was set at approximately $58.49, which was a 4.5% premium to our stock price on the trading day prior to the announcement of the RailAmerica acquisition. For the period between July 23, 2012 and September 30, 2012, this instrument was accounted for as a contingent forward sale contract with mark-to-market non-cash income or expense included in our consolidated financial results and the cumulative effect represented as an asset or liability. Our closing price was $66.86 on September 28, 2012, which was the last trading day prior to issuing the Preferred Stock, and, accordingly, we recorded a $50.1 million non-cash mark-to-market expense related to the Investment Agreement for the year ended December 31, 2012.

On February 13, 2013, we exercised our option to convert all of the outstanding Preferred Stock issued to Carlyle in conjunction with the RailAmerica acquisition into 5,984,232 shares of our Class A Common Stock. On the conversion date, we also paid to Carlyle all accrued and unpaid dividends on the Preferred Stock of $2.1 million, as well as cash in lieu of fractional shares. In November 2013, Carlyle sold all of these outstanding shares of our Class A Common Stock in a public offering.

Provision for Income Taxes

Included in our net income for the year ended December 31, 2013 was a $41.0 million benefit associated with the retroactive extension of the United States Short Line Tax Credit for fiscal year 2012, which was signed into law on January 2, 2013. Excluding the $41.0 million retroactive benefit, our provision for income tax was $87.2 million for the year ended December 31, 2013, which represented 27.4% of income before income taxes and income from equity investment. Included in our income before income taxes and income from equity investment for the year ended December 31, 2012 was a $50.1 million mark-to-market expense associated with a contingent forward sale contract, which is a non-deductible expense for income tax purposes. See Note 10, Derivative Financial Instruments, to our Consolidated Financial Statements included elsewhere in this Annual Report for further details on the contingent forward sale contract. Excluding the $50.1 million mark-to-market expense, our provision for income tax was $46.4 million for the year ended December 31, 2012, which represents 34.8% of income before taxes and income from equity investment. The decrease in the effective income tax rate for the year ended December 31, 2013 as compared with the year ended December 31, 2012 was primarily attributable to the renewal of the United States Short Line Tax Credit through December 31, 2013. The extension of the United States Short Line Tax Credit produced book income tax benefits of $25.9 million and $41.0 million for fiscal years 2013 and 2012, respectively. Since the extension became law in 2013, the 2012 impact was recorded in the first quarter of 2013.

Net Income and Earnings Per Share Attributable to G&W Common Stockholders

Net income was $272.1 million in the year ended December 31, 2013, compared with net income of $52.4 million in the year ended December 31, 2012. Our net income in the year ended December 31, 2012 included the $50.1 million mark-to-market expense associated with the contingent forward sale contract. Our basic EPS were $5.00 with 53.8 million weighted average shares outstanding in the year ended December 31, 2013, compared with basic EPS of $1.13 with 42.7 million weighted average shares outstanding in the year ended December 31, 2012. Our diluted EPS in the year ended December 31, 2013 were $4.79 with 56.7 million weighted average shares outstanding, compared with diluted EPS in the year ended December 31, 2012 of $1.02 with 51.3 million weighted average shares outstanding.

The following table sets forth the increase in our weighted average basic shares outstanding for the years ended December 31, 2013 and 2012 as a result of our 2012 public offering of Class A Common Stock, the shares issuable upon settlement of the prepaid stock purchase contract component of the TEUs based on the market price of our Class A Common Stock at December 31, 2013 and 2012, respectively, and from the February 13, 2013 conversion of the Preferred Stock into our Class A Common Stock (see Note 4, Earnings Per Common Share, to our Consolidated Financial Statements included elsewhere in this Annual Report) (in thousands):

	2013	2012
Class A Common Stock offering	3,791	1,067
Shares issuable upon settlement of the prepaid stock purchase contract component of the TEUs	2,842	851
Conversion of Preferred Stock	5,263	—

Segment Information

Our various railroad lines are organized into 11 operating regions. All of the regions have similar economic and other characteristics; however, we present our financial information as two reportable segments — North American & European Operations and Australian Operations.

The results of operations of our foreign entities are maintained in the respective local currency (the Australian dollar, the Canadian dollar and the Euro) and then translated into United States dollars at the applicable exchange rates for inclusion in our consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar can impact our results of operations.

The following table sets forth our North American & European Operations and Australian Operations for the years ended December 31, 2013 and 2012 (dollars in thousands):

	2013 North American & European Operations	Australian Operations	Total Operations	2012 North American & European Operations	Australian Operations	Total Operations
Revenues:						
Freight	$917,971	$259,393	$1,177,364	$412,839	$211,970	$624,809
Non-freight	325,876	65,403	391,279	173,054	65,185	238,239
Fuel sales to third parties	—	—	—	—	11,868	11,868
Total revenues	1,243,847	324,796	1,568,643	585,893	289,023	874,916
Operating expenses						
Labor and benefits	374,935	66,377	441,312	197,407	60,208	257,615
Equipment rents	67,296	10,299	77,595	26,298	10,779	37,077
Purchased services	70,339	52,245	122,584	26,314	54,245	80,559
Depreciation and amortization	114,542	27,102	141,644	50,156	23,249	73,405
Diesel fuel used in operations	116,204	30,968	147,172	56,298	32,101	88,399
Diesel fuel sold to third parties	—	—	—	—	11,322	11,322
Casualties and insurance	28,185	10,379	38,564	16,244	8,614	24,858
Materials	73,724	2,730	76,454			