GENESEE & WYOMING INC
Form 10-K
February 29, 2016

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, 2015
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

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: $3,955,294,015. 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 19, 2016:

Class	Number of Shares Outstanding
Class A Common Stock	56,949,310
Class B Common Stock	793,138

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, 2015 in connection with the Annual Meeting to be held on May 17, 2016 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," "could," "should," "seeks," "expects," "estimates," "trends," "outlook," "goal," "will," "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 or developments 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.

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 "Part I Item 1A. Risk Factors" in this Annual Report.

PART I

ITEM 1. Business.

OVERVIEW

We own and operate 120 freight railroads worldwide that are organized in 11 operating regions with 7,500 employees and more than 2,800 customers. The financial results of our 11 operating regions are reported in the following three distinct segments:

- Our North American Operations segment includes nine operating regions that serve 41 U.S. states and four Canadian provinces. This segment includes 113 short line and regional freight railroads with more than 13,000 track-miles. Our North American Operations segment represents approximately 80% of our annual income from operations.
- Our Australian Operations segment provides rail freight services in South Australia, the Northern Territory and New South Wales. Included in the Australian Operations segment is our operation of the 1,400-mile Tarcoola-to-Darwin rail line, which is the sole north-south rail corridor outside the coasts and primarily carries intermodal and commodity freight. Our Australian Operations segment represents approximately 10% of our annual income from operations.
- Our U.K./European Operations segment includes the majority of the operations of Freightliner Group Limited (Freightliner), which we acquired in March 2015. Freightliner is the United Kingdom's (U.K.) largest rail maritime intermodal operator and the U.K.'s second-largest rail freight company. Our U.K./European Operations segment also includes heavy-haul freight operations in Poland and Germany and cross-border intermodal services connecting Northern European seaports with key industrial regions throughout the continent. The U.K./European Operations segment represents approximately 10% of our annual income from operations.

GROWTH STRATEGY

Since our initial public offering in 1996, our revenues have increased at a compound annual growth rate of 18.6%, from $77.8 million in 1996 to $2.0 billion in 2015. Over the same period, our diluted earnings per common share (EPS) increased at a compound annual growth rate of 14.3%, from $0.29 (adjusted for stock splits) in 1996 to $3.89 in 2015. 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 regional management teams, supported by centralized administrative, commercial and operational support and oversight. As of December 31, 2015, our operations were organized in 11 regions. In the United States, we have eight regions: Central, Coastal (which includes industrial switching and port operations), Midwest, Mountain West (which includes industrial switching operations), Northeast, Ohio Valley, Pacific and Southern. Outside the United States, we have three regions: Canada (which includes a contiguous railroad located in the United States and is reported within our North American Operations), Australia and U.K./Europe (which consists of operations in Belgium, Germany, the Netherlands, Poland and the U.K.).

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 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 and that the attention to detail necessary to eliminate employee injuries translates into efficient, well-run operations. Each year, we establish stringent safety targets as part of our safety program. In 2015, G&W operations, excluding our recently acquired Freightliner operations, achieved a consolidated Federal Railroad Association (FRA) reportable injury frequency rate of 0.51 per 200,000 man-hours worked. Through the implementation of our safety program, we have reduced our injury frequency rate by 74% since 2006, when it was 1.95 injuries per 200,000 man-hours worked. For comparative purposes, from January 2015 through November 2015, the most recent month for which FRA data is publicly available, the United States short line average reportable injury frequency rate was 2.80 injuries per 200,000 man-hours worked, and the United States regional railroad average was 3.04 injuries per 200,000 man-hours worked. Based on these results, in 2015, G&W operations, excluding our Freightliner operations, were more than five times safer than the short line and regional railroad averages and safer than any United States Class I railroad. Following the guidelines set out by the FRA, Freightliner's consolidated reportable injury frequency rate was 2.11 for the period from March 25, 2015 through December 31, 2015 and we remain focused on improving Freightliner's safety results.
- Outstanding Customer Service. We are committed to providing exceptional service to our customers and each of our local railroads is focused on exceeding customer expectations. This customer commitment supports not only 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. We engage a leading independent customer-satisfaction research firm to conduct a biennial, comprehensive customer satisfaction survey. The survey results are used to measure our performance and develop continuous improvement programs. Over the past seven years, we have outscored the trucking industry and all other railroads on each of our biennial customer satisfaction surveys.
- 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 and Freightliner in 2015, we believe that our expanded North American, Australian and European footprint provides us with greater visibility of new commercial and industrial development opportunities in these geographies 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 customers and Class I carriers to move freight more easily and cost-effectively. Separately, in Australia, the U.K. and Continental Europe, where there are open access regimes in the various countries in which we operate, we compete for new business opportunities 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 through our regional structure, consolidating equipment and in-sourcing track maintenance, 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 scale efficiencies and 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, conducting 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 102 railroads through the 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 issued in 2015, there were 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 2015 and our upgrade of the Chicago, Ft. Wayne & Eastern Railroad to enhance Class I traffic flow east of Chicago;
- Acquisitions of international railroads, such as our acquisitions of London-based Freightliner in 2015, 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
- 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 satisfaction and drive additional revenue growth.

In North America, we believe that our footprint of railroads 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, international experience and financial resources enhance our ability to compete for 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 American Operations

United States

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

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	$475.75 million or more
Regional or Class II	21	10,355	At least $20 million and 350 or more miles operated or $40 million to $475.75 million
Local or Class III	546	32,858	Less than $40 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 2015 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 or leased 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 approximately 27,270 miles of track operated by railroads in Canada. Similar to the United States railroad industry, freight railroads in Canada are also categorized as Class I railroads, regional railroads and short line railroads. In Canada, there are two Class I railroads that are largely transcontinental carriers in Canada, with significant United States operations as well, several regional operators and approximately 50 short line railroads.

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

Australian Operations

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 and also connect key mining regions to ports. The Australian rail network comprises three track gauges: broad, narrow and standard 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, South Australia and Victoria.

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. 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 that they own or lease. We are an accredited rail service provider in all mainland Australian states and in the Northern Territory.

Since 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.

Through our Australian subsidiaries, we manage approximately 2,900 miles (4,700 kilometers(km)) of track in South Australia and the Northern Territory, which includes approximately 1,400 miles (2,200 km) of track between Darwin and Tarcoola that we manage pursuant to a concession agreement that expires in 2054. We also have a concession agreement for approximately 800 additional miles (1,300 km) of track in South Australia that expires in 2047. Through our concession agreements, we have long-term economic ownership of the tracks that we manage in South Australia and the Northern Territory, and we receive below rail access access fees when other rail operators use the track we manage. In South Australia and the Northern Territory, 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. In addition, through our acquisition of Freightliner, we also have above rail operations in New South Wales.

U.K./European Operations

United Kingdom

According to Network Rail, the authority responsible for Great Britain’s railway network, there are approximately 20,000 miles (32,000 km) of track owned and managed by it and there are seven rail operators licensed for freight transport in Great Britain. Great Britain’s rail network is also open access, which means rail lines can be utilized by any licensed rail operator with an appropriate track access agreement in place. In the U.K.'s open access framework, the infrastructure managers must provide access to the rail infrastructure to all accredited rail service providers, subject to the rules and framework of each applicable access regime. As a result, U.K. rail freight customers have access to multiple rail carriers under the open access regime and our operations face competition from both other rail freight carriers and other modes of transportation, such as road and water. In Great Britain in 2014, 12% of all freight goods were moved by rail, while over the same period, 73% and 15% of goods were moved via road and water, respectively.

Through our acquisition of Freightliner, we are the largest rail participant in the U.K. intermodal market (deep sea maritime containers) and when combined with Freightliner's bulk haulage operations, including coal, aggregates, cement and infrastructure services, we are the second largest rail freight company in the U.K.

Belgium

According to Infrabel, the Belgian railways infrastructure manager, there are approximately 2,233 miles (3,594 km) of track owned and managed by it on the Belgian rail network and currently there are 12 rail operators licensed 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.

In Belgium, our subsidiary, Belgium Rail Feeding, operates mainly in the Port of Antwerp.

Germany

The German rail network is composed of approximately 21,000 miles (33,800 km) of track. There are approximately 385 rail operators certified for freight transport in Germany. In Germany, as well as other Continental European markets, the leading rail freight operators are often state controlled, such as DB Schenker in Germany. As a result of Germany's open access regime, the rail infrastructure may be accessed by any licensed rail operator.

In Germany, our subsidiary, ERS Railways, operates intermodal routes from the Ports of Hamburg and Bremerhaven, among others. Our subsidiary, Freightliner Poland, operates on the open-access rail system within Germany with some cross-border traffic into Poland.

Netherlands

According to ProRail, the entity responsible for the Dutch rail infrastructure, there are approximately 4,370 miles (7,033 km) of track owned and managed by it on the Dutch rail network. As a result of the Netherland'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 20 rail operators that provide freight rail services in the Netherlands.

In the Netherlands, our subsidiary, Rotterdam Rail Feeding, operates mainly in the Port of Rotterdam. Our subsidiary, ERS Railways, operates intermodal routes from the Port of Rotterdam.

Poland

According to the Office of Rail Transport, the railways regulator in Poland, there are approximately 66 rail operators certified for freight transport in Poland operating over approximately 11,500 miles (18,000 km) of track. As a result of Poland’s open access regime, this rail infrastructure may be accessed by any admitted and licensed rail operator.

In Poland, our subsidiary, Freightliner Poland, operates on the open access rail system within Poland with some cross-border traffic into other neighboring countries.

OPERATIONS

Through our subsidiaries, we own or lease 120 freight railroads, including 103 short line railroads and two regional freight railroads in the United States, eight short line railroads in Canada, three railroads in Australia, one in the U.K, one in Poland and two in the Netherlands. Our subsidiaries provide rail service at more than 40 major ports in North America, Australia and Europe and perform contract coal loading and railcar switching for industrial customers.

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. Also, through various track access arrangements, we operate over approximately 5,700 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 70.2%, 76.4% and 75.1% of our total operating revenues for the years ended December 31, 2015, 2014 and 2013, respectively.

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, 2015, 2014 and 2013, see the discussion under "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

We group the commodities we carry as follows:

Commodity Group	Commodity Description
Agricultural Products	Wheat, barley, corn, and other grains as well as soybean meal
Autos & Auto Parts	Finished automobiles and stamped auto parts
Chemicals & Plastics	Sulfuric acid, ethanol and other chemicals used in manufacturing
Coal & Coke	Shipments of coal to power plants and industrial customers
Food and Kindred Products	Fruits, vegetables and food oils
Intermodal	Various commodities shipped in trailers or containers on flat cars
Lumber & Forest Products	Finished lumber, wood pellets, export logs and wood chips
Metallic Ores	Manganese ore, iron ore, copper concentrate and ore, alumina and nickel ore
Metals	Finished steel products and copper, as well as scrap metal and pig iron
Minerals & Stone	Construction aggregates, gypsum, salt used in highway ice control, limestone and frac sand
Petroleum Products	Liquefied petroleum gases, crude oil, asphalt, diesel fuel and gasoline
Pulp & Paper	Outbound shipments of container board and finished papers and inbound shipments of wood pulp
Waste	Municipal solid waste and construction and demolition debris
Other	Freight not included in the commodity groups set forth above

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 2015, revenues generated from originating, terminating and local traffic in North America constituted approximately 93% of our North American freight revenues. In Australia, the U.K. and Continental Europe, railroads generally serve from origin to destination with few, if any, interline movements.

Freight-Related Revenues

We generate freight-related revenues primarily from port terminal railroad operations and industrial switching (where we operate trains on a contract basis in facilities we do not own), as well as demurrage, storage, car hire, track access rights, transloading, crewing services, traction service (or hook and pull service that requires us to provide locomotives and drivers to move a customers' train between specified origin and destination points), and other ancillary revenues related to the movement of freight. Freight-related revenues represented 24.9%, 17.7% and 18.3% of our total operating revenues for the years ended December 31, 2015, 2014 and 2013, respectively.

All Other Revenues

We generate all other revenues primarily from revenues from third-party railcar and locomotive repairs, property rentals, railroad construction and other ancillary revenues not directly related to the movement of freight. All other revenues represented 4.9%, 5.9% and 6.6% of our total operating revenues for the years ended December 31, 2015, 2014 and 2013, respectively.

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. In addition, our Australian and U.K./European intermodal businesses have peak seasons late in the third quarter and early in the fourth quarter of 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 set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of 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).

Segment and Geographic Information

For financial information with respect to each of our segments 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.

Customers

As of December 31, 2015, our operations served more than 2,800 customers. Revenues from our 10 largest customers accounted for approximately 22%, 24% and 24% of our operating revenues for the years ended December 31, 2015, 2014 and 2013, respectively. Two of our 10 largest customers in 2015 were located in Australia, one of which was in our metallic ores (iron ore) commodity group and the other of which was in our agricultural products commodity group.

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 the invested capital associated with the freight movement and the variable portion based on the actual volumes shipped.

In the U.K. and Continental Europe, we typically handle freight pursuant to transportation contracts between us and the customer. These contracts are in accordance with industry norms and vary in duration from one to 12 years in the U.K. and one to two years in Poland. These contracts establish a price or a methodology to calculate the price. In some cases, the contracts provide for a minimum volume commitment by the customer and certain business is also conducted on a spot basis. Our contracts will typically provide for a price adjustment to reflect any changes to particular elements of our cost base, such as fuel and track access charges.

Employees

There are various labor laws governing the countries in which we operate. As of December 31, 2015, we had approximately 7,500 full-time employees. Of this total, approximately 4,100 employees were union members or have employment terms and conditions determined by a labor agreement or negotiated by a labor union or works council. Our railroads have 81 labor agreements with unions. We are currently engaged in negotiations with respect to 14 of those agreements. We are also a party to employee association agreements covering an additional 84 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. In Great Britain, Freightliner has collective bargaining agreements with four recognized unions covering the majority of its employees. We have no collective bargaining agreements in the Netherlands or Poland, and we have one collective bargaining agreement in Belgium. We believe that we maintain positive working relationships with our employees.

The following table sets forth an approximation of union and non-union employees as of the year ended December 31, 2015:

	Union/Represented (1)	Non-Union/ Non-Represented
North America	1,600	2,800
Australia	300	200
U.K./Europe	2,200	400
Total	4,100	3,400

(1) Also includes employees that have employment terms and conditions determined by a labor agreement or negotiated by a labor union or works council.

SAFETY

Our safety program involves all employees and focuses on the prevention of train accidents and personal injuries. Operating personnel are trained and certified in train operations, the transportation of hazardous materials, safety and operating rules and governmental rules and regulations. Our safety program was implemented across the Freightliner group of companies following our acquisition in March 2015. In order to continuously improve our safety results, we utilize and measure various safety metrics, such as human factor incidents, that are instrumental in reducing our FRA reportable injuries. Following the guidelines set out by the FRA, G&W operations, excluding Freightliner, achieved a consolidated reportable injury frequency rate, as defined by the FRA as reportable injuries per 200,000 man-hours worked, of 0.51 and 0.60 for the years ended December 31, 2015 and 2014, respectively. The average injuries per 200,000 man-hours worked for all United States short line railroads was 2.8 in 2015 (through November) and 3.1 in 2014 (through December). Based on these results, in 2015, 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. Following the guidelines set out by the FRA, Freightliner's consolidated reportable injury frequency rate was 2.11 for the period from March 25, 2015 through December 31, 2015. Freightliner has made significant progress in integrating the G&W safety culture into its operations.

Our safety program also focuses on the safety and security of our train operations, and we continue to utilize technology to analyze our track so as to prevent track-caused derailments. In addition, our information technology staff routinely assesses 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 2015, employees of our railroads made more than 570 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 global liability and property insurance coverage to mitigate the financial risk of providing rail and rail-related services. Our liability policies cover railroad employee injuries, personal injuries associated with grade crossing accidents and other third-party claims associated with our operations. 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 are also covered under our liability policies. Our liability policies currently have self-insured retentions of up to $2.5 million per occurrence. Our property policies cover property and equipment that we own, as well as property in our care, custody and control. Our property policies currently 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. The property policies also provide business interruption insurance arising from covered events. The self-insured retentions under our insurance 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.

We also maintain ancillary insurance coverage for other risks associated with rail and rail-related services, including insurance for employment practices, directors' and officers' liability, workers' compensation, pollution, auto claims, crime and road haulage liability, among others.

COMPETITION

Railroads 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 U.K. and Continental Europe, 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). We also face import competition, where commodities we transport face competition from less expensive imported products. In addition, some of the products we transport are exported and face competition on a global basis.

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, position us well in a competitive acquisition and investment environment.

REGULATION

North American Operations

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:

- United States Surface Transportation Board (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 operate 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 2015, 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 DOT study on the impacts of a possible increase in federal truck size and weight limits commenced in 2012. The results of the DOT study were released in 2015, but data limitations are expected to hinder any near term changes to the federal truck size and weight limits. 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.

In 2010, the FRA issued rules governing the implementation of an interoperable positive train control system (PTC), which, following the passage by Congress of an extension in October 2015, generally is to be completed as early as December 31, 2018. PTC is a collision avoidance technology intended to override locomotive controls and stop a train before an accident. 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 2018. 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.

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 is subject to the jurisdiction of the provincial government of Ontario and Goderich-Exeter Railway is subject to the jurisdiction of the Federal government of Canada. 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 2015, the Canadian Minister of Transport adopted enhanced rules concerning the transportation of crude oil, amending the Canada Transportation Act, the Railway Safety Act and the Transportation of Dangerous Goods Act, as well as associated regulations. The effective date for the new rules has not yet been determined. The enhanced rules include mandatory insurance requirements, with insurance levels established based on the nature of the commodities being moved on a railway line as well as a per ton levy on the transportation of crude oil and other designated goods by a railway company. In addition, all federally regulated railway companies and local railway companies must obtain a Railway Operating Certificate before January 1, 2017 in order to operate in Canada. All necessary applications for Railway Operating Certificates are pending for our Canadian railroads.

Australian Operations

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.

U.K./European Operations

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 or will be implemented in legislation passed in each of the European countries in which we operate.

Each of the countries in which we operate in our U.K./European Operations segment is a member of the EU and each one has adopted a similar regulatory regime consistent with European legislation. EU law requires each member state to establish an overarching regulatory body for rail, independent in its organization, legal structure, funding and decision making that is also independent from any infrastructure manager. The regulatory body ensures fair and non-discriminatory access to the rail infrastructure network and will often be responsible for monitoring competition in the rail services market, the licensing of rail operators and rail safety.

The rail infrastructure is owned and managed by the infrastructure manager who is responsible for maintaining and renewing the infrastructure as well as enhancements to the rail network. Access to the network is granted by the infrastructure manager through track access arrangements with licensed rail operators, with oversight by the regulatory body in certain EU countries. Currently, all of the infrastructure managers in the European countries in which we operate are owned or controlled by the respective governments in each country. The governments of each member state have ministries or departments dedicated to transport who are responsible for the long-term strategy, planning and funding of the transport infrastructure, including rail. These departments are also responsible for implementing European directives into domestic legislation.

Country	Regulatory Body	Infrastructure Manager	Government Ministry	Competition Regulator(s)
Belgium	The Regulatory Service for Railway Transport and for Brussels Airport Operations	Infrabel	Federal Public Service for Mobility and Transport	Belgium Competition Authority
Germany	Bundesnetzagentur	DB Netz AG	Federal Ministry of Transport Building and Urban Development (BMVBS)	The enforcement of German competition law primarily lies with the Federal Cartel Office (Bundeskartellamt) and in certain circumstances with the respective regional competition authorities (Landeskartellbehörden)
The Netherlands	The Human Environment and Transport Inspectorate	ProRail	The Ministry of Infrastructure and Environment	The Netherlands Authority for Consumers and Markets
Poland	Office of Rail and Transport	PKP PLK S.A.	Ministry of Economic Development	Office of Rail Transport The President of the Office of Competition and Consumer Protection
United Kingdom	Office of Road and Rail	Network Rail	Department for Transport Transport Scotland	Office of Road and Rail

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.

North American Operations
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.
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. 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. The cleanup associated with this derailment is substantially complete.
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.
Australia Operations
In Australia, environmental laws and regulations are administered primarily by the Department of Environment at the federal level and by environmental protection agencies at the state and territories level.
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.
U.K./European Operations
In the U.K., European, national and local laws regulating the protection of the environment are administered by the Environment Agency, along with local authorities and other related bodies. Regulations relating to the transportation of hazardous goods are administered and enforced by the Health and Safety Executive, the Office of Rail and Road (ORR) and the Department for Transport (DfT).
In Belgium, European, national and local environmental policies are administered by the FPS Health, Food Chain Safety and Environment.
There is no principal environmental regulator in Germany. State authorities (usually district or county authorities), guided by their respective State Environmental Ministry, carry out day-to-day operational activities. Regulations relating to the transportation of hazardous goods are administered by the Federal Railway Office.
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.
The principal body responsible for environmental policy and law in Poland is the Ministry of the Environmental Protection, while the principal enforcement authority is the regional inspector for environmental protection. Regulations relating to the transportation of hazardous goods are administered by the President of the Rail Transport Office.

We believe our railroads operate in compliance with current environmental laws and regulations and agency agreements in all material respects. 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 economic growth, an economic recession, significant changes in global commodity prices or changes in government regulation could negatively impact our business. For instance, lower prices of commodities, such as iron ore, coal and manganese, could be a factor influencing decisions to delay, cancel or suspend certain mining projects in Australia and elsewhere, which could reduce the demand for our services. If we experience significant decline in demand for our services with respect to one or more commodities or products, we may experience lower revenues, increased operating costs, workforce adjustments and other related activities, which could have a material adverse effect on our results of operations, financial condition and liquidity.

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 an 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.

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 be required to 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. Instability or disruptions in the capital markets, including credit markets, or the deterioration of our financial condition due to internal or external factors, could restrict or prohibit access to the capital markets and could also increase our cost of 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 at a reasonable cost, we may be required to forego potential acquisitions, which could impair the execution of our growth strategy.

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.

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

Our operations served more than 2,800 customers in 2015. Revenues from our 10 largest customers accounted for approximately 22% of our operating revenues in 2015. One of our 10 largest customers in 2015, Arrium Limited (Arrium), a mining and materials company located in Australia, accounted for approximately 3% of our operating revenues. GWA's operations serve two of Arrium's mining assets, one of which, the Southern Iron mine, was mothballed in the second quarter of 2015 as a result of the significant decline in the price of iron ore, while the Whyalla-based operations, which include the Middleback Range iron ore mines and the Whyalla Steelworks, continued to operate. During 2015, GWA carried approximately 8,300 carloads of iron ore from the Southern Iron mine and, in total, generated approximately A$83 million in freight and freight-related revenues (or approximately $62 million, at the average exchange rate for the year ended December 31, 2015) under the fixed and variable payment structure that is customary in large contracts in Australia. We expect to receive only the fixed portion of the revenue following the mothballing of the Southern Iron mine and both the fixed and variable portion from the Whyalla-based operations. We could lose some or all of this revenue if Arrium continues to suffer from declines in commodity prices or other economic and financial conditions. In February 2016, Arrium announced a recapitalization plan with GSO Capital Partners LP. The recapitalization plan is subject to a variety of closing conditions, including approval by Arrium’s existing lenders, as well as regulatory and other approvals.

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.

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. In 2015, several of our mining and metals customers instituted insolvency proceedings. 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 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.

In addition, we may make substantial investments in equipment and assets to support our customers, in particular for those in the mining and natural resources industry. We usually enter into long-term contracts with these customers that include fixed and variable payment terms. Under these contracts the customers pay a fixed payment independent of actual volume shipped as well as a variable rate per ton shipped, with the fixed payment often representing the majority of the total contract payments. Under these arrangements, we are exposed to start-up and ongoing operational risks, including exposure to mine shutdowns, that may reduce the variable payments, as well as customer insolvency risk that could impact our ability to collect our fixed payments.

We have procedures for reviewing our receivables and evaluating 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. As a result, unexpected credit exposures 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 2015, approximately 84% 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 traditionally have 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 many of our railroads from Class I carriers and other third parties under lease arrangements with varied expirations, which railroads collectively accounted for approximately 7% of our 2015 total operating 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 2% of our annual revenues in the year of expiration based on our operating revenues for the year ended December 31, 2015. 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 (2016 - 2020) would represent approximately 0.8%, 0.5%, 1.9%, 0% and 0.4% of our operating revenues in each of those years, respectively, based on our operating revenues for the year ended December 31, 2015. 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.

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, washout 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 or the U.K., which lessen demand for electricity, which in turn lessons the 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 the 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.

Changes in commodity prices could decrease demand for the transport of such commodities, 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 2015, the rapid and significant decline in the price of iron ore and manganese negatively impacted the operations of several of our large customers. As a result, several of our customers' mines have closed. Agricultural commodity prices are also inherently 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, which could negatively impact our results of operations, financial condition and liquidity.

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 or improve 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 and safety cultures;
- 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.

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. 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, commodity trends, the longevity of specific customer plants and factories served, the ability to negotiate acceptable contractual arrangements, including renewals of leases with Class I railroads or extensions of government subsidies, 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.

Our Second Amended and Restated Senior Secured Syndicated Facility Agreement dated March 20, 2015, as amended by Amendment No. 1 dated September 30, 2015 (Credit Agreement), contains numerous covenants that impose certain restrictions on the way we operate our business.

Our 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 Credit Agreement also contains financial covenants that require us to meet financial ratios and tests. Our failure to comply with the obligations in our 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 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, 2015, we had a total indebtedness of $2.3 billion, and we had unused commitments of $575.7 million under our Credit Agreement (after giving effect to $4.5 million of undrawn letters of credit that reduces such availability).

Subject to the limits contained in our 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 draw down on amounts available under our Credit Agreement or 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 our 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.

Market and regulatory responses to climate change, changes in the dynamics of global energy markets, 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 producers, coal-fired power plants, chemical producers, farmers and food producers, automakers and other manufacturers. Significant cost increases, government regulation, changes in market dynamics 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. For instance, over the past few years, production of natural gas in the United States has increased dramatically, which has resulted in lower natural gas prices. As a result of sustained low natural gas prices, coal-fired power plants have been displaced by natural gas-fired power generation facilities. If natural gas prices were to remain low, additional coal-fired plants could be displaced, which could further reduce our coal volumes and revenues, 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 changes to our operations and decreased revenues associated with climate change. We may also experience increased costs related to defending and resolving legal claims and other litigation related to climate change, including claims alleging that our operations have a negative impact 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, increasingly frequent and intense storms and any alteration of trade patterns, 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.

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 toxic/poisonous inhalation hazard (TIH/PIH) materials, such as chlorine, crude oil and other dangerous substances 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 materials. 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.

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We may be impacted by our inability to obtain government funding for capital projects or to benefit from revenue support grants.

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 2015, we obtained partial or complete funding by United States and Canadian federal, state, provincial and municipal agencies for 49 new projects. The net spending associated with these grant-funded projects represented approximately 3% of our net capital expenditures during 2015. 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.

Freightliner benefits from the U.K. Government administered Mode Shift Revenue Support Scheme (MSRS), which supports the movement of freight away from road, particularly in the container market. While the U.K. Government has confirmed its continued funding of MSRS for England, the amount of the funding available for the period 2016 to 2020 will be less than for the period 2010 to 2015. The basis on which the reductions should be applied remains subject to review and may result in reduced grants in 2016 and in subsequent years. Reduced grants may have a material adverse effect on our results of operations, financial condition and liquidity.

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 and 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, our New England Central Railroad is also used by Amtrak for passenger service in New England and our Connecticut Southern Railroad operates over Amtrak trackage in Connecticut. In Australia, The Ghan passenger train is operated by a third party over the track of GWA (North) Pty Ltd between Tarcoola and Darwin. Further, we operate excursion trains on behalf of third parties on certain of the rail lines over which we operate. In the U.K. and Continental Europe, freight trains are primarily operated over the same track as passenger trains and will also regularly pass through passenger stations. 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 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. 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, following the passage by Congress of an extension in October 2015, generally is to be completed as early as December 31, 2018. 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 2018. 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 DOT study on the impacts of a possible increase in federal truck size and weight limits also commenced in 2012. The results of the DOT study were released in 2015, but data limitations are expected to hinder any near term changes to the federal truck size and weight limits. 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.

Currently, there are ongoing governmental reviews into the structure, roles and functions of both the ORR and Network Rail. The results of these reviews may affect our operations and increase our operating costs. 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 fully covered by our insurance, which 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 and Europe, 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 that we transport as a fuel source for electricity generation. In either case, we could lose a source of revenues. In addition, we are subject to import competition, where commodities that we transport face competition from less expensive imported products. Some of the products that we transport are exported and face competition on a global basis.

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 risks related to competition associated with the open access regimes in Australia and Europe, see "Additional Risks Associated with our Foreign Operations."

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 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 2015, we consumed 63.3 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, terrorist attack 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, although there may be a significant delay in our recovery of fuel costs based on the terms of the fuel surcharge program. However, if Class I railroads change their policies regarding fuel surcharges, the compensation we receive for increases in fuel costs may decrease, which could have a negative effect on our profitability. Costs for fuel used in operations were approximately 8% and 12% of our operating expenses for the years ended December 31, 2015 and 2014, respectively.

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 the Federal Employers' Liability Act (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 81 collective bargaining agreements with various labor unions in the United States, Australia, Canada and Europe. We are currently engaged in negotiations with respect to 14 of those agreements. Approximately 4,100 of our approximately 7,500 full time employees are either union members or have employment terms and conditions determined by a labor agreement or negotiated by a labor union or works council. We also have entered into employee association agreements with an additional 84 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 slowdown or strike, the national rail network and our operations would be adversely affected. In the U.K., our operations are reliant on the rail infrastructure provided by Network Rail. A majority of Networks Rail’s employees are unionized, and if Network Rail were to have a work stoppage or strike, the U.K. 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.

The execution of our growth strategy, in particular our acquisition and investment strategy, is substantially dependent on our senior management team.

We rely on our senior management team to execute our growth strategy. Our growth strategy is different than the strategy of many other railroads because of our acquisition and investment focus. 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, as well as our results of operations, financial condition and liquidity.

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. 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.

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 business and results of operations.

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 U.K., Belgium, Germany, the Netherlands and Poland. 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;
- foreign currency fluctuations;
- adverse effects due to changes in the European Union (EU) or eurozone membership, including risks associated with the U.K.'s potential exit from the EU;
- adverse effects due to the migration of people into the EU;
- 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 account for approximately 10%, 2% and 10%, respectively, of our consolidated income from operations. The results of operations of our foreign entities are maintained in the local currency (the British pound, the Australian dollar, the Canadian dollar, the Euro and the Polish zloty) and then 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 exchange rate for the statement period. As a result, any appreciation or depreciation of these currencies against the United States dollar can impact our consolidated results of operations. 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 consolidated 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. European countries in which our subsidiaries operate also have open access regimes that permit third-party rail operators to compete for the business of our subsidiaries that operate in such countries. 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 the U.K., if the ORR were to change the access regime, even if we were able to pass any increased fees onto customers, we may be less competitive and our revenues 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. Changes to the open access regimes could have a material adverse effect on our business, results of operations, financial condition and liquidity.

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

Our operating subsidiaries in Australia and Europe hold safety accreditations that are required in order for them to provide freight rail services. 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.

Freightliner has significant pension funding obligations.

Freightliner provides a defined benefit pension program for its U.K. employees through a standalone shared cost arrangement within the Railways Pension Scheme (Pension Program). The Pension Program has more than 300,000 active and retired employees, and participation by more than 150 rail companies with assets under management in excess of £20 billion. There are six discrete sections within the Pension Program and participating employers may set up more than one arrangement in the program. There is no cross-subsidy or funding obligation between the discrete sections of the Pension Program or between the discrete arrangements of any participating employers. The Pension Program is managed and administered by a professional pension administration company and is overseen by trustees with professional advice from independent actuaries and other advisers. The Freightliner section of the Pension Program is a shared cost arrangement with required contributions shared between Freightliner and its employees with Freightliner contributing 60% and the remaining 40% contributed by active employees.

The Pension Program's assets are subject to market fluctuation, and its assets and liabilities are formally valued on an independent actuarial basis every three years. A key element of the valuation process is an assessment of the creditworthiness of the participating employer. Less creditworthy employers are encouraged to invest in lower risk assets, with on average lower returns, which impacts the assessment of the pension liabilities and any underlying deficit. In the event that the Freightliner section of the Pension Program is underfunded on an actuarial basis at any valuation point, the shared cost nature of the program means that Freightliner is responsible for paying 60% of any deficit contributions, with active employees contributing the remaining 40%, in each case over a recovery period agreed with the trustees.

If the Freightliner section of the Pension Program is terminated and wound up, any deficit would fall entirely on Freightliner and would not be shared with active employees. Equally, if all active employees were to leave the Freightliner section, Freightliner would have full responsibility for funding any deficits. As of December 31, 2015, there were approximately 1,700 active Freightliner employees in the Freightliner section of the Pension Program. Freightliner's pension expense and funding of its section of the Pension Program may increase in the future and, as a result, could have a material adverse effect on our 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, 2015, we had tax benefits totaling approximately $63.2 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 tax credit carryforwards and other tax attributes to reduce our future tax liabilities may be limited.

The United States Short Line Tax Credit expires on December 31, 2016. As a result, our effective tax rate in 2017 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 its tax year. On December 18, 2015, the Short Line Tax Credit (which had previously expired on December 31, 2014) was extended for 2015 and 2016. The most recent extension of the Short Line Tax Credit only extended the credit through December 31, 2016. 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 their 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 $322.5 million as of December 31, 2015. 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, which 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, by reason of our status as a United States real property holding corporation. Non-U.S. holders should consult their own tax advisors concerning the consequences of disposing of shares of our Class A Common Stock.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

Genesee & Wyoming, through our subsidiaries, currently has interests in 120 freight railroads, including 103 short line railroads and two regional freight railroads in the United States, eight short line railroads in Canada, three railroads in Australia, one in the U.K, one in Poland and two in the Netherlands.

The rail properties that we own and operate in North America 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. Further, unless we own the rail properties outright, we do not normally control mineral rights or the ability to grant fiber optic and other easements in the properties. 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. Further, under open access regimes as more fully described under "Part I Item 1. Business," the track may be accessed by any operator admitted and licensed to provide freight transport in the country.

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 2% of our annual revenues in the year of expiration, based on our operating revenues for the year ended December 31, 2015. 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 5,700 additional miles of track that are owned or leased by others under contractual track access arrangements. The track miles listed below exclude approximately 1,995 miles of sidings and yards (1,765 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, Belgium, the Netherlands, Poland and the U.K. are also excluded. We have recorded mortgages on many of the owned properties located in the United States and described in the table below as additional security for our outstanding obligations under our Credit Agreement. See "Part I Item 1A. Risk Factors" for additional information on our Credit Agreement.

The following table sets forth certain information with respect to our railroads as of December 31, 2015:

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
NORTH AMERICAN 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. (IMRR) Illinois	1996	98	Owned
Commonwealth Railway, Incorporated (CWRY) Virginia	1996	24	Owned/Leased
Talleyrand Terminal Railroad Company, Inc. (TTR) Florida	1996	2	Leased

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Corpus Christi Terminal Railroad, Inc. (CCPN) Texas	1997	42	Leased
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	62	Owned
Fordyce and Princeton R.R. Co. (FP) Arkansas	2003	57	Owned
Tazewell & Peoria Railroad, Inc. (TZPR) Illinois	2004	25	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

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Luxapalila Valley Railroad, Inc. (LXVR) Alabama, Mississippi	2008	34	Owned
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	306	Owned/Leased
The Central Railroad Company of Indiana (CIND) Indiana, Ohio	2012	82	Owned

Central Railroad Company of Indianapolis (CERA) Indiana	2012	43	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

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
Grand Rapids Eastern Railroad (GR) Michigan	2012	22	Owned
Huron and Eastern Railway Company, Inc. (HESR) Michigan	2012	330	Owned/Leased
Indiana & Ohio Railway Company (IORY) Indiana, Ohio, Michigan	2012	469	Owned/Leased
Indiana Southern Railroad, LLC (ISRR) Indiana	2012	165	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	128	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	78	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	180	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, Inc. (RCPE) Minnesota, South Dakota, Nebraska, Wyoming	2014	651	Owned
Arkansas Midland Railroad, Inc. (AKMD) Arkansas	2015	114	Owned/Leased
The Prescott & Northwestern Railroad Company (PNW) Arkansas	2015	6	Owned
Warren & Saline River Railroad Company (WSR) Arkansas	2015	1	Owned

RAILROAD AND LOCATION	YEAR ACQUIRED	TRACK MILES	STRUCTURE
CANADA:			
Huron Central Railway Inc. (HCRY) Ontario	1997	173	Owned/Leased
Quebec Gatineau Railway Inc. (QGRY) Québec	1997	301	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
U.K./EUROPEAN OPERATIONS:			
Rail Feeding (Rotterdam and Antwerp)	2008	—	Open Access
Freightliner U.K.	2015	—	Open Access
Freightliner Poland	2015	—	Open Access
ERS Railways	2015	—	Open Access
AUSTRALIAN OPERATIONS			
Genesee & Wyoming Australia Pty Ltd (GWA)	2006	791	Leased/Open Access
GWA (North) Pty Ltd (GWA North)	2010	1,395	Leased/Open Access
Freightliner Australia Pty Ltd	2015	—	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, 2015, our rolling stock consisted of 1,344 locomotives, of which 1,011 were owned and 333 were leased, and 29,225 railcars, of which 7,406 were owned and 21,819 were leased. A breakdown of the types of railcars owned and leased by us as of December 31, 2015 is set forth in the table below:

	Owned	Leased	Total
Railcars by Car Type:			
Box	1,288	8,009	9,297
Hoppers	1,272	3,556	4,828
Flats	1,718	2,549	4,267
Gondolas	563	2,186	2,749
Covered hoppers	2,419	4,823	7,242
Tank cars	12	116	128
Containers	—	335	335
Maintenance of way	81	—	81
Crew cars	13	—	13
Other	40	245	285

	7,406	21,819	29,225

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 set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of 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. See "Part I Item 1A. Risk Factors" for additional information.

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, 2015	High	Low
4th Quarter	$72.54	$50.28
3rd Quarter	$75.84	$57.51
2nd Quarter	$97.34	$76.18
1st Quarter	$105.15	$82.15

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	$99.86	$87.19

Number of Holders

On February 19, 2016, there were 353 Class A Common Stock record holders and 11 Class B Common Stock record holders.

Dividends

We did not pay cash dividends to our Class A or Class B common stockholders for the years ended December 31, 2015 and 2014. 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 Credit Agreement.

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

2015	(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) (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2)
October 1 to October 31	—	$—	—	$300,000,000
November 1 to November 30	189	69.71	—	300,000,000
December 1 to December 31	218	68.08	—	300,000,000
Total	407	$68.84	—	$300,000,000

(1) The 407 shares acquired in the three months ended December 31, 2015 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 Third Amended and Restated 2004 Omnibus Incentive Plan.
(2) In conjunction with Amendment No. 1 to the Credit Agreement, the Board authorized the repurchase of up to $300.0 million of our Class A Common Stock and appointed a special committee of the Board to review and approve repurchases proposed by management.

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, 2015, 2014, 2013, 2012 and 2011. 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,				
	2015 (1)	2014 (2)	2013 (3)	2012 (4)	2011 (5)
	(In thousands, except per share amounts)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues	$2,000,401	$1,639,012	$1,568,643	$874,916	$829,096
Operating expenses	1,616,140	1,217,441	1,188,455	684,594	637,317
Income from operations	384,261	421,571	380,188	190,322	191,779
Gain on sale of investments	—	—	—	—	907
Interest income	481	1,445	3,971	3,725	3,243
Interest expense	(67,073)	(56,162)	(67,894)	(62,845)	(38,617)
Loss on forward contracts	(18,686)	—	—	(50,106)	—
Other income, net	1,948	1,008	1,327	2,182	703
Income from continuing operations before income taxes and income from equity investment	300,931	367,862	317,592	83,278	158,015
Provision for income taxes	(75,894)	(107,107)	(46,296)	(46,402)	(38,531)
Income from equity investment in RailAmerica, net	—	—	—	15,557	—
Net income	225,037	260,755	271,296	52,433	119,484
Less: Series A-1 Preferred Stock dividend	—	—	2,139	4,375	—
Net income available to common stockholders	$225,037	$260,755	$269,157	$48,058	$119,484
Basic earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:					
Basic earnings per common share	$3.97	$4.71	$5.00	$1.13	$2.99
Weighted average shares—Basic	56,734	55,305	53,788	42,693	39,912
Diluted earnings per common share attributable to Genesee & Wyoming Inc. common stockholders:					
Diluted earnings per common share	$3.89	$4.58	$4.79	$1.02	$2.79
Weighted average shares—Diluted	57,848	56,972	56,679	51,316	42,772
BALANCE SHEET DATA AT YEAR-END:					
Total assets	$6,795,604	$5,595,753	$5,319,821	$5,226,115	$2,294,157
Long-term debt and capital leases (excluding portion due within one year)	$2,223,306	$1,548,051	$1,540,346	$1,770,566	$569,026
Series A-1 Preferred Stock	$—	$—	$—	$399,524	$—
Total equity	$2,519,461	$2,357,980	$2,149,070	$1,500,462	$960,634

(1) On January 5, 2015, we completed the acquisition of Pinsly Arkansas for $41.3 million in cash. On March 25, 2015, we acquired all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of London-based Freightliner, for total consideration of £516.3 million (or $769.1 million at the exchange rate on

March 25, 2015). In addition, we incurred $12.6 million of acquisition costs and $2.6 million of integration costs associated with Freightliner during 2015 and recorded a loss of $18.7 million on the settlement of foreign currency forward purchase contracts during 2015, which were entered into in contemplation of the Freightliner acquisition.

(2) On May 30, 2014, our new subsidiary, Rapid City, Pierre & 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.

(3) 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 affiliates of Carlyle Partners V, L.P. (Collectively, 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.

(4) 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. We also recorded a $50.1 million non-cash mark-to-market expense in 2012 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.

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

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 set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report. Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). When comparing our results of 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 shutdowns, sales of property and equipment, derailments and weather-related conditions, such as hurricanes, cyclones, tornadoes, high winds, droughts, heavy snowfall, unseasonably hot or cold weather, freezing and flooding, among other factors. 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, global commodity prices and foreign exchange rates, such as steel products, iron ore, paper products, lumber and forest products and agricultural 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.

Outlook for 2016

Financial Expectations

We expect our revenues to be flat year over year as the full year impact of the Freightliner acquisition is offset by four significant factors: (1) the negative currency translation impact of the weaker Australian and Canadian dollars, the British pound and the Euro relative to the United States dollar, (2) a decline in coal traffic in the United States and the United Kingdom due to competition from low-priced natural gas, (3) a decline in traffic from mining customers in Australia due to mine closures in 2015 and (4) lower fuel surcharge revenues. Fuel surcharges are expected to be lower due to a lower average price for diesel fuel in 2016 compared with 2015.

We expect our income from operations to decline as the negative impact of the lower coal and Australia mining customer revenues, lower fuel surcharges and the impact of currency translation will only be partially offset by pricing increases, expense reductions and the full year impact of the Freightliner acquisition.

Capital Plan

We expect to make capital investments totaling $225 million in 2016. Of this total, $175 million is planned for ongoing railroad track and equipment capital and $15 million is planned for matching capital spending associated with government grant funded projects in the United States. In addition, we expect to spend $35 million on new business investments, which include track projects, equipment purchases and investments in new facilities. 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, will expire on December 31, 2016. Without an extension to the tax credit, we expect our income tax rate to increase significantly in 2017. While the Short Line Tax Credit has been extended on five separate occasions in the past, we are unable to predict the outcome of the United States legislative process. The Short Line Tax Credit will provide a net tax benefit of approximately $27 million in 2016 based on our current railroad ownership.

Corporate and Business Development

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 120 freight railroads worldwide that are organized in 11 operating regions with 7,500 employees and more than 2,800 customers. The financial results of our 11 operating regions are reported in the following three distinct segments:

- Our North American Operations segment includes nine operating regions that serve 41 U.S. states and four Canadian provinces. This segment includes 113 short line and regional freight railroads with more than 13,000 track-miles.
- Our Australian Operations segment provides rail freight services in South Australia, the Northern Territory and New South Wales. Included in the Australian Operations segment is our operation of the 1,400-mile Tarcoola-to-Darwin rail line, which is the sole north-south rail corridor outside the coasts and primarily carries intermodal and commodity freight.
- Our U.K./European Operations segment includes the majority of the operations of Freightliner Group Limited (Freightliner), which we acquired in March 2015. Freightliner is the United Kingdom's (U.K.) largest rail maritime intermodal operator and the U.K.'s second-largest rail freight company. Our U.K./European Operations segment also includes heavy-haul freight operations in Poland and Germany and cross-border intermodal services connecting Northern European seaports with key industrial regions throughout the continent.

Our subsidiaries provide rail service at more than 40 major ports in North America, Australia and Europe and perform contract coal loading and railcar switching for industrial customers. As more fully described in 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, the results of operations of the foreign entities are maintained in the respective local currency and then translated into United States dollars at the applicable exchange rates for inclusion in the consolidated financial statements. As a result, any appreciation or depreciation of these currencies against the United States dollar will impact our results of operations.

On March 25, 2015, we completed the acquisition of all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of London-based Freightliner, pursuant to the terms of a Share Purchase Agreement dated February 24, 2015. Certain former management shareholders of Freightliner (Management Shareholders) retained an approximate 6% economic interest in Freightliner in the form of deferred consideration. We expect to settle the deferred consideration by the end of 2020. For additional information regarding the deferred consideration, see Note 3, Changes in Operations, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

We funded the acquisition with borrowings under our Second Amended and Restated Senior Secured Syndicated Credit Facility Agreement, as amended (the Credit Agreement), and available cash, see "Liquidity and Capital Resources—Credit Agreement" below. The foreign exchange rate used to translate the total consideration to United States dollars was $1.49 for one British pound (GBP). For additional information regarding this purchase, see "Changes in Operations—Europe—Freightliner Group Limited" below.

The calculation of the total consideration for the Freightliner acquisition is presented below (amounts in thousands):

	GBP	USD
Cash consideration	£492,083	$733,006
Deferred consideration	24,200	36,048
Total consideration	£516,283	$769,054

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The results of operations from Freightliner have been included in our consolidated statements of operations since the March 25, 2015 acquisition date. We incurred $12.6 million of acquisition costs and $2.6 million of integration costs associated with Freightliner for the year ended December 31, 2015, which were included within other expenses in our consolidated statements of operations. In addition, we recorded a loss of $18.7 million on the settlement of foreign currency forward purchase contracts for the year ended December 31, 2015. The foreign currency forward purchase contracts were entered into to fix £307.1 million of the purchase price for Freightliner to $475.0 million and £84.7 million of the purchase price to A$163.8 million (see Note 9, Derivative Financial Instruments, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report) and were settled on March 23, 2015. The results of Freightliner's U.K. and Continental Europe operations are included in our U.K./European Operations segment and the results of Freightliner's Australia operations are included in our Australian Operations segment (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).

On January 5, 2015, we completed the acquisition of certain subsidiaries that constitute Pinsly Arkansas from Pinsly Railroad Company for $41.3 million in cash. We funded the acquisition with borrowings under our Amended and Restated Senior Secured Syndicated Credit Facility (the Prior 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.

Consolidated Annual Results

Our operating revenues increased $361.4 million, or 22.0%, to $2.0 billion for the year ended December 31, 2015, compared with $1.6 billion for the year ended December 31, 2014. Income from operations for the year ended December 31, 2015 was $384.3 million, compared with $421.6 million for the year ended December 31, 2014. Our operating ratio, defined as operating expenses divided by operating revenues, was 80.8% for the year ended December 31, 2015, compared with 74.3% for the year ended December 31, 2014. The increase in our operating ratio was primarily driven by lower operating margins from Freightliner, which operates in an open access environment using primarily leased equipment. Our same railroad operating ratio for the year ended December 31, 2015 was 76.2%, compared with 74.2% for the year ended December 31, 2014. When we discuss either operating ratios from existing operations or same railroad operating ratios, we are referring to the change in our operating ratio, period-over-period, associated with operations that we managed in both periods (excluding the impact of acquisitions).

Our net income for the year ended December 31, 2015 was $225.0 million, compared with net income of $260.8 million for the year ended December 31, 2014. Our diluted EPS for the year ended December 31, 2015 were $3.89 with 57.8 million weighted average shares outstanding, compared with diluted EPS of $4.58 with 57.0 million weighted average shares outstanding for the year ended December 31, 2014. Our effective income tax rate for the year ended December 31, 2015 was 25.2%, compared with 29.1% for the year ended December 31, 2014.

During the year ended December 31, 2015, we generated $475.1 million in cash flows from operating activities. During the same period, we purchased $371.5 million of property and equipment, including $65.6 million for new business investments, partially offset by $41.7 million in cash received from government grants and other outside parties for capital spending and $4.0 million in cash proceeds from the sale of property and equipment. We also paid $740.2 million for the acquisitions of Freightliner and Pinsly Arkansas and $18.7 million for the settlement of foreign currency forward purchase contracts related to the acquisition of Freightliner. In addition, we received net proceeds of $576.6 million primarily related to borrowings from the refinancing of our Credit Agreement in conjunction with our acquisition of Freightliner. Our unused borrowing capacity for the year ended December 31, 2015 was $575.7 million.

Our results for the year ended December 31, 2015 and 2014 included certain items affecting comparability between the periods that are set forth below (dollars in millions, except per share amounts):

	Income/(Loss) Before Taxes Impact	After-Tax Net Income/(Loss) Impact	Diluted Earnings/(Loss) Per Common Share Impact
Year Ended December 31, 2015			
Loss on settlement of Freightliner acquisition-related foreign currency forward purchase contracts	$(18.7)	$(11.6)	$(0.20)
Freightliner acquisition-related costs	$(12.6)	$(9.5)	$(0.16)
Business development and related costs	$(9.1)	$(5.6)	$(0.10)
Net gain on sale of assets	$2.3	$1.7	$0.03
2015 Short Line Tax Credit	$—	$27.4	$0.47
Impact of reduction in U.K. statutory tax rate	$—	$9.7	$0.17
Year Ended December 31, 2014			
Business development and related costs	$(5.2)	$(3.2)	$(0.06)
Credit facility refinancing 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
Adjustment for tax returns from previous fiscal year	$—	$(0.7)	$(0.01)

In December 2015, the United States Short Line Tax Credit (which had previously expired on December 31, 2014) was extended for fiscal years 2015 and 2016. In the fourth quarter of 2015, G&W recorded a tax benefit of $27.4 million associated with the extension of the Short Line Tax Credit, as well as a tax benefit of $9.7 million associated with a prospective change in U.K. tax rates enacted during the fourth quarter of 2015. In December 2014, the Short Line Tax Credit (which had previously expired on December 31, 2013) was extended for fiscal year 2014. In the fourth quarter of 2014, G&W recorded a tax benefit of $27.0 million associated with the extension of the Short Line Tax Credit, as well as a tax benefit of $3.9 million 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 acquisition of RailAmerica, Inc. (RailAmerica).

For the year ended December 31, 2015, our results also included Freightliner acquisition-related costs of $12.6 million, loss on settlement of foreign currency forward purchase contracts related to the Freightliner acquisition of $18.7 million, business development and related costs of $9.1 million and net gain on sale of assets of $2.3 million. For the year ended December 31, 2014, our results also included business development and related costs of $5.2 million, credit facility refinancing costs of $4.7 million and net gain on sale of assets of $5.1 million.

Annual Results by Segment

Operating revenues from our North American Operations decreased $62.9 million, or 4.8%, to $1,241.8 million for the year ended December 31, 2015, compared with $1,304.8 million for the year ended December 31, 2014. Excluding $44.0 million of revenues from new operations and a $16.1 million decrease from the impact of foreign currency depreciation, our North American Operations same railroad revenues decreased $90.9 million, or 7.1%, primarily due to declines in coal and metals shipments. When we discuss our same railroad revenues, we are referring to the change in our revenues, period-over-period, associated with operations that we managed in both periods (excluding the impact of acquisitions).

North American Operations traffic decreased 134,757 carloads, or 7.6%, to 1,644,400 carloads for the year ended December 31, 2015. Excluding 59,552 carloads from new operations, same railroad traffic decreased 194,309 carloads, or 10.9%, for the year ended December 31, 2015, compared with the year ended December 31, 2014. The same railroad decrease was principally due to 88,517 carloads of coal and coke traffic (primarily utility coal in the Midwest, Central and Ohio Valley regions), 52,249 carloads of metals traffic (primarily steel and scrap in the Southern, Ohio Valley and Northeast regions), 19,552 carloads of other traffic (primarily overhead Class I traffic in the Central Region), 10,098 carloads of agricultural products traffic (primarily in the Ohio Valley and Mountain West regions), 7,398 carloads of minerals and stone traffic (primarily frac sand in the Midwest, Southern, Northeast and Central regions), 6,732 carloads of autos and auto parts traffic (primarily in the Pacific and Ohio Valley regions), 5,960 carloads of lumber and forest products traffic (primarily in the Southern and Pacific regions) and 2,325 carloads of petroleum products traffic (primarily in the Pacific and Ohio Valley regions), partially offset by an increase of 2,549 carloads of metallic ores traffic (primarily in the Mountain West Region). All remaining traffic decreased by a net 4,027 carloads.

Income from operations from our North American Operations for the year ended December 31, 2015 was $297.5 million, compared with $333.2 million for the year ended December 31, 2014. The operating ratio from our North American Operations for the year ended December 31, 2015 was 76.0%, compared with 74.5% for the year ended December 31, 2014.

Operating revenues from our Australian Operations decreased $70.3 million, or 22.4%, to $243.0 million for the year ended December 31, 2015, compared with $313.3 million for the year ended December 31, 2014. Excluding $36.1 million of revenues from our newly acquired Freightliner Australia operations and a $52.3 million decrease from the impact of foreign currency depreciation, our Australian Operations same railroad operating revenues decreased by $54.1 million, or 20.7%, primarily due to a decrease in freight revenues resulting from a decline in iron ore and manganese shipments.

Australian Operations traffic decreased 26,989 carloads, or 11.8%, to 200,905 carloads for the year ended December 31, 2015, compared with the year ended December 31, 2014. The traffic was entirely from existing operations, as Freightliner Australia revenues are all freight-related. The decrease was principally due to decreases of 29,627 carloads of metallic ores traffic, 2,650 carloads of agricultural products traffic and 1,816 carloads of intermodal traffic, partially offset by an increase of 7,083 carloads in minerals and stone traffic. All remaining traffic increased by a net 21 carloads.

Income from operations from our Australian Operations for the year ended December 31, 2015 was $54.8 million, compared with $90.4 million for the year ended December 31, 2014. The operating ratio from our Australian Operations for the year ended December 31, 2015 was 77.4%, compared with an operating ratio of 71.1% for the year ended December 31, 2014.

Operating revenues from our U.K./European Operations increased $494.7 million to $515.6 million for the year ended December 31, 2015, compared with $21.0 million for the year ended December 31, 2014. Excluding $495.2 million of revenues from our newly acquired Freightliner U.K./European Operations and a $3.5 million decrease from the impact of foreign currency depreciation, our U.K./European Operations same railroad revenues increased by $2.9 million, or 16.4%. U.K./European Operations traffic consisted of 896,125 carloads for the year ended December 31, 2015, which was entirely related to traffic from our newly acquired Freightliner U.K./European Operations.

Income from operations from our U.K./European Operations for the year ended December 31, 2015 was $31.9 million with an operating ratio of 93.8%. The prior year is not comparable because over 95% of the 2015 revenues and income from operations were generated from the recently acquired Freightliner business.

Changes in Operations

Europe

Freightliner Group Limited: On March 25, 2015, we completed the acquisition of all of the outstanding share capital of RailInvest Holding Company Limited, the parent company of London-based Freightliner, pursuant to the terms of a Share Purchase Agreement dated February 24, 2015. Management Shareholders retained an approximate 6% economic interest in Freightliner in the form of deferred consideration. We expect to settle the deferred consideration by the end of 2020.

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Headquartered in London, England, Freightliner is an international freight rail operator with operations in the U.K., Poland, Germany, the Netherlands and Australia. Freightliner's principal business is located in the U.K., where it is the largest maritime intermodal operator and the second largest freight rail operator, providing service throughout England, Scotland and Wales. In Continental Europe, Freightliner Poland primarily serves aggregates and coal customers in Poland. In addition, Freightliner's ERS subsidiary, based in Rotterdam, provides cross-border intermodal services connecting the northern European ports of Rotterdam, Bremerhaven and Hamburg to key cities in Germany, Poland, Italy and beyond. In Australia, Freightliner currently transports coal and containerized agricultural products for its customers in New South Wales. As of the acquisition date, Freightliner employed approximately 2,500 people worldwide and had a fleet of primarily leased equipment of approximately 250 standard gauge locomotives, including approximately 45 electric locomotives, and 5,500 railcars.

We funded the acquisition with borrowings under the Credit Agreement (see Note 8, Long-Term Debt, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report) and available cash. The foreign exchange rate used to translate the total consideration to United States dollars was $1.49 for one British pound, the exchange rate on March 25, 2015. The calculation of the total consideration for the Freightliner acquisition is presented below (amounts in thousands):

	GBP	USD
Cash consideration	£492,083	$733,006
Deferred consideration	24,200	36,048
Total consideration	£516,283	$769,054

For additional information regarding the acquisition of Freightliner, see Note 3, Changes in Operations, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

United States

Pinsly's Arkansas Division: On January 5, 2015, we completed the acquisition of certain subsidiaries of Pinsly that constituted Pinsly Arkansas for $41.3 million in cash. We funded the acquisition with borrowings under our Prior Credit Agreement. The results of operations from Pinsly Arkansas have been included in our consolidated statement of operations since the acquisition date within our North American Operations segment. For additional information regarding Pinsly Arkansas, see Note 3, Changes in Operations, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

Rapid City, Pierre & Eastern Railroad, Inc.: 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. The results of operations from RCP&E have been included in our consolidated statement of operations since the acquisition date within our North American Operations segment. For additional information regarding RCP&E, see Note 3, Changes in Operations, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

Australia

Arrium Limited: Between 2011 and 2014, our subsidiary, Genesee & Wyoming Australia Pty Ltd (GWA), invested a total of A$78.0 million (or $77.7 million at the exchange rates on the dates the spending occurred) to purchase locomotives and railcars, as well as to construct a standard gauge rolling-stock maintenance facility to support iron ore shipments from Arrium's Southern Iron mine and Whyalla-based operations, which include the Middleback Range iron ore mines and the Whyalla steelworks.

Arrium mothballed its Southern Iron mine in April 2015, citing the significant decline in the price of iron ore, while the mines in the Middleback Range continued to operate. During 2015, GWA carried approximately 8,300 carloads of iron ore from the Southern Iron mine and, in total, generated approximately A$83 million in freight and freight-related revenues (or approximately $62 million, at the average exchange rate for the year ended December 31, 2015) under the fixed and variable payment structure that is customary in large contracts in Australia. We expect to receive only the fixed portion of the revenue following the mothballing of the Southern Iron mine and both the fixed and variable portion from the Whyalla-based operations. We could lose some or all of this revenue if Arrium continues to suffer from declines in commodity prices or other economic and financial conditions. In February 2016, Arrium announced a recapitalization plan with GSO Capital Partners LP. The recapitalization plan is subject to a variety of closing conditions, including approval by Arrium’s existing lenders, as well as regulatory and other approvals.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

Consolidated Operating Results

Operating Revenues

The following table breaks down our operating revenues and total carloads into new operations and existing operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015			2014	Increase in Total Operations		Increase/(Decrease) in Existing Operations		
	Total Operations	New Operations	Existing Operations	Total Operations	Amount	%	Amount	%	Currency Impact
Freight revenues	$1,405,114	$345,687	$1,059,427	$1,251,941	$153,173	12.2 %	$(192,514)	(15.4)%	$(51,583)
Freight-related revenues	497,516	204,398	293,118	290,787	206,729	71.1 %	2,331	0.8 %	(16,696)
All-other	97,771	25,269	72,502	96,284	1,487	1.5 %	(23,782)	(24.7)%	(3,551)
Total operating revenues	$2,000,401	$575,354	$1,425,047	$1,639,012	$361,389	22.0 %	$(213,965)	(13.1)%	$(71,830)
Carloads	2,741,430	955,677	1,785,753	2,007,051	734,379	36.6 %	(221,298)	(11.0)%	

Operating Expenses

Total operating expenses for the year ended December 31, 2015 increased $398.7 million, or 32.7%, to $1,616.1 million, compared with $1,217.4 million for the year ended December 31, 2014. The increase included $530.0 million from new operations, partially offset by a decrease of $131.3 million from existing operations. When we discuss expenses from existing operations, we are referring to the change in our expenses, period-over-period, associated with operations that we managed in both periods (excluding the impact of acquisitions). The decrease from existing operations was primarily due to a decrease of $54.4 million from the depreciation of foreign currencies relative to the United States dollar and decreases of $54.8 million in diesel fuel used in train operations, $11.4 million in materials, $10.7 million in purchased services, $10.2 million in trackage rights and $9.0 million in equipment rents, partially offset by increases of $13.1 million in depreciation and amortization and $8.2 million in other expenses.

The following table sets forth our total operating expenses for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015 Amount	% of Operating Revenues	2014 Amount	% of Operating Revenues	Increase/(Decrease)	Currency Impact	2014 Constant Currency	Increase/ (Decrease) (Constant Currency)
Labor and benefits	$614,967	30.7 %	$469,503	28.7 %	$ 145,464	$(18,314)	$451,189	$163,778
Equipment rents	149,825	7.5 %	82,730	5.0 %	67,095	(2,726)	80,004	69,821
Purchased services	186,905	9.3 %	100,108	6.1 %	86,797	(7,137)	92,971	93,934
Depreciation and amortization	188,535	9.4 %	157,081	9.6 %	31,454	(7,239)	149,842	38,693
Diesel fuel used in train operations	132,149	6.6 %	149,047	9.1 %	(16,898)	(6,614)	142,433	(10,284)
Electricity used in train operations	13,714	0.7 %	1,058	0.1 %	12,656	(179)	879	12,835
Casualties and insurance	42,494	2.1 %	41,552	2.5 %	942	(2,475)	39,077	3,417
Materials	95,248	4.9 %	78,366	4.8 %	16,882	(2,467)	75,899	19,349
Trackage rights	78,140	3.9 %	53,783	3.3 %	24,357	(4,170)	49,613	28,527
Net gain on sale of assets	(2,291)	(0.1)%	(5,100)	(0.3)%	2,809	277	(4,823)	2,532
Other expenses	116,454	5.8 %	89,313	5.4 %	27,141	(3,327)	85,986	30,468
Total operating expenses	$1,616,140	80.8 %	$1,217,441	74.3 %	$ 398,699	$(54,371)	$1,163,070	$453,070

Income from Operations/Operating Ratio

Income from operations was $384.3 million for the year ended December 31, 2015, compared with $421.6 million for the year ended December 31, 2014. Income from operations for the year ended December 31, 2015 included acquisition-related costs associated with Freightliner of $12.6 million, business development and related costs of $7.0 million and net gain on sale of assets of $2.3 million. Income from operations for the year ended December 31, 2014 included business development and related costs of $5.2 million and net gain on sale of assets of $5.1 million. Our operating ratio was 80.8% for the year ended December 31, 2015, compared with 74.3% for the year ended December 31, 2014. The increase in our operating ratio was primarily driven by lower operating margins from Freightliner, as our U.K./European Operations primarily use leased equipment. Our same railroad operating ratio in the year ended December 31, 2015 was 76.2%, compared with 74.3% for the year ended December 31, 2014.

Interest Expense

Interest expense was $67.1 million for the year ended December 31, 2015, compared with $56.2 million for the year ended December 31, 2014. The increase in interest expense was primarily due to a higher debt balance resulting from the acquisition of Freightliner.

Provision for Income Taxes

Our income tax provision for the year ended December 31, 2015 was $75.9 million, which represented 25.2% of income before income taxes. Our provision for income taxes for the year ended December 31, 2015 included a $27.4 million tax benefit from the United States Short Line Tax Credit, which had previously expired on December 31, 2014 and was extended in December 2015 for fiscal years 2015 and 2016, and a $9.7 million tax benefit associated with a prospective change in U.K. tax rates enacted during the fourth quarter of 2015. Our income tax provision for the year ended December 31, 2014 was $107.1 million, which represented 29.1% of income before income taxes. Our provision for income taxes for the year ended December 31, 2014 included a $27.0 million tax benefit associated with the United States Short Line Tax Credit and a $3.9 million tax benefit as a result of receiving consent from the United States IRS to change a tax accounting method retroactively for companies acquired as a result of the RailAmerica acquisition. For additional information regarding the United States Short Line Tax Credit, see Note 13, Income Taxes, to our Consolidated Financial Statements set forth in "Part IV Item 15. Exhibits, Financial Statement Schedules" of this Annual Report.

The United States Short Line Tax Credit is an income tax track maintenance credit for Class II and Class III railroads to reduce their federal income tax based on qualified railroad track maintenance expenditures. 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 its tax year. The United States Short Line Tax Credit was in existence from 2005 through 2014 and was further extended in December 2015 for fiscal years 2015 and 2016.

Net Income and Earnings Per Common Share

Net income for the year ended December 31, 2015 was $225.0 million, compared with $260.8 million for the year ended December 31, 2014. Our basic EPS were $3.97 with 56.7 million weighted average shares outstanding for the year ended December 31, 2015, compared with basic EPS of $4.71 with 55.3 million weighted average shares outstanding for the year ended December 31, 2014. Our diluted EPS for the year ended December 31, 2015 were $3.89 with 57.8 million weighted average shares outstanding, compared with diluted EPS of $4.58 with 57.0 million weighted average shares outstanding for the year ended December 31, 2014. Our results for the years ended December 31, 2015 and 2014 included certain items affecting comparability between the periods as previously presented in the "Overview."

Operating Results by Segment

The following tables set forth our North American Operations, Australian Operations and U.K./European Operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015			
	North American Operations	Australian Operations	U.K./European Operations	Total Operations
Operating revenues:				
Freight revenues	$949,028	$146,850	$309,236	$1,405,114
Freight-related revenues	227,154	87,616	182,746	497,516
All other revenues	65,633	8,486	23,652	97,771
Total operating revenues	$1,241,815	$242,952	$515,634	$2,000,401
Operating expenses:				
Labor and benefits	397,911	67,947	149,109	614,967
Equipment rents	65,918	12,298	71,609	149,825
Purchased services	63,986	19,560	103,359	186,905
Depreciation and amortization	141,814	27,425	19,296	188,535
Diesel fuel used in train operations	75,630	21,150	35,369	132,149
Electricity used in train operations	—	—	13,714	13,714
Casualties and insurance	29,574	8,498	4,422	42,494
Materials	57,808	11,408	26,032	95,248
Trackage rights	24,601	13,234	40,305	78,140
Net gain on sale of assets	(2,001)	(48)	(242)	(2,291)
Other expenses	89,088	6,638	20,728	116,454
Total operating expenses	944,329	188,110	483,701	1,616,140
Income from operations	$297,486	$54,842	$31,933	$384,261
Operating ratio	76.0%	77.4%	93.8%	80.8%
Interest expense, net	$39,651	$8,976	$17,965	$66,592
Loss on settlement of foreign currency forward purchase contracts	$16,374	$2,312	$—	$18,686
Provision for/(benefit from) income taxes	$69,552	$12,890	$(6,548)	$75,894
Expenditures for additions to property & equipment, net of grants from outside parties	$266,548	$31,179	$32,035	$329,762

Carloads	1,644,400	200,905	896,125	2,741,430

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	2014 North American Operations	Australian Operations	U.K./European Operations	Total Operations
Operating revenues:				
Freight revenues	$1,008,236	$243,705	$—	$1,251,941
Freight-related revenues	214,388	55,461	20,938	290,787
All other revenues	82,137	14,104	43	96,284
Total operating revenues	$1,304,761	$313,270	$20,981	$1,639,012
Operating expenses:				
Labor and benefits	390,755	71,216	7,532	469,503
Equipment rents	70,150	9,973	2,607	82,730
Purchased services	62,826	34,092	3,190	100,108
Depreciation and amortization	127,421	28,095	1,565	157,081
Diesel fuel used in train operations	120,729	26,346	1,972	149,047
Electricity used in train operations	—	—	1,058	1,058
Casualties and insurance	30,124	10,899	529	41,552
Materials	69,840	7,656	870	78,366
Trackage rights	28,928	22,095	2,760	53,783
Net gain on sale of assets	(4,582)	(432)	(86)	(5,100)
Other expenses	75,376	12,934	1,003	89,313
Total operating expenses	971,567	222,874	23,000	1,217,441
Income/(loss) from operations	$333,194	$90,396	$(2,019)	$421,571
Operating ratio	74.5%	71.1%	109.6%	74.3%
Interest expense, net	$41,732	$12,152	$833	$54,717
Provision for/(benefit from) income taxes	$86,363	$23,443	$(2,699)	$107,107
Expenditures for additions to property & equipment, net of grants from outside parties	$277,725	$24,930	$864	$303,519
Carloads	1,779,157	227,894	—	2,007,051

North American Operations

Operating Revenues

The following table sets forth our North American Operations operating revenues and carloads by new operations and existing operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015 Total Operations	New Operations	Existing Operations	2014 Total Operations	Increase/(Decrease) in Total Operations Amount	%	Increase/(Decrease) in Existing Operations Amount	%	Currency Impact
Freight revenues	$949,028	$36,451	$912,577	$1,008,236	$(59,208)	(5.9)%	$(95,659)	(9.5)%	$(10,861)
Freight-related revenues	227,154	5,947	221,207	214,388	12,766	6.0%	6,819	3.2%	(3,994)
All other revenues	65,633	1,613	64,020	82,137	(16,504)	(20.1)%	(18,117)	(22.1)%	(1,196)
Total operating revenues	$1,241,815	$44,011	$1,197,804	$1,304,761	$(62,946)	(4.8)%	$(106,957)	(8.2)%	$(16,051)
Carloads	1,644,400	59,552	1,584,848	1,779,157	(134,757)	(7.6)%	(194,309)	(10.9)%	

Freight Revenues

The following table sets forth our North American Operations freight revenues, carloads and average freight revenues per carload for the years ended December 31, 2015 and 2014, assuming the 2015 foreign currency exchange rates were applicable to both periods (dollars in thousands, except average freight revenues per carload):

	Freight Revenues						Carloads						Average Freight Revenues Per Carload	
	2015			2014*			2015			2014				
Commodity Group	Amount	% of Total		Amount	% of Total		Amount	% of Total		Amount	% of Total		2015	2014*
Agricultural Products	$123,116	13.0	%	$120,197	12.1	%	216,500	13.2	%	210,316	11.8	%	$569	$572
Autos & Auto Parts	17,313	1.8	%	23,051	2.3	%	27,738	1.7	%	34,470	1.9	%	624	669
Chemicals & Plastics	140,400	14.8	%	134,803	13.5	%	179,002	10.9	%	169,160	9.5	%	784	797
Coal & Coke	93,541	9.9	%	125,901	12.6	%	267,258	16.3	%	355,762	20.0	%	350	354
Food & Kindred Products	34,899	3.7	%	35,412	3.6	%	61,145	3.7	%	60,741	3.4	%	571	583
Intermodal	9	—	%	350	—	%	107	—	%	3,442	0.2	%	84	102
Lumber & Forest Products	80,209	8.4	%	81,775	8.2	%	137,009	8.3	%	136,768	7.7	%	585	598
Metallic Ores	19,756	2.1	%	17,340	1.7	%	24,812	1.5	%	22,123	1.2	%	796	784
Metals	103,898	10.9	%	129,239	13.0	%	133,915	8.1	%	184,264	10.5	%	776	701
Minerals & Stone	116,537	12.3	%	112,614	11.3	%	209,957	12.8	%	194,335	10.9	%	555	579
Petroleum Products	67,584	7.1	%	61,994	6.2	%	102,759	6.2	%	104,672	5.9	%	658	592
Pulp & Paper	113,830	12.0	%	115,151	11.6	%	176,543	10.7	%	174,942	9.8	%	645	658
Waste	18,078	1.9	%	18,403	1.8	%	38,927	2.4	%	39,994	2.2	%	464	460
Other	19,858	2.1	%	21,145	2.1	%	68,728	4.2	%	88,168	5.0	%	289	240
Total	$949,028	100.0	%	$997,375	100.0	%	1,644,400	100.0	%	1,779,157	100.0	%	$577	$561

* Amounts adjusted to reflect the impact of 2015 foreign currency exchange rates.

The following table sets forth the changes in our North American Operations freight revenues by commodity group segregated into new operations and existing operations for the year ended December 31, 2015, compared with the year ended December 31, 2014 (dollars in thousands):

Commodity Group	Year Ended December 31, 2015	2014	Increase/(Decrease) in Total Operations		New Operations	Currency Impact		2014 Constant Currency	Increase/(Decrease) in Existin Operations Constant Currency	
Agricultural Products	$123,116	$121,265	$ 1,851		$12,600	$(1,068	)	$120,197	$ (9,681	)
Autos & Auto Parts	17,313	23,619	(6,306	)	—	(568	)	23,051	(5,738	)
Chemicals & Plastics	140,400	136,492	3,908		5,236	(1,689	)	134,803	361	
Coal & Coke	93,541	126,377	(32,836	)	24	(476	)	125,901	(32,384	)

Food & Kindred Products	34,899	35,534	(635)	471	(122)	35,412	(984)
Intermodal	9	390	(381)	—	(40)	350	(341)
Lumber & Forest Products	80,209	82,271	(2,062)	3,971	(496)	81,775	(5,537)
Metallic Ores	19,756	17,795	1,961	44	(455)	17,340	2,372
Metals	103,898	131,161	(27,263)	976	(1,922)	129,239	(26,317)
Minerals & Stone	116,537	112,999	3,538	12,276	(385)	112,614	(8,353)
Petroleum Products	67,584	63,051	4,533	187	(1,057)	61,994	5,403
Pulp & Paper	113,830	117,299	(3,469)	574	(2,148)	115,151	(1,895)
Waste	18,078	18,449	(371)	48	(46)	18,403	(373)
Other	19,858	21,534	(1,676)	44	(389)	21,145	(1,331)
Total freight revenues	$949,028	$1,008,236	$ (59,208)	$36,451	$(10,861)	$997,375	$ (84,798)

Total traffic from our North American Operations decreased 134,757 carloads, or 7.6%, for the year ended December 31, 2015, compared with the same period in 2014. The decrease consisted of a decrease of 194,309 carloads, or 10.9%, from existing operations, partially offset by 59,552 carloads from new operations. The decrease in traffic from existing operations was principally due to decreases of 88,517 carloads of coal and coke traffic, 52,249 carloads of metals traffic, 19,552 carloads of other commodity traffic, 10,098 carloads of agricultural products traffic, 7,398 carloads of minerals and stone traffic, 6,732 carloads of autos and auto parts traffic, 5,960 carloads of lumber and forest products traffic and 2,325 carloads of petroleum products traffic, partially offset by an increase of 2,549 of metallic ores traffic. All remaining traffic decreased by a net 4,027 carloads.

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

Average freight revenues per carload from our North American Operations increased 2.9% to $577 for the year ended December 31, 2015, compared with the year ended December 31, 2014. Average freight revenues per carload from existing operations increased 2.7% to $576. The increase in average freight revenues per carload from existing operations was impacted by a change in mix, which increased average freight revenues per carload 1.7%, partially offset by lower fuel surcharges, which decreased average freight revenues per carload 4.8%. Excluding these factors, average freight revenues per carload from existing operations increased 5.8%.

Agricultural products revenues decreased $9.7 million, or 8.1%. Agricultural products traffic volume decreased 10,098 carloads, or 4.8%, which decreased revenues by $5.6 million, and average freight revenues per carload decreased 3.5%, which decreased revenues by $4.1 million. The carload decrease was primarily due to decreased shipments in the midwestern and western United States due to weaker grain prices.

Autos and auto parts revenues decreased $5.7 million, or 24.9%. Autos and auto parts traffic volume decreased 6,732 carloads, or 19.5%, which decreased revenues by $4.2 million, and average freight revenues per carload decreased 6.7%, which decreased revenues by $1.5 million. The carload decrease was primarily due to decreased export shipments in the western United States and weather-related delays which impacted car supply in the midwestern United States in early 2015.

Coal and coke revenues decreased $32.4 million, or 25.7%. Coal and coke traffic volume decreased 88,517 carloads, or 24.9%, which decreased revenues by $31.0 million, and average freight revenues per carload decreased 1.1%, which decreased revenues by $1.4 million. The carload decrease was primarily due to decreased demand for steam coal as a result of competition from natural gas power generation.

Lumber and forest products revenues decreased $5.5 million, or 6.8%. Lumber and forest products traffic volume decreased 5,960 carloads, or 4.4%, which decreased revenues by $3.5 million, and average freight revenues per carload decreased 2.5%, which decreased revenues by $2.0 million. The carload decrease was primarily due to decreased shipments to the west coast housing market and decreased shipments in the southern United States.

Metallic ores revenues increased $2.4 million, or 13.7%. Metallic ores traffic volume increased 2,549 carloads, or 11.5%, which increased revenues by $2.0 million, and average freight revenues per carload increased 1.9%, which increased revenues by $0.3 million. The increase in carloads was primarily due to increased copper concentrate shipments in the western United States.

Metals revenues decreased $26.3 million, or 20.4%. Metals traffic volume decreased 52,249 carloads, or 28.4%, which decreased revenues by $40.7 million, while average freight revenues per carload increased 11.3%, which increased revenues by $14.4 million. The carload decrease was driven by weaker shipments of steel and scrap resulting primarily from competition from imported steel. The increase in average freight revenues per carload was primarily driven by a change in the mix of business.

Minerals and stone revenues decreased $8.4 million, or 7.4%. Minerals and stone average freight revenues per carload decreased 3.6%, which decreased revenues by $4.3 million, and traffic volume decreased by 7,398 carloads, or 3.8%, which decreased revenues by $4.1 million. The decrease in carloads was primarily due to decreased shipments of frac sand and proppants in the midwestern and southern United States.

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Other commodity group revenues decreased $1.3 million, or 6.3%. Other traffic decreased 19,552 carloads, or 22.2%, which decreased revenues by $5.6 million, while average freight revenues per carload increased 20.4%, which increased revenues by $4.3 million. The change was primarily due to decreased overhead Class I traffic in the central United States.

Petroleum products increased $5.4 million, or 8.7%. Petroleum products average freight revenues per carload increased 11.3%, which increased revenues by $6.9 million, while traffic volume decreased 2,325 carloads, or 2.2%, which decreased revenues by $1.5 million. Average revenues per carload increased primarily due to the change in mix of business, which resulted from a decrease in crude oil shipments in Canada and the western and southern United States and increased shipments of liquid petroleum gas and natural gas liquids in the midwestern and northeastern United States.

Freight revenues from all remaining commodities combined decreased by a net $3.2 million.

Freight-Related Revenues

Excluding a $4.0 million decrease due to the impact from foreign currency depreciation, freight-related revenues from our North American Operations, which includes revenues from railcar switching, track access rights, crewing services, storage and other ancillary revenues related to the movement of freight, increased $16.8 million, or 8.0%, to $227.2 million for the year ended December 31, 2015. The increase in freight-related revenues consisted of $10.8 million from existing operations and $5.9 million from new operations. The increase in freight-related revenues from existing operations was primarily due to an increase in demurrage and storage revenues and an increase in trackage rights revenues due to a new customer contract.

All Other Revenues

Excluding a $1.2 million decrease due to the impact of foreign currency depreciation, all other revenues from our North American Operations, which includes revenues from third-party car and locomotive repairs, property rentals, railroad construction and other ancillary revenues not directly related to the movement of freight, decreased $15.3 million, or 18.9%, to $65.6 million for the year ended December 31, 2015. The decrease in all other revenues consisted of $16.9 million from existing operations, partially offset by $1.6 million from new operations. The decrease in all other revenues from existing operations was primarily due to a decrease in construction revenues as a result of fewer third-party projects in 2015, which resulted from our previously disclosed decision to focus our construction resources on internal projects, and a decrease in rental revenues.

Operating Expenses

Total operating expenses from our North American Operations decreased $27.2 million, or 2.8%, to $944.3 million for the year ended December 31, 2015, compared with $971.6 million for the year ended December 31, 2014. The decrease included $59.1 million from existing operations, partially offset by an increase of $31.9 million from new operations. The decrease from existing operations was primarily due to a $46.5 million decrease in fuel costs and the depreciation of the Canadian dollar relative to the United States dollar, which resulted in a $13.5 million decrease in operating expenses from existing operations.

The following table sets forth operating expenses from our North American Operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015 Amount	2015 % of Operating Revenues	2014 Amount	2014 % of Operating Revenues	Increase/(Decrease)	Currency Impact	2014 Constant Currency	Increase/(Decrease) (Constant Currency)
Labor and benefits	$397,911	32.0%	$390,755	29.9%	$ 7,156	$(5,165)	$385,590	$ 12,321
Equipment rents	65,918	5.3%	70,150	5.4%	(4,232)	(631)	69,519	(3,601)
Purchased services	63,986	5.1%	62,826	4.8%	1,160	(1,153)	61,673	2,313
Depreciation and amortization	141,814	11.4%	127,421	9.8%	14,393	(2,320)	125,101	16,713
Diesel fuel used in train operations	75,630	6.1%	120,729	9.3%	(45,099)	(1,926)	118,803	(43,173)
Casualties and insurance	29,574	2.4%	30,124	2.3%	(550)	(488)	29,636	(62)
Materials	57,808	4.7%	69,840	5.4%	(12,032)	(956)	68,884	(11,076)
Trackage rights	24,601	2.0%	28,928	2.2%	(4,327)	(29)	28,899	(4,298)
Net gain on sale of assets	(2,001)	(0.2)%	(4,582)	(0.4)%	2,581	205	(4,377)	2,376
Other expenses	89,088	7.2%	75,376	5.8%	13,712	(1,035)	74,341	14,747
Total operating expenses	$944,329	76.0%	$971,567	74.5%	$ (27,238)	$(13,498)	$958,069	$ (13,740)

The following information discusses the significant changes in operating expenses from our North American Operations, excluding a decrease of $13.5 million due to the impact from foreign currency depreciation.

Labor and benefits expense was $397.9 million for the year ended December 31, 2015, compared with $385.6 million for the year ended December 31, 2014, an increase of $12.3 million, or 3.2%. The increase consisted of $11.9 million from new operations and $0.4 million from existing operations. The increase from existing operations was primarily due to annual wage and benefit increases, partially offset by a decrease in the average number of employees.

Equipment rents expense was $65.9 million for the year ended December 31, 2015, compared with $69.5 million for the year ended December 31, 2014, a decrease of $3.6 million, or 5.2%. The decrease consisted of $6.3 million from existing operations, partially offset by $2.7 million from new operations. The decrease from existing operations was primarily the result of the purchase of railcars in the western United States.

Purchased services expense was $64.0 million for the year ended December 31, 2015, compared with $61.7 million for the year ended December 31, 2014, an increase of $2.3 million, or 3.8%. The increase consisted of $3.6 million from new operations, partially offset by a decrease of $1.3 million from existing operations. The decrease from existing operations was primarily due to a reduction in the level of third-party construction projects.

Depreciation and amortization expense was $141.8 million for the year ended December 31, 2015, compared with $125.1 million for the year ended December 31, 2014, an increase of $16.7 million, or 13.4%. The increase consisted of $11.8 million from existing operations and $4.9 million from new operations. The increase from existing operations was primarily attributable to capital expenditures in 2014.

The cost of diesel fuel used in train operations was $75.6 million for the year ended December 31, 2015, compared with $118.8 million for the year ended December 31, 2014, a decrease of $43.2 million, or 36.3%. The decrease consisted of $46.5 million from existing operations, partially offset by $3.4 million from new operations. The decrease from existing operations was primarily attributable to a 36.2% decrease in average fuel cost per gallon.

Materials expense was $57.8 million for the year ended December 31, 2015, compared with $68.9 million for the year ended December 31, 2014, a decrease of $11.1 million, or 16.1%. The decrease consisted of $14.3 million from existing operations, partially offset by $3.3 million from new operations. The decrease from existing operations was primarily attributable to a reduction in the level of car repairs and construction projects in 2015.

Trackage rights expense was $24.6 million for the year ended December 31, 2015, compared with $28.9 million for the year ended December 31, 2014, a decrease of $4.3 million, or 14.9%. The decrease consisted of $4.3 million from existing operations primarily attributable to reduced traffic for a metals customer in the southern United States and reduced coal traffic due to a maintenance outage at a power plant we serve.

Other expenses were $89.1 million for the year ended December 31, 2015, compared with $74.3 million for the year ended December 31, 2014, an increase of $14.7 million, or 19.8%. The increase consisted of $13.1 million from existing operations and $1.6 million from new operations. The increase from existing operations was primarily attributable to an increase in acquisition and integration costs as a result of the Freightliner acquisition.

Income from Operations/Operating Ratio

Income from operations from our North American Operations was $297.5 million for the year ended December 31, 2015, compared with $333.2 million for the year ended December 31, 2014. Income from operations for the year ended December 31, 2015 included $12.6 million of acquisition costs and $2.6 million of integration costs associated with Freightliner, business development related costs of $0.6 million and net gain on sale of assets of $2.0 million. Income from operations for the year ended December 31, 2014 included business development and related costs of $4.9 million and net gain on sale of assets of $4.6 million. The operating ratio was 76.0% for the year ended December 31, 2015, compared with 74.5% for the year ended December 31, 2014.

Australian Operations

Operating Revenues

The following table sets forth our Australian Operations operating revenues and carloads by new operations and existing operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015 Total Operations	New Operations	Existing Operations	2014 Total Operations	Increase/(Decrease) in Total Operations Amount	Increase/(Decrease) in Total Operations %	Decrease in Existing Operations Amount	Decrease in Existing Operations %	Currency Impact
Freight revenues	$146,850	$—	$146,850	$243,705	$(96,855)	(39.7)%	$(96,855)	(39.7)%	$(40,722)
Freight-related revenues	87,616	36,098	51,518	55,461	32,155	58.0%	(3,943)	(7.1)%	(9,252)
All other revenues	8,486	—	8,486	14,104	(5,618)	(39.8)%	(5,618)	(39.8)%	(2,348)
Total operating revenues	$242,952	$36,098	$206,854	$313,270	$(70,318)	(22.4)%	$(106,416)	(34.0)%	$(52,322)
Carloads	200,905	—	200,905	227,894	(26,989)	(11.8)%	(26,989)	(11.8)%	

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Freight Revenues

The following table sets forth our Australian Operations freight revenues, carloads and average freight revenues per carload for the years ended December 31, 2015 and 2014, assuming the 2015 foreign currency exchange rates were applicable to both periods (dollars in thousands, except average freight revenues per carload):

	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2015		2014*		2015		2014			
Commodity Group	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	2015	2014*
Agricultural Products	$22,614	15.4 %	$26,804	13.2 %	51,534	25.6 %	54,184	23.8 %	$439	$495
Intermodal	71,429	48.6 %	76,480	37.6 %	61,659	30.7 %	63,475	27.9 %	1,158	1,205
Metallic Ores	44,204	30.1 %	91,076	44.9 %	26,915	13.4 %	56,542	24.8 %	1,642	1,611
Minerals & Stone	7,306	5.0 %	7,420	3.7 %	60,490	30.1 %	53,407	23.4 %	121	139
Petroleum Products	1,297	0.9 %	1,203	0.6 %	307	0.2 %	286	0.1 %	4,225	4,206
Total	$146,850	100.0 %	$202,983	100.0 %	200,905	100.0 %	227,894	100.0 %	$731	$891

* Amounts adjusted to reflect the impact of 2015 foreign currency exchange rates.

The following table sets forth the changes in our Australian Operations freight revenues by commodity group for the year ended December 31, 2015, compared with the year ended December 31, 2014 (dollars in thousands):

Commodity Group	2015	2014	Increase/(Decrease)	Currency Impact	2014 Constant Currency	Increase/(Decrease) Constant Currency
Agricultural Products	$22,614	$32,003	$ (9,389)	$(5,199)	$26,804	$ (4,190)
Intermodal	71,429	91,895	(20,466)	(15,415)	76,480	(5,051)
Metallic Ores	44,204	109,439	(65,235)	(18,363)	91,076	(46,872)
Minerals & Stone	7,306	8,921	(1,615)	(1,501)	7,420	(114)
Petroleum Products	1,297	1,447	(150)	(244)	1,203	94
Total freight revenues	$146,850	$243,705	$ (96,855)	$(40,722)	$202,983	$ (56,133)

Total traffic from our Australian Operations decreased 26,989 carloads, or 11.8%, to 200,905 carloads for the year ended December 31, 2015, compared with the year ended December 31, 2014. The traffic was entirely from existing operations, as Freightliner Australia revenues are all freight-related. The decrease was principally due to decreases of 29,627 carloads of metallic ores traffic, 2,650 carloads of agricultural products traffic and 1,816 carloads of intermodal traffic, partially offset by a 7,104 carload increase primarily due to an increase in minerals and stone traffic.

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

Average freight revenues per carload from our Australian Operations decreased 18.0% to $731 for the year ended December 31, 2015, compared with the year ended December 31, 2014. The decrease in average freight revenues per carload was impacted by a change in mix, which decreased average freight revenues per carload 15.4%, and lower fuel surcharges, which decreased average freight revenues per carload 2.6%.

Agricultural products revenues decreased $4.2 million, or 15.6%. Agricultural products average freight revenues per carload decreased 11.3%, which decreased revenues by $3.0 million, and traffic volume decreased 2,650 carloads, or 4.9%, which decreased revenues by $1.2 million. The decrease in average freight revenues per carload was primarily attributable to a change in the mix of business.

Intermodal revenues decreased $5.1 million, or 6.6%. Intermodal average freight revenues per carload decreased 3.9%, which decreased revenues by $3.0 million, and traffic volume decreased 1,816 carloads, or 2.9%, which decreased revenues by $2.1 million. The decrease in average freight revenues per carload was primarily due to lower fuel surcharges.

Metallic ores revenues decreased $46.9 million, or 51.5%. Metallic ores traffic decreased 29,627 carloads, or 52.4%, which decreased revenues by $48.7 million, while average freight revenues per carload increased 1.9%, which increased revenues by $1.8 million. The carload decrease was primarily due to decreased iron ore and manganese shipments as a result of multiple customer mine closures.

Freight revenues from all remaining commodities combined decreased by less than $0.1 million.

Freight-Related Revenues

Excluding a $9.3 million decrease due to the impact of foreign currency depreciation, freight-related revenues from our Australian Operations, which includes revenues from railcar switching, track access rights, crewing services, storage and other ancillary revenues related to the movement of freight, increased $41.4 million, or 89.6%, to $87.6 million for the year ended December 31, 2015. The increase in freight-related revenues consisted of $36.1 million from new operations and $5.3 million from existing operations. The increase in freight-related revenues from existing operations was primarily due to $15.1 million of fixed payments received under a customer contract following discontinuation of carload shipments due to a mine closure, partially offset by an $8.1 million decrease in crewing revenue and a $2.0 million decrease in trackage rights.

All Other Revenues

Excluding a $2.3 million decrease due to the impact of foreign currency depreciation, all other revenues from our Australian Operations, which includes revenues from third-party railcar and locomotive repairs, property rentals and other ancillary revenues not directly related to the movement of freight, decreased $3.3 million, or 27.8%, to $8.5 million for the year ended December 31, 2015. The decrease was primarily due to a reduction in third-party construction activities in 2015.

Operating Expenses

Total operating expenses from our Australian Operations for the year ended December 31, 2015 decreased $34.8 million, or 15.6%, to $188.1 million, compared with $222.9 million for the year ended December 31, 2014. The decrease consisted of $69.3 million from existing operations, partially offset by $34.6 million from new operations. The decrease from existing operations was primarily due to a $37.2 million decrease from the depreciation of the Australian dollar relative to the United States dollar.

The following table sets forth operating expenses from our Australian Operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015		2014					
	Amount	% of Operating Revenues	Amount	% of Operating Revenues	Increase/(Decrease)	Currency Impact	2014 Constant Currency	Increase/(Decrease) (Constant Currency)
Labor and benefits	$67,947	28.0 %	$71,216	22.7 %	$ (3,269)	$(12,000)	$59,216	$ 8,731
Equipment rents	12,298	5.1 %	9,973	3.1 %	2,325	(1,667)	8,306	3,992
Purchased services	19,560	8.0 %	34,092	10.9 %	(14,532)	(5,442)	28,650	(9,090)
Depreciation and amortization	27,425	11.3 %	28,095	9.0 %	(670)	(4,661)	23,434	3,991
Diesel fuel used in train operations	21,150	8.7 %	26,346	8.4 %	(5,196)	(4,362)	21,984	(834)
Casualties and insurance	8,498	3.5 %	10,899	3.5 %	(2,401)	(1,914)	8,985	(487)
Materials	11,408	4.7 %	7,656	2.4 %	3,752	(1,364)	6,292	5,116
Trackage rights	13,234	5.4 %	22,095	7.1 %	(8,861)	(3,693)	18,402	(5,168)
Net gain on sale of assets	(48)	— %	(432)	(0.1)%	384	59	(373)	325
Other expenses	6,638	2.7 %	12,934	4.1 %	(6,296)	(2,134)	10,800	(4,162)
Total operating expenses	$188,110	77.4 %	$222,874	71.1 %	$ (34,764)	$(37,178)	$185,696	$ 2,414

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The following information discusses the significant changes in operating expenses of our Australian Operations excluding a $37.2 million decrease due to the impact from foreign currency depreciation.

Labor and benefits expense was $67.9 million for the year ended December 31, 2015, compared with $59.2 million for the year ended December 31, 2014, an increase of $8.7 million, or 14.7%. The increase consisted of $12.4 million from new operations, partially offset by a decrease of $3.7 million from existing operations. The decrease from existing operations was primarily due to decreased headcount as a result of changes made to the operating plans in Australia associated with mine closures, partially offset by severance costs and increased headcount due to the insourcing of equipment maintenance activities.

Equipment rents expense was $12.3 million for the year ended December 31, 2015, compared with $8.3 million for the year ended December 31, 2014, an increase of $4.0 million, or 48.1%. The increase consisted of $6.9 million from new operations, partially offset by a decrease of $2.9 million from existing operations. The decrease from existing operations was primarily the result of the purchase of previously leased railcars and the termination of a rail car lease following a customer mine closure.

Purchased services expense was $19.6 million for the year ended December 31, 2015, compared with $28.7 million for the year ended December 31, 2014, a decrease of $9.1 million, or 31.7%. The decrease consisted of $10.1 million from existing operations, partially offset by $1.0 million from new operations. The decrease from existing operations was primarily attributable to the insourcing of equipment maintenance activities.

Depreciation and amortization was $27.4 million for the year ended December 31, 2015, compared with $23.4 million for the year ended December 31, 2014, an increase of $4.0 million, or 17.0%. The increase consisted of $2.8 million from new operations and $1.2 million from existing operations. The increase from existing operations was primarily attributable to capital expenditures in 2014.

The cost of diesel fuel used in train operations was $21.2 million for the year ended December 31, 2015, compared with $22.0 million for the year ended December 31, 2014, a decrease of $0.8 million, or 3.8%. The decrease consisted of $8.0 million from existing operations, partially offset by $7.2 million from new operations. The decrease from existing operations consisted of $6.5 million due to a 29.2% decrease in average fuel cost per gallon and $1.6 million due to a 10.4% decrease in diesel fuel consumption.

Materials expense was $11.4 million for the year ended December 31, 2015, compared with $6.3 million for the year ended December 31, 2014, an increase of $5.1 million, or 81.3%. The increase consisted of $2.8 million from existing operations and $2.3 million from new operations. The increase from existing operations was primarily attributable to the insourcing of equipment maintenance activities.

Trackage rights expense was $13.2 million for the year ended December 31, 2015, compared with $18.4 million for the year ended December 31, 2014, a decrease of $5.2 million, or 28.1%. The decrease consisted of $6.1 million from existing operations, partially offset by $1.0 million from new operations. The decrease from existing operations was primarily attributable to decreased shipments as a result of an iron ore customer mine closure in South Australia that moves over a segment of track owned by a third party.

Other expenses were $6.6 million for the year ended December 31, 2015, compared with $10.8 million for the year ended December 31, 2014, a decrease of $4.2 million, or 38.5%. The decrease consisted of $4.8 million from existing operations, partially offset by $0.6 million from new operations. The decrease from existing operations was primarily attributable to reduced costs associated with third-party track projects in 2015.

Income from Operations/Operating Ratio

Income from operations from our Australian Operations was $54.8 million for the year ended December 31, 2015, compared with $90.4 million for the year ended December 31, 2014. Included in the decrease from income from operations is a $15.1 million net decrease due to the impact from foreign currency depreciation. Income from operations for the year ended December 31, 2015 and 2014 included $2.7 million and $0.3 million, respectively, of business development and related costs. The operating ratio was 77.4% for the year ended December 31, 2015, compared with 71.1% for the year ended December 31, 2014. The higher operating ratio was primarily driven by lower iron ore freight revenues.

U.K./European Operations

Operating Revenues

The following table sets forth our U.K./European Operations operating revenues and carloads by new operations and existing operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	2015 Total Operations	New Operations	Existing Operations	2014 Total Operations	Increase in Total Operations Amount	%		Currency Impact
Freight revenues	$309,236	$309,236	$—	$—	$309,236	NM	(1)	$—
Freight-related revenues	182,746	162,353	20,393	20,938	161,808	NM		(3,450)
All other revenues	23,652	23,652	—	43	23,609	NM		(7)
Total operating revenues	$515,634	$495,241	$20,393	$20,981	$494,653	NM		$(3,457)
Carloads	896,125	896,125	—	—	896,125	NM		

(1) Not meaningful

Freight Revenues

The following table sets forth our U.K./European Operations freight revenues, carloads and average freight revenues per carload for the years ended December 31, 2015 and 2014 (dollars in thousands, except average freight revenues per carload):

	Freight Revenues				Carloads				Average Freight Revenues Per Carload	
	2015		2014		2015		2014			
Commodity Group	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	2015	2014
Agricultural Products	$520	0.2 %	$—	— %	610	0.1 %	—	— %	$852	$—
Coal & Coke	23,896	7.7 %	—	— %	60,873	6.8 %	—	— %	393	—
Intermodal	227,526	73.6 %	—	— %	692,304	77.2 %	—	— %	329	—
Minerals & Stone	52,596	17.0 %	—	— %	133,656	14.9 %	—	— %	394	—
Other	4,698	1.5 %	—	— %	8,682	1.0 %	—	— %	541	—
Total	$309,236	100.0 %	$—	— %	896,125	100.0 %	—	— %	$345	$—

The freight revenues from our U.K./European Operations were comprised entirely of our Freightliner U.K./European Operations for the year ended December 31, 2015. Freight revenues from our U.K./European Operations primarily consisted of intermodal traffic, minerals and stone traffic, which includes construction aggregates, and coal. There were no freight revenues from our U.K./European Operations for 2014, as all of our U.K./European Operations revenues were freight-related in 2014.

Freight-Related Revenues

Freight-related revenues from our U.K./European Operations includes port switching as well as traction service (or hook and pull service that requires us to provide locomotives and drivers to move a customer's train between specified origin and destination points). Freight-related revenues from our U.K./European Operations also include infrastructure services, where we operate work trains for the track infrastructure owner, drayage and other ancillary revenues related to the movement of freight. With the exception of infrastructure services, which are primarily in the U.K., freight-related revenues from our U.K./European Operations are primarily associated with the Continental European intermodal business.

Excluding a $3.5 million decrease due to the impact of foreign currency depreciation, freight-related revenues from our U.K./European Operations increased $165.3 million to $182.7 million for the year ended December 31, 2015, primarily due to our new Freightliner operations.

All Other Revenues
All other revenues from our U.K./European Operations, which includes revenues from third-party railcar and locomotive repairs, property rentals and other ancillary revenues not directly related to the movement of freight, consisted of $23.7 million for the year ended December 31, 2015, as a result of our new Freightliner operations.
Operating Expenses
Total operating expenses from our U.K./European Operations were $483.7 million for the year ended December 31, 2015, compared with $23.0 million for the year ended December 31, 2014, an increase of $460.7 million. The increase included $463.6 million from new operations, partially offset by a decrease of $2.9 million from existing operations. The overall net decrease from existing operations was primarily due to the depreciation of the Euro relative to the United States dollar.
The following table sets forth operating expenses from our U.K./European Operations for the years ended December