



**AMERICAN SHORT LINE AND
REGIONAL RAILROADS**

Connecting America's Communities
Strengthening America's Economy
Protecting America's Environment

Where We Are Today – Short Lines' New Rules

Richard F. Timmons
President

American Short Line and Regional Railroad Association

Presentation To

ASLRRRA Central-Pacific Region Meeting
Seattle, WA

August 15-18, 2009

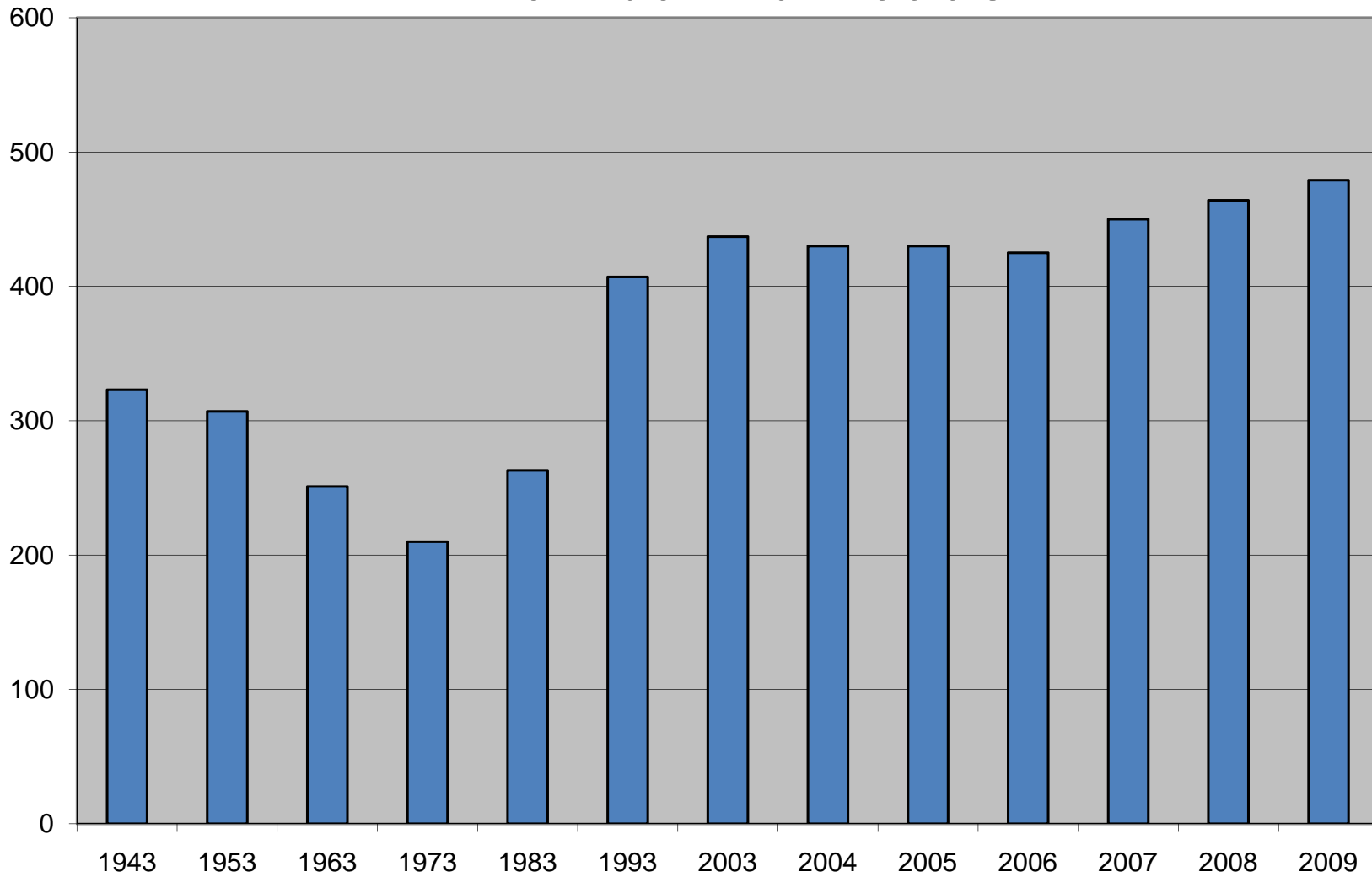


www.aslrra.org

How Are We Doing?



Member Railroads





Rail Industry Carloads 2008 - 2009

Class I's – Short Line Traffic Only

| <u>RR</u> | <u>2nd Qrt 2008</u> | <u>2nd Qrt 2009</u> | <u>Variance</u> |
|-----------|---------------------|---------------------|-----------------|
| BNSF | 526,280 | 435,795 | - 17.1% |
| CP | 132,781 | 112,229 | - 15.5% |
| CSX | 481,000 | 398,300 | - 17.2% |
| KCS | 104,466 | 74,334 | - 28.8% |
| NS | 489,128 | 358,441 | - 26.7% |
| UP | 675,000 | 540,000 | - 20.0% |

*CN Unavailable



Rail Health Indicators – Mixed Story for Now

- **Energy Demands** – Decreasing
- **Petroleum Costs** – Down But Slowly Increasing
- **Consumer Demands** – Steadily Slipping
- **Imports Dropped** in April 2009 1.4% (9 straight down months)
- **Exports Down** 2.3% (2 straight down months)
- **Food Supply** – Stressed Globally
- **Railroad Environmental Benefits** – Good / Best
- **Railroad Growth** – Network Expansion / Public-Private Partnerships – Stalled
- **% of Freight on Rail** – Significant Decline
- **Railroad Rolling Equipment in Storage** – Very High
- **Rail Modernization and Use of Technology** – Expanding



Rail Health Indicators

- **Railroad Efficiency** – Lower OR, Better Speeds and Dwell Rates?
- **Railroad Productivity** – Up
- **Railroad Safety Performance** – Good / Excellent
- **Railroad Workforce** – Down
- **Railroad Pricing Power** – Strong
- **Railroad Financial Posture** – Solid
- **Railroad Retirement Trust Fund** – Down But Healthy (\$31B to \$26B)
- **Investment in Railroads** – Stable / Down
- **Rail Network Regional / Geographic Positioning** – Good / Excellent
- **Limited Ground Freight Options** – Current Economics Favor Freight Rail

<1 Ton of Freight – 436 Miles – 1 Gal. of Diesel >

The Indicators are Generally Good for Freight Rail – Will Remain Vital to the Economy for Both Near and Long Terms

New Rules Are On The Way!



Rail Safety Improvement Act of 2008 HR 2095

- **90 Industry Action Items, including:**
 - **32 New Regulations**
 - **7 Amended Regulations**
 - **8 New Plan Requirements**
 - **11 New Report Assignments**
 - **8 New FRA Studies**
 - **4 Pilot Programs**



Rail Safety Improvement Act of 2008 (Cont'd)

- **Hours of Service** – RSAC Completed: Final Rule 07/09; In Effect 07/16/09
- **Risk Reduction Program** – Implement
- **Positive Train Control** – Implement 2015; RSAC Completed: NPRM 06/09 with Short Line Exemptions
- **Bridge Safety Requirements** – RSAC Completed; NPRM 08/17/09
- **Tunnel Requirements** – Implement
- **1 – 800 ENS** – Implement Within 18 months
- **Grade Crossing Inventory** – Implement 10/16/09
- **Top 10 States Require Xing Action Plan** – Implement



Rail Safety Improvement Act of 2008 (Cont'd)

- **Sight Distance Law & Regulations at Xings** – Implement
- **Civil Penalties \$25K-\$100K** – In Effect
- **Radio Monitoring Authority** – In Effect
- **800 New FRA Inspectors** – Implement Hiring 2009
- **Dark Territory Switch Technology** – Future RSAC
- **Broken Rail Service Failure Rate** – Study
- **Certify Conductors** – RSAC 07/09 – 12/09
- **Certify Carmen** – Study



Near Term Focus

- Positive Train Control (PTC)
- Hours of Service (HOS)
- U.S. DOT HazMat Routing Requirements
- Public / Private Grade-Crossing Inventory / Signage
- Short Line –Tax Credit for 2010 and Beyond



Ongoing and Significant

FRA Rail Safety Advisory Committee (RSAC)

1. Railroad Operating Rules
2. Medical Standards for Train Crews
3. Occupational Noise Standards and Requirements
4. Accident / Incident Reporting Requirements
5. Emergency Call Numbers at Grade Crossings
6. Roadway Worker Protection Rules and Requirements
7. At Grade Crossing Inventory
8. Private Crossings
9. Passenger Safety
10. Rail Integrity
11. Continuous Welded Rail Standards



Ongoing (Cont'd)

12. Concrete Ties Utilization
13. Bridge Inspection and Maintenance
14. Tunnel Standards
15. Locomotive Standards
16. ECP Brake Specifications and Requirements
17. Pressure Tank Car Specifications
18. Positive Train Control Implementation, Standards, Rules
19. HazMat Risk Assessment / Routing Rules
20. Emergency Escape Breathing Apparatus Requirements and Equipment
- *21. Narrow Band Radio Frequencies Changes and Equipment

* Not RSAC



Legislative Challenges for 2009

1. Short Line Tax Credit

- S.461 – Extension of the 45G Railroad Track Maintenance Credit
- HR 1132
- Sponsors: 157 House, 37 Senate

2. Reregulation

- S.953 – Rockefeller (Last Year's Bill Not Introduced this Year)
- HR 2125 – Oberstar (Same as above)

3. Antitrust

- S.146 – Cole (Introduced and Passed in the Senate)
- HR 233 – Baldwin (Introduced and Passed in House Subcommittee)



Legislative Challenges for 2009

4. Truck Size and Weights

- SHIPA Bill HR 1618 – Rep. McGovern
- SHIPA Bill S 779 – Sen. Lautenberg
 - + Freezes Truck Size and Weights on National Highway System to 80K lb Trucks
 - + Freezes Longer Combination Vehicles (LCV)
 - + This Bill is Not Expected to Move this Year

Short Line Focus



Short Line Railroads You Decide . . .

■ What Should I Be Focusing on Today and Why?

- | | | |
|------------------|-------------------|--------------|
| + Safety | + Technology | + Class I's |
| + People | + Shippers | + Security |
| + Equipment | + Growth | + Insurance |
| + Infrastructure | + Consumer Shifts | + Compliance |

■ In What Priority? In What Combinations?

■ Where do I want to be in 1 year? 5 years from now?

■ Am I Ready, and is my organization ready, for Continuous Change?



Bottom Line

- Today **Change** is the Norm – **Very Rapid Change!**
- To **Prosper** You Must Be Quickly Adapting Each Year –
Markets, Customers, Class
I's, Commodities, Laws, Regulations, Technology, Opportunities, New
Ideas . . .
- Must Be **Communicating** and **Receiving** Information Continuously and
Reacting To It
- Must Have the **Right People** in the Right Jobs **Working a Plan** for the
Future – Near and Long Term



Each Day . . .

- **Focus on Safety**
 - **Stalk Business Opportunities**
 - **Concentrate on Good Service**
 - **Listen to Customers – then do something about it**
 - **Practice Good Basic Railroading-Based on Training**
 - **Use Technologies that Enhance Safety, Service and Operations**
 - **And, Know What is Going On – Your Business, Your Customers and Your Industry!**



www.aslra.org

American Short Line and Regional Railroads

★ Connecting America's Communities

★ Strengthening America's Economy

★ Protecting America's Environment