



AMERICAN SHORT LINE AND REGIONAL RAILROADS

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

“First Mile-Last Mile”: The Short Lines

Richard F. Timmons
President

American Short Line and Regional Railroad Association

**Genesee & Wyoming
Southern Region Staff Meeting
St. Augustine, FL**



www.aslrra.org

Friday, August 14, 2009
November 18, 2008



August 10-12, 2009

American Short Line and Regional Railroad Association

Roles and Missions

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ASLRRA Mission

- **Represents Interests of Class II / III Railroads Before:**

- Congress
- Federal Railroad Administration
- Surface Transportation Board
- Department of Homeland Security
- Transportation Security Administration
- Environmental Protection Administration
- Class I Railroads
- Rail Labor

- **Conduit of Information from Federal Agencies on:**

- Regulatory
- Safety
- Security
- Technical
- Training

Matters / Issues / Studies / Alerts / Compliance

- **As Appropriate:**

- Testifies
- Files
- Comments
- Appears

Before Congress, Federal Agencies,
Departments, and State Governments



Membership is broken down into four Regions:

PACIFIC REGION

Pacific Region Membership:
75 Railroads; 45 Associates

Pacific Region Board
Jalene Forbis, Regional VP
Ken Doiron
Alan Hardy
Robert Jones
Michael Stolzman

CENTRAL REGION

Central Region Membership:
141 Railroads; 138 Associates

Central Region Board
Michael Ogborn, Regional VP
Kirk D. Hawley
J. Reilly McCarren
David M. Perkins
Judy A. Petry
Ray Stephens

EASTERN REGION

Eastern Region Membership:
154 Railroads; 138 Associates

Eastern Region Board
Robert Bailey, Regional VP
Carl Belke
Gordon R. Fuller
David Collins
Jerome M. Hebda
Bruce A. Lieberman
Gary R. Shields
Michael V. Smith
Mrs. M. P. Silver

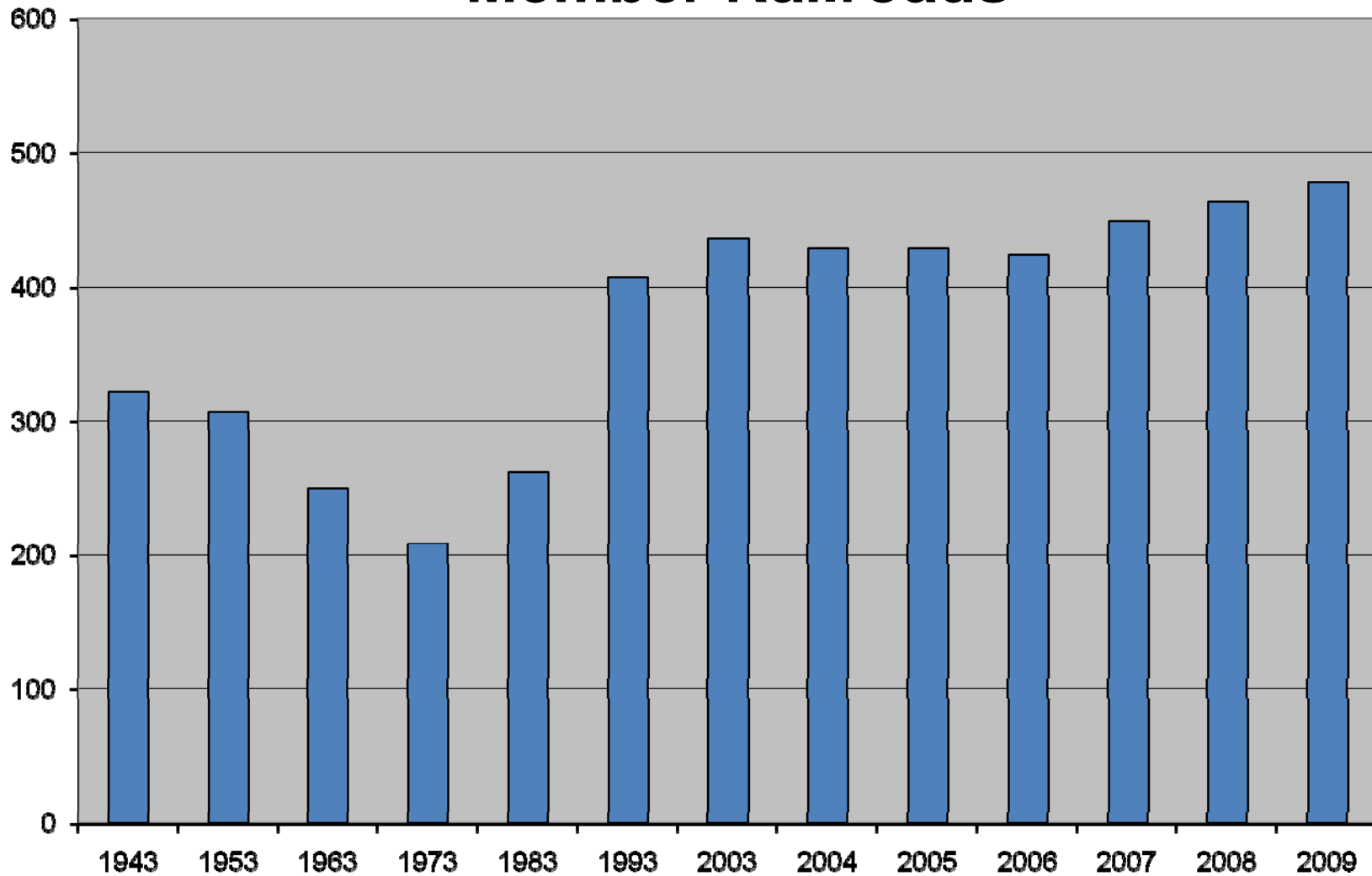
SOUTHERN REGION

Southern Region Membership:
100 Railroads; 50 Associates

Southern Region Board
Anthony V. Reck, Regional VP
Jeffrey E. Geary
Garland G. Horton
Ronnie McKenzie
Kenneth A. Pippin
Jerry E. Vest



Member Railroads





Working Committees

- Safety & Training
- Technology
- Railroad Police & Security
- Short Line Bridge (Joint with FRA, Class I's, Short Lines, AREMA, Contractors)
- Information Technology Advocacy Committee (ITAC)
- Passenger
- Legal
- Finance & Administration
- Legislative Policy

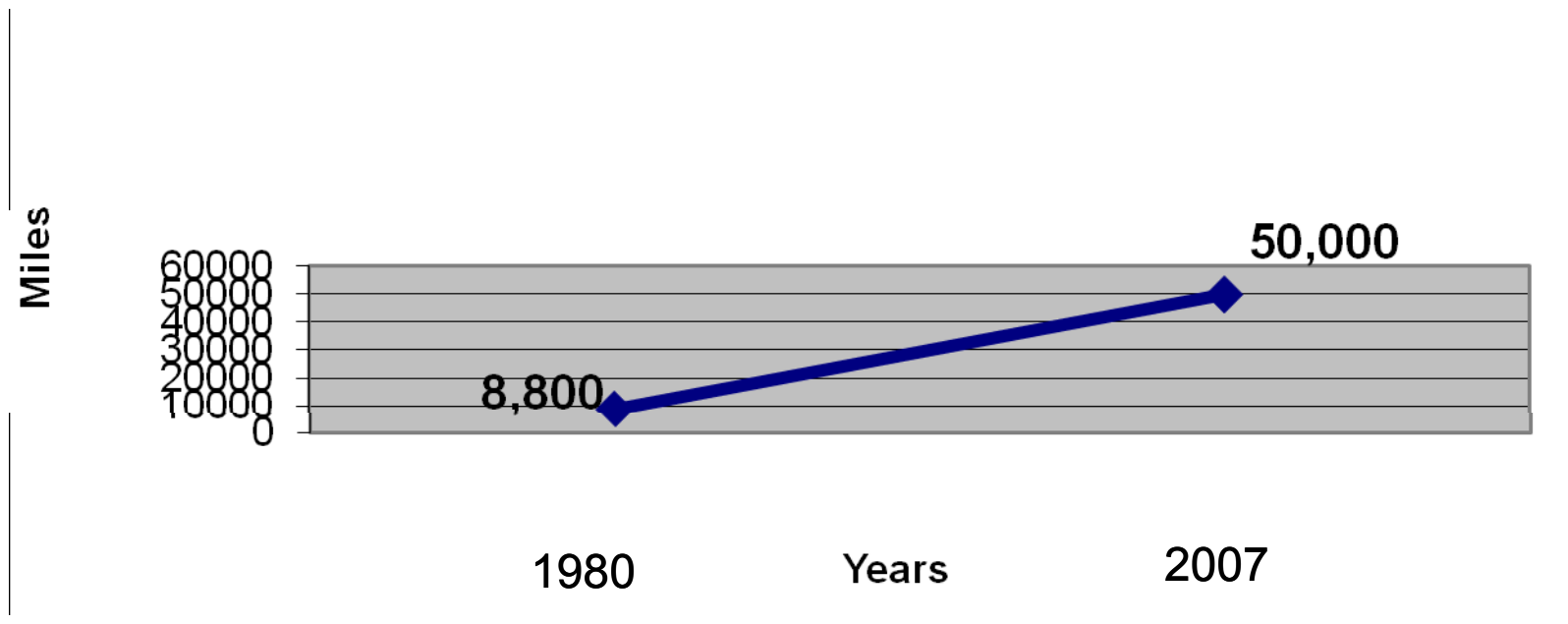
The Short Line Profile

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Growth of Short Line Route Miles



- **1980 Staggers Act:**

- * More Than 465% Route Miles Growth Over the Course of 25 Years . . .
- * Creation of 172 Short Lines – 31% Growth – Totaling 556



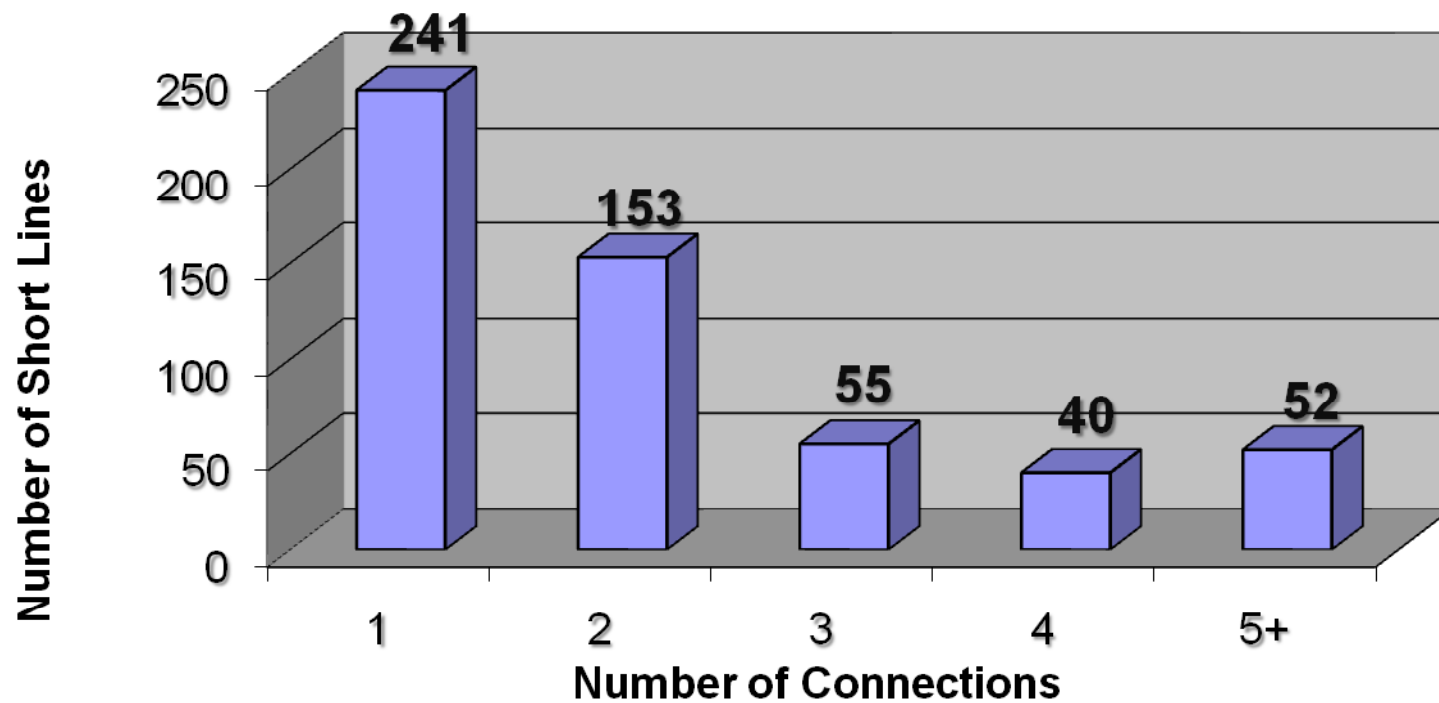
Rail Industry Carloads 2008

Class I's – Short Line Traffic Only

<u>RR</u>	<u>1st Qrt 2008</u>	<u>1st Qrt 2009</u>	<u>Variance</u>
BNSF	265,454	221,362	- 16.6%
CN	121,772	98,091	- 19.4%
CP	68,465	61,051	- 10.9%
CSX	232,976	193,241	- 17.1%
KCS	104,466	74,334	- 28.8%
NS	237,105	183,651	- 22.5%
UP	330,000	280,000	- 15.1%



Number of Class I Connections



Over 300 Short Line Railroads Have More Than One
Class I Connection



Class II / III Safety Performance

January – December 2008

Year	Employee Hours	Categories*			Fatalities	Severity Index	Rate
		1	2	3			
2003	97,122,382	1,765	296	4	4	19.28	4.25
2004	98,202,880	1,766	270	5	5	17.85	4.16
2005	100,074,486	1,758	230	5	5	15.50	3.98
2006	101,754,349	1,660	258	5	5	16.43	3.78
2007	103,120,889	1,618	267	5	5	16.57	3.67
2008	102,564,916	1,167	142	5	5	20.26	3.60
**2009	45,212,327	197	23	0	0	11.51	3.04

*Categories:

1 = Non severe and non life-threatening injuries

2 = More severe; amputations, concussions, loss of sight, hearing, etc.

3 = Fatality

**Through April

The Industry Today

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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 and Dwell Rates, Better Speeds
- **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



Security – ASLRRA

Industry Measures in Place Today:

1. Required Plans Covering Security for all Railroads (Rail Industry Plan)
2. Updated Security Plans with Special Annexes
3. Threat-Based Requirements and Analysis On-Going
4. IED Training Required for all Railroads (TSA Pending)
5. Security Training / Awareness Required
6. Communications Security Focus
7. GPS on some Shipper Owned Chemical Cars
8. TIH Car Positive Hand-Off – In Effect April 1, 2009



Security – ASLRRA

Industry Measures in Place Today: (Cont'd)

10. New Hardened Tank Car Standard
11. FreightScope Tracking Software for TIH Cars Nationwide
12. Intelligence Coordination with Military and Federal Agencies on Train Movements
 - Primarily Incident Reporting
 - Close Law Enforcement Relationships
13. Intelligence Networks Established within the Railroad Industry
14. Industry Operations Center Established by the AAR
 - Operates the Rail Industry Alert Network
15. Increase in TSA Field Inspectors



Security – ASLRRA

Industry Measures in Place Today: (Cont'd)

16. Border and Port Enhanced Security and Screening of Freight
17. Rail Security Departments Created
18. Railroad Security Coordinators Required for Each Railroad
19. Transportation Worker Identification Credential (TWIC) Program in Place for Port Access Only
 - 1M (+) Active Credentials Issued to Date
 - \$132.50 Cost to Individual
20. Railroad Employee Background Check and ID Card Initiatives
21. U.S. DOT HazMat Routing Rule for TIH Carriers – Sept. 1, 2009 for all HM 232-E Commodities (TIH, Explosives, Radiological Materials)

Legislative

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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 2009
- **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



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

Regulatory

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Railroad Oversight & Direction

- **Federal Railroad Administration** – Safety, Compliance
- **Surface Transportation Board** – Rates, Start / Abandon Authority, Appeals
- **Environmental Protection Administration** – Environmental Laws, Monitoring, Equipt.
- **Pipelines and Hazardous Materials Administration** – HazMat Movement Regulations
- **Transportation Security Administration** – Security/Terrorism, Inspections, Credentials
- **Congressional Committees** – Railroad Legislation, Labor
- **Varying State Requirements**



FRA Other – Rail Safety Advisory Committee (RSAC)

1. **Railroad Operating Rules Emergency Order 26 Prohibiting Cell Phone Use and Texting Except for Railroad Business – 10/08**
2. **Medical Standards for Train Crews – NPRM 09**
3. **Occupational Noise Standards and Requirements – in Effect 02/07 New Hires, 02/10 All Others**
4. **Accident / Incident Reporting Requirements – Future FRA Part 225 Rule**
5. **Emergency Call Numbers at Grade Crossings – Future FRA Implementing Rule**
6. **Roadway Worker Protection Rules and Requirements**
7. **At Grade Crossing Inventory – Public and Private Required to be Registered**
8. **Private Crossings – Ports, Docks, Industry, Private Property**
9. **Passenger Safety**
10. **Rail Integrity**
11. **Continuous Welded Rail Standards – Future NPRM**



FRA Other (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



Positive Train Control - FRA NPRM (HR 2095)

The NPRM proposes that PTC be required as follows:

- All lines over which regularly scheduled intercity and commuter trains are operated (yard and terminal trackage excluded)
- Class I railroad main lines carrying 5 million gross tons or more annually and carrying TIH traffic
- Other lines as may be designated by order of the U.S. Secretary of Transportation

The NRPM further proposes the following exceptions for Class II and III railroads:

- Permitted on PTC-installed lines up to 20 miles without PTC-equipped locomotives
- Until December 31, 2020, permitted on PTC-installed lines more than 20 miles without PTC-equipped locomotives; after December 31, 2020, must have PTC-equipped locomotives to operate on PTC-installed lines more than 20 miles
- If a PTC-installed line has a maximum track speed of less than 40 mph and is crossed at diamond by a non-PTC-installed line, trains crossing on the non-PTC-installed line must operate at speeds of 20mph or less
- If a PTC-installed line has a maximum track speed of 40mph or more and is crossed at diamond by a non-PTC-installed line, the crossing must be equipped with split-rail derails and signaled at the expense of the railroad owning the PTC-installed line

Railroads required to install PTC must submit their installation plans to the FRA by April 16, 2010. PTC systems must be installed no later than December 31, 2015



Hours of Service Requirements (HR 2095)

- Effective July 16, 2009 all Railroads that operate 6 continuous days must provide 2 days off; and those that operate 7 continuous days must provide 3 days off for covered service employees. And, any comingled service is capped at 276 Hours Monthly.
- ASLRRA Filed a Petition for Waiver with the FRA on July 16, 2009 Requesting Exemption for 2 years:
 - + For those Short Lines willing to participate in a Formal Study to Evaluate Current Short Line Procedures
 - + 280 Class II / III Railroads volunteered for the Study that included 5,000 T&E Covered Service Employees
 - + BLET **Fully Supports** this Initiative and **Filed a Letter supporting** this Waiver
 - + UTU **Does Not Support** this Initiative and **Did Not File in Support** of the Waiver
 - + United States Steel Workers Union **Filed in Support** of the Waiver
 - + All 280 Railroads were included in the Petition, the FRA Position on the 47 UTU Short Line Roads is unclear
 - + Currently Waiting for an FRA Decision
- Until, and if, the Petition is Approved by the FRA All Class II and III Railroads are Required to comply with the Hours of Service Regulations Now in Effect.



Railroad Crossings (HR 2095)

New Regulatory Requirements

- Railroads Must Update U.S. DOT National Crossing Inventory File on a Regular Basis
 - + Validate Crossings in the File by October 16, 2009
 - + Add New Crossings to include Railyard, Private Company, Port or Dock by October 16, 2009
 - + Must use U.S. DOT Crossing Inventory Form 6180.71 from FRA Office of Safety
- All Grade Crossings Must have a 24/7 1-800-XXX-XXXX Telephone Number Posted on a Designated Sign
 - + Details on Signage are Not Yet Published
 - + Must be In Place NLT July 16, 2010



U.S. DOT HazMat Routing Rule for TIH Carriers

Rail Corridor Risk Management System (RCRMS)

Overview

- Is a Web-Base Software Tool for Route Analysis
- Assists Rail Operators with:
 - + Maintaining HazMat Commodity Flow Information
 - + Analyzing Route Risks for HazMat Flows
- Is Focused on Assisting with Compliance Under PHMSA's Regulations for Enhancing Rail Transportation Safety and Security for Hazardous Materials Shipments
- Required Use for All Class II / III Railroads by September 1, 2009 that Transport HM 232-E Commodities (TIH, Explosives, Radiological Materials)
- To Establish a Login ID for RCR MS, contact Steve Sullivan at: sullivan@aslrra.org or call (202) 585-3432

Short Lines Near Term

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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!**



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