



AMERICAN SHORT LINE AND
REGIONAL RAILROADS

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

Welcome!

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Presentation By

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www.aslrra.org





ASLRRA Mission

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

- Congress
- Federal Railroad Administration
- Surface Transportation Board
- Department of Homeland Security
- Transportation Security Administration
- Class I Railroads

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

- Regulatory
- Safety
- Security
- Technical
- Training

Matters / Issues / Studies / Alerts

- **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:
70 Railroads; 38 Associates

Pacific Region Board
Jalene Forbis, Regional VP
A. Bruce Carswell
Ken Doiron
Andrew C. Fox
Paula Henry

CENTRAL REGION

Central Region Membership:
134 Railroads; 110 Associates

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

EASTERN REGION

Eastern Region Membership:
146 Railroads; 106 Associates

Eastern Region Board
Robert Bailey, Regional VP
Eugene H. Blabey, II
Gordon R. Fuller
Robert Grossman
Jerome M. Hebda
Bruce A. Lieberman
Gary R. Shields
Michael V. Smith
Mrs. M. P. Silver

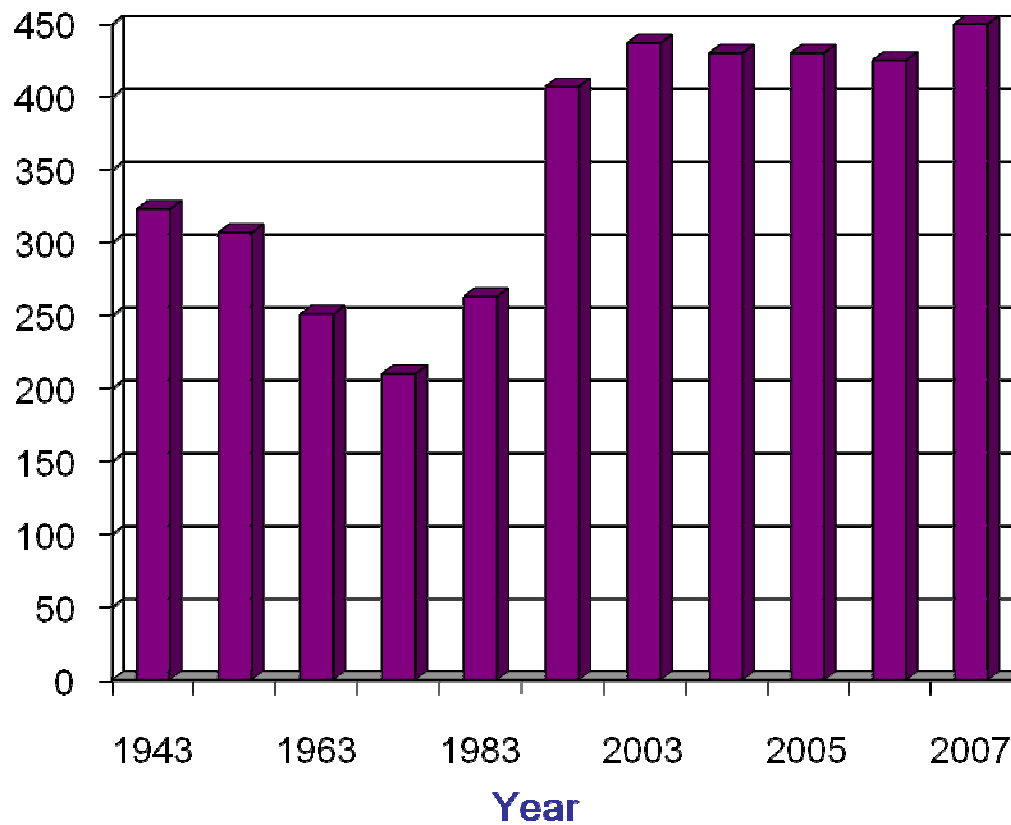
SOUTHERN REGION

Southern Region Membership:
102 Railroads; 53 Associates

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



ASLRRA Railroad Member History (1943 - 2007)





Membership Services

- Programs Developed by and Available from ASLRRA:
 - **Training:** National Academy Railroad Sciences (NARS); Joint Programs with FRA and AAR; Bridges
 - **Certification:** Engineer Certification Programs; Drug / Alcohol Use and Recognition; On-Track Safety
 - **Compliance:** Power Brake Rule; CWR Regulatory Requirement; Internal Control Plan
 - **Inspection:** CWR Inspection / Repair Program; Tank Car Inspection / Safety; Track Inspection & Maintenance; Qualified Mechanical Inspector; Bridges
 - **Security:** Security Plan; HazMat Training; Advisories; Represent Class II / III Railroads before the DHS, TSA, FEMA and DOT; Bridges



Membership Services (Cont'd)

- Programs Developed by and Available from ASLRRRA:
 - **Safety:** Safety Bulletin; Site Safety Visits / Surveys; NARS Locomotive Simulators; Regulatory Representation; Norfolk Southern Funding for TTCI HazMat Training; Bridges
 - **Legislative:** Lobby Congress on Behalf of Short Line Industry; Monitor Legislation and Testify Before Government Agencies; Focus on Regulatory Issues
 - **Personnel:** Programs for Payroll, 401K, Insurance
 - **Insurance:** HAZMAT and Excess Liability is Available; DRAFT Liability Cap Legislation has been Developed



Working Committees

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

The Pay Off

Renewed Federal Interest



New Federal Legislation Being Considered

- **If Just a Few are Passed This Year Railroads Will Feel the Impact**
 - HR 1401 Rail & Public Transportation **Security Act** 2007
 - HR 2095 Federal Railway **Safety Improvement Act** 2007
 - HR 2950 Renewable Fuels, Consumer Protection, and **Energy Efficiency Act** of 2007
 - HR 2125 Railroad **Competition and Service Improvement Act** of 2007
 - HR 2422 Requires **Notifying Emergency Responders** Prior to HazMat Transport in their Jurisdictions - 2007



New Federal Legislation Being Considered (Cont'd)

- **If Just a Few are Passed This Year Railroads Will Feel the Impact**
 - **HR 3920 Trade and Globalization Act of 2007**
 - **HR 1584 & S 881 Short Line Railroad Investment Act of 2007**
 - **S 1438 Railroad Crossing and Hazardous Materials Transport Safety Act of 2007**
 - **S 1889 Railroad Safety Enhancement Act of 2007**
 - **S 953 Competition and Service Improvement Act of 2007**
 - **S 772 Railroad Antitrust Enforcement Act of 2007**



STB Recent Involvement

- **Cost of Capital Calculations** – STB Revised Method to Calculate Cost of Capital from the discounted cash flow (DCF) to the capital asset pricing model (CAPM). Impacts on Class I's not clear.
- **Cost of Capital Investments** – STB Proposed a **New Method for Calculating the Cost of the Railroad Industry's Capital Investments**. This Impacts How Much Railroads are Allowed to Earn when their Prices are Subject to Review by the Government.



STB Recent Involvement (Cont'd)

- **Paper Barriers – Revised Final Rules have been issued.** Requires New Disclosure Requirements for Advanced Regulatory Scrutiny for Proposed Line Sales or Leases to Class II and Class III Railroads. And, Old Paper Barriers can be challenged.
- **Small Rate Cases – Revised Final Rules have been issued.** Will Result in **More Rate Cases Filed** at STB and some Small Railroads may be Affected. Class I's have filed petition for review by Federal Courts.



"Oversight"

- US Federal Railroad Administration
- US Surface Transportation Board
- US Senate / House Transportation Committees
- US National Transportation Safety Board
- US Department of Labor
- US Environmental Protection Agency
- US Railroad Retirement Board



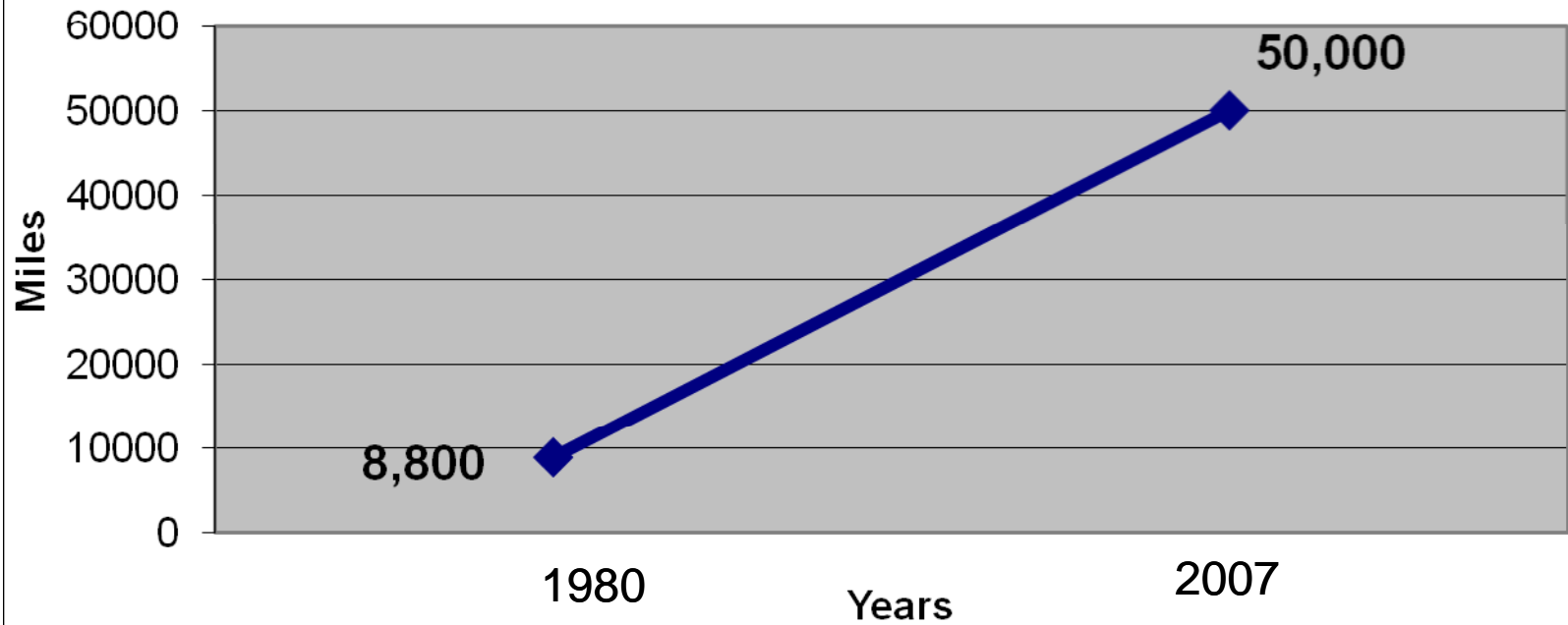
"Oversight" (Cont'd)

- US Transportation Security Administration
- US Bureau of Explosives
- State Departments of Transportation
- State Public Utility Commissions (RR's are Public Utilities)
- State Senate / House Transportation Committees
- Association of American Railroads (Rules, Standards, Research)
- Shipper Groups
- Labor Unions (13)

The Short Line Profile



Growth of Short Line Route Miles



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



Class II / III Operating Profile

- Short Line / Regional Railroads: 556
- Total Miles Operated: 51K
- Total Number of Cars Handled: 10.6M
- Total Intermodal Units Handled: 2.1M
- Total Facilities Served: 12K (+) – **1.5M Employees**
- Top Commodities:
 1. Coal
 2. Farm Products
 3. Minerals & Ores
 4. Chemicals
 5. Metal Products
 6. Pulp, Paper & Related Products
 7. Lumber & Wood Products
 8. Food Products



Class II / III Financial Slice

- Revenue > \$3.2 Billion
- Capital Expenditure > \$433M Annually
- Maintenance Expenditure > \$397M Annually
- Infrastructure & Equipment Investments
 - RRIF Loans \$739.02M; (\$50M Ethanol); 19 Approved, 5 Loans Pending (\$200M)
 - Federal Tax Credits \$275M through 2006
- Employees – 22K
- Federal, State and Local Taxes - \$800M
- Railroad Retirement Board Contributions – \$1.2B*

*2005 Data



Class II / III Financial Slice (Cont'd)

- Feeder / Distributor Network Continues to Expand
- Class II / III Railroads Handle Significant Car Loads of HazMat
- Ethanol – Hottest Emerging Market
- Originate and/or Terminate 1 Out of Every 4 Carloads Moved in the U.S.
- Account for 15 – 25% of Class I Revenues
- Provide Customers with Rates that are 20 – 50% Less Than Comparable Truck Transportation



Class II / III Safety Performance

January – December

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**	69,173,054	1,000	121	5	5	12.36	3.26

**Categories:*

1 = Non severe and non life-threatening injuries

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

3 = Fatality

*** Through August 2008*



Security

- ASLRRRA is the Interface for the Class II / III Railroads with the AAR and Federal Departments and Agencies
- Staffs the AAR Operations Center when Activated at Level Three
- As Appropriate, Provides Member Railroads Alert Information and Advisories
- Provides Security Checklists to Member Railroads for Appropriate Measures per Alert Level
- Updates the AAR Database for Class II / III HAZMAT Carriers for Immediate Notification Based on Threat or Terrorist Event



Security (Cont'd)

- Publishes a Preparation Guide for Man Made / Natural Disasters for Small Railroad Industry
- Publishes a HazMat Ready Reference
- Provides a Security Training CD to Class II / III Railroads
- Possess Capability to Track Class II / III HazMat Carloads in Real Time Using FREIGHTSCOPE



Public Funding

Federal Funding:

- Federal Tax Credits for Infrastructure Maintenance and Enhancement
(Terminated December 2007)
- Railroad Rehabilitation and Improvement Finance Program (RRIF) – *Federal Railroad Administration*
- Federal Section 130 Highway Grade Crossing Program – *U.S. Department of Transportation*
- Congestion, Mitigation and Air Quality Grants (CMAQ) – *U.S. Department of Transportation – Environmental Protection Agency*

State Funding:

- 20 states have some form of short line railroad funding in the form of grants or loans; and / or state capital projects

Business Growth



Short Line Traffic Statistics (2007 Carloads)

Originating or Terminating on Short Lines:

<u>Carloads</u>	
BNSF	1,313,994
CN	732,480 (est.)
CP	272,697
CSX	947,056
KCS	53,810
NS	969,995
UP	1,208,730

* All S/L Traffic Down Approx 4.4% Over 2006

* YTD S/L Traffic Up Approx. 0.8% over YTD 2007

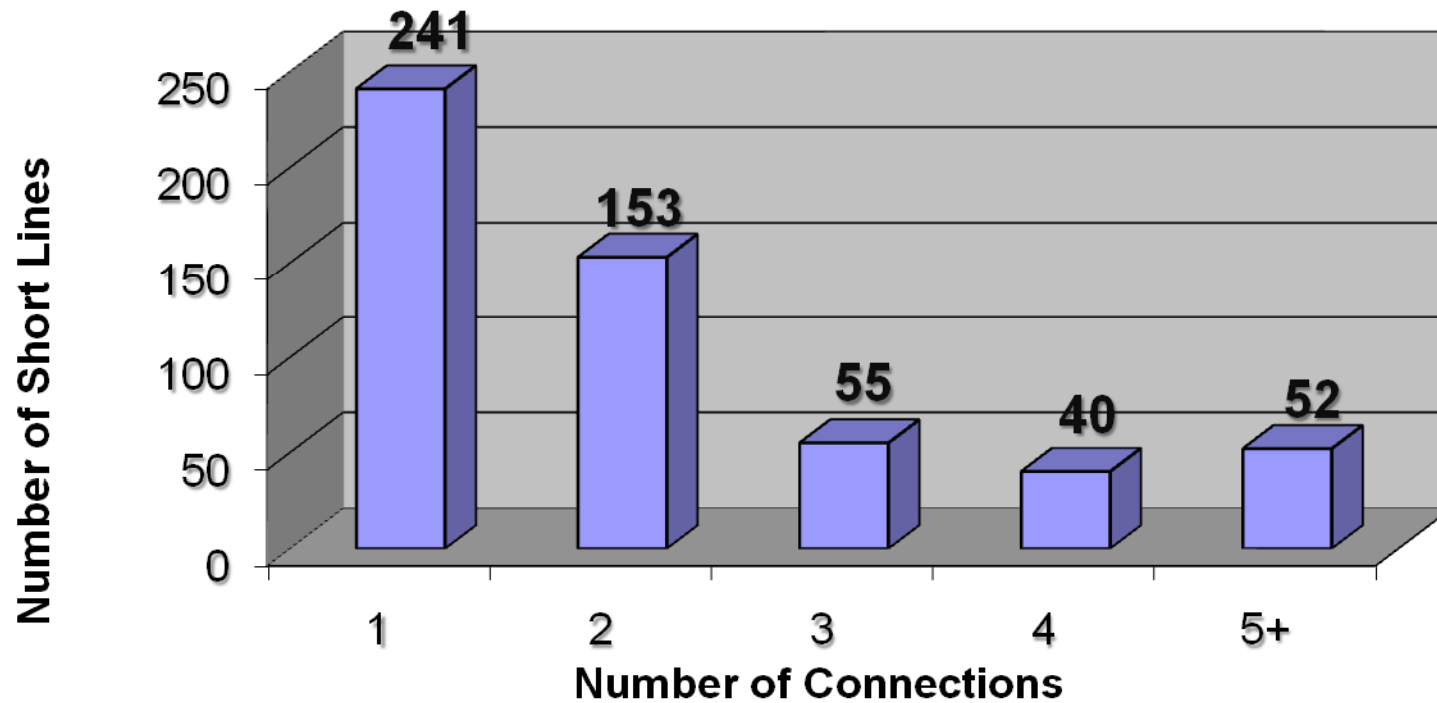


Short Line Investments for 2006-2007

- New Locomotive Purchases – Some w/ GPS, Some With Bio-Diesel
- New Car Purchases
- Old Rail Replacement – Jointed and Continuous Weld
- Tie Replacements
- Sidings, Industrial Tracks and Yards
- Additional Crews Hired
- Added Staff to Work with Customers
- Established New Procedures with Ports and Facilities for Expedited Movements
- Coordinated Local Measures for Switching and Blocking with Class I's
- Investing in AEI Reader Solutions



Number of Class I Connections



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



Ethanol Production and Impacts on Short Lines-Hottest Emerging Market

- Energy Policy Act of 2005 Mandated 7.5B Gal. by 2012
- **2008 Production will be 8B Gal.**
- **142 Ethanol Production** Plants Operating in the U.S.
- **67 New Ethanol Plants** Under Construction Now in 20 States
- **24 States** Currently Produce Ethanol
- **7 States** Require Ethanol Use by Law
- **75% of Ethanol Production is Moving by Rail;** 20% by Truck; 5% by Barge
- **46% of U.S. Gasoline** is an Ethanol Blend



Ethanol Production and Impacts on Short Lines-Hottest Emerging Market (Cont'd)

- **New Legislation** HR 2950, Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, **Requires 36B Gal. by 2022** – Up from Current 7.5B Gal. Requirement
- Will Impact Corn Requirements, Feed Stocks, Ethanol and Hopper Car Demands, Rail Construction, etc.
- **20% of U.S. Corn Crop** is Used for Ethanol
- **Recent** – Corn Prices Up (and a Bumper Crop); Ethanol Down; Ethanol Facilities Construction Slowdown
- **Long View** - Ethanol is Here to Stay - Corn, Sorghum, Cane, Sawgrass, Municipal Waste, et al.

Outcomes



Setting Conditions for Success

- Federal Tax Credit Through 2007 – \$501M
- Extend Federal Tax Credit Through 2010 – Did Not Achieve in 2007. **Renewed Effort in 2008**
- RRIF Loans – \$739M; 5 Pending (\$200M) – **Ongoing Program**
- Fuel Tax Elimination – \$15M-20M Yearly – **Done**
- RIWG Industry Issues Forum – **Ongoing**
- Freight Scope – HazMat Real Time Tracking System – **In Place & Operational**



Setting Conditions for Success (Cont'd)

- Rail Safety Advisory Committee (FRA) – RWP, Track Safety Standards, CWR, Medical Standards, RCL Training Standards, Human Factors / Operating Rules, Locomotive Safety Standards, Bridges – **Ongoing**
- Class I Annual and Caucus Meetings – **Ongoing**
- ASLRRRA Annual and Regional Meetings – **Ongoing**
- ASLRRRA and AAR Teaming – RR Day on Capitol Hill, Safety / Ops Conference, SOMC / NEMC, TTCL, Security – **Ongoing**
- Federal Forums – STB, FRA, RSAC, RSTAC, DHS, TSA, DOL, EPA, Congress – **Ongoing**



Future

- Infrastructure Upgrades – 286K lb Cars
- Security Related Challenges – Communications, HAZMAT Protection, Compliance, Regulatory Efforts, Terrorism, DHS “26 Items”, FRA TIH Analysis
- Employee Retirements Through 2012 (80K)
- Training – Continued Emphasis and Expanded NARS
- Capacity – Collaborate with Class I’s to Develop Local Solutions
- Car Availability? MIT, RIWG Clearing House
- Class I Communications – Regulatory, Legislative, Marketing, Operations
- Pilot Projects With Class I Railroads - New Business / Revenue Models