



**AMERICAN SHORT LINE AND
REGIONAL RAILROADS**

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

Small Railroad Industry

Presented by

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President

American Short Line and Regional Railroad Association

to

Deputy Secretary Eric Madden

Pennsylvania Department of Transportation

Harrisburg, PA

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www.aslrra.org



American Short Line and Regional Railroad Association



ASLRRA Mission

■ Represents Interests of Class II / III Railroads Before:

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

■ Conduit of Information from Federal Agencies on:

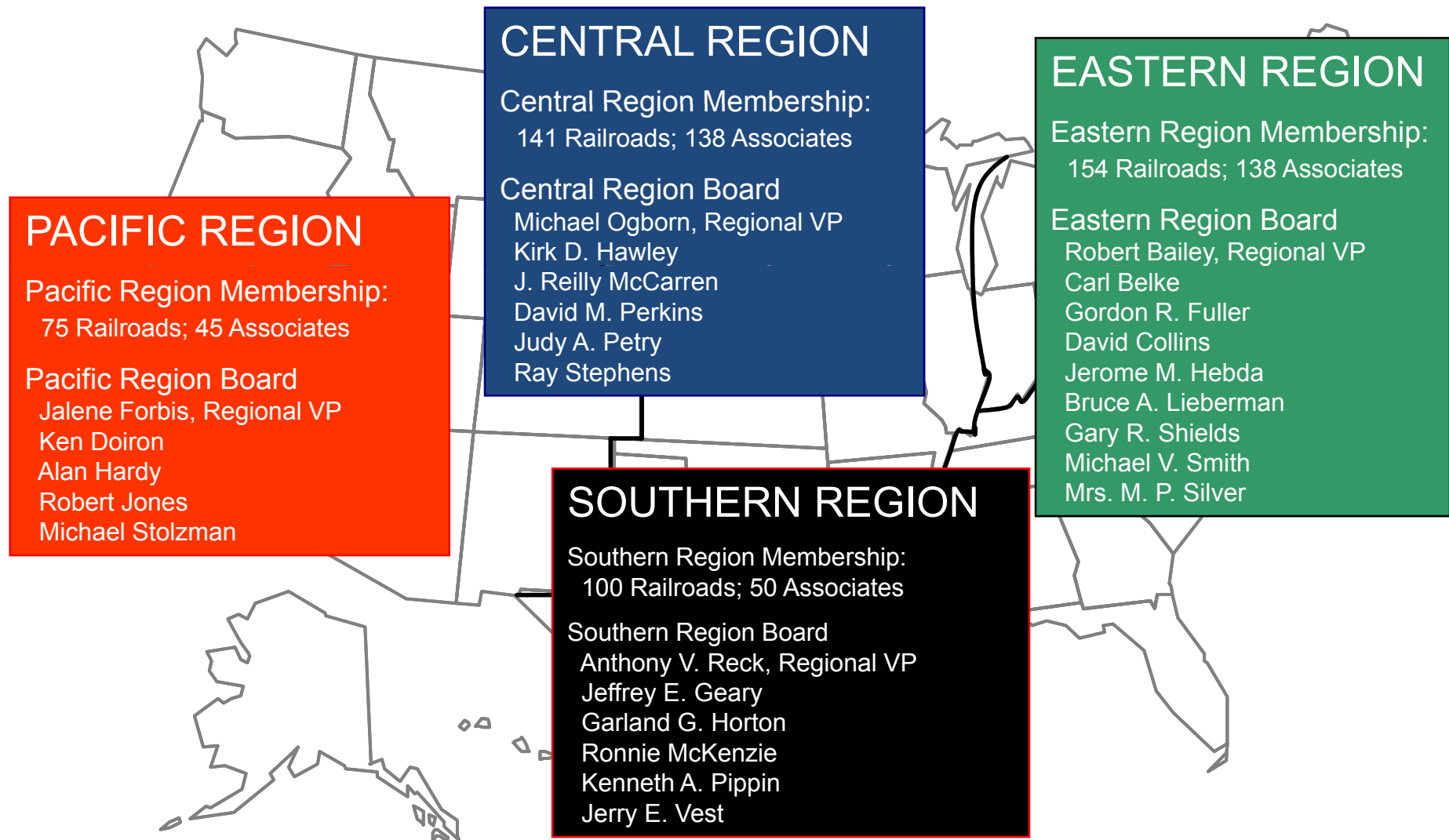
- Regulatory
 - Safety
 - Security
 - Technical
 - Training
- } Matters / Issues / Studies / Alerts / Compliance

■ As Appropriate:

- Testifies
 - Files
 - Comments
 - Appears
- } Before Congress, Federal Agencies, Departments, and State Governments

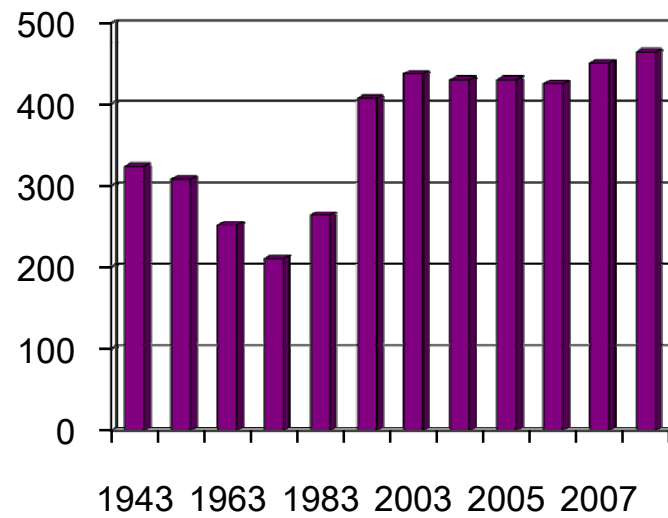


Membership is broken down into four Regions:





ASLRRA Railroad Member History (1943 - 2008)



Year



Membership Services

■ ASLRRA Activities and Initiatives:

- **Training:** National Academy Railroad Sciences (NARS); Joint Programs with FRA and AAR; Bridge Inspection Standards and Maintenance; Security Training
- **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)

- **ASLRRA Activities and Initiatives:** (Cont'd)
 - **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 Congress and Government Agencies; Focus on Regulatory Issues
 - **Personnel:** Programs for Payroll, 401K, Insurance, D&A, Hearing



Membership Services (Cont'd)

- **ASLRRA Activities and Initiatives:** (Cont'd)
 - **Communications:**
 1. Members Only Website
 2. Views and News Biweekly Newsletter
 3. Safety Bulletin
 4. Railway Age Bimonthly Article
 5. Tracks:
 - State Tracks
 - Tech Tracks
 - Legal Tracks
 - Secure Tracks
 - Bridge Tracks (WIP)
 - Pass Tracks (WIP)
 6. Natural Disaster Advisories
 7. Threat Change Advisories
 8. National Transportation Blog



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 Technology Advocacy Committee (ITAC)

The Short Line Profile

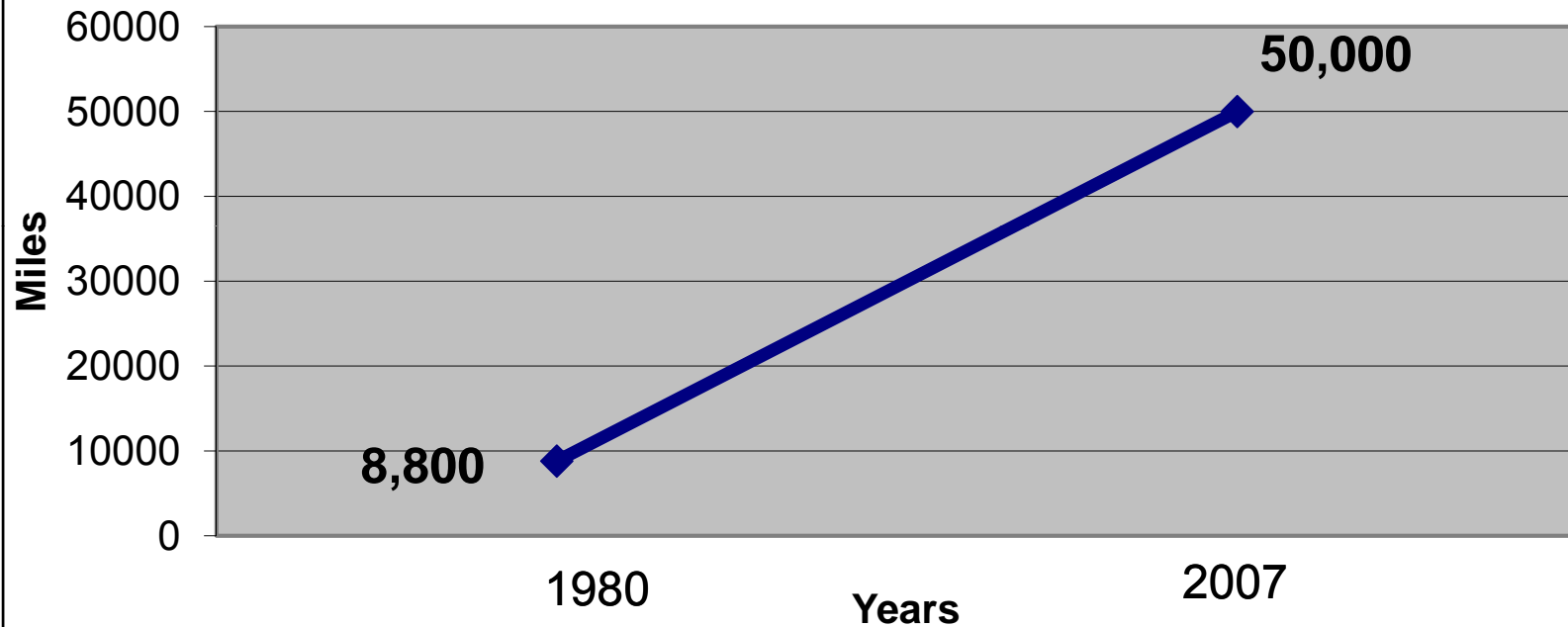


2008 Surface Transportation Board (STB) Operating Revenues for Class I, II, III Railroads

- Class I: Greater than \$346.8M
- Class II: \$28M – \$346.8M
- Class III: Less Than \$28M



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



Pennsylvania Short Line and Regional Railroads

Small Railroads

Class II / III and Regionals	54
Miles Operated	3,053
Percentage of Total Miles in State	43%
Locomotives Total	435
Fuel	14,798,923 gal.
Total Cars Handled	693,000
Est. Truck Equivalentts	1,990,000
Pavement Damage Savings	\$87,000,000
Employment	1,273

Capital

Capital Expenditures (Equipment)	\$4,725,460
Capital Expenditures (Road)	\$15,077,744
Maintenance Expenditures (Equipment)	\$26,252,517
Maintenance Expenditures (Road)	\$31,423,914
Federal Tax Paid	\$23,887,009
State / Local Tax Paid	\$2,307,000



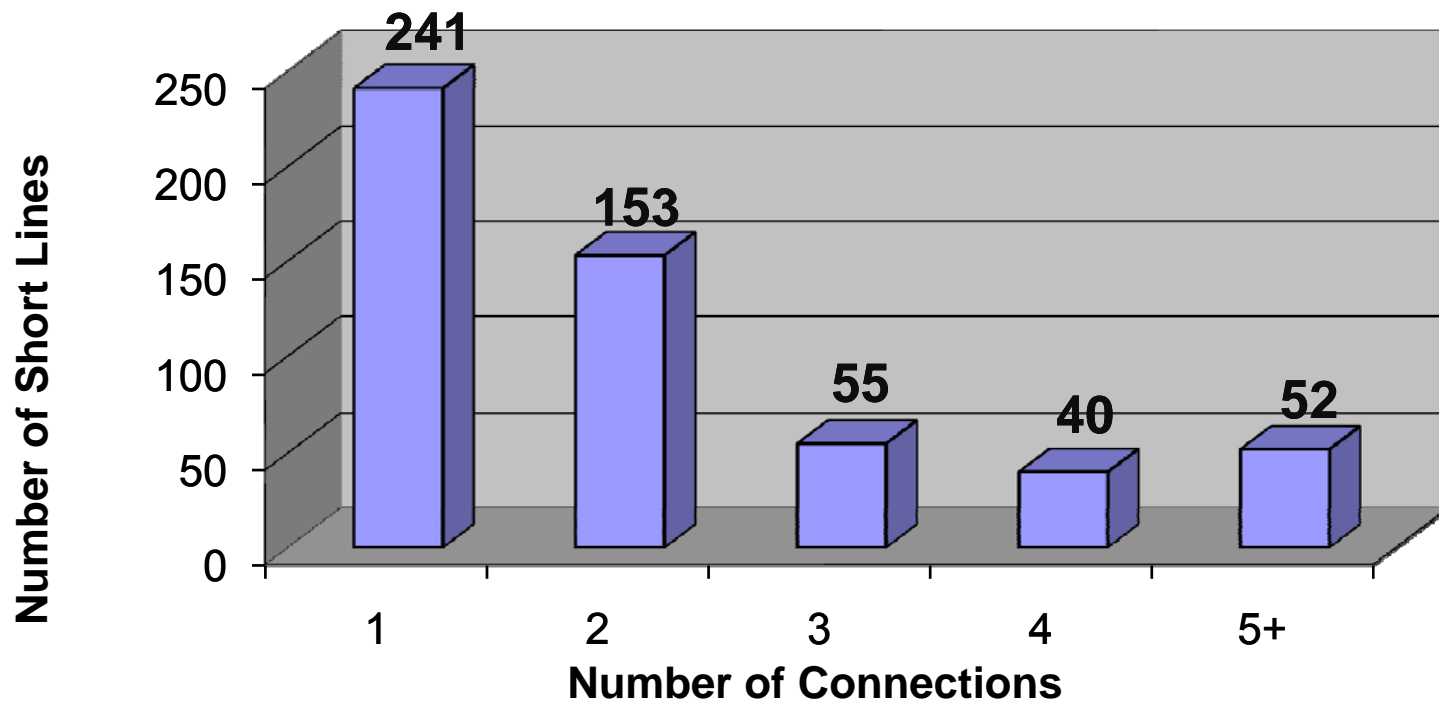
Pennsylvania Short Line and Regional Railroads (Cont'd)

Customers	616
New Customers – Facilities	29
New Customers – Jobs	316
Planned Customers – Facilities	165
Planned Customers – Carloads	112,912

* 4 Pennsylvania Short Lines Involved with Passenger / Commuter Trains



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

*Categories:

1 = Non severe and non life-threatening injuries

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

3 = Fatality



Class II / III Financial Slice

- Revenue > \$3.2 Billion
- Capital Expenditure > \$433M Annually
- Maintenance Expenditure > \$397M Annually
- Infrastructure & Equipment Investments
 - RRIF Loans \$750M; (\$50M Ethanol); 19 Approved, 5 Loans Pending (\$200M)
 - Federal Tax Credits \$850M through 2008
 - HR 1 Stimulus Bill – US DOT \$1.5B Grant Program; State DOTs \$27.5B Grants
- Employees – 21K
- Federal, State and Local Taxes – \$800M
- Railroad Retirement Board Contributions – \$1.2B



Class II / III Financial Slice (Cont'd)

- Feeder / Distributor Network Continues to Expand
- Class II / III Railroads Handle Significant Car Loads of HazMat
- Ethanol – Significant 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



Security – ASLRRA

- ASLRRA is the Interface for the Class II / III Railroads with the AAR and Federal Departments and Agencies
- 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
- Maintains and Distributes Industry Security and HazMat Plans to Class II / III Railroads



Security – ASLRRA (Cont'd)

- Publishes a Preparation Guide for Man Made / Natural Disasters for the Small Railroad Industry
- Provides a Security Training CD to Class II / III Railroads
- Possesses Capability to Track Class II / III HazMat Carloads in Real Time Using FREIGHTSCOPE
- Sits in the AAR Industry Operations Center During Alerts



Security – ASLRRA (Cont'd)

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
9. 2008 Twenty-Seven Point Route Analysis for TIH, Explosive (1.1, 1.2, 1.3) and Highway Regulated Nuclear Fuel



Security – ASLRRA (Cont'd)

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 (Cont'd)

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

North American Surface Transportation Problems



1. Congestion

- Railroads Handle Approx. 42% of Intercity Freight Tonnage
- Current Rail System is Constrained Under Normal Volumes and Cannot Take on Significant Increases Without Sizeable Investments
- Car and Truck Traffic Doubled in Past 20 years; New Highways Grew at a 6.6% Rate
- \$78B Cost to U.S. Economy and Productivity from Road Congestion
- \$2.9B Gallons of Fuel Wasted Annually – Road
- Negative Impact on Economy and Environment



2. Global Competitiveness

By 2020:

- **U.S.** Will Add 1,130 Miles to Interstate System and 2,000 Miles of New Rail?
- **China** Will Build 42K Miles of New Highways and 60K Miles of New Rail
- **Europe** Will Complete 10K Miles of New Road and Rail
- **India** Will Add 6.2K New Miles of Rail by 2010, and Maybe the Same by 2020
- **Russian** Petro Dollars are Fueling Extensive Highway and Rail Growth

**Impacts of Global Economic Recession are Unclear
Probably Will Impact All Above Except India**



3. Freight Surge / Decline

- Railroad Carload Volumes Were at:
 - Record Levels 2006
 - Near Record 2007
 - Declining 2008 (4%)
 - Severe Decline 2009 – 2010?
 - Flat 2010 – 2011?
- Railroad Infrastructure Investments (\$400B over 25 years) Cannot Match Projected Freight Growth – 70% by 2030
- Rail Tons-Miles Increased 25.9%, 1996-2005
- **Long Term** Rail Capacity Issues Are a Serious Concern Now
- Truckers Report 200 Freight Bottlenecks Across U.S.
- These Result in \$8B Annually in Economic Losses and 243M Hours of Delay
- Truck Freight is Predicted to Increase by 100% in 25 years



4. Infrastructure Deterioration

- **Railroad and Highway Bridges are Deteriorating Rapidly**, and 153,990 Highway Bridges are Rated Structurally Deficient or Obsolete
- **Short Line Bridges** (14,000) are a Mixture of **Good-OK-Bad**
- **HR 2095 – Railroad Safety Improvement Act of 2008**, Requires a **Bridge** Inventory, Annual Inspections, Capacity Rating and a Bridge Management Program for each Bridge; and Includes **Tunnel** Requirements
- **Approximately \$11.8B is Required by Short Lines to** Upgrade Class II / III ROW to 286K lb Track and Work on Deferred Maintenance and Growth
- **\$135B Infrastructure Investment** is Required over the Next 20 Years for Railroads to Maintain their Share of Freight Volume (42%)
- **\$50B** is Needed for Rail **Infrastructure Expansion**
- **Highways Need \$19B Annually** to Maintain Current Conditions, and Highway Trust Fund (Gas Taxes) is Less Due to Reduced Driving for Past 3 Years – Stimulus Bill Will Help Here
- **Stimulus Legislation** Provides No Federal Funding for Freight Railroads Infrastructure



5. Transportation Funding

- **A 2-Year Short Line Tax Credit Passed in October 2008 (2008 – 2009)** that Eliminated the Alternative Minimum Tax (AMT) Restriction
- Passage of the Class I Tax Credit is Uncertain this Year
- RRIF Loans are a Good Source of Funding for Railroads but OMB Opposition Makes Them Very Difficult to Acquire. However, **Congress Extended Pay Back Period to 35 Years** in Recent Legislation
- Class I's Continue to Invest Heavily Each Year (\$13B) in Infrastructure as do Short Lines. **But**, \$135B is Required Through 2030 to Maintain the Status Quo
- In 2009 Highway Funding Will Decline by \$27.3B Without New Legislation, Emergency Infusion of \$8B Approved by Congress in September 2008 after DOT Request
- And, Every State will Experience a Cut in Federal Highway Improvement Dollars – Stimulus Bill Will Help Here
- Many State Budgets are in Serious Trouble Requiring Reductions



6. Safety / Health

- The **FRA RSAC** Process Continues to Focus on Important Health and Safety Related Areas that will Become Requirements
- Congress Significantly Involved in Rail Safety Through HR 2095 – RSIA
- The **Congress** Approved Legislation Focusing on Numerous Rail Safety Issues Including Bridge Standards, Tunnel Requirements, Positive Train Control, HOS, and Others – FRA RSAC Process for these is Underway
- **State, Federal and Public** Pressures Continue to Mount over Movement of Certain Commodities
- **Railroad Security and Public Health** Remain a Significant Concern in the Current Terrorism Threat Environment
- **Environmental Concerns and Initiatives** are Increasing Across the Railroad Industry and among Rail Shippers

Legislative



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
- **Risk Reduction Program** – Implement
- **Positive Train Control** – Implement 2015; RSAC Completed: NPRM 06/09
- **Bridge Safety Requirements** – RSAC Completed; NPRM 2009
- **Tunnel Requirements** – Implement
- **1 – 800 ENS** – Implement Within 18 months
- **Grade Crossing Inventory** – Implement
- **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** – Future RSAC
- **Certify Carmen** – Study



HR 1 Stimulus Bill

There are Two Possible Options for Short Line Stimulus Money for Rail Projects:

A. State DOT

- By Formula the Bill Allocates Money to Each State for Highway Budgets (\$27.5B in Total)
- HR 1 Allows each State to Flex Some of these Highway Dollars to Rail Projects
- Class II / III Railroads Must Work Directly with State DOTs to Compete for these Dollars

B. U.S. Secretary of Transportation

- A Discretionary \$1.5B Grant Program for Surface Transportation Projects is Available
- Project Size is a Minimum of \$20M which can be Waived by the Secretary to a Smaller Amount



HR 1 Stimulus Bill (Cont'd)

B. U.S. Secretary of Transportation (cont'd)

- The Secretary Will Decide Who Gets the Money and is **Currently Writing the Rules / Regulations** that will Govern the Application Process. **Deadline for the Rules is May 17, 2009**
- Applications Must Be **Submitted by November 13, 2009**, and **Final Decisions** by the Secretary Announced by **February 11, 2010**
- Requests Must Be From **States, Local Governments or Transit Agencies**
- Contact your Congressman to Work This Grant Option Once Rules are Published



Legislative Challenges for 2009

1. Short Line Tax Credit

- S.461 – Extension of the 45G Railroad Track Maintenance Credit
- HR 1132
- Sponsors: 66 House, 12 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



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



FRA Other – Rail Safety Advisory Committee (RSAC)

- **Occupational Noise** – Implementation Ongoing
- **Railroad Operating Rules** – Implemented Final Rule 02/08
- **Medical Standards** – Under Development, RSAC 06/09
- **Accident / Incident Reporting** – NPRM 09/08; Final Rule Summer '09
- **CWR** – Joint Rules for Class III and above Track; Others Under Development
- **Concrete Ties** – Under Development
- **Rail Integrity** – Under Development
- **Bridges** – NPRM 07/09



FRA Other (Cont'd)

- **Private Crossings** – Inquiry
- **Pressure Tank Car** – Interim Final Rule 01/09 AAR Standard Car
- **HazMat Risk Assessment / Routing Rule** – Final Rule '08; PHMSA Requirements
- **ECP Brakes** – Class I Waivers in Effect
- **Locomotive Standards** – Sanders Final Rule 12/07; Other RSAC
- **Roadway Worker Protection** – NPRM Pending; Special Task Force Review of Fatalities Ongoing
- **Passenger Safety** – NPRM 08/07; Other RSAC

Short Lines Near Term



You Decide . . .

- **What Should I Be Focusing on Today and Why ?**
 - + Safety
 - + People
 - + Equipment
 - + Infrastructure
 - + Technology
 - + Shippers
 - + Growth
 - + Consumer Shifts
 - + Class I's
 - + Security
 - + Insurance
 - + 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?

THINK !

Tax Credits!

\$350M

RRIF Loans

\$35B

Class I Opportunities!

Carloads are Down . . .



Bottom Line

- Today **Change** is the Norm
- 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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