

**AMERICA'S SHORT LINE AND
REGIONAL RAILROADS**

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

The Way Ahead

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American Short Line and Regional Railroad Association

WATCO Companies, Inc.

Pittsburg, KS

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www.aslrra.org

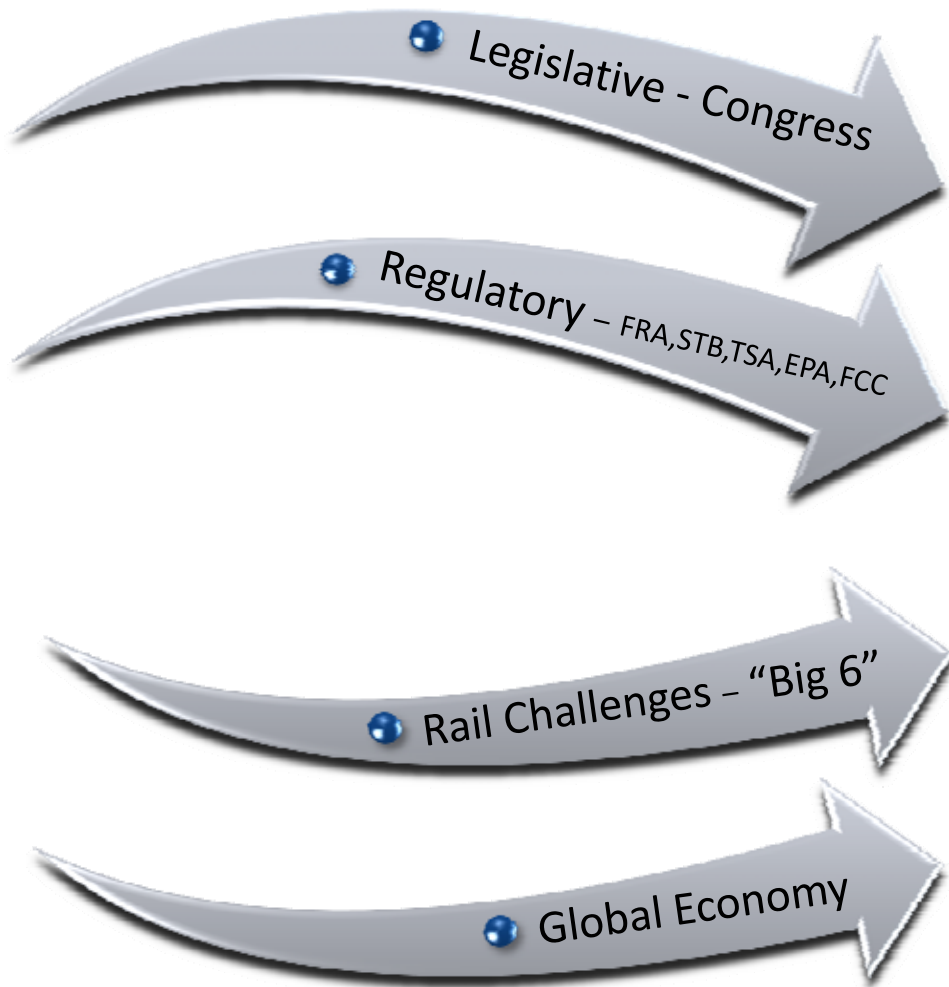




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What is Before Us Today



Legislative

- Emergency Economic Stabilization Act of 2008 (HR 1424) "Short Line Tax Credit"
 - **2 Year Extension - 2008 (Retro) and 2009**
 - **Can Be Used Against the Alternative Minimum Tax (AMT)**
- Railroad Safety Improvement Act 2008 (HR 2095) "Safety Bill"
 - No PTC for Short Lines on Dark Territory
 - No PTC for Short Line Commuter Operations
 - No Switch Indicators for Short Lines on Dark Territory
 - Towns and Counties Cannot Petition the STB on Rail Facilities (Preserved STB Preemption)
 - RRIF Program Loan Repayment Period Extended from 25 to 35 years
- Taking Responsible Action for Community Safety Act (HR 6707)
 - With AAR Defeated this Bill which Created New "Public Interest" Tests for Certain Class I / Short Line Transactions





Rail Industry Security Plan

- New Plan Developed over the Past 16 Months
- ASLRRA and AAR Jointly Developed this Product
- It Highlights Daily Security Operations, Coordination with TSA, DHS, Other Fed Agencies
 - + Adds Extensive New Security Annexes
- SOMC Requested a New Section be added on AMTRAK Security at Level 4
- SOMC will Review the Plan Again on November 12 and will adopt by the End of the Year
- ASLRRA will Advise Members of Requirements Once a Final Version is Approved





HazMat Handling in HTUA's

- **TSA Required** Railroads to Have **Written Plans** by September 15, 2007 for Carriers Who Move HazMat
 - + **Security Reviews of Plans by TSA** for Short Line Holding Companies Will Begin this Fall
 - + Contact Steve Sullivan for Details . . . (202) 585-3432; email: sullivan@aslrra.org

- And, WATCO Developed **Procedures for Compliance with HM-232** on Secure Handling of HazMat
 - + Available from ASLRRRA on Request

- **TSA Awarded a \$1.8 million Grant** for Training Short Line HazMat Carriers in HTUA's that Will Be Free to Members
 - + ASLRRRA Will Partner with WATCO and Windsor Continental to Deliver Interactive Web Based Training Beginning Mid-2009





TIH Security

- A New **Reroute Tool** is Being Developed by the AAR
 - + This Effects Only Short Line Carriers that Move TIH, PIH, Spent Nuclear and Class 1.1, 1.2, and 1.3 Explosives
 - + **Mandatory when Introduced**

- A New **TIH Dwell Reduction Tool** is Being Developed by TSA for use by all HazMat Rail Carriers
 - + **Mandatory when Introduced**

- TSA Agreed to Pay for the **FreightScope HazMat Car Tracking Software** for 2008
 - + This Continues to be a Very Valuable Security Tool for Identifying the Most Recent Location of HazMat on Short Line Roads
 - + Also, Indicates Overdue Unloading of HazMat Cars





Radio Narrow Banding

- 2003 FCC Mandated a Railroad Radio Frequency Change from Current 25KHz to 12.5KHz by January 1, 2013
- 2007 FCC Further Announced a Follow-On Change from 12.5KHz to 6.25 KHz at Some Future Date . . .
- 2008 AAR Wireless Committee Directed an **Interim Change for Locomotives** Operating at Interchange or Run-Through Service to Switch to 12.5KHz by July 1, 2010
 - + This is for a 2 ½ Year North American Geographical Phase-in Industry Wide
 - + ASLRRRA Recommends Members Procure TriMode Radios (3 Frequency Capable)
 - Now Available from Kenwood, ICOM and JEM
 - + Many Short Lines are Using Bimode 25KHz / 12.5KHz Radios Now. These have been Available for Several Years.
 - + ASLRRRA Will Provide Details on the Phase-In Once the Plan is Approved





Rail Safety Improvement Act of 2008 – HR 2095

- **Hours of Service** – Implement by 2010
- **Risk Reduction Program** – Implement by 2012
- **Positive Train Control** – Implement by 2015
- **Bridge Safety Requirements** – Implement by 2010
- **Tunnel Requirements** – Implement in 120 Days
- **1-800 ENS** – Implement by 2010
- **Grade Crossing Inventory** – Implement by 2009
- **Sight Distance Law & Regulations at Xings** – Implement



Rail Safety Improvement Act of 2008 (Cont'd)

- **Civil Penalties \$25K-\$100K** – Implement
- **Radio Monitoring Authority** – Implement
- **New FRA Inspectors** – Implement when \$ are appropriated
- **Dark Territory Switch Technology** – Regulations in 12 months
- **Broken Rail Service Failure Rate** – Study
- **Certify Conductors** – Implement by 2010
- **Minimum Training Standards and Plans** – Implement by 2009
- **Emergency Escape Breathing Apparatus** – Implement in 2010



Railroad Safety Improvement Act of 2008

■ Section 417. Railroad Bridge Safety Assurance

+ Requirements:

- Accurate Bridge Inventory on All Railroads
 - Determine Bridge Capacity for Each Railroad Bridge
 - Documentation of Repairs, Modifications and Inspections Maintained on File
 - Annual Inspection of All Railroad Bridges by a Qualified Railroad Bridge Inspector
 - Bridge Management Program for Each Railroad, a Copy of which Forwarded to FRA
 - Periodic FRA Review of Bridge Data
 - Implementation in 1 Year
- Specific Details Prescribing How All Above Will be Accomplished Will be Coordinated with the FRA





Railroad Safety Improvement Act of 2008 (Cont'd)

■ Section 414. Tunnel Information

+ If a Railroad Carries 5 or More Passenger Trains a Day, or 500 or more Carloads of Poison or TIH It must:

- Maintain Records of Inspection and Maintenance for a 2 Year Period
- Retain Cargo Records by Type HazMat for a 2 Year Period
- Acquire and Retain Tunnel Blue Prints or Schematics If Available
- Provide Briefings to Government Officials Upon Request
- Implementation in 1 Year

■ Specific Implementation Details Will Be Coordinated with the FRA





ASLRRA Bridge Committee

- All Should Have Received this **AREMA Bridge Inspection Handbook**
 - + This is a New Product and is Provided Courtesy of the ASLRRA Bridge Committee, Funded by the FRA, and Produced by AREMA
- The Committee has 5 Sub-Committees:
 - + Administration, Inspections and Management, Records and Inventory, Risk-Based Factors and Training
 - + Membership Includes Structural Engineers from the FRA, Class I's, Short Lines, Bridge Inspectors and Bridge Contractors
- Since December 2007, **Bridge Management Programs and Bridge Inventory** have been the Objectives
- Face to Face Conferences, Conference Calls and an Interactive Website with Reference / Document Repository are How this is Working
- Next Meeting is in November in New Orleans – The Committee Will Now Refocus on New Requirements of the Rail Safety Enhancement Act of 2008 (HR 2095)
- FRA Bridge RSAC "Stood Down" and is in Inactive Status Awaiting New Taskings





New Loose Scrap Metal Loading Rule

- Overloaded Gondolas by Scrappers are Producing Serious Safety, Derailment and Equipment Problems for Railroads (4 Injuries, 7 Near Injuries, 72 Overloaded Gons Pulled – 315K < 340K, 7 Derails)
- AAR Open Top Loading Rules Committee Directed a Loading Change for Scrap Gondolas to be Effective on August 20, 2008-**W/O Comments**
- Upon Reconsideration the Committee Requested Comments NLT September 20, 2008. They are Reviewing these Now
- Given the Persistent Problems of Serious Scrap Overloading Rule Violations, This Rule is Unlikely to Change i.e., "**Not Above Sides Or End Cords Of Gondolas**"





ASLRRA Communications Plan

■ The Focus is on Both Internal and External Communications

- Website
- Printed Materials
- Outreach to Media
- Legislative / Regulatory Initiatives
- Short Lines Stories Worthy of Print
- Class I Short Line Relations

■ Designed to Enhance Short Line Brand and Influence

■ Great Work by STRAT@COMM to Date





Disaster Plan

- **ASLRRRA Disaster Plan** is Available to You Now on the Members Only Website
- Developed after Katrina in Coordination with Class I Disaster Contingency Plans
- FRA Has Our Plan for Reference and Fully Endorses It
- Used Extensively for Hurricanes Gustav, Hanna, and Ike
 - + It has Proved Useful at Local and Federal Levels
- **Recommend You Review It** – Many Valuable Ideas, Requirements and Communications Procedures Included
 - + View It - www.aslrra.org



A View of Tomorrow



U.S. Freight Rail Challenges

■ Congestion

- Current Rail System is Constrained

■ Global Competitiveness

- Slipping in Contrast to China, India, Russia, Europe-Rail and Highway Build-Outs

■ Freight Surge

- Railroad Investments Don't Match Mid-Long Term Expected Freight Growth

■ Infrastructure Deterioration

- Railroads Must Invest \$140B by 2030 To Remain Competitive

■ Transportation Funding

- Minimal at Federal and State Levels – and **Threatened**

■ Safety / Health

- Railroad Safety, Security, Public Health Risks Remain as Significant Concerns for Congress and the Public

■ Global Economy

- Faltering?
- Uncertainty?
- For How Long?
- Impacts on Rail?





Rail Health Indicators

- **Energy Demands** – Increasing
- **Petroleum Costs** – Up
- **Consumer Demands** – Flat / Slipping?
- **Food Supply** – Stressed
- **Investment in RR's** – Increasing
- **Railroad Growth** – Network Expansion / Modernization / Public-Private / Partnerships
- **Rail Use of Technology** – Expanding
- **% of Freight on Rail** – Growth





Rail Health Indicators (Cont'd)

- **Railroad Efficiency** – Lower OR and Dwell Rates
- **Railroad Productivity** – Up
- **Railroad Pricing Power** – Stronger
- **Railroad Financial Posture** – Good
- **Railroad Environmental Benefits** – Good / Best
- **Regional / Geographic Positioning** – Good / Excellent
- **Limited Ground Freight Options** – Current Economics Favor Freight Rail
- The Indicators are **Good for Freight Rail** – Likely to Remain Vital to the Economy for Both Near and Long Terms





Your Focus . . .

- **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 Credit!

\$350M

RRIF Loans!

\$35B

Class I Opportunities!

Carloads Are Down . . .





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!



America's Short Line and Regional Railroads

★ Connecting America's Communities

★ Strengthening America's Economy

★ Protecting America's Environment



American Short Line and Regional Railroad Association



The Voice of America's Independent Railroads

