



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

Presentation to

American Association of Railroad Superintendents

Alexandria, VA

February 9, 2010



www.aslrra.org



American Short Line and Regional Railroad Association

The Organization

February 9, 2010

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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
- Federal Communications Commission
- 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:
71 Railroads; 46 Associates

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

CENTRAL REGION

Central Region Membership:
137 Railroads; 149 Associates

Central Region Board
Michael Ogborn, Regional VP
John Howell
J. Reilly McCarren
Judy A. Petry
Ray Stephens
Norma Torres
Dan Zink

EASTERN REGION

Eastern Region Membership:
153 Railroads; 149 Associates

Eastern Region Board
Robert Bailey, Regional VP
Carl Belke
David Collins
Jerome M. Hebda
Don Hutton
John Levine
Gary R. Shields
Michael V. Smith
Mrs. M. P. Silver

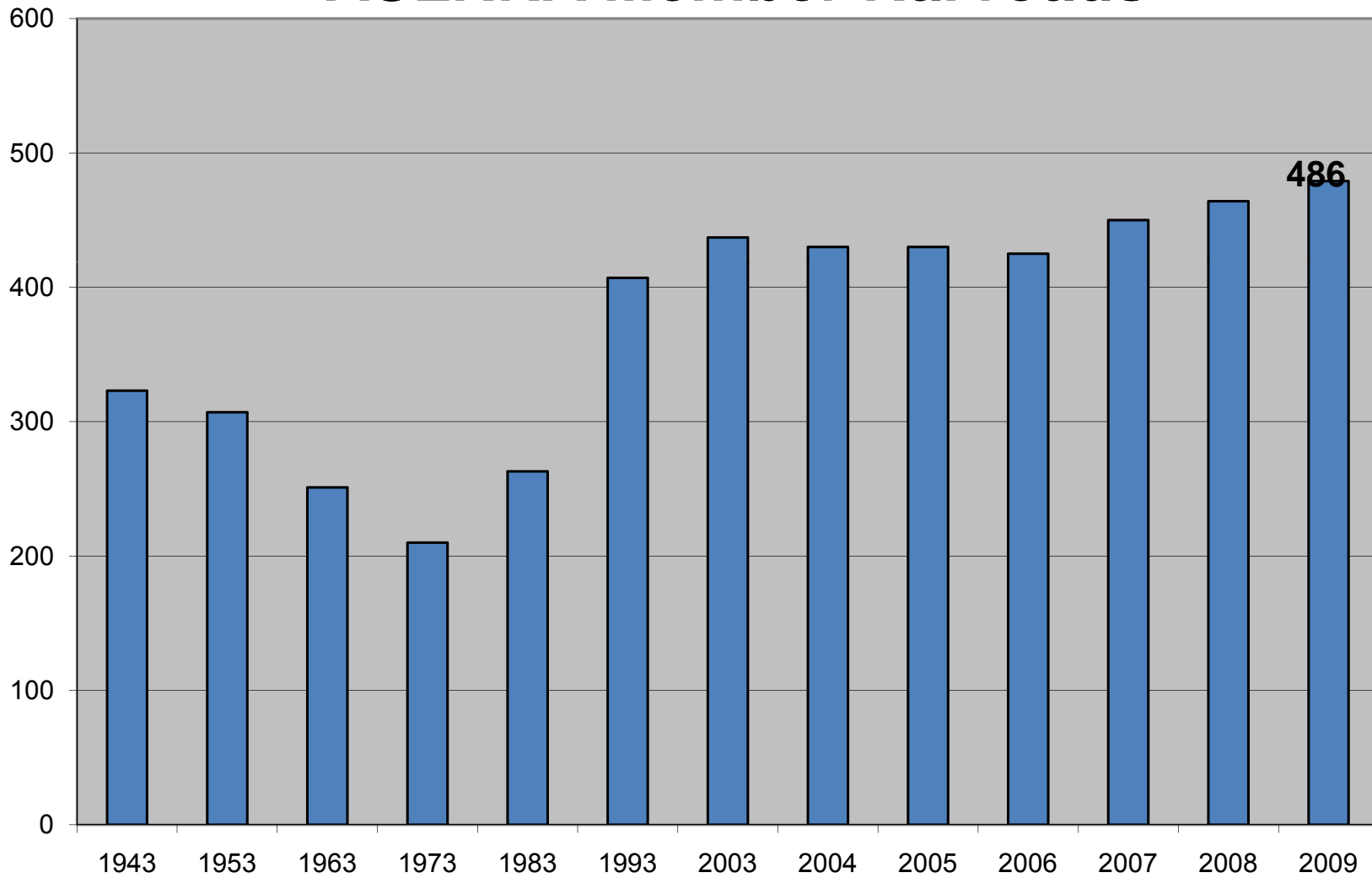
SOUTHERN REGION

Southern Region Membership:
100 Railroads; 59 Associates

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



ASLRRA Member Railroads





Working Committees

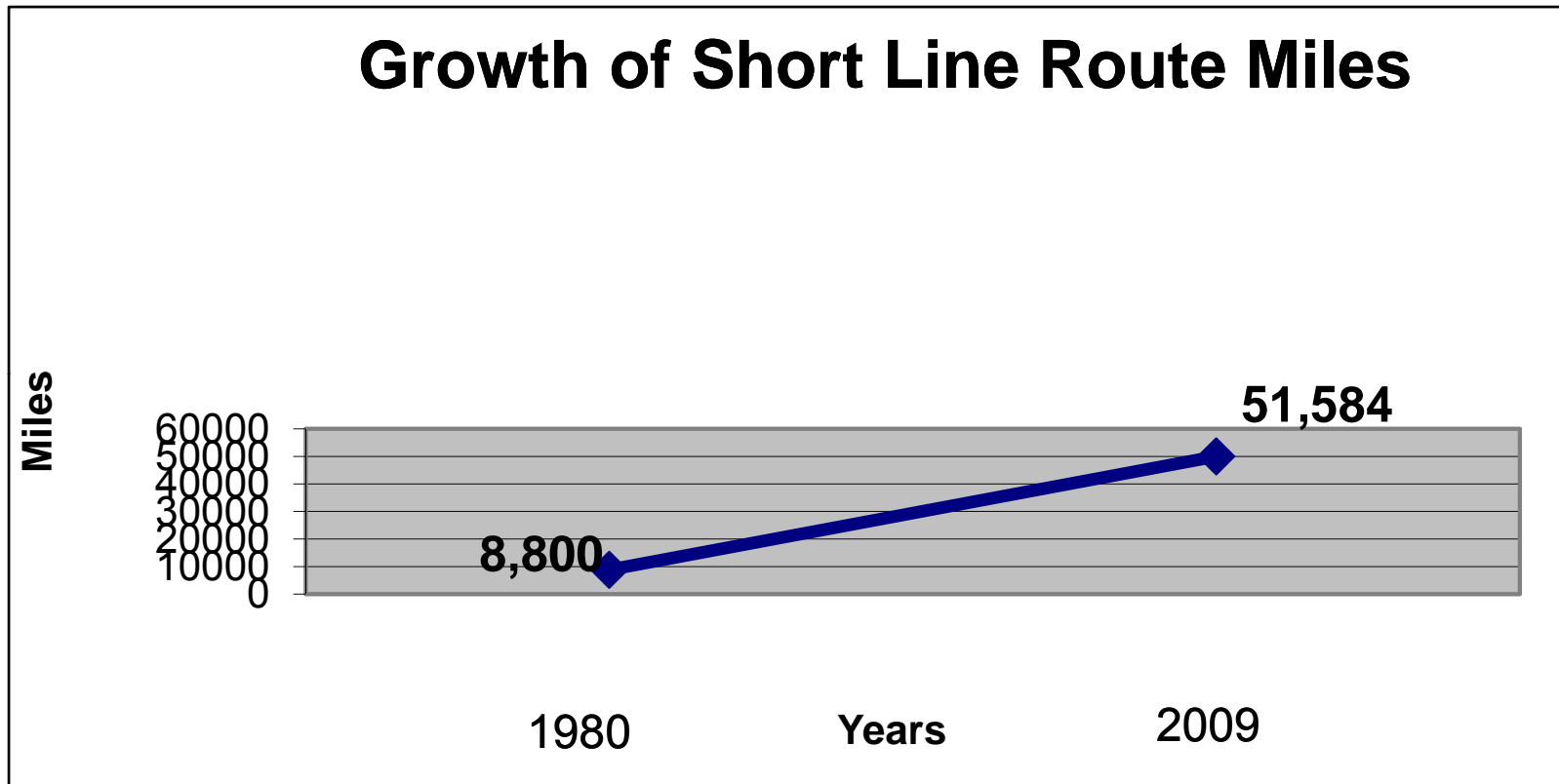
- Safety & Training
- Railroad Police & Security
- Short Line Bridge (Joint with FRA, Class I's, Short Lines, AREMA, Contractors)
- Short Line Information Integration Committee (SLIIC) (Joint with AAR, Class I's)
- Technology
- Passenger
- Legal
- Finance & Administration
- Legislative Policy
- Fuels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

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



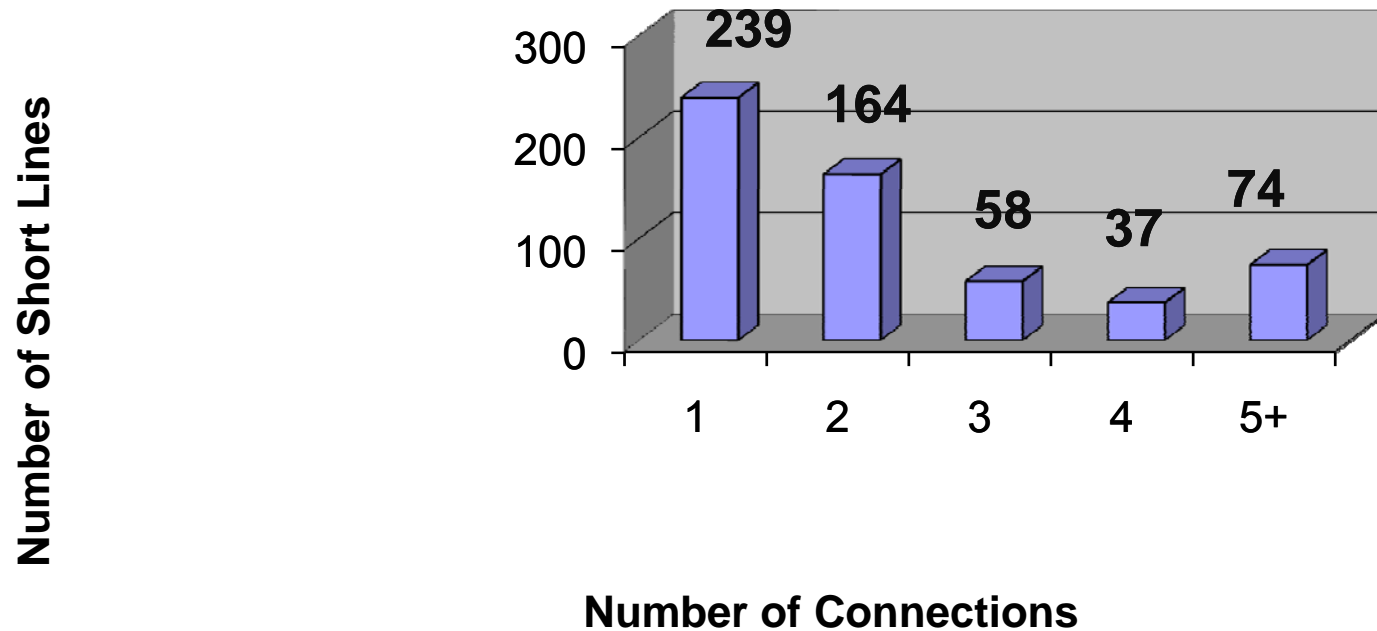
Rail Industry Carloads 2008 - 2009

Class I's – Short Line Traffic Only

| <u>RR</u> | <u>2008</u> | <u>2009</u> | <u>Variance</u> |
|-----------|-------------|-------------|-----------------|
| BNSF | 1,247,000 | 1,060,000 | - 15.0% |
| CN | 518,783 | 406,163 | - 21.7% |
| CSX | 955,325 | 800,391 | - 16.2% |
| KCS | 202,682 | 147,468 | - 27.2% |
| NS | 983,959 | 800,292 | - 18.7% |
| UP | 986,166 | 795,133 | - 19.4% |



Number of Class I Connections



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



Class II / III Safety Performance

2005 – 2009 (January – November)

| Year | Employee Hours | Injuries | Fatalities | OSHA Rate |
|------|----------------|----------|------------|-----------|
| 2005 | 32,340,201 | 610 | 4 | 3.80 |
| 2006 | 33,649,192 | 636 | 3 | 3.80 |
| 2007 | 33,887,113 | 579 | 2 | 3.40 |
| 2008 | 34,170,047 | 610 | 3 | 3.60 |
| 2009 | 29,345,990 | 441 | 1 | 3.00 |

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** – Slipping / Flat
- **Imports Up** in November 2009 0.3% (Up Last 3 Months)
- **Exports Up** 0.1% (Up 7 Straight 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 / Minor Withdrawals



Rail Health Indicators

- **Rail Modernization and Use of Technology** – Expanding
- **Railroad Efficiency** – Lower OR, Better Speeds, and Flat Dwell Rates
- **Railroad Productivity** – Up
- **Railroad Safety Performance** – Good / Excellent
- **Railroad Workforce** – Down / Small Returns to Service
- **Railroad Pricing Power** – Strong
- **Railroad Financial Posture** – Solid
- **Investment in Railroads** – Stable / Up
- **Railroad Unfunded Regulatory Requirements** – Very High / Significant Issue
- **Railroad Retirement Trust Fund** – Down But Healthy (\$31B to \$26B)



Rail Health Indicators

- **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) – TSA
2. Updated Security Plans with Special Annexes – Rail Industry
3. Threat-Based Requirements and Analysis On-Going – Rail Industry
4. Security Training / Awareness Required – TSA NPRM Pending 2010
5. IED Training Required for all Railroads – TSA NPRM Pending 2011
6. TSA Security Grants Awarded for Short Line Training
7. Communications Security Focus – Rail Industry / TSA
8. GPS on some Shipper Owned Chemical Cars – TSA / Chemical Industry

* None in 2001



Security – ASLRRA

Industry Measures in Place Today: (cont'd)

9. TIH Car Positive Hand-Off – In Effect April 1, 2009 – TSA
10. New Hardened Tank Car Standard – Rail Industry / FRA
11. FreightScope Tracking Software for TIH Cars Nationwide – Short Line / FRA
12. Intelligence Coordination with Military and Federal Agencies on Train Movements –
Rail Industry / DOD
 - Close Law Enforcement Relationships
 - Primarily Incident Reporting
13. Intelligence Networks Established within the Railroad Industry – Rail Industry
14. Industry Operations Center Established by the AAR
 - Operates the Rail Industry Alert Network
15. Increase in TSA Field Inspectors

* None in 2001



Security – ASLRRA

Industry Measures in Place Today: (cont'd)

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

* None in 2001

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)

1. **Positive Train Control** – Implement 2015; **FRA Final Rule 01/10**
2. **Hours of Service** – RSAC Completed: Final Rule 07/09; **In Effect 07/16/09**
3. **Bridge Safety Requirements** – RSAC Completed; **NPRM 08/ 09; Final Rule 03/10**
4. **Grade Crossing Inventory** – **Completed by 10/16/09; NPRM 2010**
5. **1 – 800 ENS** – Implement Within 18 Months
6. **Risk Reduction Program** – **Final Rule 10/12**
7. **Top 10 States Require Xing Action Plan** – FRA Ongoing
8. **Dark Territory Switch Technology** – Future RSAC
9. **Broken Rail Service Failure Rate** – Study
10. **Certify Conductors** – RSAC 07/09 – 12/09



Rail Safety Improvement Act of 2008 (cont'd)

11. **Certify Carmen** – Study
12. **Sight Distance Law & Regulations at Xings** – FRA Ongoing
13. **Radio Monitoring Authority** – In Effect
14. **Civil Penalties \$25K-\$100K** – In Effect
15. **800 New FRA Inspectors** – Implement Hiring 2009 – 2010
16. **Minimum Training Standards and Plans** – Pending Task Statement Approval



Legislative and Regulatory Focus 2009

■ Positive Train Control (PTC)

- Final Rule Published January 2010
- Short Line Exemptions:
 - + SL's can Operate on PTC Equipped Territory Up to and Beyond 20 Miles But Not More than 4X Day
 - + Non PTC Loco can Cross PTC Equipped Territory at Diamonds But Requires Split Point Derails
 - + 2020 Requirements – SL Operations Beyond 20 Miles must have PTC Equipped Locomotives
- Short Lines with Passenger and TIH Moves Have Other Considerations

■ Hours of Service (HOS)

- 2 FRA Requests Submitted by ASLRRA:
 - + **Petition for Waiver** – 280 Short Lines Approximately 5,000 Covered Employees (T & E)
 - FRA Responded (Dec. 11, 2009 – ASLRRA Waiver Under Consideration)
 - + **Petition for Exemption** – 155 Short Lines (974 T & E) With Fewer than 16 Employees
 - FRA Responded (Dec. 11, 2009 – ASLRRA Petition Under Consideration)
 - FRA Federal Docket Request for Comments – Feb. 3, 2010
- **Until FRA Approves Requests New HOS Rules are in Effect:**
 - **6 and 2; 7 and 3; 276 Hrs. Comingled**



Legislative and Regulatory Focus 2009 (Cont'd)

■ Reregulation

- Bottle Neck, Terminal Access, Paper Barriers are Central Components of Reregulation
- Rockefeller Rereg Legislation is Expected This Year
- Short Line and Class I Positions were Consistent and Mutually Supportive – Do Not Like Draft Legislation

■ Antitrust Legislation

- Kohl / Baldwin Legislation (S. 146 / H.R. 233) May be Incorporated into any Senate Reregulation Legislation

■ Short Line Tax Credit

- Expired December 31, 2009
- Extension Efforts Proceeding Well:
 - + 242 House Members are Sponsors of H.R. 1132
 - + 52 Senate Members are Sponsors of S. 461
 - + Short Line Members Engaged in State Delegation “Fly-In” All Summer to Lobby Members
- “Extenders Bill” or Estate Tax Bill Could Be Options This Year for our Tax Credit Extension
 - + Passage this Year is Unclear but is Anticipated



Legislative and Regulatory Focus 2009 (Cont'd)

■ Truck Size and Weights

- Safe Highways and Infrastructure Preservation Act (SHIPA) Bill H.R. 1618 – Rep. James McGovern (MA)
- Safe Highways and Infrastructure Preservation Act Bill S. 779 – Sen. Frank Lautenberg (NJ)
- **Both Bills:**
 - + Freeze Truck Size and Weights on National Highway System to 80K lb Trucks
 - + Freeze Longer Combination Vehicles (LCV)
- **Co-Sponsors:**
 - + 122 in the House Bill (H.R. 1618)
 - + 8 in the Senate Bill (S. 779)
- **State TSW Initiatives:**
 - + FL – Weight Increase for Cattle Trucks
 - + ME and VT – Pilot Project for 100K lbs Trucks in Appropriations Bill Now
- Coalition Against Bigger Trucks (CABT) Annual D.C. “Fly-In” Feb. 3, 2010
- A Truck Size and Weights Bill is **Not Expected** to Move this Year (?)

Regulatory

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Ongoing and Significant

FRA Rail Safety Advisory Committee (RSAC)

1. Railroad Operating Rules / Human Factors – Done
2. Medical Standards for Train Crews for Safety Critical Employees – Done
3. Private Crossings – NPRM – Done
4. Roadway Worker Protection Rules and Requirements – Awaiting NPRM – Done
5. Passenger Safety – Ongoing
6. Rail Integrity – Ongoing
7. Concrete Ties Utilization – Ongoing
8. Bridge Inspection and Maintenance – Final Rule 2010 – Done
9. Tunnel Standards – No Immediate Requirements
10. Locomotive Standards – (NPRM at OMB) – Done
11. ECP Brake Specifications and Requirements – Waivers in Effect – No Action Required
12. Positive Train Control Implementation, Standards, Rules – FRA Final Rule Jan. 2010



Ongoing and Significant (Cont'd)

13. Conductor Certification – Ongoing
14. Minimum Training Standards for Safety Related Railroad Employees – Pending FRA Task Statement Announcement

Other

- *15. Pressure Tank Car Specifications – No Action Required
- *16. Accident / Incident Reporting Requirements – Waiting Final Rule – Ongoing
- *17. HazMat Risk Assessment / Routing Rules – 09/09 – Ongoing
- *18. Emergency Escape Breathing Apparatus Requirements – No Action Required
- *19. Emergency Call Numbers at Grade Crossings 24-7-365 Call Centers – Waiting NPRM – Ongoing
- *20. At Grade Crossing Inventory – 16/10/09 – Done

* Not RSAC



Ongoing and Significant (Cont'd)

Other

- *21. Continuous Welded Rail Standards – Final Rule 08/09 – Ongoing
- *22. Narrow Band Radio Frequency Change and Equipment – FCC Requirement; 07/10 – 01/13 – Ongoing
- *23. Locomotive Horn Testing and Record Keeping – NLT 06/10 – Ongoing
- *24. Risk Reduction – ANPRM 04/10; Final Rule 10/12 – Ongoing
- *25. EPA Locomotive Rules – Ongoing
- *26. URCS – Ongoing (STB Review and Analysis)

* Not RSAC



Near Term Short Line Legislative and Regulatory Compliance Expenditures

- **Positive Train Control:** \$ – Yet to be Determined
- **Hours of Service:** \$ – Hire More Personnel; Engage in 2 Year Pilot Study
- **Emergency Escape Breathing Apparatus (EEBA):** \$ – 3 Units Mounted in each Loco Cab Moving TIH / Explosives / Radiological?
- **Radio Narrow Banding:** \$ – 12.5 KH Radios for: New Base Stations, Locomotives, Vehicles, Mobile Radios, Antennas, etc.
- **Grade Crossing Inventories and Signage:** \$ – Inventory All Public / Private Crossings. New Signage on all Crossings
- **1 – 800 Call Centers** \$ – Contract for or Hire and Equip a Call Center
- **Bridge Inspections and Reporting:** \$ – Inventory, Inspection, Filing, Load Capacity Determination, Reporting, Design Documents
- **Conductor Certification:** \$ – Train Conductors to Standard
- **Locomotive Horn Testing and Recording:** \$ – Contract for Horn Testing



Near Term Short Line Legislative and Regulatory Compliance Expenditures

- **Medical Standards:** \$ – Yet to be Determined
- **Occupational Noise Standards and Requirements:** \$ – Hire Contractor to test, Record, Maintain Records
- **HazMat Risk Assessment Routing (TSA):** \$ – Evaluate Movement of TIH by Routing Tool, Report and Reroute
- **Security Training, Chain of Custody for TIH (TSA):** \$ – Training
- **New D&A Requirements:** \$ – Testing of All Personnel at Random
- **Training Standards:** \$ – Yet to be Determined
- **Annual Sperry Car Testing:** \$ – Contract for Sperry Car for Short Lines with Commuter / Passenger Service
- **Expedited Control of Locomotive Emissions:** \$ – Yet to be Determined
- **Risk Reduction Program:** \$ – Yet to be Determined

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 |

*Finance

- 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?



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