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American Short Line and Regional Railroad Association

# VIEWS & NEWS

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**Make Plans to  
Attend the 2005  
ASLRRA  
Regional  
Meetings:**

(Click on the meeting  
name for more  
information)

Central / Pacific  
Region Meeting  
October 2-4, 2005  
Monte Carlo Resort  
Las Vegas, NV

Eastern Region  
Meeting  
October 17-19, 2005  
Westin Convention  
Center  
Pittsburgh, PA

Southern Region  
Meeting  
Oct. 30-Nov. 1  
J.W. Marriott  
Buckhead  
Atlanta, GA

Currently, Railroad  
Security Alert Level  
2 is in Effect

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**Questions? Comments?**  
**E-Mail Us.**

## **SOUTHERN REGION MEETING UPDATE**

Due to extensive hurricane damage to the Gulf Coast region of Mississippi, the ASLRRA has decided to move the upcoming Southern Region Meeting to Atlanta, Georgia. This was decided via a Southern Region Board decision on Thursday afternoon, and would provide a more centralized location in the region while allowing easy access for those needing to fly to the meeting.

Hotel arrangements have been made at the J.W. Marriott Buckhead. Reservations can be made online at their [website](#).

In the same conference call, the Southern Region Board voted to hold the 2006 Southern Region Meeting in Knoxville, Tennessee where we will be hosted by the Gulf & Ohio railroad.

We look forward to returning to Biloxi and the Beau Rivage in 2007.

## **HURRICANE HAS LIMITED EFFECT ON SHIPPING COMPANIES**

Some U.S. shipping companies may see higher costs in the third quarter for equipment damage and business interruptions related to Hurricane Katrina. But analysts Thursday downplayed the impact of these costs on earnings in the current quarter. Further, they said, by the fourth quarter of the year, revenues could grow as railroads and trucking companies help rebuild and resupply the devastated city of New Orleans and the neighboring Gulf Coast area. The spike in fuel costs this week is unlikely to hurt shipping companies, since both air and ground shippers can add fuel surcharges, analysts said.

Railroads were the only shippers to suffer serious equipment damage from the hurricane and the subsequent flooding in New Orleans. Trucking and air-shipping companies were mostly able to drive or fly out of harm's way, although some of their facilities remained closed Thursday.

Among rail carriers, CSX Corp. (CSX) has the most exposure in the Gulf, said Donald Broughton, an analyst with A.G. Edwards. A CSX spokesman said Thursday that a 100-mile route between Mobile, Alabama, and New Orleans was completely shut down, and would require "considerable repairs." Among other products, the line carries chemicals from Texas to the East Coast.

Analyst Broughton said that's a small part of the railroad's business. "We estimate that normally about 3.5% of CSX traffic actually flows through the New Orleans/Mobile area of its network." Merrill Lynch analyst Ken Hoexter wrote, "As recently as last fall, CSX recorded \$25 million of costs in the third quarter of 2004," related to six hurricanes. He said that worked out to a 6-cent reduction in per-share third-quarter earnings last year.

"While speculating at specific financial targets still appears premature, a one-time charge in that range or even slightly higher for CSX once again would not surprise us, while the impact appears to be significantly smaller for other carriers," Hoexter wrote Thursday.

David Goode, chief executive of Norfolk Southern Corp. (NSC), said in a prepared statement that the railroad's Gulf operations are back to normal, with the exception of the immediate New Orleans area. The company expects repairs on tracks to New Orleans to get under way within a few days. "Railroads are outdoor sports," said James Valentine, an analyst with Morgan Stanley. Railroad crews typically can repair hurricane and flood damage in days, or at most, weeks, he said.

In the port of New Orleans, most cargo is bulk-shipped, rather than shipped in more complex cargo containers. Broughton said it won't be long before tankers can enter the port with bulk shipments - funneled with a hose - of commodities such as grain or coal.

## **GREENBRIER TO PROVIDE PROCESSING SERVICES TO FLORIDA EAST COAST RAILWAY**

The Greenbrier Companies announced on August 31 an agreement under which its Greenbrier Management Services (GMS) division is providing car hire payables processing services to Florida East Coast Railway, LLC (FEC). Terms of the agreement were not disclosed.

GMS, a full-service railcar management company which provides management services for the company's 10,000 owned railcars and 128,000 railcars owned by third parties, will process car hire payables on all rail equipment that is interchanged onto FEC lines, including conventional and intermodal railcars, trailers and containers.

The GMS payables system is a web-enabled, state-of-the-art proprietary product that processes car hire payables data on a daily basis. This system allows customers to proactively manage their car hire payables expense. GMS began offering its car hire payables processing service in 2004 and has been growing its customer base since that time. Other recent subscribers to the service include Minnesota, Dakota & Western Railway and International Bridge Terminal Railroad.

"We are very pleased to begin payables processing for FEC," said Jeff Gates, AVP Business Development for GMS. "The FEC account will draw upon the many automated processing features that have been programmed into our new system for customers with operating complexities. We look forward to providing FEC with the highest levels of technology and service, as we integrate their car hire payables with the receivables service we have already been providing on FEC's fleet of over 7,500 railcars and trailers," he said.

"FEC is a regional railroad, but its carload and intermodal traffic is similar to that of Class I railroads," said Amy Bramlitt, Vice President & CFO, Florida East Coast Railway, LLC. "The GMS platform provides the functionality to process payables in a timely fashion," she added.

For more information on GMS's services click [here](#).

## **THE STORM'S IMPACT**

Trucks filled with relief supplies rumbled towards Gulf Coast cities Sept. 1 while barges floated down the Mississippi River carrying corn and soybeans. A major railway reopened its freight line to a terminal near New Orleans despite a lack of electricity, using portable generators to recharge batteries that control crossing gates.

Yet even as the region's transportation system struggled to resume operations in the aftermath of one of this country's worst natural disasters, Hurricane Katrina's impact rippled broadly through the Upper Midwest.

In Cleveland a logistics team working on what normally would be a routine assignment--delivering chocolate from Ohio to South Carolina--was having trouble finding truckers to take the shipment. Not only are refrigerated trucks at a premium because they are hauling ice for relief efforts, but truckers are reluctant to drive where diesel fuel may be in short supply. There were reports of fuel rationing as far north as Tennessee.

"It's causing quite a bit of hysteria in the trucking markets," said Chris O'Brien, vice president of transportation for C.H. Robinson Worldwide Inc., an international logistics company based in Minnesota. "The challenge is greater than anything we've seen in the last 15 years." Many ports that dot the coastline between New Orleans and Panama City, Fla., remain closed, according to Jim Kruse, director of the Texas Transportation Institute at Texas A&M University.

"Yesterday I thought the damage could have been worse, but today I'm not so sure," said Port of New Orleans President and Chief Executive Gary LaGrange in an e-mail Wednesday to industry colleagues. He promised that the port would bounce back bigger than ever.

Prolonged shipping interruptions could spell bad news for farmers, who send more than half the nation's grain exports through the Port of South Louisiana in LaPlace, north of New Orleans. That port is a major shipping point for crude oil imports and exports of Midwest grain, wheat, soybeans and corn, according to the American Association of Port Authorities. It handled more tonnage than any other U.S. port in 2003, the latest year for which statistics are available.

Experts predicted that many ports will not reopen quickly. "It is going to be a weekslong process to get the power back," Kruse said. Then there's the problem of finding workers. "They will be short of labor for a while," Kruse said. "Everybody is being told to get out and even when they are allowed back they won't have any place to live."

Robert Gallamore, director of Northwestern University's Transportation Center, said the commodities can be routed to other ports or simply stored. "Our transportation system is quite robust," he said. "There are alternative ports and routes, but it's going to entail a higher cost." The problem would have been worse if the hurricane had hit later in the growing season. "Although there's never a good time, it's not as critical as it would be, say, six or eight weeks down the road when there will be a flood of corn and soybeans coming down the river," said Terry Francl, economist for the American Farm Bureau.

While ports struggled, freight train service into the stricken region resumed early Thursday. "Our first train departed at 1:30 a.m. Thursday from Jackson, Miss., for Baton Rouge," said Jim Kvederas, a spokesman for the Canadian National Railway, which operates the main line between Chicago and New Orleans. Trains had been halted in Jackson since Sunday because of the storm. Five or six trains were being held in Jackson awaiting the resumption of service, he said.

Service to the railroad's Mays yard in Harahan, La., just outside New Orleans, resumed Thursday afternoon, he said, noting that the railroad typically operates six to eight freight trains per day plus two Amtrak trains per day. "We're operating our system [in New Orleans] without power right now," he said, adding that employees are using portable generators to recharge crossing gate batteries.

### **AUGUST 29 AAR MAINTENANCE ADVISORY**

In accordance with Interchange Rule 125, AAR Assistant Vice President of Technical Services Patrick T. Ameen has issued a maintenance advisory of **Severity Code 06---AAR Defined** for members and private car owners:

"Trinity Rail has advised of a number of wheel sets released into service which may have improper cap screw torque valves. The roller bearings were applied to cars manufactured at Trinity Rail's Dallas, TX facility from December 1, 2004 to July 19, 2005.

"Trinity Rail has elected to inspect and verify the proper torque valves for all roller bearings mounted at its Dallas facility during the affected time period. Trinity Rail has notified all affected car owners and will work with them to have the work performed at selected qualified AAR Status Code "9" and "9A" facilities.

"The subject car series are appended to this advisory with Trinity Rail contact information. The car series have been assigned priority levels as indicated.

"Handling carriers should proceed as follows:

"Cars assigned to this advisory and found with roller bearing locker plates from "TILXD" and roller bearing mounting dates of 12/04, 1/05, 2/05, 3/05, 4/05, 5/05, 6/05, 7/05 require roller bearing inspection and cap screw re-torque roller bearing replacement per Trinity Rail Procedure FP-05003-1. This procedure will be provided by Trinity Rail to selected shops.

"When empty, home shop **disposition** should be requested from Trinity Rail as follows:

“Tank cars marked with reporting marks AGLX, AMCX, CFL, CPCX, DBWX, DCLX, DLDX, DOWX, ETCX, FCOX, FMLX, RCRX, and any TILX marked cars:

Christian Barrios (214) 589-8632

[christian.barrios@trinityrail.com](mailto:christian.barrios@trinityrail.com)

“Tank cars with reporting marks PROX, PLMX, & GATX and all other cars:

Donald Horvath (214) 589-2508

[donald.horvath@trinityrail.com](mailto:donald.horvath@trinityrail.com)

“Report ME, Car Moving to Shop, in the Early Warning system.

“Cars inspected & re-tourqued should be reported as Activity Code MR-Car Inspected, Return Car to Service. Cars with one or more roller bearings replaced should be reported as Activity Code MH-Car Repaired, Return Car to Service.

#### Estimates & Invoices

“Repair Estimates & Invoices should be sent to the respective contacts above. For railroad Status Code 9A facilities, Rule 36 Job Code 2858 with Why Made Code 13 (attention required as directed by Maintenance Advisory) is appropriate for re-torqueing.

#### Removed Roller Bearings & Wheelsets

“Isolate and tag with car initial & number, position under car, removal date, repair shop & location, locking plate initials and date.

“Contact Donald Horvath for disposition. (214) 589-2508”

[donald.horvath@trinityrail.com](mailto:donald.horvath@trinityrail.com)”

### **RAILAMERICA SELECTED TO ACQUIRE FOUR RAILROADS FROM ALCOA; ANNOUNCES LEASE WITH CSX TRANSPORTATION FOR THE 48 MILE FREMONT BRANCH**

RailAmerica, Inc. (NYSE:RRA) announced Friday that it has been notified by Alcoa Inc. (NYSE:AA) that RailAmerica has been selected to acquire four short line railroads serving Alcoa aluminum manufacturing operations in Texas and New York and a former specialty chemicals facility in Arkansas.

RailAmerica and Alcoa are currently negotiating the terms of the definitive agreements for the transactions. The purchase price for the railroads will be \$77.5 million to be paid in cash at closing. The cash purchase price is based on RailAmerica assuming a targeted permanent working capital deficit. RailAmerica plans to fund substantially the entire cash purchase price through a \$75.0 million increase in the term loan portion of its existing senior secured credit facility. As part of the transaction, RailAmerica and Alcoa also plan to enter into long term service agreements, under which RailAmerica will continue to provide services to Alcoa's facilities which currently rely on the railroads. RailAmerica expects to close this transaction on September 30, 2005. The closing will be subject to the execution of the definitive agreements and customary conditions.

Charles Swinburn, RailAmerica's Chief Executive Officer, said, "We are pleased to have been selected to purchase these four railroads from Alcoa. We look forward to providing quality rail service to the Alcoa facilities as well as other customers on these lines. We will be acquiring four efficiently run railroads with professional and dedicated employees, a well maintained asset base and a history of strong cash flow generation."

RailAmerica will acquire the Point Comfort & Northern Railway Co. (PCN), the Rockdale, Sandow & Southern RR Co. (RSS), the Massena Terminal RR Co. (MSTR) and the Bauxite & Northern Railway Co. (BXN).

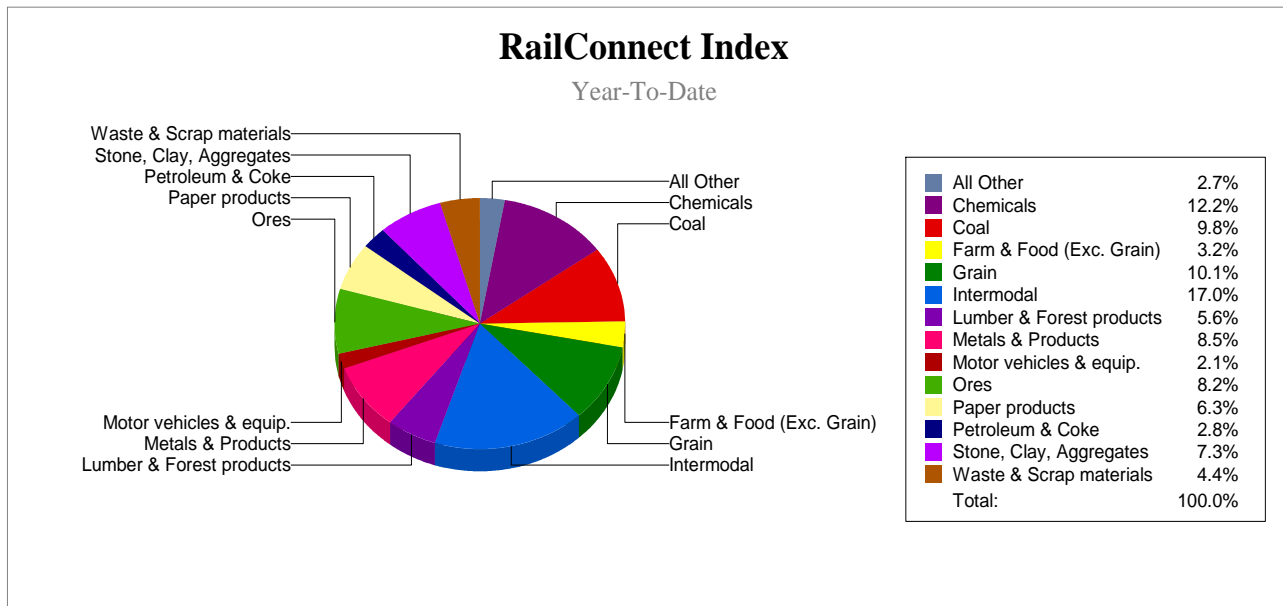
In addition to the Alcoa railroads, RailAmerica announced that it has entered into a 25 year lease with CSX Transportation (CSXT) (NYSE:CSX) for the operation of the 48 mile Fremont branch. The line runs from Fremont, Michigan south to West Olive, Michigan and interchanges with RailAmerica's Michigan Shore Railroad and CSXT. RailAmerica will commence operations on September 10, 2005.

RailAmerica, Inc. (NYSE:RRA) is a leading short line and regional rail service provider with 43 railroads operating approximately 8,850 miles in the United States and Canada. The Company is a member of the Russell 2000(R) Index. Its website may be found at <http://www.railamerica.com>.

### RMI RAILCONNECT INDEX OF SHORT LINE TRAFFIC

For the week ending: 8/27/2005  
Number of Railroads: 212

Carloads Handled	Current Week			Year-To-Date		
	2005	2004	% Change	2005	2004	% Change
Coal	10,353	11,349	-8.78%	324,808	311,422	4.30%
Grain	11,009	9,280	18.63%	335,820	331,569	1.28%
Farm & Food (Exc. Grain)	3,357	3,303	1.63%	107,727	94,199	14.36%
Ores	8,195	7,452	9.97%	271,893	251,719	8.01%
Stone, Clay, Aggregates	8,394	7,885	6.46%	240,820	193,742	24.30%
Lumber & Forest Products	5,661	5,412	4.60%	186,227	167,692	11.05%
Paper Products	6,312	6,069	4.00%	207,598	188,190	10.31%
Waste & Scrap Materials	4,642	4,662	-0.43%	144,742	129,046	12.16%
Chemicals	12,071	11,127	8.48%	404,397	360,209	12.42%
Petroleum & Coke	3,093	2,308	34.01%	92,790	70,646	31.35%
Metals & Products	8,462	8,414	0.57%	280,649	226,867	23.71%
Motor Vehicles & Equipment	2,178	2,133	2.11%	68,649	70,610	-2.78%
Intermodal	19,356	15,663	23.58%	563,045	450,727	24.92%
All Other	2,489	3,240	-23.18%	89,326	100,688	-11.28%
<b>Total</b>	<b>105,572</b>	<b>98,297</b>	<b>7.40%</b>	<b>3,319,031</b>	<b>2,947,326</b>	<b>12.61%</b>



## **RAILROAD TRAFFIC**

According to the AAR, U.S. carloads were up 0.2 percent in the week ending September 3, 2005, with 339,469 cars originated, compared to 338,843 cars originated in 2004. Carloads for U.S. Non-Class I's that submit data to the AAR were up 21.1 percent for the week and are up 8.2 percent for the year to date. U.S. intermodal traffic was up 7.1 percent for the week and is up 6.2 percent for the year to date. U.S. and Canadian intermodal traffic is up 5.6 percent for the year. Total volume is up 2.2 percent for the year, with an estimated total of 1,117.3 billion ton-miles.

For just the week ending August 27, 2005, U.S. carloads were up 2.0 percent and carloads for U.S. Non-Class I's that submit data to the AAR were up 9.6 percent. Carloads were up 2.5 percent in the East and were up 1.5 percent in the West. U.S. intermodal traffic was up 4.9 percent for the week.

## **EMBARGO NOTICES & REROUTE ORDERS**

A complete listing of embargo notices is available at [embargo.railinc.com](http://embargo.railinc.com).

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