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American Short Line and Regional Railroad Association

# VIEWS & NEWS

VOLUME 72

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**Make Plans to  
Attend the  
ASLRRA 2005-06  
Meetings and  
Annual  
Convention**

(Click on the meeting  
name for more  
information)

FRA/ASLRRA  
Safety Workshop  
Dec. 6-8, 2005  
Hyatt Regency  
Union Station  
Saint Louis, MO

Rail Security  
Conference  
Jan. 30-31, 2006  
Marriott Hotel  
Washington, DC

2006 Annual  
Convention  
Apr. 23-25  
World Center  
Marriott  
Orlando, FL

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

**Currently, Railroad  
Security Alert Level  
2 is in Effect**

## IN THIS ISSUE

1. [Timmons Named 2006 Railroader of the Year](#)
2. [Farmrail Provides Wind to the Sooner State](#)
3. [FRA Issues Bird Flu Warning](#)
4. [MMA Announces New Personnel](#)
5. [RRB to Provide Online Debt Payment](#)
6. [RRB Announces 2006 Tax Changes](#)
7. [IHB Helps Those in Need](#)
8. [Transportation Costs Worry South Dakota Grain Leaders](#)
9. [New Jersey Short Lines Sign ISA with Conrail](#)
10. [Security Plan Models Still Available](#)
11. [Bureau of Explosives Issues Tariff](#)
12. [Stacking the Deck](#)
13. [RMI Railconnect Index of Short Line Traffic](#)
14. [Railroad Traffic](#)
15. [Embargo Notices and Reroute Orders](#)

## TIMMONS NAMED 2006 RAILROADER OF THE YEAR

Richard F. Timmons, President of the American Short Line and Regional Railroad Association, has been named 2006 Railroader of the Year by railroad industry trade journal Railway Age.

“Late last year, the short line and regional railroad industry scored a landmark victory in Congress with passage of H.R. 4520, the American Jobs Creation Act of 2004,” said Railway Age Editor William C. Vantuono. “Section 245 of that legislation gives Class II and Class III railroads the opportunity to earn tax credits against their federal tax liability through qualified railroad infrastructure investments. In light of the enormous investments that small railroads need to make in order to remain competitive and viable in today's freight transportation market, getting this legislation passed was critical. The hard work and perseverance of hundreds of short line railroaders, customers and suppliers, led by Rich Timmons and the American Short Line and Regional Railroad Association, made it all possible. It's a prime example of what a committed grass-roots effort can accomplish.”

For the remainder of the article, click [here](#).

## FARMRAIL PROVIDES WIND TO THE SOONER STATE



A Farmrail train waits to load propellers for a windfarm onto trucks at Frederick, Oklahoma. *Photos courtesy of Farmrail.*

Frederick will be a center of unusual activity over the coming weeks as a transloading point for heavy equipment destined to a new windfarm development near Lawton. Oversized blades, generators and towers will be moved via the BNSF and Grainbelt railroads and off-loaded on specialized trucks at the Tillman Producers Coop location south of town.

Long unit-trains will carry 139-foot blades, 170,000-pound generators, and tower sections 551 miles from the port of Houston. Frederick was found to be the nearest rail delivery point that could offer adequate land for temporary storage and reloading as well as trucking routes to the erection site that require a minimum of tight turns. The first 50-car train was expected to arrive this week.

Grainbelt spokesman Rodney Roof said, “This is the kind of special-case traffic that railroads are best equipped to handle over long distances. BNSF and the other participants responded quickly to coordinate the many details involved in such a large-scale transportation project.”

Tillman Producers is furnishing property, fuel and assistance to Grainbelt and trucker Lone Star Transport. Manager Frankie Morrison commented that “This is quite a departure from our traditional grain, fertilizer and supplies business, but we are always looking for opportunities to help the growth of our co-op and western Oklahoma.”

Farmrail is providing these components for the Blue Canyon project near Lawton, Oklahoma, which will provide energy to 60,000 homes in Southern Oklahoma. This is a good example not only of cooperation between Class I railroads and short lines, but also providing “green” energy that will help reduce pollutants and, hopefully, energy costs. Delivery of the windfarm is expected to be complete in two or three months, according to George Betke, Jr., Farmrail CEO.

## **FRA ISSUES BIRD FLU WARNING**

With concerns raised by the current bird flu epidemic in Asia in mind, we recently received a document from the FRA concerning the outbreak. FAQs concerning the disease and steps to take to help prevent an outbreak are enclosed in the document. This document can be downloaded [here](#) and more information about pandemics and the bird flu can be found at the federal government's [Pandemic Flu](#) website.

## **MMA ANNOUNCES NEW PERSONNEL**

Montreal, Maine & Atlantic has recently announced two staff changes. Vice President, Treasurer and Secretary Richard J. Rushmore has been named to succeed Frederick M. Jones as Vice President- Marketing. Mr. Jones has returned home to New Jersey to pursue other business interests.

Also, David Castilaw was promoted to the newly created position of general superintendent of Transportation, Hermon, Maine. He joined MMA in July 2004 and worked most recently as manager train operations.

## **RRB TO PROVIDE ONLINE DEBT PAYMENT**

The U.S. Railroad Retirement Board announced that its customers now have the option of paying certain bills from the agency through the Department of the Treasury's Pay.gov online payment system, rather than through the mail.

Pay.gov enables individuals or businesses that have received an overpayment letter, debt notice, or bill from the RRB to quickly, easily, and securely pay that debt online.

Pay.gov processes collections electronically through the Internet. The Pay.gov site is available 24 hours a day, 7 days a week (including holidays). It is accessible from any computer with Internet access and allows customers to pay debts by debit/credit card or to authorize a debit of their savings or checking accounts.

RRB customers can access Pay.gov by visiting the RRB's Web site at [www.rrb.gov](http://www.rrb.gov) and clicking on "Benefit Online Services (MainLine)." Beneficiaries should click on the "Pay Retirement or Survivor Bill Online" link and unemployment and sickness claimants should click on the "Pay Unemployment or Sickness Bill Online" link. The links will take them to a collection form hosted by Pay.gov. Each RRB debt type will have its own form type on Pay.gov. Once an RRB customer has entered the requested identifying information, he or she will be directed to a collection form requesting credit card or bank account information.

Initially, Pay.gov will process collections of debts incurred under the Railroad Retirement Act by annuitants and railroad employers, as well as debts incurred under the Railroad Unemployment Insurance Act (RUIA) by railroad workers. In the future it will be expanded to include other collection activities, such as certain debts incurred by railroad employers under the RUIA, as well as the collection of Medicare Part B premiums from beneficiaries who pay their premiums by direct billing.

Persons who may have questions about an overpayment letter or other debt notice from the RRB should contact their nearest RRB field office. Most RRB offices are open to the public from 9:00 a.m. to 3:30 p.m., Monday through Friday, except on Federal holidays. Addresses and phone numbers for all RRB offices are available by calling the toll-free RRB Help Line at 1-800-808-0772. The RRB Help Line is an automated telephone service available 24 hours a day, 7 days a week. Board office locations and phone numbers can also be found on the RRB's Web site.

## **RRB ANNOUNCES 2006 TAX CHANGES**

The amounts of compensation subject to railroad retirement tier I and tier II payroll taxes will increase in 2006. However, the tier I tax rate on employees and employers remains unchanged. Under the Railroad Retirement and Survivors' Improvement Act of 2001, tier II tax rates are now determined annually by an average account benefits ratio. Based on this ratio, the tier II tax rates on employees and employers will also remain unchanged in 2006. Railroad unemployment insurance tax rates paid by employers will continue to include a 1.5 percent surcharge in 2006.

**Tier I and Medicare Tax.**--The railroad retirement tier I payroll tax rate on covered rail employees and employers for the year 2006 remains at 7.65 percent. The railroad retirement tier I tax rate is the same as the social security tax, and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to \$94,200 in 2006 from \$90,000 in 2005, but there is no maximum on earnings subject to the 1.45 percent Medicare rate. The increase in the amount of earnings subject to railroad retirement and social security taxes is based on indexing to increases in average national wages.

**Tier II Tax.**--The railroad retirement tier II tax rate on employees will remain at 4.4 percent in 2006, and the rate on employers will remain at 12.6 percent. The maximum amount of earnings subject to railroad retirement tier II taxes, however, will increase to \$69,900 in 2006 from \$66,900 in 2005. Tier II tax rates under the 2001 Railroad Retirement and Survivors' Improvement Act are based on an average account benefits ratio reflecting railroad retirement fund levels. Depending on this ratio, the tier II tax rate for employers can range between 8.2 percent and 22.1 percent, while the tier II rate for employees can be between 0 percent and 4.9 percent.

**Unemployment Insurance Tax.**--Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. The basic tax rates range from a minimum of 0.65 percent to a maximum of 12 percent on monthly earnings up to \$1,195 in 2006, up from \$1,150 in 2005. However, the Railroad Unemployment Insurance Act also provides for a surcharge in the event the Railroad Unemployment Insurance Account balance falls below an indexed threshold amount, and such a surcharge of 1.5 percent applied in 2004 and 2005. Since the accrual balance of the Railroad Unemployment Insurance Account was \$113.1 million on June 30, 2005, which was less than the indexed threshold of \$114.9 million, a surcharge of 1.5 percent will again be added to the basic tax rates in 2006, but will not increase the maximum 12 percent rate.

The unemployment insurance tax rates on railroad employers in 2006 therefore will range from 2.15 percent (the minimum basic rate of 0.65 percent plus the 1.5 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,195.

The 1.5 percent surcharge will not apply to new employers in 2006, and new employers will initially pay a tax rate of 4.03 percent, which represents the average rate paid by all employers in the period 2002-2004.

For 76 percent of covered employers, the unemployment insurance rate assessed will be 2.15 percent in 2006.

## **IHB HELPS THOSE IN NEED**

When natural disasters strike, it goes without saying that many lives are affected by the damage. However, a positive after-effect is the desire of good people all over the country and the world to assist those whose lives were disrupted. One company that is doing just that is the Indiana Harbor Belt Railroad.

General Manager Gary Gibson and Executive Assistant Joan Higginbotham have informed the ASLRRRA that they instituted an employee contribution fund with the company matching each dollar. Employees and managers contributed \$5,795 to the American Red Cross, and the administration of IHB matched the employees' contributions with a check last week.

A special thank you goes out to the IHB for helping. If you have any comments or similar stories you wish to relate, please contact David Whorton at (202) 585-3430 or send an e-mail to [dwhorton@aslrra.org](mailto:dwhorton@aslrra.org).

## **TRANSPORTATION COSTS WORRY SOUTH DAKOTA GRAIN LEADERS**

The cost of transporting grain, railroad surcharges, massive grain piles, and a proposed major expansion of rail service have dominated the headlines in the business and agriculture sections of South Dakota newspapers in recent weeks.

According to South Dakota Grain & Feed Association Secretary Carl Anderson, transportation is always at the top of their concerns. Current rail car costs, the ongoing efforts of the Dakota, Minnesota and Eastern Railroad (DM&E) to see their 1,300 mile construction completed and the fair and equitable transfer of ownership of the State owned “core line” to the BNSF are at the top of their list. Anderson supports the expansion and rehabilitation of the DM&E, which when funding is secure, would be the first new Class I railroad built in the United States in more than a century.

The project would run clear across the entire state of South Dakota, and Anderson believes this could only help ease transportation woes. “North Dakota and South Dakota are arguably the furthest away from the markets, so transportation is always an issue,” he said. “The cost of railcars is extremely expensive and it’s still somewhat bottlenecked because of disrupted barge service on the Mississippi River system. But they are approximately only one week behind at the moment.”

With the recent announcement by South Dakota Senator John Thune that a federal loan may be available for the DM&E’s expansion, that, according to Anderson, “will bring that issue back to the front burner.” This would be the largest single project in South Dakota history. Anderson believes in the project so strongly that he has traveled to Washington, DC in the past and met with high ranking officials to discuss the project’s potential. “Any time you have more than one railroad, it improves transportation and assures competitive transportation,” he said. The growing sense is this proposed project could soon become a reality.

Listing other items of concern to the state’s grain and feed industries, Anderson states the ethanol industry continues to boom throughout South Dakota. “Ethanol plants are popping up all over the state,” Anderson said. “It’s a real love/hate relationship for some of the elevators. Some elevators participate with them, while some view the ethanol plants as another form of competition,” he said.

Seemingly, change is the one constant in the business. “The nature of agriculture is changing so fast,” Anderson said. “The average man on the street has no idea just how fast it is changing. Even the size of the equipment is becoming enormous.”

## **NEW JERSEY SHORT LINES SIGN ISA WITH CONRAIL**

Recently, all eight ASLRRRA member railroads in the state of New Jersey that connect with Conrail signed Interline Service Agreements. This provides mutual specification of interchange parameters between CSX, Norfolk Southern and New Jersey Class II and III railroads. For more details, click [here](#).

## **SECURITY PLAN MODELS STILL AVAILABLE**

The ASLRRRA would like to issue a reminder that we still have model security plans available for member railroads’ use and customization. Two plans are currently available: an employers’ plan and an employees’ plan. If you are interested in obtaining copies of either plan please contact:

- Tom Streicher, 202.585.3434 or [tstreicher@aslrra.org](mailto:tstreicher@aslrra.org)
- Steve Sullivan, 202.585.3432 or [Sullivan@aslrra.org](mailto:Sullivan@aslrra.org)

## **BUREAU OF EXPLOSIVES ISSUES TARIFF**

Recently, the ASLRRRA received a tariff from the Bureau of Explosives concerning training of hazmat personnel. You can view the document [here](#). If you have any questions or concerns, contact Tom Streicher at (202) 585-3434 or [tstreicher@aslrra.org](mailto:tstreicher@aslrra.org).

## **STACKING THE DECK**

Railroads, hungry for intermodal equipment to increase their capacity, are pushing the intermodal industry to change the way it does business. Although much of the industry sees rail trailers as a more flexible type of equipment that can interchange easily from steel wheels to rubber tires, the railroads are more interested in the savings they can gain by stacking 53-foot containers on mile-long trains. The railroads say the efficiencies outweigh the flexibility and are forcing companies to develop new marketing strategies.

“We still believe there’s a lot of opportunity for a trailer product, and we’ll continue to grow that,” said Bill Matheson, vice president of intermodal at Schneider National. “But there is a conversion effort that needs to take place where a good deal of traditional intermodal freight moving on trailers will start to move in containers. And the reason for that is the railroads.”

The trend toward containers began as soon as the first vessel carrying containerized cargo from New York was offloaded at the Port of Houston nearly 50 years ago. It has been gaining steam ever since. Over the last 15 years, container volume as a percentage of intermodal loads has grown from 45 percent to 80 percent. For companies such as Schneider National, which had \$3.2 billion in revenue last year and is the largest truckload carrier in North America, the trend is triggering an overhaul in intermodal marketing strategy. The new strategy centers on a new type of intermodal box.

With two inches more width than a standard 53-foot container, the box can maintain its outward stacking dimensions while freeing up a small but valuable amount of interior loading space. Schneider says this provides flexibility for customers while satisfying the railroads’ need for efficient, standardized double-stack containers. “We’re in an early transition process that is moving toward providing a much more competitive intermodal product,” Matheson said. “Right now, 20 percent of what we do is executed through containers, but that will move 50 to 60 percent within another year.”

The company is stratifying its intermodal service by offering customers container transportation as a standardized product while marketing trailers as an expedited product. “This is new in that we’ve never introduced a Schneider-owned container in the market before,” Matheson said. “Previously, trailers operated in both the premium and standard markets. Now, with rail capacity tight and the railroads not interested in managing container chassis, we felt that differentiation is needed going forward in the marketplace.” Chassis management, Matheson said, adds a layer of complexity to intermodal containers that large companies such as Schneider can more readily afford to take on.

Not so for smaller companies such as Atlanta-based General Freight Services, a \$50 million intermodal marketing and logistics services company that is investing in a fleet of 53-foot trailers for one of its tightly managed corridors, switching from intermodal to over-the-road. “A key to that decision was that it allowed us to remove chassis management from the equation,” said Greg Sebolt, executive vice president of General Freight.

Marc Kostolich, owner of intermodal consulting company Kostolich Group, said such a situation isn’t surprising for smaller companies that can’t afford to make all the adjustments necessary to make life easier for the railroads. “The trucking industry is a very large market that the railroads are walking away from,” he said. “This additional cost issue may not be as pronounced for big trucking company intermodal operators such as Schneider and (J.B.) Hunt.”

Kostolich is attempting to fill this intermodal niche in which companies such as UPS – which still prefers the flexibility offered by rail trailers – continue to operate. He is the co-founder of Intermodal Train Express, a new technology that allows railroads to hook-and-haul unit trains of rail trailers together using transportable ramps. By allowing railroads to run 9,000-foot trains between smaller intermodal facilities outside the larger rail intermodal yards, the railroads can close the efficiency gap between trailers and containers.

“We think we have a solution that closes the loop on intermodal equipment,” Kostolich said. “Intermodal is growing with containers, and that’s fine. That has to happen, especially with all the international freight. But that’s only in one segment of the market.”

The need to enter the container market is still difficult to avoid, even for non-asset-based intermodal marketing companies. “Over the last six months, I have had my IMC partners saying they are investing more in container equipment, and they’re making that available to us,” said Barb Pitroski, director of purchased transportation for Pittsburgh-based Genco, a third-party logistics provider. “For our shipper customers, what this means is additional availability of equipment in certain markets. That’s a positive for me. If we can help our IMCs take advantage of that additional container capacity in those lanes, and help them achieve balance in their network, it benefits everyone.”

So far, Pitroski said, the recent surge in container equipment ownership hasn’t made a significant dent in the overall price of intermodal transportation in a market still characterized by high demand competing for a limited amount of space. “The industry still has the challenge of managing the chassis and finding the dray capacity. So even if you can find a box and get it on the railroad, you still need someone to move it to and from the ramp. But where we can find a lane that balances a market for our carrier or intermodal partner, the prices are very competitive.”

### RMI RAILCONNECT INDEX OF SHORT LINE TRAFFIC

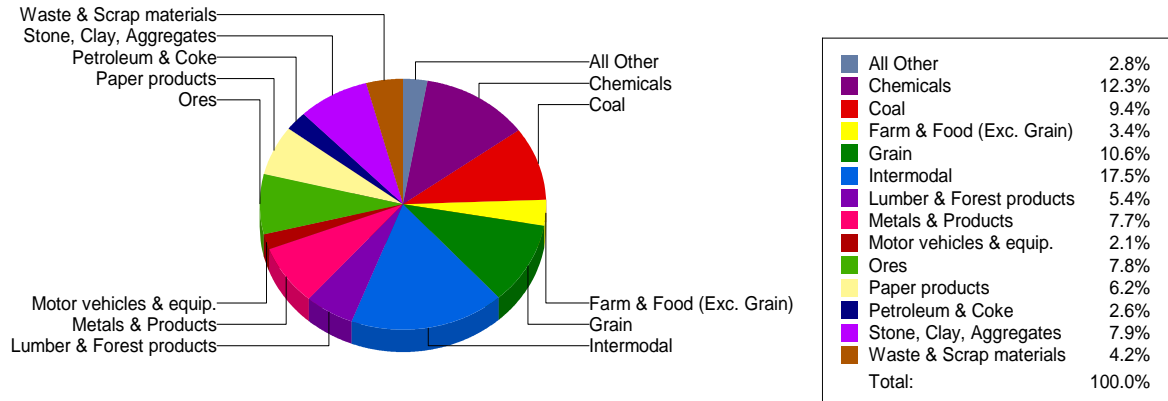
For the week ending: 10/29/2005

Number of Railroads: 212

	Current Week			Year-To-Date		
	2005	2004	% Change	2005	2004	% Change
<b>Carloads Handled</b>						
Coal	9,940	10,928	-9.04%	393,306	410,506	-4.19%
Grain	10,314	9,136	12.89%	444,849	433,963	2.51%
Farm & Food (Exc. Grain)	3,637	3,439	5.76%	144,108	129,335	11.42%
Ores	9,229	9,623	-4.09%	328,535	329,986	-0.44%
Stone, Clay, Aggregates	9,221	8,368	10.19%	330,012	288,214	14.50%
Lumber & Forest Products	5,230	5,539	-5.58%	226,925	218,421	3.89%
Paper Products	6,260	6,244	0.26%	261,236	248,860	4.97%
Waste & Scrap Materials	4,517	4,663	-3.13%	178,231	176,283	1.11%
Chemicals	11,816	11,425	3.42%	514,209	475,931	8.04%
Petroleum & Coke	3,703	3,406	8.72%	110,666	95,613	15.74%
Metals & Products	9,277	9,411	-1.42%	322,741	311,229	3.70%
Motor Vehicles & Equipment	2,513	2,176	15.49%	89,199	91,055	-2.04%
Intermodal	19,061	15,750	21.02%	734,928	582,530	26.16%
All Other	3,353	2,710	23.73%	115,764	128,245	-9.73%
<b>Total</b>	<b>108,071</b>	<b>102,818</b>	<b>5.11%</b>	<b>4,194,709</b>	<b>3,920,171</b>	<b>7.00%</b>

## RailConnect Index

Year-To-Date



### RAILROAD TRAFFIC

According to the AAR, U.S. carloads were down 1.3 percent in the week ending November 12, 2005, with 333,758 cars originated, compared to 338,127 cars originated in 2004. Carloads for U.S. Non-Class I's that submit data to the AAR were down 16.9 percent for the week but are up 4.7 percent for the year to date. U.S. intermodal traffic was up 6.4 percent for the week and is up 6.3 percent for the year to date. U.S. and Canadian intermodal traffic is up 5.8 percent for the year. Total volume is up 2.6 percent for the year, with an estimated total of 1,431.7 billion ton-miles.

For just the week ending November 5, 2005, U.S. carloads were up 0.5 percent and carloads for U.S. Non-Class I's that submit data to the AAR were down 37.8 percent. Carloads were down 3.2 percent in the East but were up 3.5 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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