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American Short Line and Regional Railroad Association

# VIEWS & NEWS

VOLUME 74

NUMBER 12

JULY 9, 2007

## Upcoming Events

NS Short Line  
Conference  
July 29-31, 2007  
Roanoke, VA

Union Pacific Short Line  
Workshop  
August 26-28, 2007  
Omaha, NE

ASLRRA Central Pacific  
Region Meeting  
September 9-11, 2007  
Portland, OR

ASLRRA Eastern Region  
Meeting  
September 23-25, 2007  
Burlington, VT

BNSF Short Line Meeting  
October 14-16, 2007  
Ft. Worth, TX

ASLRRA Southern Region  
Meeting  
November 4-6, 2007  
Myrtle Beach, SC

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2 is in Effect**

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## **STB REACHES PRELIMINARY DECISION ON TRANSLOAD FACILITIES**

The Surface Transportation Board announced a preliminary decision Tuesday in a waste management case in New England. The applicant - New England Transrail, LLC (NET), dba Wilmington & Wilburn Terminal Railway - proposes to operate a two-mile railroad and storage facility.

Yesterday's decision involved mostly a definition of terms. The STB decided that certain activities contemplated by NET at its proposed transload facility in Wilmington and Woburn, Mass., would be subject to state and local environmental and other regulation because they would not be part of the rail transportation that is subject to the Board's exclusive jurisdiction. In addition, STB announced that NET's proposed project will not be considered for final approval until a wide range of environmental and public interest safeguards are met.

The Board concluded that the proposed transaction, if approved, would make NET a rail carrier, but that the part of NET's plan involving shredding of construction and demolition debris would extend beyond the scope of rail transportation and would therefore be subject to the full panoply of state and local regulation. The Board also concluded that other proposed activities--such as loading, unloading, handling, and storing--that are defined in federal statute as being part of "transportation," would fall within the Board's exclusive jurisdiction. But the Board emphasized that even as to those activities, its decision does not entirely limit the application of state and local police powers.

## **RRB REAPPOINTS THREE**

President Bush has reappointed Michael S. Schwartz as Chairman, Jerome F. Keever as Carrier Member, and V.M. Speakman, Jr., as Labor Member of the U.S. Railroad Retirement Board. Their nominations, for terms through August 28, 2012, August 28, 2008, and August 28, 2009, respectively, were confirmed by the U.S. Senate on June 22.

Mr. Schwartz was first appointed to the Board by President Bush in July 2003. A long-time official with the State of Illinois, he previously served as the Director of the Illinois Department of Central Management Services (CMS) from 1995 to 2002, and as Associate Director of CMS from 1989 to 1995. Mr. Schwartz also served the State of Illinois as Assistant Director of Personnel, Office of Governor (1988-1989); as Executive Assistant to the Director of Revenue (1986-1988); and as Assistant to the Director of Professional Regulation (1985-1986). Prior to his service with the State he was an elementary school teacher in New Berlin, Illinois. A native of Illinois, Mr. Schwartz received his B.S. degree in Education from Illinois State University (1975), and his M.A. degree in Educational Administration from the University of Illinois at Springfield (1980).

Mr. Keever was first appointed to the Board by President George H.W. Bush in 1992 upon the recommendation of the Association of American Railroads and the American Short Line and Regional Railroad Association. He was reappointed to a second term of office by President Clinton in 1995, and then to a third term in May 2000. Prior to his appointment to the Board, Mr. Keever was Vice President and Corporate Controller of the former Santa Fe Pacific Corporation (now merged into the Burlington Northern Santa Fe), which owned two Class I railroads. Before that he held executive positions with Household International and Deloitte and Touche. A Certified Public Accountant, Mr. Keever holds a Bachelor of Science Degree from Indiana University. He is a member of the American Institute of Certified Public Accountants.

Mr. Speakman was first appointed to the Board by President George H.W. Bush in 1992 upon the recommendation of the Railway Labor Executives' Association (RLEA). He was reappointed to a second term of office by President Clinton in 1995, and then to a third term in May 2000. Prior to his appointment to the Board, Mr. Speakman was President of the Brotherhood of Railroad Signalmen (1987-1992). In this position he also served as Vice Chairman of the RLEA, Chairman of the RLEA's Committee on Railroad Retirement, and Secretary-Treasurer of the Transportation Trades Department of the AFL-CIO. He also served the Brotherhood of Railroad Signalmen as Vice President (1985-87), Director of Research (1984-85), Grand Lodge Representative (1979-84), and Local Lodge Chairman (1977-79). Mr. Speakman began his railroad career as a signalman and foreman on the Penn Central Railroad. A veteran, he served with the U.S. Air Force in Vietnam.

## **RRB SUBMITS FINANCIAL REPORT TO CONGRESS**

The Railroad Retirement Board (RRB) is required by law to submit annual reports to Congress on the financial condition of the railroad retirement system and the railroad unemployment insurance system. These reports must also include recommendations for any financing changes which may be advisable in order to ensure the solvency of the systems. In June, the RRB submitted its 2007 reports on the railroad retirement and unemployment insurance systems.

The following questions and answers summarize the findings of these reports.

### **What were the assets of the railroad retirement and railroad unemployment insurance systems last year?**

As of September 30, 2006, total railroad retirement system assets, comprising assets managed by the National Railroad Retirement Investment Trust and the railroad retirement system accounts at the U.S. Treasury, equaled \$30.6 billion. The Trust was established by the Railroad Retirement and Survivors' Improvement Act of 2001 to manage and invest railroad retirement assets. The cash balance of the railroad unemployment insurance system was \$109.8 million at the end of fiscal year 2006.

### **What was the overall finding of the 2007 report on the financial condition of the railroad retirement system?**

The 2007 report, which addressed railroad retirement financing during the next 25 years, was generally favorable, concluding that, barring a sudden, unanticipated, large decrease in railroad employment or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 25 years. However, the 2007 report also indicated that the long-term stability of the system is still questionable. Under its current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary.

### **What methods were used in forecasting the financial condition of the railroad retirement system?**

The 2007 report projected the various components of income and outgo of the railroad retirement system under three employment assumptions for the 25 calendar years 2007-2031. The projections of these components were combined and the investment income calculated to produce the projected balances in the railroad retirement accounts at the end of each projection year. Projecting income and outgo under optimistic, moderate and pessimistic employment assumptions, the 2007 report indicated no cash-flow problems occur throughout the 25-year projection period under any of these assumptions.

### **How do the results of the 2007 report compare with those of the 2006 report?**

The projected combined account balances are higher than in last year's report due largely to the actual investment return of approximately 14.4 percent exceeding the expected investment return of 7.5 percent in calendar year 2006, along with actual 2006 average employment exceeding the range projected for 2006.

### **Did the 2007 report on the railroad retirement system recommend any financing changes?**

The report did not recommend any railroad retirement financing changes. The payroll tax adjustment mechanism provided by the 2001 legislation will automatically increase or decrease tax rates in response to changes in fund balance. Even under a pessimistic employment assumption, this mechanism is expected to prevent cash-flow problems for the duration of the 25-year projection period.

**What were the findings of the 2007 report on the financial condition of the railroad unemployment insurance system?**

The RRB's 2007 railroad unemployment insurance financial report was also generally favorable. Even as maximum benefit rates increase 49 percent (from \$57 to \$85) from 2006 to 2017, experience-based contribution rates are expected to keep the unemployment insurance system solvent. No new loans are anticipated even under the most pessimistic assumption. Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. However, the system's experience-rating provisions, which adjust contribution rates for changing benefit levels, and its surcharge trigger for maintaining a minimum balance help to ensure financial stability in the advent of adverse economic conditions. Under experience-rating provisions, each employer's contribution rate is determined by the RRB on the basis of benefit payments made to the railroad's employees. The report predicted that, even under the most pessimistic assumption, the average employer contribution rate remains well below the maximum throughout the projection period.

The report also predicted that the 1.5 percent surcharge in effect in calendar year 2007 will be followed by a 1.5 percent surcharge for calendar years 2008-2009. A 1.5 percent surcharge is also likely for calendar year 2010.

**What methods were used to evaluate the financial condition of the railroad unemployment insurance system?**

The economic and employment assumptions used in the unemployment insurance report corresponded to those used in the report on the retirement system. Projections were made for various components of income and outgo under each of three employment assumptions, but for the 11 fiscal years 2007-2017, rather than a 25-year period.

**Did the 2007 report on the railroad unemployment insurance system recommend any financing changes to the system?**

No financing changes were recommended at this time.

**NATIONAL MEDIATION BOARD SELECTS NEW CHAIR**

The National Mediation Board (NMB) has announced that Harry R. Hoglander has been named Chairman, effective July 1, 2007. Elizabeth Dougherty and Read Van de Water remain as Members of the Board. The National Mediation Board is an independent Federal agency established by the Railway Labor Act, which governs labor-management relations within two key transportation sectors of the United States and U.S. territories: the railroads and airlines.

Mr. Hoglander, a Member of the National Mediation Board since August 6, 2002, also served as Chairman from July 1, 2004, through June 30, 2005. He was first confirmed by the United States Senate on August 1, 2002, and reconfirmed for a second term on December 8, 2006.

Mr. Hoglander came to the Board from his position as a legislative specialist in the office of Congressman John Tierney. His work in the airline industry includes six years as a labor representative to the United States Aviation Bi-Lateral Delegation. He has served as Master Chairman of the TWA Master Executive Council, Executive Vice President of the Air Line Pilots Association, and as a Captain for Trans World Airlines. Mr. Hoglander was a pilot in the United States Air Force and retired with the rank of Lt. Colonel. Mr. Hoglander received his bachelor's degree from Florida State University and his JD from the Suffolk University School of Law.

## ASLRRA WELCOMES NEW MEMBERS

Recently the ASLRRA welcomed one new railroad member, and two new associate members. The new railroad member is:

**Carolina Coastal Railway Inc.**, 116 North Bellevue Ave., Suite 206, Langhorne, Pennsylvania 19047, (215) 741-6007, Fax (215) 741-6009, of which Doug Golden is President, Virgil Holman is General Manager, and Rolan Watts is Trainmaster.

The new associate members are:

**C&S Signaling, LLC**, P.O. Box 967, Pewee Valley, Kentucky 40056, (502) 241-1813, Fax (502) 243-1813, E-mail: [gsignal@bellsouth.net](mailto:gsignal@bellsouth.net), which is a full service railroad signal company to the short line and regional railroads specializing in grade crossing warning devices and train control systems, of which Garry K. Caudill is Vice President - Sales/ Co-Owner, and Roy W. Smith is Vice President – Services/ Co-Owner; and

**RFTrax, Inc.**, 14100 Southwest Freeway, Suite 450, Sugar Land, Texas 77478, (281) 276-5900, Fax (281) 276-5950, Website: [www.rftrax.com](http://www.rftrax.com), E-mail: [sales@rftrax.com](mailto:sales@rftrax.com), a manufacturer of GPS solutions for railcars and locomotives to the Class I and short line railroad industries, of which Hal Haygood is President, David W. Word is Business Development Manager, John Felty is National Sales Manager, and Tom Moccia is Marketing Strategy Manager.

## PERSONNEL CHANGE

**Patriot Rail Corp.** recently announced the promotion of **Stanley Wlotko** to Senior Vice President – Operations. Mr. Wlotko, 56, has over 34 years of railroad industry experience and has held senior management positions in purchasing, rail operations, marketing, project management and outsourced services. Since joining Patriot Rail shortly after its formation, Mr. Wlotko has been responsible for the management of the Company's railroad operations and business development. "Since the acquisition of our first railroad last year, Stan has been an integral part of the Patriot Rail management team and has done a tremendous job managing our railroads," said Gary O. Marino, Chairman, President and CEO of Patriot Rail Corp. "At our Tennessee Southern Railroad, he has worked with the railroad's personnel, as well as state and local economic development groups, to grow the business considerably, as reflected by the 53% increase in carloads in our first six months of ownership. Stan has also successfully integrated the operations of the recently-acquired Rarus Railway in Montana and is currently seeking to expand business beyond its existing customer base." During his career, Mr. Wlotko has worked for several railroads, including Penn Central, Conrail, Denver & Rio Grande, Southern Pacific, Union Pacific and RailAmerica. He received his B.A. in Business Administration from St. Joseph's University and is an active member of the Association of Railroad Superintendents.

## G&W LEASES EMPIRE STATE LINE FROM NS

Genesee & Wyoming Inc. (GWI) announced last week that its Buffalo & Pittsburgh Railroad (B&P) has signed a 20-year agreement to lease the 36-mile branch line from Buffalo to Machias, N.Y. from Norfolk Southern (NS). Terms were not disclosed.

The B&P currently uses the route for overhead traffic under a trackage-rights agreement from NS. The lease transaction is subject to regulatory approval as well as other closing conditions. Operations are anticipated to commence in September of 2007. Headquartered in Rochester, N.Y., the B&P operates as part of a 770-mile regional rail system in western Pennsylvania and New York.

## **SKOL SUFFERS FLOOD DAMAGE, REOPENING PLAN IN PLACE**

Fifteen miles of the South Kansas and Oklahoma Railroad's (SKOL) track was submerged and two bridges were damaged because of heavy rains and floods that have ravaged Kansas and Oklahoma for a week. The 404-mile short line hopes to restore service this weekend, according to SKOL's parent company, Watco Cos. Inc.

Affected areas include Pittsburg, Kan., west to Winfield, Kan., and Cherryvale, Kan., south to Tulsa, Okla. Many cities along the line have been declared a state of emergency by Kansas Gov. Kathleen Sebelius, according to Watco. SKOL's service from Bartlesville, Okla., to Tulsa hasn't been impacted by flood waters.

Mostly dry weather for the past few days has allowed crews to access and begin the first phase of repairs for the emergency reopening, with some repairs already completed. However, completed repairs on portions of the railroad do not mean it is ready for full operations. Trains will move at less than 10mph, probably 5 mph, which makes the railroad not economically sustainable.

"Once we have the mainline open, we will begin by moving existing online traffic," said Pat Cedeno, Chief Operating Officer for Watco's Central Region. "It will take some time to move that traffic to its destination and reach a point where we can progress to normal operating procedures, which includes accepting traffic at interchange."

Years of progress and improvements that Watco put into the SKOL were literally washed away with the floodwaters, reducing its ability to operate. The majority of the railroad still remains under an embargo that ceases service to most rail Customers due to track-caused conditions.

The interchanges that are currently open are Pittsburg, Kan. (KCS), Columbus, Kan. (BNSF), and Tulsa, Okla. (BNSF and UP). The major interchanges for the railroad, Winfield, Kan. (BNSF and UP) and Coffeyville, Kan. (UP) remain closed.

"Because of the hard work by our crews, we have expedited the process of opening the railroad," Cedeno said. "We are doing our best to assist our Customers as they recover from the flood and try to meet their Customers' needs. We want to work quickly so that our Customers can remain to be profitable, but in this early stage we must focus on moving traffic from point A to point B on our railroad. Interchange traffic will follow."

The emergency reopening is the beginning of a three-phased plan to 1) Restore service as soon as possible with emergency repairs, 2) Restore the railroad to pre-flood condition and 3) Complete final repairs and clean up affected areas. The goal of the first phase will be to complete repairs that will allow train service to run safely, although train speeds will be restricted. The second phase goal will be to fine-tune Phase 1 repairs to restore the railroad to conditions that will allow train speeds to be accelerated to the normal 25mph speed. The final phase will call for the rehabilitation of bridges and cleaning ditches to support the railroad for the long-term.

In an additional effort to aid SKOL Customers, Watco has a limited number of trucks, trailers, drivers, and warehouse space that can be used by Customers affected by flooding. Please contact Ron Close or Allan Roach at 620-231-2230 for more information.

## RMI RAILCONNECT INDEX OF SHORT LINE TRAFFIC

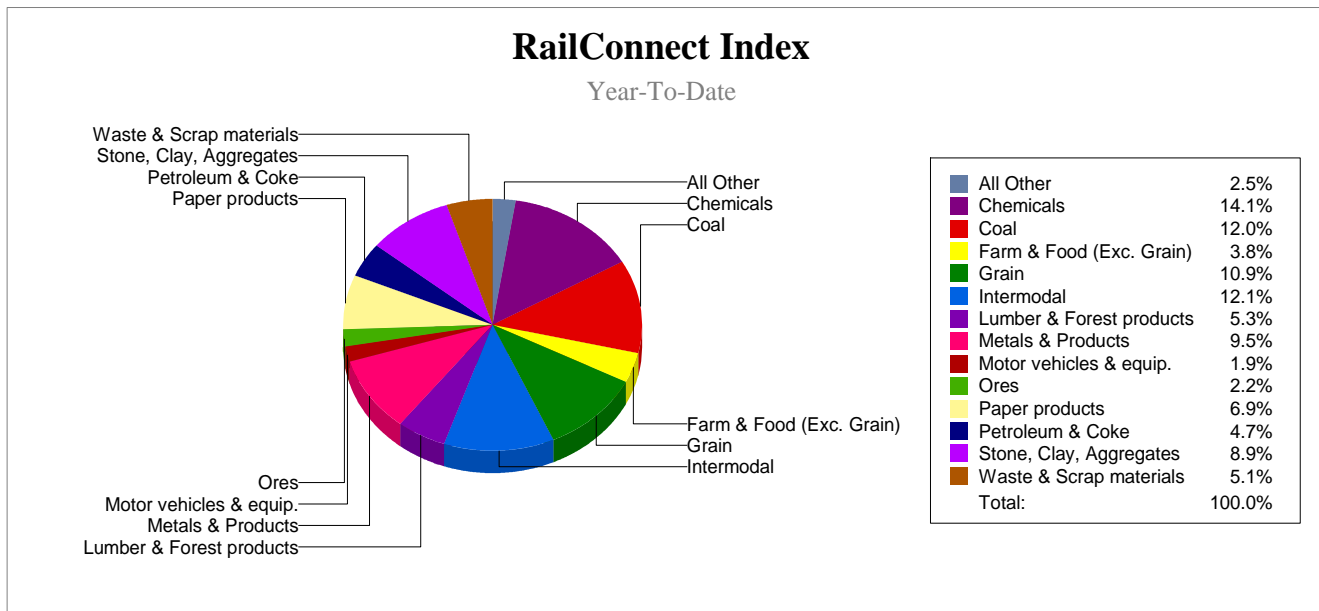
For the week ending: 6/23/2007

Week Number: 25

Number of Railroads: 297\*

Carloads Handled	Current Week			Year-To-Date		
	2007	2006	% Change	2007	2006	% Change
Coal	15,836	14,118	12.17%	350,271	366,189	-4.35%
Grain	12,500	13,489	-7.33%	319,288	334,305	-4.49%
Farm & Food (Exc. Grain)	4,713	4,445	5.79%	110,197	116,752	-5.61%
Ores	2,659	2,911	-8.66%	64,998	72,958	-10.91%
Stone, Clay, Aggregates	12,368	12,823	-3.55%	261,975	277,483	-5.59%
Lumber/Forest Prods.	6,404	7,566	-15.36%	155,883	192,904	-19.19%
Paper Products	7,348	8,393	-12.45%	203,026	219,546	-7.52%
Waste & Scrap Materials	6,584	6,803	-3.22%	149,913	153,385	-2.26%
Chemicals	16,106	14,527	10.87%	413,932	382,644	8.18%
Petroleum & Coke	5,626	5,865	-4.08%	136,946	145,350	-5.78%
Metals & Products	12,336	12,208	1.05%	279,151	303,195	-7.93%
Motor Vehicles & Equip.	2,569	2,361	8.81%	56,002	58,782	-4.73%
Intermodal	16,289	17,709	-8.02%	354,274	444,932	-20.38%
All Other	2,998	3,642	-17.68%	73,701	84,625	-12.91%
<b>Total</b>	<b>124,336</b>	<b>126,870</b>	<b>-2.00%</b>	<b>2,929,557</b>	<b>3,153,050</b>	<b>-7.09%</b>

\* Railroads using RMI products to waybill rail shipments.



## RAILROAD TRAFFIC

According to the AAR, U.S. carloads were down 2.6 percent in the week ending June 30, 2007, with 336,105 cars originated, compared to 344,995 cars originated in 2006. U.S. intermodal traffic was down 0.6 percent for the week and 1.3 percent for the year to date. U.S. and Canadian intermodal traffic is even compared to 2006. Total volume is down 2.8 percent for the year, with an estimated total of 857.9 billion ton-miles, compared to 882.9 ton-miles in 2006.

## **EMBARGO NOTICES AND REROUTE ORDERS**

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

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