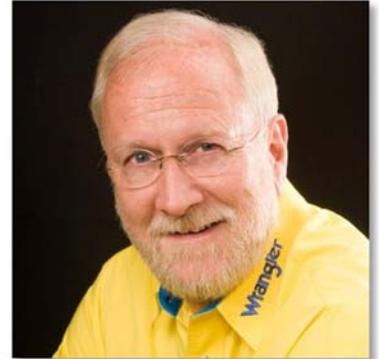


# TRANSPORTATION UPDATE

From: Terry Whiteside

Date: January 29, 2015



## SENATOR THUNE (SD) HOLDS SENATE COMMERCE COMMITTEE HEARING ON RAIL TRANSPORTATION

The Senate Commerce Committee held a wide-ranging hearing on Wednesday, January 28, 2015 in Washington DC on rail issues. There were many other hearings going on in the Senate and at this hearing about 15 members of the Committee were in attendance. Many of the discussions by the railroads, focused on a discussion on Positive Train Control (PTC) and the need to address looming deadlines set at the U.S. DOT - pressing to have those deadlines extended. There was also discussion about upcoming rail tank car rulemaking/oil by rail.

Senator Thune delivered an opening statement cited the railroad service problems experienced in SD and many other states. He emphasized that while some service improvements in railroad service metrics have been observed in the past six months, there is still a lot of work remaining to improve rail performance nationally.

While most of the hearing focused on PTC, Senator Thune towards the end of the hearing stated he will introduce an STB bill focusing on reforms at the STB (STB Reauthorization). He then reminded the Commerce Committee members that they had passed and unanimously reported out from the Commerce Committee, a STB Reauthorization bill last year (113<sup>th</sup> Congress).

Senator Johnson (WI) was critical of “government intervention in the private marketplace for rail service.” Senator Thune has in the past and at this hearing reiterated that in a state’s economy that is rail dependent and captive, rail regulatory oversight is appropriate and necessary.

Senator Fischer (NE) ask if government regulation would create costs that would undermine the railroads ability to invest in infrastructure. CSX did get the term ‘re-regulation’ into their response.

Senator Daines (MT) representing a captive rail shipper state, focused on rail metrics and how the railroads track rail service metrics and decision issues around the rail industry investing on increasing capacity.

Senator Klobuchar (MN) opined about the plight of MN rail shippers. The rail delays have proven both costly to all MN industries that utilize rail and harmed to the Minnesota economy for the past two years.

Chris Jahn, The Fertilizer Institute, emphasized in his statement the need for safe, cost effective, and timely rail service. TFI supports for policies to enhance the efficiency and effectiveness of the STB. It also emphasis how important

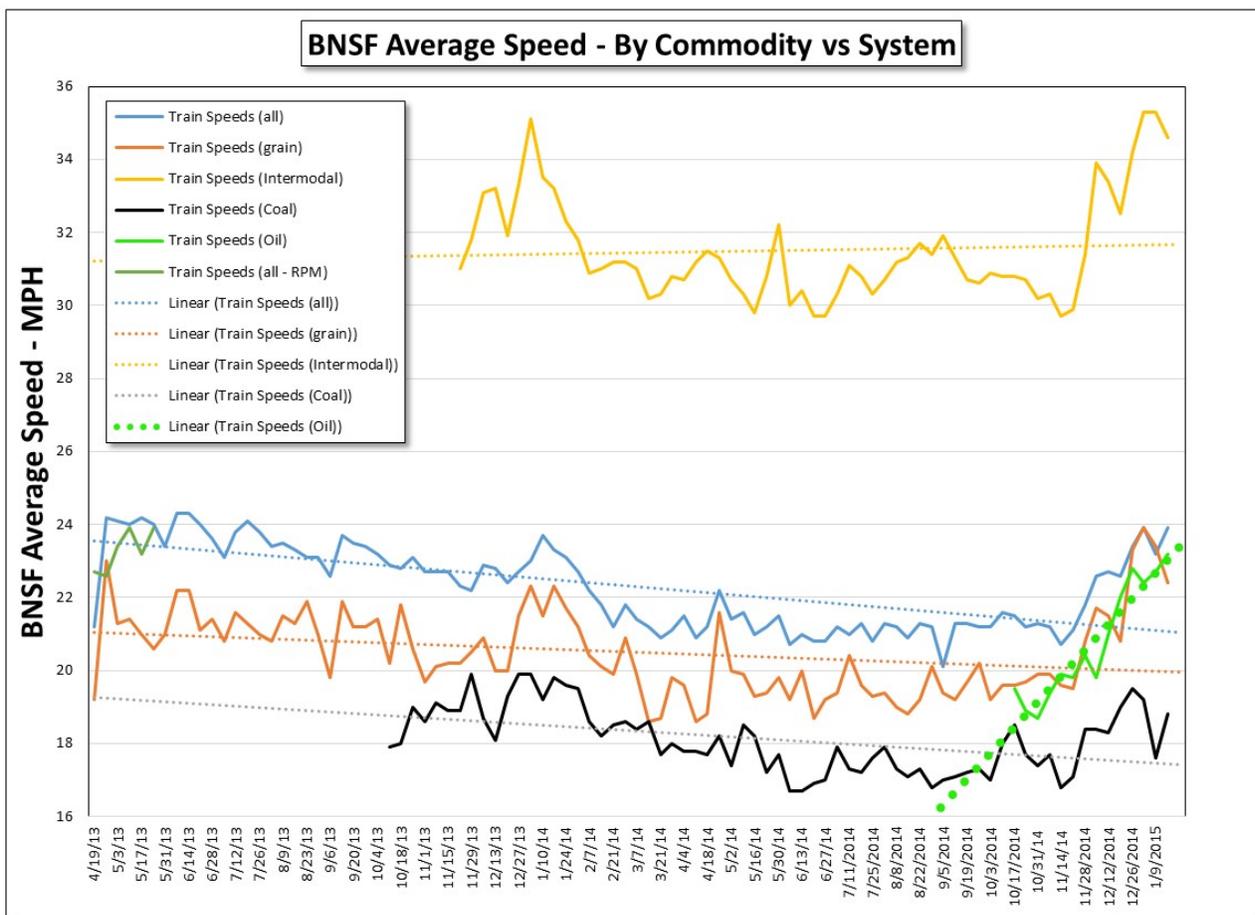
policies that allow more rail to rail competition. One is mindful that the STB at the April, 2014 hearing on rail service (Ex Parte 274) and for the first time in modern history, issued a strong order to get the fertilizer utilized for planting corn and soybeans to be moved with dispatch by the railroads. With railroad predicting publicly estimates of only 2/3 of shipments arriving on time and less than three weeks until the fertilizer had to be in the field for planting and the STB ordered the railroads to fulfil their obligations to get the 100% of needed fertilizer delivered on time. This hard hitting action by the STB worked and all fertilizer was delivered in time for planting.

## **WHAT THE AVERAGE TRAIN SPEEDS SHOW MID-JANUARY 2015:**

Here is a comparison of Coal, Oil, Grain, Intermodal, Oil (BNSF) and System average speeds over the last 1 ½ years for BNSF and UP.

Note that the average speed on the system is not turning around yet. The average speed on the rail system is a sure-fire indication of how well the system is running. The slower the average speed, the more trains (and locomotives) that need to be put in service to keep the level of service equal. The oil numbers have been released by BNSF due to orders from the STB in Ex Parte No. 274 starting in October, 2014.

Fact, until the average speeds improve materially on the railroad system, the service crisis and issues will continue to linger. Note the trend line analysis which continues to show a downward trend (except for oil movements) for over a year.



Remember, the root cause of the current rail service crisis is the massive amount of increase oil movements in a short period of time (and it is still rising) which led to a locomotive (Power) shortage on the BNSF system. After that came weather, crop harvest levels for wheat, soybeans and corn and finally in the summer months rail construction