

RETAC
CAPACITY SUBCOMMITTEE
REPORT

FALL 2009

Subcommittee Actions

- White Paper issued in March 2009
- No face-to-face meetings held since last general meeting
- Conference call held in August
 - Value assessment of key recommendations & communications plan
 - Develop next steps
- Presentations – ACC & NCTA (September 2009)

White Paper - Recommended STB Actions

- **The STB needs to advocate and educate policy makers on the relationship between a defined, consistent energy policy and the reliability of the energy supply chain**

White Paper - Recommended RETAC Actions

The increasing need for flexibility in a highly capitalized infrastructure

- Promote best practices
- Promote the development of supply chain monitoring and reporting
- Facilitate methodologies to determine what level and location of reserve transportation capacity is reasonably likely to be required and would be economically justified
- Promote longer term policies that allow the railroads to earn sufficient revenues to permit them to build up to the reasonable reserve target levels

Bridging the investment gap

- Emphasize that the effectiveness of the energy supply chain, rail in particular, in meeting the needs of energy consumers is dependent on commitments from users that support the necessary investments.
- Develop a practical economic view of the gap between the perceived needs of the energy market and the amount of infrastructure investment necessary to meet those needs

State of Capacity 2009

- Rail traffic volumes down YOY
- Rail employees furloughed
- Locomotives and equipment idled
- Watchful for signs for strengthening
- Ability to restore service
- Rail industry remains committed to long-term investment

Looking ahead

- Current situation illustrates “ebb & flow”
- Coal burn?
- Stockpiles building -
 - Significant 2010 stock overhang
- Exports?
- When will it turn – how quickly will it turn?

Capacity Planning – Near term

- When will volume come back – how quickly?
- What kind of lead time will there be?
- What is a reasonable response expectation?
- How can the industry prepare better?
- How can the industry gain visibility into supply and demand fluctuations?

White Paper Recommendations

- Facilitate methodologies within the energy supply chain to determine what level and location of reserve transportation capacity is reasonably likely to be required and would be economically justified to avoid the inherent risk of not having adequate capacity.
- Develop a practical economic view of the gap between the perceived needs of the energy market and the amount of infrastructure investment necessary to meet those needs.

Subcommittee Topics 2010

- Facilitate a process
 - to better project transportation capacity requirements
 - assess the ability of transportation providers to respond, and
 - evaluate and communicate the inherent risks of not having adequate capacity
- Develop a practical economic view of the
 - relationship between the needs of the energy market the amount of infrastructure investment necessary to meet those needs, and
 - how that infrastructure is funded

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