
RAILROAD-SHIPPER TRANSPORTATION ADVISORY COUNCIL
Washington D.C.

ANNUAL REPORT
December 2006

Pursuant to Section 726 of the Interstate Commerce Commission Termination Act (ICCTA), the Chair of the Surface Transportation Board (STB) in mid-1996 announced the formation of the Railroad-Shipper Transportation Advisory Council (“RSTAC”). As required by section 726(f) (4) of ICCTA, RSTAC hereby submits this Annual Report for 2006.

I. Membership

The following are the current designated members of the 15-member Council by category:

Small Railroad (4) - Reilly McCarren, Arkansas & Missouri Railroad; Charles Marshall, Farmrail System.; Rick Webb, Watco Companies, Inc.; Larry Parsons, Wheeling & Lake Erie Railway

Small Shipper (4) - Connie Thede, Muscatine Power & Water; Terry Voss, Ag Processing; Roger Fray, West Central Cooperative; Bruce Ridley, Packaging Corporation of America

Large Railroad (3) - Dean Piacente, CSX Transportation; Eric Butler, UP; Owen Zidar, KCS

Large Shipper (3) - Robert Pugh, G-P (Koch Industries); Doug Kratzberg, Exxon Mobil; Bill Matheson, Schneider National Inc.

At Large Member (1) - James Brunkenhoefer, United Transportations Union

Ex officio members are The Honorable Charles R. Nottingham, Chairman of the Surface Transportation Board; The Honorable Douglas Buttrey, Vice Chairman of the Surface Transportation Board; The Honorable Francis Mulvey, Commissioner of the Surface Transportation Board; and The Honorable Mary Peters, Secretary of Transportation, who is represented at Council meetings by William Gelston of the Federal Railroad Administration.

Current Council officers for 2006 include – Connie Thede, Chair; Robert Pugh, Vice Chair and Rick Webb, Secretary. The Executive Committee is composed of the Officers and At Large Member, James Brunkenhoefer. Elections for new officers were held at the November 2006 Council meeting. Officers for 2007 will include Connie Thede, Chair; Rick Webb, Vice Chair and Reilly McCarren, Secretary.

II. Council Meetings - The Council met four times in 2006.

February 16, 2006, meeting:

- Robert Pugh, Vice Chairman of the Council facilitated the meeting in absence of a previous year's Chair, Bob Bailey, whose term had expired. New members were introduced.

Connie Thede was named the Chairperson for 2006, Robert Pugh was elected to continue his role as Vice Chair and Rick Webb was elected to the office of Secretary. Extensive discussion was held concerning a number of issues that had two common themes:

- Improving service, particularly for individual carload shipments. This theme embraced a number of sub-topics where we believe that action by both railroads and shippers is needed:
 - Merchandise Carload Model – We support the NITL initiative on Last Mile/First Mile, which requires changes in customer scheduling, and sometimes operations, and requires corresponding commitment from carriers to perform service based on schedule. Inconsistent service adds to the problem by inducing customers to order cars earlier than needed and/or adding additional private cars.
 - AEI Readers – There is a need for less expensive AEI readers to improve data integrity. Short line members of the group are experimenting with GPS, solar battery, and cell phone based readers that will be less costly than existing Class I readers.
 - Data Transparency – Accurate information about shipment locations and accurate prediction of arrival times is crucial to the competitiveness of rail merchandise service. Railinc, the AAR subsidiary that provides interline car tracing information, is predicting an increase of 40% in the number of events reported on its Steelroads website when last year's project is complete. This is intended to synchronize Steelroads with the events reported on individual carrier websites.
 - Process improvements to improve utilization of existing assets
- Increasing capacity by encouraging railroad investment
 - Federal Tax Credits – We view this as a positive way to expand/upgrade the infrastructure. Many shippers support these tax credits as long as the incentives apply to shipper rail investment.
 - Short Line Tax Credits – We believe that the existing Short Line tax credit should be continued.
 - Increase Railroad Access To Capital – Gates and crossing signaling cost, including maintenance, should be transferred to Federal and State governments to free up funds for railway capacity improvements.
 - Box Cars - Paper and Forest Products make up 80% of the box car traffic. There is a need to make this a more “re-invest able” product, which will require carrier and shipper, efforts to improve car utilization.

- RSTAC 2006 Goals were established as follows:
 - Rail Capacity Congestion – Look at tax incentives for areas such as... crossings, ports and intermodal.
 - Customer Carrier Obligations – review service issues, and merchandise business model. Conduct discussions on how to become a more valued customer for the railroads through forecasting of volumes, box balance, fluidity of ramps and new business – shared by the railroad and customer.

May 3, 2006, meeting:

- Mission Statement developed as follows:

Mission

To work together as a council of rail advocates on a common goal to strengthen the national rail industry, improve service levels and foster mutually beneficial relationships between large and small railroads and shippers, across all commodity groups. To that end, we will address improvements in the primary issues of capacity constraints and the evolution of merchandise carload network including the elements that impact them and bring forth recommendations for improvement.

- Capacity Issue - Specific challenges were identified, such as car supply, routing protocols and operational improvements. Possible improvements or solutions were noted, including looking for areas where legislation stands in the way of progress and potential expansion of short line tax credits.
- Position Paper - Council will develop a position paper addressing the proposed Class I Investment Tax Credit proposal.

July 12, 2006, meeting:

- Discussion was held regarding the role of large shippers and large railroads in the changing rail landscape of RSTAC. Members agreed RSTAC Guidelines would be clarified to say the issues affecting small shippers and small railroads are tied to all issues affecting the rail network, so care and consideration of that should be realized in any RSTAC positions.
- Investment Tax Credit “ITC” recommendations were developed:
 - It is critical that the railroads invest in capacity improvements. The cost of the needed investments will be much greater if the investments are postponed.
 - The need to demonstrate that relative to demand, the railroads need assistance to invest additional capital.
 - The need for balance between all modes of transportation.
 - ITC must be stand-alone—there can be no handling of other issues such as rate or service guarantees to this legislation.
 - Earmarked for capacity enhancement
 - Railroad customer’s investments in rail infrastructure should also be eligible.

- Private investment is the best way to expand rail network—not re-regulation—public investment for expansion only.
- Rail Service discussion was held. The overall consensus was that rail service is generally improving.

November 6, 2006, meeting:

- This was the Council’s first meeting with the new STB Chairman, The Honorable Charles Nottingham. The Chairman started the meeting with his remarks and interest in working with RSTAC on shipper issues.
- Position Paper on Investment Tax Credit was reviewed for further modifications and will be completed and distributed in January 2007. The position paper is in support of the Investment Tax Credit and follows the criteria established by the Council earlier in the year regarding taking a position on an issue.
- Additional topics reviewed included the short line tax credit continuation, hazmat liability, shipper metrics, car condition, clearer interpretation of new laws, legislative bills, Class I interchange improvements, capacity utilization, trackage rights for short line railroads, and how RSTAC can assist in the customer/railroad relationship issues through additional communications, knowledge and education..

Future Plans:

- Continue to pursue small shipper/railroad concerns, being accessible to shippers, monitoring and discussing the issues and providing knowledge and education where possible.
- Encourage improved communications between shippers and railroads toward a goal of improved customer service and ability for both to do a better job of planning for unexpected cost increases or capacity and car shortages instead of reacting.
- Bring forth issues for discussion that impact the access of shippers to a viable, healthy and stable rail transportation option to meet their shipping needs.
- Continue to pursue a balanced assessment of the issues including the frustrations of shippers and the realities of carriers.
- Consider recommendations regarding rail policy and the STB’s role to create more effective oversight in a capacity-constrained environment.
- Utilize the diversity of the RSTAC Council to conduct frank discussions of the issues in an effort to present all aspects

2006 was the first year that this new Council worked together and each meeting has been better than the last. We look forward as rail advocates to being able to make even a small difference in improving the rail industry and its access to small shippers’ needs and concerns. Since the Council is made up of a diverse group of small shippers, small railroads, large shippers and large railroads with a common objective of improving the industry, we have a unique opportunity to view all perspectives of an issue. We appreciate the opportunity to be a part of that effort.

Additional RSTAC information is available at: http://www.stb.gov/rail_consumers/rail_shipper_council