

RAILROAD-SHIPPER TRANSPORTATION ADVISORY COUNCIL
Washington DC

**MINUTES OF JULY 14, 2004 MEETING OF THE
RAILROAD-SHIPPER TRANSPORTATION ADVISORY COUNCIL**

The Railroad Shipper Transportation Advisory Council (the "Council"), pursuant to notice, held a meeting on July 14, 2004 in the Mercury Room of the Surface Transportation Board, 1925 K Street, NW, Washington DC. The meeting was called to order at 9:00 am.

The following members were present: Peter Gilbertson, Chicago South Shore & South Bend Railroad; Sharon Clark, Perdue Farms Incorporated; Steve Bobb, BNSF Railway; Connie Thede, Muscatine Power & Water; Charles Marshall, Genesee & Wyoming Inc; James Brunkenhoefer, United Transportation Union; Bill Gelston, Federal Railroad Administration; Mike Scherm, BP Solvay Polyethylene North America; David Brotherton, Bowater Inc.; Bob Bailey, Port Jersey Railroad; Karen Phillips, Canadian National; Frank Onimus, CSX Transportation; Rick Webb, Watco Companies; George Price, Berg Steel Pipe Corp., Dean Atkinson, Bobcat Company; Robert Pugh, Georgia-Pacific Corporation; Chairman Roger Nober, Surface Transportation Board; Vice Chairman Frank Mulvey, Surface Transportation Board; and Commissioner Douglas Buttrey, Surface Transportation Board.

A guest from the rail industry was invited to participate, Tom Wadewitz with Bear Stearns.

I. Agenda

- A motion was made to accept the April 14, 2004 minutes. Slight edits were suggested and a motion was moved and accepted.
- The RSTAC financial statement was reviewed. Dues have been collected from all Shipper and Railroad members.

II. Surface Transportation Board Overview

- STB Complete. Roger Nober introduced the new STB members:
 - Vice-Chairman Francis Mulvey; and
 - Commissioner Douglas Buttrey.
- STB UP and CSXT Service Forums
 - Well attended: UP meeting had 120 participants / CSXT meeting had 160 participants.
 - UP & CSXT perspective: economic expansion has resulted in higher than forecast volumes and resource constraints. Significant capacity expansion is underway (crew, locomotives, etc.) and CSXT "One" operating plan.
 - Shipper themes: local switching / car supply issues, poor customer service center performance and concerns about overall network performance.
 - RSTAC consensus that the forums are productive.

III. STB Service Metrics

- Mel Clemens, STB Office of Enforcement & Compliance, presented the STB Rail Performance Metrics: Average Train Speed, Cars on Line and Terminal Dwell Time. A robust discussion followed:
 - Average Train Speed - - good metric of railroad network velocity but can be biased by change in railroad traffic mix. Also, concern expressed that metric is based on simple average (# of trains) versus weighted average as a function of carloads or tonnage.

- Cars on Line - - again, good overall metric of railroad network fluidity but importance is on a regional basis. One idea expressed is to create a “ratio” - - number of cars in inventory / carloadings?
- Terminal Dwell Time - - effective barometer of railroad terminal fluidity. Similar to average train speed, concern expressed that the measure is a simple average and is not weighted by actual carloadings / tonnage.
- The RSTAC group offered several suggestions to Mr. Clemens to improve quality of metrics:
 - Annualize Metrics - - AAR metrics are short-lived; need annualized data.
 - Geographic Metrics - - regional perspective would be helpful.
 - Consistency - - big Issue! Need standard methods across Class I railroads.
 - Need New Metric: On-Time Performance - - To shippers, the ultimate metric – but must be capable of providing information on local and inter-line traffic.
 - The non-voting financial analyst explained that the AAR metrics, while high-level, provide directional insight into operating performance and cost efficiency.
 - RSTAC shipper member suggested that STB create a customer forum to discuss railroad operating metrics, process improvement, etc.

IV. Data Transparency: CEO Letter

- Charlie Marshall presented a draft of the Data Transparency Letter.
 - Letter to go to Class I Railroad CEO’s.
 - Primary focus: appeal to CEO’s to work together to provide “transparent data” in the context of CLM’s and rolling ETA’s.
- Discussion was held and Charlie will distribute second draft to RSTAC members for comment before the final letter is sent to the CEO’s.

V. Fall Peak Letter

- Chairman Nober explained that three replies had been received from the Class I railroads.
 - Replies: very general. Plan is to hire additional crews, acquire locomotives and strategically expand track infrastructure. Capacity to be allocated by metering demand.
 - STB plan is to make all Fall Peak Letters available to the shipping public.
- UP Reply: evaluation of traffic lanes / volumes and embargos placed on certain commodities
 - Significant concern: UP embargo on aggregates in TX
 - STB mandate is “narrow” relative to discrimination. Regulatory perspective: “does this affect all ‘like’ shippers” in the context of volume handled or service levels?
 - STB doctrine since the 1950’s - - “How to prop up railroads?” Not set up for railroad volume growth and metering or allocating demand. Focus has been on a contracting industry not an expansion industry.
- Many industry observers believe that we are already at “Fall Peak.” RSTAC shipper point of view - - railroad reaction: volume metering and price increases.
- RSTAC railroad member shared problem of talent replenishment. Very difficult environment to attract talent that is willing to work in a 24/7 environment, pass drug tests and accept strict discipline required of operating department.

VI. Miscellaneous

- Reviewed dates for September RSTAC meeting.