

RAILROAD-SHIPPER TRANSPORTATION ADVISORY COUNCIL
Washington DC

**MINUTES OF SEPTEMBER 17, 2004 MEETING OF THE
RAILROAD-SHIPPER TRANSPORTATION ADVISORY COUNCIL**

The Railroad Shipper Transportation Advisory Council (the "Council"), pursuant to notice, held a meeting on September 17, 2004 in the Hearing 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; James Brunkenhoefer, United Transportation Union; Chairman Roger Nober, Surface Transportation Board; Mike Scherm, BP Solvay Polyethylene North America; David Brotherton, Bowater Inc.; Frank Onimus, CSX Transportation; Rick Webb, Watco Companies; Karen Phillips, Canadian National; Dean Atkinson, Bobcat Company; Doug Buttrey, Surface Transportation Board; Frank Mulvey, Surface Transportation Board.

RSTAC members unable to attend included: Charles Marshall, Genesee & Wyoming Inc; Bill Gelston, Federal Railroad Administration; Bob Bailey, Port Jersey Railroad; George Price, Berg Steel Pipe Corp.; Robert Pugh, Georgia-Pacific Corporation.

I. Agenda

- A motion was made to e-mail the January 20th, April 14th and July 14th minutes to the full membership and solicit an e-mail motion and acceptance of these minutes from the voting members.
- Chairman Nober contacted Tom Wadewitz of Bear Stearns thanking him for his participation at the July 14th meeting. Future meetings may include guests from various transportation sectors.
- The RSTAC financial statement was reviewed and approved.
- The RSTAC website is in the process of being updated by the STB staff to include previous White papers and meeting minutes.
- It was determined the next RSTAC meeting will be held in last half January 2005 and an election for new officers will be held at that meeting. It was recommended that one RSTAC meeting each year be held at a member's business location.

II. Data Transparency Letter Update

A letter regarding data transparency issues was mailed by RSTAC to the Class I CEO's 8-9-04.

The Association of American Railroads responded on 8-25-04, agreeing data transparency is a very important issue. AAR representatives are willing to meet with RSTAC to discuss the issues outlined in RSTAC's letter.

It was agreed to invite the AAR and a representative of the American Shortline Railroad Association to the January 2005 meeting. Subsequently, it was decided by the Council to have a sub-committee composed of a small railroad and a small shipper member meet with the AAR to discuss the data transparency issue in November 2004 and report back to the RSTAC Council.

III. Railroad Service Forum, Kansas City

- Good attendance, may reflect significant concerns shippers have about the rail service system
- Shipper comments were reserved. It was speculated that shippers were outraged but concerned about potential railroad retaliation.
- Questioned if there is value in institutionalizing meetings between railroads & customer shippers

IV. Transportation Capacity/Service Metric Discussion

- The transportation industry will experience chronic capacity constraints in the future. The industry has shrunk to stabilization and is economically surviving, but can't produce enough capital to grow.
- Shrinking to stabilization has been a 2-3 year phenomenon as railroads saved out of the merger chaos; fought an economic downturn; and fleets of railcars went into an attrition mode
- Shipper concern is shifting from reducing costs to getting capacity. Have a growing group of shippers that want more capacity that will have to be built.
- In a capacity and capital constrained environment, there are several shippers that may not get served, including mainline single car shippers whose switches slow down mainline through traffic
- Most shippers are willing to pay a higher rate for better service because of supply chain costs. Reliability and consistency in rail shipments drives down inventory cost, rail car cost, etc
- It is a seller's market in transportation (ports, rail, truck) ... either shippers conform or lose
- Estimated 20% of all route miles are unnecessary because railroads are short hauling each other
- Resource constraints includes:
 1. Labor: railroads are short people; in next 3-4 years will continue to decrease clerks and offset increase in the hirings; strategies for hiring include corporate recruiters and negotiating longevity payments; extent of illiteracy and drug use in basic labor pool very depressing
 2. Local switching services: people and equipment to provide local service
 3. Growth: explosive in certain geographic areas e.g. intermodal/auto Southern California
 4. Track for equipment storage: episodic incidents can ripple for 30 days e.g. evacuating all cars off Galveston Island for hurricanes. With inconsistent turn times, weather events, how manage cars?
 5. Car supply: hugely significant issue, returns on general service cars don't warrant reinvestment; takes more assets today with inconsistent, longer turn times on single car traffic
 6. "History" is 24-30 months, not 5-10 years ago, so many industry practices no longer apply
 7. Mass marketing e.g. Walmart does not permit transportation costs to be passed onto consumers.

V. Next Steps

- RSTAC to develop a balanced assessment of the issues including the frustrations of the shippers and the realities of the carriers. Determine where there is common ground e.g. define problems, possible solutions, constraints, and which constraints can be overcome. The assessment to be done assuming this is a broad-based capacity issue and the long term forecast for freight demand (70% increase by 2020).
- Consider recommendations regarding rail policy and the STB's role to create more effective oversight in a capacity constrained environment

