



Palmetto
RAILWAYS

September 30, 2014

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: Railroad Service Outlook Fall 2014

Dear Chairman Elliott:

This letter is in response to the Board's request on August 19 to the American Short Line and Regional Railroad Association (ALSRRA) members regarding their capabilities and assessments for handling expected Fall Peak rail service demands. Palmetto Railways (PR) is a Class III short line and terminal switching railroad that serves Charleston, Berkeley and Dorchester counties in South Carolina. PR is served by both Eastern Class I railroads, CSX and Norfolk Southern, and operates approximately 37 miles of mainline and yard track which serves the Port of Charleston, BP Chemical, Nucor Steel and various other export based industries.

Palmetto Railways directly handled 36,231 carloads in 2013 with another 48,988 carloads handled by CSX over our line and 37,256 handled by our train and engine crew staffing services. We expect a 6.6% increase across all commodity types by year end 2014. That being noted, we have seen a specific increase in export completed auto traffic for BMW through the Port of Charleston and decreases in export grain product. Coal, steel and finished chemical products have held flat against our year over year projections.

We anticipate our export auto customer, BMW, to increase in volume through Fall Peak. The BMW manufacturing facility in Greer, South Carolina has recently announced a major retooling and expansion which is leading it to become BMW's largest vehicle export plant in the world. Additionally, we have seen an unplanned increase in unit coal train activity at the Santee Cooper Cross Generating Station in Cross, South Carolina which we provide train and engine crew staffing services.

Palmetto Railways is positioned to handle planned and unplanned Fall Peak volumes with concerns levied only at our Class I partners' ability to handle the continuously increasing rail volumes on their networks. We have sufficient yard, mainline, locomotive and staffing capacity. However, our ability to make that statement stems from our planned capital plan. PR has completed the following capital improvements and staffing in 2014 to support the growth of our customers and to protect our operations:



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- Completed a \$3.2 million yard expansion to increase yard capacity in our Charleston Yard by 4,300 ft directly supporting BMW and the Port of Charleston capacity requirements
- In the process of completing a \$2.6 million annual maintenance of way plan to specifically support our export grain customers, the Port of Charleston and finished chemical product customers
- Inception of a serving yard development project for Odfjell Terminals of Charleston in 4th quarter 2014
- Hired six train and engine service employees with six more scheduled to be hired through the end of the year.
- Hired two additional maintenance of way employees
- Hired one additional locomotive mechanic
- Capital plans to purchase additional refurbished terminal switching locomotives by year end 2014

While we understand that the weather issues the Class I's experienced during the 2013/2014 winter season have subsided, we also recognize that rail volume has increased dramatically through 2014 putting pressure on the Class I systems. We support both CSX and Norfolk Southern in their efforts to increase capacity and provide sustainable, efficient and safe rail operations to continuously protect our joint customers' demands.

I thank you for the opportunity for Palmetto Railways to provide the above information to the Board and I apologize for the delayed response. We are very much appreciative of the Board's interest in rail operations and capabilities, specifically beyond the Class I capabilities. It is our goal to continuously support the growth, efficiency and safety of rail operations. Please feel free to contact me at (843) 727-2067 if you have any questions or concerns.

Very Best Regards,

Jeffrey McWhorter
President & Chief Executive Officer
Palmetto Railways

cc: Ms. Anika Cooper, Surface Transportation Board, Chief of Staff, Office of the Chairman (by email); Ms. Lucille Marvin, Surface Transportation Board, Office of Public Assistance, Government Affairs, and Compliance (by email); Mr. Richard F. Timmons, President, ASLRRRA (by email)