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August 26, 2008

The Honorable Charles D. Nottingham
Chairman
Surface Transportation Board
395 E Street, SW, Suite 1220
Washington, DC 20423-0001

Dear Chairman Nottingham:

This letter is in response to your letter of July 25, 2008, concerning Railroad Service Demands. As I know you are well aware, railroad traffic is down substantially from a year ago. This is a regional condition for Short Lines where some are doing as well as last year and others are in decline. It is driven by Class I volumes, product demands and local requirements. Clearly, significant down turns in housing construction, paper demands and diminished auto sales have had a significant impact on Short Line car volumes.

That being the situation, none of our members anticipate capacity or congestion problems this year. Last year did not produce any significant delays during the Fall Peak, and given much less stress on the rail system this year we should not experience any freight movement delays or bottlenecks.

As I have done in the past I surveyed a select number of Short Lines that have an important role to play in freight movement in this country. They sit astride ports, terminals, and critical interchange locations and are in a good position to sense how the industry is reacting to freight movement volumes. The responses to my request for information, as well as many other railroaders that I have spoken to informally over the past several months, indicate that this year will not produce rail slow downs.

Despite this reduced pressure on the Short Line industry, small railroads continue to pour millions of dollars into the Class II and III railroad network across the country. In fact, approximately 28% of bottom line revenue goes into Short Line infrastructure each year. Unfortunately, the Short Line federal tax credit expired at the end of 2007 and we are now forcefully engaged in efforts to extend the credit for another three years.

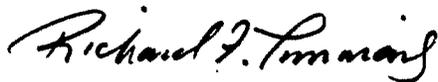
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As you will see while reviewing the letter inputs from the small railroads, their investment in locomotives, bridge upgrades, yard expansions, new sidings, new and upgraded track, new terminals and updated plans and technology that enhances train management and operations is impressive and growing. And, at the same time, their dedication to service and customers is widespread through a variety of communication initiatives, customer symposiums, and plan sharing. You will also recognize Short Line actions and the consequences of this year's Midwest flood conditions which, while severe, will not impact overall operations to any significant degree.

I am always pleased to promote the enhanced posture of the small railroad industry. This component of our national freight network is essential to both urban and rural regions of the country. Five hundred fifty six (556) railroads operating over 51K miles of main line, handling 14M carloads annually throughout North America is critical to our economy and the communities that they serve. Short Line railroaders are excited about the future and the possibilities for enhanced service and expansion and are preparing for the return of increased carload volumes in the near future.

The attached letters from a cross section of Short Line and Regional railroads are included for your review. I would also like to recommend that given our history of no service interruptions or delays over the past three years during some very heavy volumes that Short Line input may have little value to you and your staff each year and could be reduced to every other year providing a better perspective. Please contact me if I may be of further assistance at 202-585-3440, or email rftimmons@aslrra.org.

Respectfully,



Richard F. Timmons

Attachments