RICHARD F. TIMMONS
PRESIDENT
AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION
50 F STREET, N.W., SUITE 7020
WASHINGTON, D.C. 20001-1564
(202) 585-3442

September 15, 2010

The Honorable Daniel R. Elliott, III
Chairman, Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

Re: End of Year 2010 Railroad Service Outlook

Dear Chairman Elliott:

Thank you for your inquiries of August 9, 2010 regarding the service outlook for end-of-year business demands within the short line and regional railroad industry. I have included the responses of our members in their original form as attachments to this letter.

We appreciate your continuation of Board efforts to avoid service disruptions before they occur. Likewise, the ASLRRA has worked very hard to avoid the unintended detrimental consequences of well-intentioned proposals as Congress weighs reauthorization and amendments of statutes governing the Board, and as the Board weighs action on some of the same issues. As the responses attached indicate, Class II and III carriers are focused on providing the highest quality customer service possible despite sometimes difficult circumstances. America's small freight railroads hope that these efforts, in conjunction with ongoing education of the unique nature of small railroads, can head off "one-size fits all" solutions that would have serious negative repercussions in both the statutory and regulatory contexts.

In response to your inquiries I highlight below some specific comments from the attached letters which represent larger trends in the Class II and III industry.

<u>A Summary of Economic Investments</u>

A focus of ASLRRA has long been the effort to secure assistance to allow rail lines to be upgraded to provide the public benefits of continued rail service that you and your fellow Board Members already recognize. The goal of maintaining tracks to handle 286,000-lb. rail cars where possible remains a significant challenge of our industry.[1]

To this end, the short line community at large, and multiple responses attached, stress that one of the most important steps to alleviate congestion and service related difficulties is the timely extension of the Section 45G short line railroad tax credit which expired last year.[2] While ASLRRA's membership understands that this is the responsibility of Congress, the improvements made as a result of 45G impact the quality and consistency of service provided to over 10,000 rail customer locations.

The extension of 45G advances a core mission of the Board. As one short line states, "The most help the STB could lend... to [manage] peak and surge rail traffic, would be to advise Congress that their inaction on the short line tax credit threatens future peak/surge shipping seasons..."[3]

Despite the economic downturn and the attendant decrease in traffic volumes, every short line represented in the attached correspondence has made significant upgrades to their infrastructure this year. These efforts include:

- Pioneer Railroad Services' efforts to upgrade 52 miles of track to 286,000-lb. capacity and reactivation of rail sidings in anticipation of peak traffic periods;[4]
- Indiana Harbor Belt's $14 million capital plan, with an addition $21 million budgeted for 2011 to fund operational improvements;[5]
- RailAmerica, Inc.'s $60 million track maintenance program and an additional $30 million in upgrades to the Missouri & Northern Arkansas Railroad;[6]
- Montana Rail Link's $20 million project to replace a century-old tunnel on the Continental Divide, and a $5 million project to replace a century-old bridge;[7]
- Genesee & Wyoming's $50 million program from 2009 with an additional $52 million budgeted for 2010 to upgrade infrastructure to support heavier traffic;[8]
- Watco Companies' focus on infrastructure improvements in cooperation with rail customers to provide the flexibility necessary to respond to peak volume periods;[9]
- Florida East Coast's $16 million capital program to address growing intermodal shipments despite the economic downturn;[10] and
- Chicago South Shore & South Bend Railroad's 22-mile tie upgrade program along with capital upgrades made in conjunction with passenger operations.[11]

This sample of infrastructure investments tracks closely with the nationwide trend of short lines to upgrade infrastructure despite the economic downturn to preserve existing service and improve capacity for peak shipping periods.

<u>Actions with Regard to Specific Commodity Areas</u>

Agricultural Products - Short lines handling grain traffic have noticed changes in the grain export market impacted by developments such as the Russian wheat export embargo which has altered grain transportation patterns. Export of grain via short line has grown not only in the Pacific Northwest ports[12], but also in the Gulf ports as well.[13] In addition to the infrastructure improvements referenced above, some short line operators with multiple affiliated lines are sharing crews and helping customers secure additional rail cars to respond to localized peaks in agricultural shipping.[14]

Coal - Coal traffic remains "weak" on several short lines as the economic downturn continues and coal customers deplete existing stockpiles.[15] ASLRRA believes the Rail Energy Transportation Advisory Committee, which includes short line representation, is an example of an area where customers and railroads can work cooperatively to air problems and share and implement solutions.[16] While coal traffic remains down from previous years, economic recovery will bring increased demand for coal. Short lines are actively engaged in infrastructure upgrades in anticipation of this change.[17]

Intermodal - Several short line railroads, especially those serving container ports, have experienced success in growing intermodal business despite the economic situation. Genesee & Wyoming highlights their growth in intermodal traffic in Portsmouth, VA on the Commonwealth Railway, a short line with multiple Class I connections.[18] The Florida East Coast Railway has enjoyed double digit growth in intermodal traffic during the downturn with a 99.6% door-to-door on time performance.[19]

Impact of Positive Train Control Mandates

Despite Congress' clear intent to minimize the impacts of the Positive Train Control mandate on Class II and III railroads, the short line community remains concerned amount the tremendous cost and minimal benefit that PTC could impose on short lines. Because the expected cost of this technology is very high[20] the reactions of short lines range from the fear of having to reduce needed track investment to pay for PTC[21] to a recognition that the technology is not yet "ready for prime time." Railroads also recognize that less invasive approaches may deliver similar safety gains.[22]

Despite Congress' expressed intent to refrain from costly PTC implementation in all but the most logical situations and recognition of that intent by the Federal Railroad Administration, pressures from connecting Class I carriers may lead to PTC deployment far beyond the original intent of Congress.

I recommend your specific attention to the fact that most attached responses express an expectation of being required to deploy PTC and a concern with how to fund these investments absent government assistance. If short lines must reduce track expenditures to offset PTC costs, there will be an unfortunate impact on customer service without delivering meaningful safety or service benefits.

Impacts of Extreme Weather

No respondents raised expectations that recent weather events will cause disruptions of service in the coming months. Of course, extreme weather is not predictable, and disasters, particularly floods, can cause service disruptions. Two respondents highlighted the recent example of the 2008 floods in the Midwest.[23] Congress appropriated funding to assist state DOTs and railroads in flood recovery in 2009, but much of this funding remains unreleased as of this writing.[24]

I appreciate your outreach to the Membership of the American Short Line and Regional Railroad Association. If ASLRRA can be of any assistance as the end-of-year rail season commences, please do not hesitate to call on us.

Respectfully,

Richard F. Timmons

Richard F. Timmons
President

cc: Mr. Michael J. Ogborn, Chairman, ASLRRA

Attachments: The letters of the Chicago S. Shore & S. Bend R.R., Fla. E. Coast Rwy. Co., Genesee & Wyoming, Inc., Indiana Harbor Belt R.R. Co., Montana Rail Link, Inc., Pioneer Railroad Services, Inc., RailAmerica, Inc., and Watco Companies, Inc. are attached to this cover.

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[1] Letter from Mr. Shane Cullen ("Cullen, PRC"), V.P. of Trans. & Opers., Pioneer R.R. Services, Inc. to Mr. Richard F. Timmons, President, ASLRRA of 8/20/2010, at 1.
[2] Letter from Mr. A.E. McKechnie ("McKechnie, WCI"), Chief Commercial Officer, Watco Companies, Inc. to Mr. Timmons of 9/10/2010, at 1; Letter from Mr. John C. Hellmann ("Hellmann, GWI"), President and CEO, Genesee & Wyoming Inc. to Chairman Daniel R. Elliot III, cc: Mr. Timmons of 9/7/2010, at 2.
[3] McKechnie, WCI, at 1.
[4] Cullen, PRC, at 1.
[5] Letter from Mr. Jim Roots ("Roots, IHB"), General Manager, Indiana Harbor Belt R.R. Co. to Mr. Timmons of 9/10/2010, at 1.
[6] Letter from Mr. John E. Giles ("Giles, RA"), President, RailAmerica, Inc. to Mr. Timmons of 9/1/2010, at 1.
[7] E-mail from Mr. Thomas J. Walsh ("Walsh, MRL"), President, Montana Rail Link, Inc. to Mr. Timmons of 8/16/2010.
[8] Hellmann, GWI, at 2.
[9] McKechnie, WCI, at 1.
[10] Letter from Mr. James R. Hertwig ("Hertwig, FECR"), President, Florida E. Coast Rwy. Co. to Mr. Timmons of 9/1/2010.
[11] Letter from Mr. Andrew Fox ("Fox, CSS"), President, Chicago S. Shore and S. Bend R.R. to Mr. Timmons of 9/1/2010.
[12] Walsh, MRL.
[13] Hellmann, GWI, at 1.
[14] Cullen, PRC.
[15] Hellmann, GWI, at 1.
[16] McKechnie, WCI, at 1.
[17] *see*, Hellmann, GWI, at 1; Walsh, MRL.
[18] Hellmann, GWI, at 1.
[19] Hertwig, FECR.
[20] Giles, RA, at 1-2; Roots, IHB, at 2; Hellmann, GWI, at 3; Fox, CSS; Cullen, PRC, at 1-2.
[21] Roots, IHB, at 2.
[22] Fox, CSS
[23] Cullen, PRC; Giles, RA, at 2.
[24] Giles, RA. at 2.

Chicago South Shore & South Bend Railroad
General Offices
505 North Carroll Avenue
Michigan City, Indiana 46360

(219) 874-9000

Fax (219) 879-3754

September 1, 2010

Mr. Richard Timmons
President
American Shortline and Regional Railroad Association
50 F Street, NW, Suite 7020
Washington DC 20001-1564

Dear Mr. Timmons:

The following is Chicago South Shore & South Bend Railroad's (CSS) response to STB's request for information relating to rail carrier preparedness for the 2010 peak season.

CSS serves the industrial area of North West Indiana. Our primary customers are electric power generation and the steel industry.

Our customers are telling us that the carload business in the second half of 2010 is projected to be very similar to the first half of 2010. On that basis, we have sufficient crews and motive power to meet the demand and absorb growth..

CSS operates primarily on trackage owned by the Northern Indiana Commuter Transportation District (NICTD). We will benefit from substantial capital investment in infrastructure and signal improvements made by NICTD. In addition we are undertaking a major tie program on a 22 mile line branch line owned by CSS.

Since we share the railroad with a commuter agency, we will of course be impacted by PTC. I would share the general freight industry concerns that the technology is not yet ready for prime time, that it may have a detrimental impact on line capacity, and that rail safety may be better served by more cost effective measures.

Our railroad has not been materially impacted by the extreme weather.

Please let me know if you have any questions.

Very Truly Yours,

Andrew Fox
President

Florida East Coast Railway Company

September 1, 2010

Mr. Richard F. Timmons
President and Treasurer
American Shortline and Regional Railroad Association
50 F Street NW, Suite 700
Washington, DC 20001-1536

RE: STB End of Year 2010 Railroad Service Outlook

Dear Mr. Timmons,

John Giles asked me to respond separately to your request for information regarding STB chairman Elliot's letter concerning any potential congestion or capacity issues that the FEC may be facing for the balance of 2010.

In addition to echoing the comments and concerns already provided by RailAmerica, I am proud to report that on the service front we have quietly been transforming the Florida East Coast Railway into a highly valuable intermodal franchise. Through customer responsiveness and six sigma exception correction, we have experienced double-digit growth in this business segment *during the recession* and have improved our door-door on time performance metric to 99.6% year-to-date.

In addition to these service enhancements, we have continued to put our scarce capital resources back into our physical plant in spite of the recession. In 2010, FEC anticipates spending $16 MM on our annual capex program.

FEC still has plenty of available capacity for any peak surge or business uptick. We do not anticipate any congestion problems for the rest of the year.

Please let me know if I can provide you with any additional information.

Sincerely,

James R. Hertwig

James R. Hertwig
President

7411 Fullerton Street, Suite 300, Jacksonville, FL 32256
Telephone – 904-538-6100 : Facsimile – 904-538-6453

John C. Hellmann
President and Chief Executive Officer

September 7, 2010

Mr. Daniel R. Elliot III
Chairman
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

Dear Chairman Elliot:

Thank you for seeking input from Genesee & Wyoming Inc. (GWI) regarding the potential for rail congestion on our short line railroads in the United States during the 2010 peak shipping season. Consistent with past years, we do not expect service problems related to peak season traffic at any of our 57 U.S. short line railroads. As a general rule, the low density of traffic on our rail lines is such that capacity constraints are rarely, if ever, an issue. Moreover, although there has been an increase in our traffic levels year-to-date in 2010 as compared to 2009, our same railroad carloads are still approximately 16% lower year-to-date in 2010 when compared to the comparable period in 2008. Consequently, any traffic increase would be readily handled by our track capacity provided that we are concurrently adding the requisite operating personnel.

With respect to the Surface Transportation Board inquiry regarding specific commodity groups and our service preparation related thereto, I would offer the following observations:

1. Agricultural Products: GWI's shipments of agricultural products in the U.S. are primarily related to export grain from Gulf Ports such as Galveston, Texas and Corpus Christi, Texas, as well as through Brunswick, Georgia. Our export grain business has grown significantly in 2009-10, however, we have not experienced and do not expect any congestion issues.

2. Coal: GWI's shipments of coal in the U.S. are primarily related to: i) inbound and on-line shipments of coal to several major power plants; ii) outbound shipments of coal from load outs adjacent to mines in Utah; iii) inbound shipments of coal to power plants in Western Pennsylvania and outbound shipments of coal from mines in Western Pennsylvania; and iv) shipments of overhead coal traffic in Ohio for export and domestic use. In Western Pennsylvania, our outbound coal shipments destined for the export market (often through the Port of Baltimore) have declined due to a decrease in global demand.

Genesee & Wyoming Inc. 66 Field Point Road, Greenwich, Connecticut 06830 203-629-3722 Fax 203-661-4106

In addition, our 2010 shipments to power plant customers have been relatively weak as customers deplete existing stockpiles and perform plant maintenance. As coal traffic returns, we are confident we have the manpower, equipment and track capacity to match the unloading capabilities of our demanding power plant customers. To further support our coal shipments we improved several sidings in Ohio during 2009 and 2010, which we expect to increase the velocity and efficiency of the overhead coal traffic and minimize the risk of any service issues when carloads return to historic levels.

3. Chemicals: Year-to-date in 2010, GWI chemical shipments (which include plastics) were less than 7% of our total U.S. revenues. Since our chemical shipments are typically linked to our pulp and paper customers who have been experiencing declining volumes, we do not expect any service issues.

4. Intermodal: GWI shipments of intermodal have historically been limited. However, since 2008 our Commonwealth Railway, which interchanges with both Norfolk Southern and CSX, has handled both inbound and outbound intermodal traffic through the APM Terminal in Portsmouth, Virginia. On June 30, 2010, the Virginia Port Authority signed a 20-year agreement to lease the APM Terminal, and announced that it intends to route additional traffic to the new Portsmouth terminal. During 2009 and 2010, we have worked with the Commonwealth of Virginia to upgrade the Commonwealth Railway line that serves the APM Terminal, which we expect will facilitate the efficient movement of additional traffic to the terminal without service declines.

With respect to the STB inquiry regarding our economic investments made in freight service improvements, we note that despite the economic downturn, in 2009 GWI spent more than $50 million (inclusive of government grants) on capital expenditures to improve the quality of our rail lines. We expect to spend an additional $52 million in capital expenditures in 2010. Generally, our capital spending is not for new track capacity, but rather to upgrade existing rail, ties and bridges to handle higher tonnages of traffic for specific customers on specific rail lines. Of particular importance, our 2010 capital budget includes, among other initiatives, the installation of continuous welded rail to support our operations in Florida and Oregon, the expansion of our yard capacity in Salem, Oregon, and the upgrade of tunnels and mainline track in Ohio and Pennsylvania, which in each case will increase the efficiency of our operations.

Please note that the now-expired short line tax credit legislation helped facilitate investment across GWI and the passage of new legislation would be a tremendous support in advancing our infrastructure investment.

GWI is also focused on enhancing capacity by implementing a variety of operating initiatives designed to improve our efficiency including:

- Training: Additional field training on operational rules compliance, simulator training and safety seminars, with a particular focus on new hire training.

Genesee & Wyoming Inc. 66 Field Point Road, Greenwich, Connecticut 06830 203-629-3722 Fax 203-661-4106

- Locomotive and Car Management: Enhancements to our car and locomotive management system, including repositioning surplus equipment to maximize the use of our fleet.

- Technology: Implementation of additional web-based, hosted dispatching services to allow for greater reliability in train control and comprehensive electronic reporting.

In addition, we continue to work with our Class I railroad partners to address the PTC requirements as set forth in the Rail Safety Improvement Act of 2008. Based on the legislation, we expect that GWI will need to equip approximately 50 locomotives, which represents a considerable investment for our Class II and Class III railroads. To the extent possible, we will be seeking governmental funding to facilitate the necessary upgrades.

We believe that the potential for any congestion-related service problems in the peak traffic season would be related to the longer, high density networks of the Class I railroads. Consequently, GWI is supportive of any public policy initiatives that stimulate investment in long-term Class I rail capacity. At GWI, we have the capacity to safely handle substantially more traffic over our rail lines and would welcome the new business, whether from a traffic surge in the fall season or on a sustained basis from an improving U.S. economy. Please do not hesitate to contact me if you have any questions.

Sincerely,

John C. Hellmann

John C. Hellmann
President and Chief Executive Officer

cc: Mr. Richard F. Timmons

Genesee & Wyoming Inc. 66 Field Point Road, Greenwich, Connecticut 06830 203-629-3722 Fax 203-661-4106

INDIANA HARBOR BELT RAILROAD COMPANY

2721 – 161ST STREET, HAMMOND, IN 46323-1099

September 10, 2010

Mr. Richard F. Timmons, President
American Short Line & Regional Railroad Association
50 F Street, N.W. Suite 7020
Washington, D.C. 20001-3442

Dear Mr. Timmons:

Kindly refer to your letters of August 13, 2010 addressed to Mr. Alan Blumenfeld, President Indiana Harbor Belt Railroad Company and Mr. Jim Roots, General Manager, Indiana Harbor Belt Railroad Company regarding railroad preparations for the remainder of the 2010 shipping season.

Operational Plans:

The IHB remains confident that we can again meet the needs of our customers as long as our class one partners continue to move their freight off of the IHB in a timely manner. It is when one or more class ones fail to pull its freight traffic from the IHB that we see our first signs of congestion. The IHB is very tight on train and engineman and this may be a problem area as we get to the end of the year and through the winter months of 2011. Our crew problems relate to the return of business that was lost to the recession and the negative impact that the Hours of Service Law requirements have on the availability of our covered employees. The IHB has recalled all of its furloughed employees and just started its third switchmen/trainmen new hire training class of the year. We also are in a position to start a Conductor training class that will begin before the month is over. Overall we believe that we will be able to get by until the new hires are trained and placed in service but it will be difficult.

Our operating plan is complete and up to date. We continue to have a morning conference call daily for the purpose of reviewing yesterday's problems and plan for the next 36 hours. Our operations center management communicates at least once every twelve-hour shift with all of our connections in the Chicago area. We also participate in a twice daily on a Chicago Terminal Coordination Office conference call with other railroads operating in the Chicago Terminal as part of our operating plan.

Capital Related Information:

The 2010 Capital Plan for the IHB included a budget of nearly $14,000,000 which was an increase of $ 900,000 versus 2009. Since the budget was approved the IHB has added an additional $1.9 million of capital to improve switching operations at three of our processing yards. Currently the IHB is looking to spend $21 million for capital projects in 2011.

Separate from the IHB budget through the CREATE project we have spent close to $100 million additional funds on the IHB main line for operational improvements. Funding for these projects comes as a result of our partnership with the State of Illinois and the City of Chicago with support of the Federal Government as well as well as the contributions provided by our class 1 partners.

Customers:

The IHB has shared our operating plans with our customers. Our Customer Service center maintains daily dialog with our active customers and will continue to do so going forward. A large portion of IHB's intermediate business is found in our automotive business. We had some difficulties with handling this traffic earlier this year but worked out most of our problems and do not see a future regression in our ability to handle this traffic at this time.

PTC:

At this point the IHB does not have a manageable plan for the implementation of PTC. We have a locomotive fleet of 54 locomotives and have 18-20 interlockings that require installation of PTC hardware. Simply put we do not have a means to fund the installation of PTC on our property and will be required to reduce capital spending in other areas in order to comply with the PTC regulations. We continue to review and explore our options but at the moment we do not have a manageable plan.

Here at the IHB we look forward to the challenges fall and winter bring upon our industry and we believe we are in excellent shape as we go forward. If anyone has any other questions please contact Dave Nelson via email at: dave.nelson@ihbrr.com or via telephone whish is: 708-334-9600.

Yours, truly,

J E Roots

Jim Roots
General Manager

From: Tom Walsh
Sent: Monday, August 16, 2010 5:03 PM
To: Rich Timmons
Subject: End of year 2010 Railroad Service Outlook

Rich,
In response to your letter and the letter of the Chairman of the Surface Transportation Board, please accept the following:

Actions to prepare for end of year shipping season
In addition to on-line business including petroleum products, wood products, talc, cement, lime and other various products, MRL also acts as a bridge carrier for shipments of Midwest grain for export, coal shipments from the Powder River Basin for export and to Pacific Northwest utilities as well as other miscellaneous merchandise shipments. We expect a ratable amount of coal to ship in the last 5 months of the year and a significant amount of grain for export. We feel we are prepared from both an infrastructure and a workforce point of view to handle this business. Due to weather conditions in Montana, annually we begin our infrastructure improvement projects in April and complete that work by November of each year. We have begun that work in April of 2010 and expect to be complete in November.

Economic Investments
- During 2009 we embarked on rehabilitating a 100+ year old tunnel at the top of the continental divide near Helena, MT. The project entailed shortening the tunnel by 340 feet and enlarging and fortifying the remaining 3600 feet. The project is estimated to cost $20 million and is 95% complete as we will be finishing in September.
- During 2008, we began a 3-year rehabilitation project on a 100+ year old bride over the Clark Fork River in Western Montana. That $5 million project involves reinforcing the existing steel with an arch superstructure and converting the structure to a ballast deck bridge. It will be complete by the end of 2010.
- We will replace 110,000 ties in 2010
- We will replace nearly 15 miles of rail in 2010

Comments on PTC
None

Extreme weather conditions
Although unpredictable as to exact timing, Montana has generally difficult winters. See note above regarding timing of infrastructure improvement projects. We do not have any damaged infrastructure that needs repair due to winter conditions.

Plans for achieving goals
Seasonal workers have been working since April and all necessary materials have been purchased. We see no impediments to completing infrastructure improvements before the onset of winter.

If you have any questions, please give me a call at 406 523-1434.

Thanks, Tom

Thomas J. Walsh
President
Montana Rail Link, Inc.
101 International Way
Missoula, MT 59808
(406) 523-1434

PIONEER RAILROAD SERVICES, INC.
1318 SOUTH JOHANSON ROAD • PEORIA, ILLINOIS 61607 • (309) 697-1400

August 20, 2010

Mr. Richard F. Timmons
President & Treasurer
American Short Line and Regional Railroad Association
50 F Street NW, Suite 7020
Washington, DC 20001-1536
(202) 628-4500

Re: End of Year 2010 Railroad Service Outlook

Dear Mr. Timmons:

Regarding the End of Year 2010 Railroad Service Outlook request by the Surface Transportation Board through your letter dated August 13, 2010, please accept this letter as a collective response for all of the Pioneer Railcorp operating railroad subsidiaries.

Regarding actions taking to prepare for end-of-year shipping season, specifically regarding the area of agriculture (coal and intermodal volumes are not a significant impact to subsidiary operations). Additional cars have been made available to the shippers, either through internal company resources or directly by the shippers via lease/agreements with their shippers/receivers, as this will obviously increase congestion potential on the rail, the subsidiaries have the unique ability to "share crews", that is to pull other train crews from other subsidiaries to cover peak shipping periods – keep the traffic flowing (mainly moving unit train proportions); another option –corporate office, personnel has field service experience and is available if necessary, additionally, mechanics/carmen are available within a few hours of most affected locations.

Regarding summary of economic investments made in freight service improvements for the past year. Approximately 1.2 million dollars have been invested into rail infrastructure, most notably approximately 52 miles that have been upgraded to either Class II or 286 Capacity. Additional investments have been made in the past year, to "re-activate" track, that is rehabilitation of existing but previously unused sidings – due to track conditions – to increase car holding capacities. Ongoing investments into additional track capacities and transload facilities are present as well.

Regarding positive train control impacts. Currently, up to three of the operating subsidiaries may be required to meet this requirement, the impact, hugely financial, generally anywhere from 75K-125K per locomotive, this has the potential to cost nearly a million dollars – a big impact for shortline operations. Hopefully, compliance can be achieved through waivers and/or further financial assistance programs.

Regarding extreme weather conditions. The Keokuk Junction Railway Co. subsidiary, suffered significant flood damage in 2008, and is just now finishing up the work. Funding for this was made available by three methods, Iowa Rail Loans, Federal Disaster Relief Grants, and Company resources.

Pioneer Railcorp and its operating railroad subsidiaries appreciate the opportunity to contribute to this worth while effort, should you need any more information or have any comments, please contact me directly, 309-697-1400.

Sincerely,

Shane Cullen

Shane Cullen
VP of Trans. & Opers.

Cc: Mr. J. Michael Carr, President & CEO

RailAmerica, Inc.

John E. Giles
President and Chief Executive Officer
7411 Fullerton Street, Suite 300
Jacksonville, FL 32256
Tel: 904-538-6101
Fax: 904-256-0560

September 1, 2010

Mr. Richard F. Timmons
President and Treasurer
American Shortline and Regional Railroad Association
50 F Street NW, Suite 700
Washington, DC 20001-1536

RE: STB End of Year 2010 Railroad Service Outlook

Dear Rich,

I am in receipt of your August 13, 2010 letter instructing us to provide input for your response to STB Chairman Elliot's letter of August 9, 2010 to ASLRRA regarding the end of year railroad service outlook.

As you are already aware, RailAmerica is one of North America's premier shortline railroad consolidators, currently operating 40 individual properties over 7,400 miles of track in 27 states and 3 Canadian provinces.

Our properties have weathered the same recession effects facing our entire industry, and I can safely report that none of our railroads anticipate capacity or congestion problems for the balance of this year.

In spite of these strong economic headwinds, we have continued to aggressively invest in our physical plant and sought new ways to improve service to our customers. By the end of 2010, we anticipate spending over $60 MM in capex across our railroads for routine annual infrastructure work. This is in addition to $30 MM in project-specific capital that we are putting into our Missouri & Northern Arkansas railroad (MNA) in connection with Union Pacific. This massive capital infusion will provide enhanced safety and service reliability benefits for all of the customers that rely on the MNA for service.

Regarding the impact of Positive Train Control, we remain concerned as an industry about funding for this mandate. While we do not anticipate installing PTC on any of our 41 railroads at this time, several of our class I connections have indicated that we must equip our locomotives with PTC technology in order to run over their properties. Although the ultimate cost of this equipment is not yet known, we are led to believe that it will be between $50-100K per locomotive equipped. This is a heavy burden for shortline railroads to absorb, and we remain hopeful that federal grant programs will be made available to help us mitigate that future cost.

With respect to damage incurred by extreme weather events, two of our operating railroads suffered extensive washout damage during the summer of 2008. After applying to the FRA's Disaster Relief fund, we were awarded over $2 MM in reimbursement for these losses in January of 2009. We are still hopeful that we will receive these funds in short order.

Sincerely,

JEGiles

John E. Giles
President and Chief Executive Officer

WATCO
TRANSPORTATION SERVICES, INC.
"Your Transportation Specialists"

September 10, 2010

Mr. Richard Timmons
President
American Shortline and Regional Railroad Association
50 F. Street, NW, Suite 7020
Washington, D.C. 20001

Dear Mr. Timmons:

Over the past several years we have discussed the impact that the fall peak service period impacts America's short line railroads. At Watco companies 22 short lines railroads, we have made improvements in our track infrastructure, locomotives, human resource training with a focus on safety and our electronic data improvements. Those investments in our network have given us significant flexibility in managing our capacity and our ability to deal with peak volume periods.

This year I offer two thoughts for the Board's consideration:

1. Customers and railroads continue to work together in ways to alleviate congestion. One example of active engagement is the STB's RETAC Committee where all parties actively engage to air problems and share solutions.
2. For short line railroads, our best ability to deal with increased volumes is the utilization of the 45G tax credit that is used for capital improvements to the short lines tracks. As this tax credit expired in Dec. 2009, and has not been reauthorized by the Congress, there have been real declines in short line track investment in 2010.

The most help the STB could lend to the short line railroad industry, in regards to managing peak and surge rail traffic, would be to advise Congress that their inaction on the short line tax credit threatens future peak/surge shipping seasons, and the ability of short lines to managing that traffic.

In the last five years short lines have made more than $750 million in additional track investments that have been used to add and improve capacity on the short line network. This has given the rail industry additional capacity to deal with increasing volumes and I believe is one of the many reasons for service improvements on America's short line railroads. Re-authorization

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of the section 45G tax credit should be paramount on the STB Congressional agenda as a primary tool to meet the needs of the seasonal surge traffic.

I hope this information is helpful and meets the needs of the STB.

Sincerely yours,

Ed McKechnie

A.E. McKECHNIE
Chief Commercial Officer
Watco Companies, Inc.