Eastern Region Meeting Celebrates Award Winners

ASLRA honored railroads for outstanding safety performance in 2018, presenting President’s Awards at the Association’s annual Eastern Region meeting held Oct. 7-9 in Columbus, Ohio.

“The recipients of our President’s Award lead our industry in safety, striving each and every day to value safety above all competing priorities,” said ASLRA President Chuck Baker. “Their impressive performance, with either zero reportable accidents, or the best safety rate below the industry average per man-hour of operations, has led the way to record levels of safety performance for the short line industry.”

The Eastern Region President’s Award recipients are:

- Most Hours of Injury-Free Operation - Columbus & Ohio River Rail Road Company
- Best Safety Rate, greater than 500,000 man-hours - Union Railroad Company
- Best Safety Rate, 250-500,000 man-hours - Buffalo & Pittsburgh Railroad
- Best Safety Rate, 150-250,000 man-hours - Columbus & Ohio River Rail Road Company
- Best Safety Rate, 50-150,000 man-hours - Winchester & Western Railroad Company
- Best Safety Rate, less than 50,000 man-hours - Tradepoint Rail

ASLRA Offers Condolences to Family of JMA Railroad Supply Founder Jack Matthews

ASLRA mourns the passing of JMA Railroad Supply Company founder and chairman Jack Matthews. He was 74.

JMA has been an Associate Member of ASLRA for more than two decades. Jack Matthews was a fixture at ASLRA annual conventions and a strong supporter of the short line industry and our Association. He will be missed.

JMA, which originally stood for Jack Matthews and Associates, was launched as a Midwest management consulting company in the mid-1980s to provide sales and marketing services to a range of industries. A railroad consulting project led it into the rail business and the creation of JMA Railroad Supply, a manufacturer’s representative providing railroad supplies and equipment to short lines, Class Is, industrials and rebuilders.

A memorial will be held at Voss & Sons Funeral Service in Seymour, IN on Oct. 9. All JMA companies will be closed that day in honor of Matthews and to allow employees to attend services.

Matthews is survived by his wife Susan (Gunter) Matthews; children, Lora Fausett, Kimberly Matthews, Jason Matthews; stepchildren, Susan Stumpf, Robert Rice; several grandchildren, and sister, Naomi Riley.
**Chuck Baker to Join Rail Industry Notables as a Speaker at the 2019 RailTrends Conference**

ASLRRRA President Chuck Baker will speak on the State of the Rail Industry panel at this year’s RailTrends 2019 conference in New York City.

NRC President Ashley Wieland, Railway Association of Canada President and CEO Marc Brazeau and Railway Supply Institute President E. Michael O’Malley will join Baker in the discussion.

One focus of the conference is the growth of the short line railroad industry. The entire panel comprises executives from ASLRRRA member companies, namely PanAm Railways, Anacostia Rail Holdings Company, Watco Companies, Genesee & Wyoming Inc., RailUSA and R.J. Corman. They will participate in a segment called “The Explosion of the Short Line.”

Representatives from ASLRRRA supplier members Wabtec and AllTransTek will also give presentations.

Many other notable railroad industry figures are scheduled to speak, including Federal Railroad Administrator Ron Batory, Surface Transportation Board Vice Chairman Patrick Fuchs and executives from Class I railroads.

The conference, presented by Progressive Railroading magazine, will take place Nov. 21-22. Click [here](#) for a registration form.

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**STB Announces Notices of Proposed Rulemaking**

The Surface Transportation Board (STB) announced two notices of proposed rulemaking on Sept. 30. One is a revision to the board’s method of calculating the rail industry’s cost of capital, while the other would amend railroad performance data reporting rules.

The STB wants to add an additional model, known as Step MSDCF, into its calculation for determining the railroad industry’s cost of capital.

Cost of capital is the weighted average of the cost of debt and cost of equity. The STB calculates this figure each year for use in various regulatory proceedings. To determine the railroad industry’s cost of capital, the STB currently uses two models: the Morningstar/Ibbotson Multi-Stage Discounted Cash Flow Model and the Capital Asset Pricing Model.
Using the Step MSDCF model in conjunction with the other two would, according to the STB’s press release, “enhance the robustness of the resulting cost-of-equity estimate during periods, like the present one, in which certain railroads are undertaking significant operational changes.”

Comments on the STB’s proposed rulemaking are due Nov. 5, and replies to those comments are due Dec. 4.

The second notice of proposed rulemaking suggests including chemical and plastics traffic as a separate reporting category for Class I railroads’ “cars-held” reporting metric. The proposal grants in part a petition from the American Chemistry Council.

To enable the STB to better track rail service, Class I railroads must report certain railroad service performance metrics on a weekly, and sometimes monthly, basis. The “cars-held” metric refers to the average number of loaded and empty railcars that have not moved for 48 hours or more.

Requiring Class IIs to report chemical and plastics traffic data separately will, according to the STB, provide both the agency and stakeholders “better visibility into the fluidity of this traffic segment,” better enabling both groups to “detect and mitigate emerging service issues affecting chemicals and plastics shipments.”

Comments on the second rulemaking are due Dec. 6, with replies due Jan. 6, 2020.

The (STB) also issued three decisions on Oct. 7 related to demurrage and accessorial rules and charges. One is a proposed policy statement and the other two are proposed rules.

The decisions were released together as a result of public hearings the STB held in May to discuss the issue. Over 50 participants attended the two-day hearing, which the STB convened in response to recent changes made by Class I railroads to their demurrage and accessorial rules and charges.

STB’s policy statement presents ideas guiding the Board when it judges the reasonableness of such rules and charges. The statement addresses areas of concern raised at the hearings, and the goal of the statement is to aid in problem solving, prevent future issues and resolve disputes.

The first proposed rule, titled Demurrage Billing Requirements, suggests changes to the STB’s rules regarding demurrage liability. It proposes requiring certain information from Class I railroads on their demurrage invoices and requiring Class IIs to send such invoices directly to the shipper if agreed upon by the shipper and warehouseman.

The second proposed rule, Exclusion of Demurrage Regulation from Certain Class Exemptions, clarifies rules regarding exemptions for certain miscellaneous commodities, so it is clear those exemptions do not apply to demurrage regulation. Additionally, the rule discusses exemptions for certain agricultural commodities.

Comments for these decisions are due Nov. 6, and replies are due Dec. 6.

ASLRRA staff is reviewing all notices, and will take action on behalf of short line railroads as appropriate.
Colorado Governor Tours Encore Rail Systems Headquarters

Colorado Governor John Hickenlooper visited the Broomfield, Colo. headquarters of ASLRRA supplier member Encore Rail Systems on Oct. 8. Hickenlooper toured the facilities of the railroad crosstie remediation company, and participated in a policy discussion with company leaders, employees and rail industry representatives.

The group’s discussion focused on transportation infrastructure, the 45G short line tax credit and plans to create jobs in Colorado.

Representatives Visit ASLRRRA Members During Congressional Recess

Two members of the U.S. House of Representatives toured local businesses while back in their hometowns during the October congressional recess.

On Oct. 3, Congressman Greg Pence (R-Ind.) visited the Greenfield, Ind. headquarters of ASLRRRA supplier member Midwest Mole, and a day later Congressman John Carter (R-Texas) was at supplier member Georgetown Railroad Equipment Company’s (GREX) headquarters in Georgetown, TX.

At Midwest Mole, Pence toured the facility and learned about operations at the trenchless technology company, which specializes in railroad construction services, shaft installations, hydro-excavations, heavy transportation and open cut services.

At GREX, company officials talked to Carter about their work providing railway maintenance equipment and technology for track inspections and material handling problems.
Additionally, both Pence and Carter spoke with rail industry representatives and respective company employees about transportation infrastructure and passing the Building Rail Access for Customers and the Economy (BRACE) Act, which would make the short line infrastructure investment tax credit, also known as 45G, permanent.

The congressmen support the 45G tax credit and are co-sponsors of the BRACE Act. Attendees at each company thanked Pence and Carter for their support of the bill.

(Right) Congressman Greg Pence, center, speaks with employees of Midwest Mole during his visit to the company’s headquarters.

(Below) Congressman John Carter, left, talks to GREX employees during a visit to the company’s Texas headquarters.

Photos Courtesy of REMSA

**Representative DeFazio Says FRA Needs to Take Accountability Office Recommendations Seriously**

In a statement regarding a U.S. Government Accountability Office (GAO) report concerning increasing train lengths, U.S. Representative Peter DeFazio (D-Ore.) urged the Federal Railroad Administration (FRA) to take the GAO’s recommendations seriously.

The [GAO report](#) noted that while the average train length has increased by 25 percent, little to no data has been collected measuring the effect those trains have on communities. Specific issues include safety risks to train crews and long delays at grade crossings, which can cause delays for emergency responders.

The GAO recommended that the FRA develop and implement a safety strategy for very long trains; work with railroads, state and local governments to study the impact of long trains and train operations on highway-rail crossings; and work out solutions to reduce these effects.
ASLRRA Announcements

To further tell the short line story, ASLRRA will profile some of its members who are noteworthy movers and shakers in the railroad industry. These railroads’ savvy decision-making and ingenuity make their business achievements worth sharing.

Short Line Acquisitions Count, But Play Only a Partial Role in OmniTRAX’s Growth Spurt

With railroads poised to claim a larger stake in the country’s growing shipping industry, short lines are becoming a must-have investment for larger companies. But the most successful of those companies knows that simply owning more railroads does not automatically equate to large-scale growth. Being able to offer companies a full suite of services is an important part of the overall business plan.

ASLRRA member OmniTRAX discussed its successes in a recent company profile in The Denver Post. OmniTRAX has made several short line acquisitions just in the past few months, including Winchester & Western Railroad, the Cleveland and Cuyahoga Railway, the Cleveland Port Railway, the Alabama and Tennessee River Railway and the Fulton County Railway, all of which increase the company’s territory by roughly 30 percent. Yet, the purchase of short lines is not the sole reason OmniTRAX’s operating earnings have grown at a compounded rate of over 20 percent a year for the past five years.

Instead, OmniTRAX CEO Kevin Shuba told The Denver Post that the company considers itself “in the third-party logistics business,” and much of its growth comes from the ability to combine real estate development and logistical support with rail transportation. OmniTRAX will not only ship raw materials and finished goods, it offers transload and switching services, and will help a customer to find land and set up facilities in its industrial parks.

OmniTRAX is an affiliate of The Broe Group, and founder Pat Broe has worked to develop large industrial sites served by OmniTRAX railroads, such as the Great Western Industrial Park in Windsor, Colo. After transforming the 3,200 acres previously owned by Eastman Kodak, a number of companies moved in, including Owens Illinois, now O-I, which opened a bottle manufacturing plant; Vestas, a Danish wind-turbine manufacturer; and Halliburton, which built a sand terminal.

Most recently, the Great Western Industrial Park welcomed Intersand, a Canadian company that manufactures and sells cat litter products. Intersand is building a production, packaging and distribution facility there, and OmniTRAX-owned Great Western Railway will bring in bentonite, an absorbent clay, from Wyoming.

The success of the Great Western Industrial Park has led to similar development projects in Brownsville, Texas; Savannah, Ga.; Stockton Calif. and Sand Springs, Okla.

Across all its business endeavors, Shuba estimates OmniTRAX has supported the creation of 24,000 jobs and $4.8 billion in investments. Much of this growth has been in rural areas, where development offers a welcome economic boost.
Collecting properties might be a winning strategy when playing Monopoly, but today’s railroad customers are often looking for more than a way to move goods from one location to another. OmniTRAX’s booming growth showcases the company’s willingness and ability to help customers set up entire business enterprises that, once operational, rely on short lines to ship products in and out.

ASLRAA Webinars

Maximizing Income Tax Savings Using Estate Tax - Oct. 16, 2019

William Kriesel, partner-in-charge at Bowers & Company CPAs, will discuss the impact of significantly increased estate tax exemption levels, as well as several ways estate planning should be changed to accomplish income tax savings by maximizing estate tax law opportunities.

Crossings: The Necessary Evil We Must Contend With - Oct. 23, 2019

Attorney Michael Barron of Fletcher and Sippel will focus on the risks and pitfalls of utility crossings and some tools railroads may have to deal with them. Barron will also discuss the current state and best practices of dealing with blocked crossing issues.

Private Grade-Crossing Safety - Oct. 31, 2019

ASLRA’s Vice President of Safety and Compliance JR Gelnar will teach participants about regulatory requirements regarding private crossings, as well as evaluating the overall safety of a private crossing and how to work with local officials and landowners in mitigating safety concerns.

Click here for more ASLRAA events.

Industry Events

Click here for a listing of industry events.