

Regulatory Update

Southwest Association of Rail Shippers

Dallas, Texas

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**ASSOCIATION OF
AMERICAN RAILROADS**



Hottest Regulatory Issues

- Surface Transportation Board:
 - Senate reauthorization bill,
 - Revenue Adequacy / Cost of Capital,
 - Forced Access.
- Department of Transportation:
 - Flammable Liquids,
 - Positive Train Control.



Revenue Adequacy / Cost of Capital

- Most important issue faced by rail industry today.
- Outcome determines whether there will be sufficient capital to meet DOT safety initiatives and deal with capacity requirements.
- STB hearings on both topics in July 2015.
- No results from hearing process to date.



Forced Access

- STB hearing March 2014.
- No activity on issues since that date.



Flammable Liquid Rule



- PHMSA tank car standard and operations rule issued May 1, 2015.
- Operational, not commodity or car based.
- Total timeline for compliance = 10 years including retrofitting of existing equipment.
- Includes car specifications and operational restrictions.
- ECP Brakes for High Hazard Flammable Unit Trains (HHFUT).
- Notification requirements.



Who Doesn't Like It ?



- Just about everybody (the list changes a lot).
- Appeals to the agency (PHMSA),
 - AAR,
 - American Chemistry Council,
 - American Fuels and Petrochemical Manufacturers,
 - Dangerous Goods Advisory Council,
 - Tribes.
- Petitions for judicial review,
 - American Petroleum Institute,
 - Short Line Association,
 - Environmental groups,
 - Municipalities.



The Complaints ?



- Covers too many / or not enough cars.
- The 20 car exception.
- Inadequate thermal protection.
- Schedule for compliance too fast / too slow.
- ECP brake requirement not justified. No requirement that ECP actually be installed on tank cars.
- Notification requirements inadequate / too extensive.
- Retrofitting reporting insufficient.



Why Positive Train Control ?

“When the train is in motion, the responsibility for safe running rests entirely with the motorman.”

“No collision with another train will be excused.”

Chicago, North Shore and Milwaukee Railway

Time Table Number 57; May 23, 1954

Special Instructions, page 25



Features of the PTC Mandate

- Mandated by 2008 rail safety bill.
- Required for:
 - All main lines on which regularly scheduled passenger trains travel,
 - All Class I main lines > 5 million annual GTM handling TIH materials.
- Installation by Dec. 31, 2015.
- FRA implementing regulations expanded installation requirements.





Railroads That Are Affected

- 7 Class I railroads
- Amtrak
- 21 commuter railroads
- Between 43 and 94 short-line and regional railroads
- Total between 71 and 112 railroads
- Everything must be interoperable





Largest Combined Effort in U.S. Transportation History

- Highly precise geo-mapping:
 - 94,000 miles of track,
 - 475,000 assets and features.
- Install PTC technology on more than 22,500 locomotives.
- Install 37,000 “wayside interface units”.
- Install PTC technology on over 4,400 switches in non-signalized territory.
- Undertake 14,000 signal replacement projects.



Largest Combined Effort in U.S. Transportation History

- Develop, produce, and deploy a new radio system and new radios:
 - 4,200 base stations,
 - 31,500 trackside locations,
 - 22,500 locomotives.
- Develop back office systems and upgrade dispatching software and hardware.
- Train 115,000 personnel to operate, maintain and manage the system.



Significant Issues

- Shortage of qualified signal design engineers.
- Protocols for geographic mapping and data systems updating.
- Sufficient spectrum and “Tuning” 220 MHz data networks.
- Development and testing of on-board software.
- Training of Employees as individual subdivisions come on-line.
- Reliability of Installed Systems.



Significant Issues

- Consistent availability of all components from suppliers.
- Phasing in of systems, particularly in complex areas.
- FRA certification process
 - The shortage of qualified people extends to FRA,
 - FRA must approve PTC Safety Plans prior to start-up of PTC installations. Other matters as systems mature.



More Time Needed to Ensure Safe & Effective Implementation



- RRs have devoted enormous resources (\$6 billion to date) to PTC, and progress has been substantial.
- But, a reliable, nationwide, interoperable PTC network will not be completed by 12/31/2015.
- RRs are committed to implementing PTC, but, more time is needed to ensure safe and effective implementation.



What is Needed Going Forward?

- Law requires railroads to complete installation by 12/31/2015. This will not happen.
- Senate Commerce Committee requested railroads to outline the actions they would need to take if current circumstances continue.
- Individual railroad replies indicated that legal and liability issues could result in a variety of actions ranging from:
 - Cessation of operations involving passengers and TIH chemicals on PTC lines, to,
 - Shut down of all operations on PTC lines.



What is Needed

- Several commuter carriers noted that an employer cannot direct an employee to break the law.
- TSA regulations could require clearing all TIH cars from the rail network by 12/31/2015.
- FRA has stated it must enforce the law, as written.
- Senate passed bill extending installation deadline and providing further time for system activation and testing.
- Similar, but not identical, bill now in House.
- Need action before 11/1/15 to avoid disruption.



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