

PIONEER RAILCORP

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August 19, 2008

Mr. Richard F. Timmons
President
American Shortline and
Regional Railroad Association
50 F Street, NW, Suite 7020
Washington, DC 20001-1536
(202) 585-3442

Re: Surface Transportation Board Request – Fall 2008 Capacity and Congestion Issues

Dear Mr. Timmons:

Regarding your letter dated July 29, 2008 inquiring about potential capacity and congestion problems on Pioneer Railcorp railroad subsidiaries, the following statements address the concerns of Mr. Nottingham, Chairman – STB.

- Flood Impact – The Keokuk Junction Railway Co. (KJRY) suffered the effects of the 2008 Flood, KJRY service was interrupted for about six weeks, total shut down time of the KJRY and the industries served was approximately two and one-half weeks. KJRY Keokuk Yard Track and Mainline Tracks were submerged for nearly two weeks – the floodwall held protecting the industries from catastrophic damage. KJRY, with the assistance of the Iowa Department of Transportation Rail Revolving Loan and Grant Program – Emergency Sessions, has the immediate and necessary financing in place to repair the flood damage and restore the KJRY to the pre-flood state; track work is expected to take three to four months.
- Peak Shipping Season – Generally speaking, the capacity and congestion on the subsidiaries is mostly a product of the Class I's capacity and congestion issues; bunching of cars, irregular interchanges, and etc. For example, a Class I dealing with capacity or congestion, may miss interchange, or set cars out but not pickup, sometimes for a day, sometimes two, and sometimes more, that impacts the subsidiaries ability to efficiently service customers, the short line is really being reactive to the Class I at this point. The subsidiaries are prepared with constant communication with the Class I, the rail customer, and train crews; the subsidiaries generally have flexible crews and the ability to pull experienced crews from other operating subsidiaries, including the corporate office when needed.

- Performance Goals – since shorelines operate on a small margins, the subsidiaries are continuously monitored, generally train movements are governed by safety first, then financial impact to operations, such as car hire – which directly influences dwell times and other related items, as most are aware, the subsidiaries don't necessarily operate under the Class I criteria per se.
- Plans For Achieving Those Goals And Communicating With Customers – Referenced above.
- Plan For Increasing Capacity In 2009 – Over the past few years, the subsidiaries have been “re-claiming” tracks, not only for storage purposes, but to address the capacity issues and needs of the online customers, in addition, the subsidiaries continue to work with States (and Federal initiatives) to utilize funding programs for shorelines to increase capacity and operating efficiencies. For 2009, the subsidiaries continue to reclaim track and pursue funds to build and upgrade infrastructure – supporting legislation such as the tax credit.
- Critical Capacity – Related Infrastructure Needs – Currently the two largest constraints are rail size and track, specifically rail size and the 263 vs. 286 limitations, if funding – primarily grant funding, would be available to upgrade the mainlines for 286, the older, smaller rail could be used to building yards/sidings to enhance capacity, generating more infrastructure for the same money.
- Plan For Addressing the Critical Capacity Needs – Continue to work with Federal and State legislatures for funding, grants, the tax credit, and every available avenue. Continue to re-invest revenues conservatively into infrastructure that will bring immediate return and benefit to the rail lines.

Pioneer Railcorp, on behalf of it's operating subsidiaries, appreciate the opportunity to work with the STB and ASLRRA on this matter; if you have any direct questions, please do not hesitate to contact me directly, (309) 697-1400.

Sincerely,



Shane Cullen
Superintendent