

THE RAILROAD WEEK IN REVIEW

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"This Kentucky railroad baron isn't a household name. But his story is one of extraordinary success, generosity, grit, and sadness." -- Carol Loomis, Fortune, March 7, 2011

Long-time shortline icon and advocate Rick Corman has passed away. He had fought a long, courageous, and difficult battle with cancer and died at home with his family at his side. He was 58 years old. Kathy Cassidy of the ASLRRRA prepared this touching obit.

Rick was a steady hand at the helm of RJ Corman Railroad Group since the founding of the company in 1973. Equipped with only a backhoe and a dump truck, Corman got his start in the rail industry by digging out and repairing railroad crossings on the L&N. The dump truck, which was red and silver, became the signature Corman colors. "You can't be good if you don't look good," he told Fortune magazine in March, 2011. Rick's first railroad acquisition was a 20-mile short line which he acquired in 1987. Adding to the stable of companies over the years, the group now encompasses more than 20 companies in 21 states.

"If you didn't know Rick, you at least recognized him in his distinctive Corman Red jacket", said ASLRRRA President, Rich Timmons. "I knew Rick as an innovator and very creative guy. He played an important role in shortline growth following the Staggers Act; his high standards and strong performance played out in every one of his various enterprises. Under Rick's leadership and through his guidance, the Corman operations were multiple winners of both marketing and railroad safety awards over the years."

Rick Corman was a strong-willed guy. Diagnosed with multiple myeloma, a blood cancer that attacks the plasma cells in bone marrow, Rick did not throw in the towel. He fought back with everything he had and helped many others along the way by seeking out the experimental treatments that would come to help him beat back his cancer for so many years.

Although Rick has now lost his medical battle, he leaves behind an outstanding record of accomplishment that has benefitted many in the short line railroad industry. He also leaves behind countless friendships that he earned through hard work, honesty, and honor in everything that he did. He will be sorely missed but always remembered and greatly respected for a life well lived.

Craig King, RJ Corman Railroad Group President, noted that the final line of the Fortune Magazine article of May 2011, "The Ballad of Richard Jay Corman", by Carol Loomis, captures what those who knew Rick Corman are feeling today. She wrote, "And when his luck runs out, the word will go up on the company website, and the world will have lost some of its style."

Rest in peace, Rick. And let the rest of us remember him by reading again the Loomis piece in Fortune, <http://management.fortune.cnn.com/2011/03/07/the-ballad-of-richard-jay-corman/> .

The Union Pacific Short Line conference is always a class act. We may no longer have the long train rides of yore, but we have the run of the Omaha Hilton, across the street from the CenturyLink Center of Berkshire Hathaway Annual Meeting fame. Some 200 representatives from more than 100 different properties descended on the place Monday for a gala reception and dinner in the nearby UP headquarters building and it was off to the races from there.

Brian Maher, AVP for Network & Industrial Development, says UP moves touch some 400 North American short lines, half of which have direct connections with UP. Non-Class I roads did 1.6 million revenue units with UP last year, roughly 18 percent of UP's 9 million total revenue units reported for 2012. For 2013 year-to-date, UP total revenue units are off 1.1 percent, with merch carloads up 1.3 percent, as shown in last week's WIR table. Judging from the marketing presentations (see below), it appears revenue units touching short lines and regionals are up by greater percentages than the UP organic units by commodity group.

Chief Commercial Officer Eric Butler set the scene beautifully Monday evening between drinks and dinner. In a very few words, he cited the importance of UP's short line *partners* -- if he used that term once, he must have used it twenty times -- in extending the franchise, opening new markets and extending old ones. His remarks in turn teed up the morning's opener from Chief Operating Officer Lance Fritz.

Chief Operating Office Lance Fritz showed how UP is zeroing in on the "service-volume equation," with the goal of eliminating network variability and achieving a zero-accident workplace. He says the aim is to make UP "run like a top" by getting everybody involved in moving a car from origin to destination "engaged" in the process. But he doesn't stop there, giving specific examples of process improvement that will work as well in the non-Class I environment as they do on UP: customer satisfaction surveys, track maintenance consistency, integrating mechanical, operating and mechanical programs with commercial objectives.

We then segued to a three-way commercial panel featuring Beth Whithed, GM for chemicals, Brad Fisher, Industrial Products VP, and Paul Hammes, Ag Products VP. In chemicals, the big play is crude oil, where roughly a third of UP feeder lines have a role. Other petroleum products, plastics and soda ash round out the commodity groups with particular shortline strength. Year-to-date crude oil and petroleum products are up 27.8 percent; the other chems are up 2.6 percent. For the balance of the year, Beth sees more LPG in California and Kansas, heavy-crude diluents from Texas to Alberta, increased nitrogen-based fertilizer, and even more plastics. Short lines, she says, are "critical" in these growth areas.

Thrasher's IP group runs more than 150 commodity OD pairs. He sees continuing strength in housing starts -- STCC 24 up 11.9 percent YTD -- bringing along cement, rebar, and aggregates in the bargain. Steel is a tougher call. Some 60 percent if the piping going to drilling states comes

from off-shore, yet those producers are setting up operations in the United States and creating a triple-whammy for UP and its shortlines: iron ore and coke in, coiled steel to pipe producers and finished pipe to well sites. Frack sand and cement are also on the upswing due to drilling activity, as is road-building material to upgrade farm crossings handling more and bigger trucks serving the new drill sites. Here again, UP predicts a higher percentage of carload growth for feeder roads than for UP local. His wrap? “Anything you find, work with us.” How refreshing.

Hammes’ ag group is, like Gaul, divided into three parts: grain, grain products and STCC 20 foods. YTD grain is off 18.6 percent, and at 164,000 units represents nearly two out of every five carloads his group sees. Grain is up a point and food down two points. Since 85 percent of grain moves in unit trains and 85 percent of that is in dedicated shuttle service, volume deltas are really a function of what farmers bring to market. Grain products and food are another matter. UP is expanding the ethanol network with short lines and taking out service variability, effectively increasing the available fleet size without buying more cars. And in food, UP has the largest fleet of refrigerated box cars, a Unique Selling Point if there ever was one. Here again, right car, right place, right time wins.

Joe Arbona, Director of Policy and Partnerships, took us through the inner workings of Tiger Grants, public-private partnerships and state and local government relations; Connie Roseberry, General Attorney, gave a through explanation of the new federal regs concerning hazmat shipments. I was particularly pleased to see these presentations on the program because too often, in the press of Running Trains, short lines give short shrift to these vital topics.

In what I’d call a grown-up approach to individual meetings, UP made available some 30 individual meeting rooms at UP Center Wednesday morning. Each participating short line had its own room to use as it saw fit, inviting UP staffers to address specific concerns and put faces with voices. There’s a greater sense of privacy and control over subject matter and, best of all, being in the building makes it more convenient for UP staffers to make the meetings.

Todd Whitham, Senior Director for Short Line Marketing, performed a yeoman job of emceeding the proceedings. And I have to give a special shout-out for Robin Ringwald, Senior Manager of Short Line Development, for her tireless and highly effective role in making sure everybody knew where to be when and properly prepared when they got there. Thanks, all.

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