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To My Rail Advocacy Friends:

New Year's Greetings; Thoughts about RAIL

As I think about you, a group of *semi-like-minded* folks, I am reminded that we are a very diverse group, although not diverse enough. We need to be more inclusive, especially with the young and with women and minorities (soon to be majorities!). Our number includes a few railroaders – some hewing to the corporate message and others not, many seniors, with a wide range of unique experiences in public policy and transportation, a few rail fan nostalgia buffs, and some very active non-transportation-oriented, but thoughtful and objective, professional folk who believe that rail ought to have a more prominent place in our multi-modal transport and mobility future. All are very important to the cause of *independent* advocacy for the rail mode of transportation.

Twenty-fifteen (2015) was not a good year for rail, and certain trends do not bode well for 2016. Whether we like it or not, the seven (7) largest investor-owned Class I railroads – which like to call themselves "*freight*" railroads – control the destiny of virtually all potential rail solutions in America. Amtrak is also a Class I railroad, but it is obviously not privately owned, and under current circumstances, it does not control its own destiny. How this came to be is a long story, heavily influenced by unfortunate public policy decisions made in Washington and in state capitals over many years. Fortunately, the last twenty years have witnessed a modest awakening of public policy awareness regarding the potential of rail, but whether or not the "omelet" made by congress and state legislatures over the past 100 years can be reconstituted, or even modified, is daunting. Nevertheless, we must try.

Currently there is panic, or near panic, in the executive suites of *freight rail* companies. With the exception of a few bright spots, such as the automotive sector, rail freight business in the east is terrible. Coal traffic – the traditional base of rail freight -- is down 30% or more, and it isn't coming back, at least nowhere near what it was. It's gone! Crude-by-rail – a victim of overproduction and low oil prices, and even lower natural gas prices -- is down more than 25%. Even rails' showcase business sector, intermodal (truck rail, too often a loss-leader) will finish the year with a paltry increase of only about 1.6%. Rail share prices are down as much as one-third since this time last year. That's BILLIONS of dollars of rail market cap that has disappeared. This has not gone unnoticed by the wolves of Wall Street. We have already seen hedge-fund manager, Bill Ackman, making a play for Norfolk Southern. There may be others ready to pounce. A hedge fund should never be allowed to control a U.S. railroad company; the modus operandi of hedge funds -- short swing opportunistic moves in and out -- is simply an anathema, inconsistent with sound long term strategies necessary to preserve, renew and expand rail infrastructure and thus permit market growth, rather than attrition.

While NS has three times rejected Ackman's acquisition proposals – made on his behalf by his hatchet man, Hunter Harrison – who knows what NS shareholders may do when, as seems likely, a Harrison/Ackman (CP) tender offer is formally presented to them. Meanwhile, in an effort to save their own hides, rail CEOs – or some of them – are acting like hedge fund managers themselves. CSX is the most recent example. The results have often been devastating to Amtrak service in Virginia, and will – if not countermanded -- prove to be just as damaging to intermodal, and other rail freight. Many of these manifestations of madness are old operational practices tried and widely discredited years ago as counter-productive.

Amtrak also had a bad year, but ended it with almost level ridership numbers, in spite of a terrible accident in Philadelphia in May, and system-wide performance failures, many of which were directly attributable to freight railroad operational problems, track maintenance, and even to unavoidable construction-related delays associated with route enhancement in anticipation of future higher speed service. Virginia service was adversely impacted for all of those reasons. More directly related to disastrous CSX operational experimentation, Richmond's Main Street Station saw an unprecedented drop in traffic in the final quarter.

In the final days of 2015, the Surface Transportation Board (STB) announced that it would encourage comments on a proposed rule-making process designed to clarify on-time performance standards, as well as the issue of "preference" (if any) to be accorded Amtrak passenger trains by "host" freight railroads.

The antagonistic and adversarial relationship that we witness all-too-often between the freights and Amtrak dates back to the May 1, 1971 creation of the National Railroad Passenger Corporation. All too often, Amtrak has made itself a target for legitimate criticism. That said, Amtrak – particularly under its present CEO and board – has made progress. If nothing else, Amtrak has clearly established that there is a huge potential demand for quality intercity rail passenger service. Credit must also be given to the Commonwealth of Virginia, and its efforts under a half-dozen gubernatorial administrations. Virginia is now a leader among states sponsoring regional Amtrak service.

The time has come for those of us who care deeply about the future of *both* rail freight and passenger services to do our part in an effort to save the railroad industry from itself, as well as from predatory raids by the likes of Harrison and Ackman. Let's weigh in with the STB, as they have invited all to do. Let's speak out about the potential set-back to Virginia rail freight and passenger Investment and service development programs.

Our Governor, and the Secretary of Transportation, as well as the Director of DRPT, should be encouraged to take part in this effort. We have come too far to stumble now.

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