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A YEAR IN REVIEW

RII completed its 26th year in business on June, 30, 2010. It was a rough year for everyone across the U.S., but RII was pleased to see growth beginning again during the last several months—exhibited not only through our own project activity, but also from the forecasting results performed for various clients.

The strongest factor contributing to our success has been our people—a dedicated team with diverse skills, creativity and drive that has carried us through some times, evolving as the situation changed and spurring us forward. It is good to be in growth mode again, and we hope for the same for each of our friends, clients and colleagues.

During the year, RII expanded some services as activity in others died down. Unlike many companies who focus on a single core specialty, RII prides itself on a diversity of services, from hands-on inspections for track and equipment, operations and safety to 30,000 foot level planning, feasibility and market studies, cost/benefits analysis and negotiations/mediation between stakeholders. We believe this diversity in services is the reason RII has been so successful during the tough year.

RII maintains this diversity in expertise and services with its extensive network of specialized associates across the country, covering maintenance of way, mechanical, operations, marketing, real estate, finance, economic development, contracts, project management and many other areas required in comprehensive transportation consulting. We consider our specialized associates to be members of our Team, the strongest factor in our success.



The following trends have been noticed in demands for our services:

- 1) As traffic has died down, most shippers have cut back on logistics and transportation services. Instead, RII is now being asked to perform more **Safety Audits and Operational Analysis**. Safety Audits allow clients to identify and solve costly problems, focus and cut maintenance budgets safely, audit contractors' work and reduce accidents, claims and liability exposure by reducing risks, cutting insurance costs and exposure on claims.
- 2) Most private development projects were put on hold, but many investors are taking advantage of the buyers market to make acquisitions now. RII's activity performing **Forecasting and Due Diligence** has increased significantly for investors of all levels.
- 3) Public infrastructure projects have increased due to the ARRA Stimulus Funding. Along with this funding has come stricter requirements for inclusion of small and disadvantaged businesses on public projects through subcontracting. As a **certified DBE** in 43 states, RII has seen increases in its subcontracting engagements in everything from track inspections for new construction work to providing the traffic studies for larger economic development plans.

We look forward to an upcoming year of continued growth and getting back on track for everyone!

Service Highlight

Market Studies and Forecasting

RII provides market studies, market development plans and demand forecasting for almost any type of business. Many acquisitions, investments and development projects require a thorough market analysis to project accurate future business, reduce risks and plan for growth. RII is experienced at finding the growth indicators for any commodity or service, surveying market stakeholders for both quantitative and qualitative data, forecasting growth and discovering ways to improve marketing plans. Whether it is a new project, or an existing business, contact RII to see how we can help.



Railroad Industries Incorporated
Full Service Transportation Consulting

Who's Who in the Industry



Charles David Pettry—Engineering/Maintenance Expert

Beginning his rail career in 1977 with CSX Transportation, Mr. Pettry has over 35 years of experience in the transportation industry. He is a specialist in rail engineering, track structures, safety, materials, signals and maintenance of way management. After leaving CSX in 2004, Mr. Pettry began consulting for the rail industry, helping railroads, shippers and investors improve safety, quality and costs. He has worked with RII for the last 6 years consulting for rail inspections, rehabilitation costing, maintenance of way plans including budgeting and scheduling, contractor auditing and new track construction estimates, including RII's international projects and feasibility studies. Mr. Pettry also has strong experience in transportation/infrastructure recovery projects after natural disasters.

I ♥ Rails

Warren County Boston & Maine #482 Caboose Sale RFP



Warren County, New York

The County-owned Rail Station in Riparius, New York, includes the Boston & Maine Caboose #482 built approximately in the 1930's, which is owned by the County and has been a part of Riverside Station since 1995. The Caboose was being used as a concession stand, at the Rail Station and the County is opting to offer the Caboose and the equipment inside, for sale.



For information or assistance in putting together a proposal please contact RII at 775-329-4855.

June Events

Several RII staff are members of the International Economic Development Council, so the IEDC's "How You Build It" conference in June was of special interest. The conference focused on development projects going on all over the country and how to maximize community benefits achieved from them. Topic included entertainment projects, implementing ideas for development projects including the bumps in the planning process and ways to resolve them, and new, innovative ideas on how to utilize the resources your community already has available to improve the area's economy. The conference was enhanced with speakers from all over the country including, Todd Achelpohl of HNTB Architecture, Clayton I. Bennett, President of Dorchester Capital and Chairman of The Oklahoma City Thunder, the Honorable Mick Cornett, Mayor of Oklahoma City and many other experts in the field of economic development.



Upcoming Events

July 11th - 13th - 24th Annual Midwest Regional and Short Line Railroad Conference in Brainerd, MN

July 12th – 13th - Midwest Association of Rail Shippers (MWARS), Lake Geneva, WI

Aug. 29th – Sept. 1st - AREMA 2010 Annual Conference & Exposition, Orlando, FL

Aug. 30th - Sept. 1st Operation Lifesaver Symposium & Training Seminars in Baltimore, MD

Sept. 14th - 16th - Southeast Association of Rail Shippers (SEARS), St. Augustine, FL

Sept. 15th - 17th - Railroad Insurance Management Association (RIMA), Jackson Hole, WY



Washington State Department Of Transportation

RII is pleased to be able to claim that it has been on WSDOT's On Call Rail Engineering and Operations team for the last 7 years—on the HDR Engineering team. The most significant project has been the Northern Columbia Basin Railroad project at Moses Lake. RII assisted with the cost/benefits analysis for this project, which included economic modeling and public benefits review, as well as economic impact and costs. The 5 phases of the project include abandonment of a segment of line through the town, new construction of a segment of line skirting the town, rehabilitation of a segment of line extending to the Port of Moses Lake, new track extending the line around the Port, and possible extensions of the line to connect with BNSF and/or the Port of Quincy to the north and northwest. The STB has approved the environmental assessment report and the project is now seeking funding. WSDOT is helping to fund this project because expanding and improving rail access in this area will promote economic development in the region, as well as safety within the city of Moses Lake.

CLIENT SPOTLIGHT

Buzzi Unicem

BUZZI

Buzzi Unicem is a world leading cement and aggregate producer. Headquartered in Italy, Buzzi Unicem acquired Lone Star Industries in the US several years ago. Buzzi's Greencastle, IN facility owns its own railroad, serving its facility and several other industries. RII assisted Buzzi in acquiring the line from CSX and starting up operations. Since then, RII has provided annual safety training and engineer certification for this industrial railroad. Currently, RII is planning to augment training with the new conductor certification and safety audits for each facility. Safety has always been a key concern at Buzzi Unicem.

Safety Corner

RII has continued its campaign to provide On the Spot Training for the new FRA certification requirements for engineers and conductors, and has served several short line railroads and industrial shippers so far. A new requirement for Hearing Conservation training and testing is also an area where RII can help. We have put together a Training package with qualified personnel and are offering that service as well. Please contact us at 775-329-4855 for more information.

Operation Lifesaver—IGT in Reno, NV held its annual Safety Fair on June 17th. Nevada State Coordinator Richard Gent and Northern Nevada Regional Coordinator Raymond Ritch set up the event booth and RII presenters were there to help teach the Railroad Safety message.. We look forward to being invited back next year!



DOT Junction

RCAF		
Quarter	Adjusted	Unadjusted
1Q 2009	0.467	1.022
2Q 2009	0.387	0.850
3Q 2009	0.426	0.938
4Q 2009	0.45	0.996
1Q 2010	0.467	1.038
2Q 2010	0.477	1.060
3Q 2010	0.479	1.068

R II SwitchPoint

Last issue's Topic:

Passenger trains on freight rail tracks

There is a growing push to allow shared passenger and freight operations on the same tracks. As transportation needs for people increase, communities are looking at existing rail assets as a way to expand transportation/transit services rather build anew. However, passenger and freight transportation each have very different types of operations. Developing operating plans that allow efficiency for both groups is challenging to say the least, and flatly opposed in many circumstances.

Comment 1) Any delay or change in a railroad operation adds significantly to its operational costs. When access fees paid to railroads to run on their tracks are raised to cover those costs, people complain. When railroads raise their rates to cover those costs, people complain. You'll never please everyone.

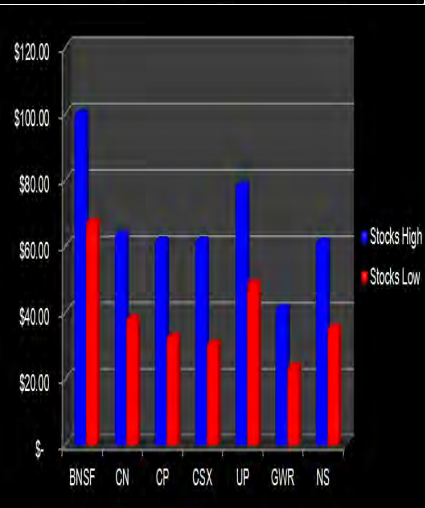
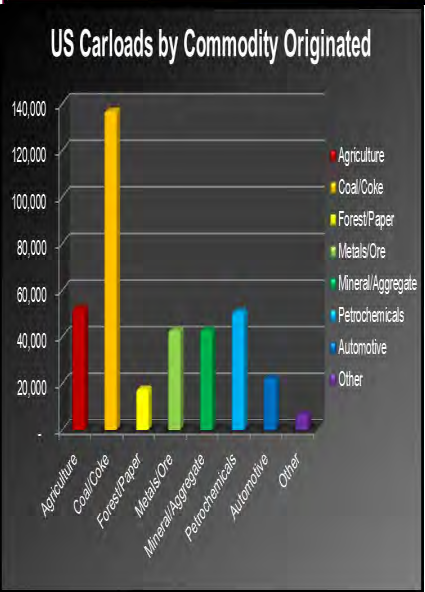
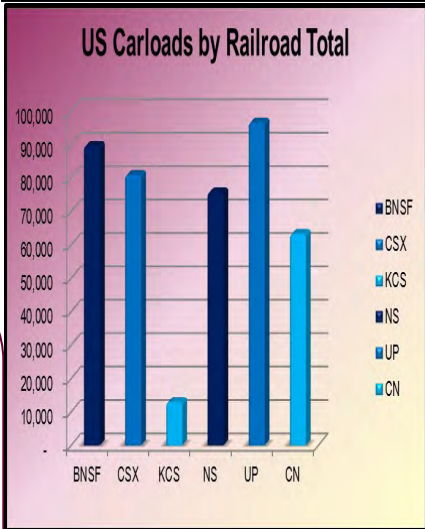
Comment 2) Use the same right of way, without the using the same tracks. That's the only way it will work for both parties.

Comment 3) How would you like it if someone told you they wanted to use your offices or workspace for 18 hours of the day, and you had to perform your work during the remaining 6 hours? It is great for the public and convenience and traffic and such, but what about the business and economic feasibility?

Comment 4) Access fees paid to railroads should be performance based (based on how well they maintain their own scheduled operations). There is the incentive to improve, and would solve the scheduling conflicts.

Comment 5) Railway Age has a conference on this every year—lots of complaining and pointing fingers, but also lots of ideas and new options being tried out every year. New focus on HSR should really increase attendance at these.

(Comments are posted on behalf of respondents, and do not represent the position or opinions of RII or its officers, employees or associates. Comments are edited for appropriateness and selected by the editor. Not all comments can be posted in the print issue.)



This Month's Topic

Railroad Quiet Zones. Railroads have long since blown their horns at railroad crossings as a safety warning. Many cities across the country complain about the noise in neighborhoods, and new FRA rules have allowed "quiet zones" to be set up where the train does not blow the horn. Critics complain this is a serious safety concern.

Where do you stand?

Please send Responses to hah@railroadindustries.com.