

IOWA PACIFIC

DISPATCH



Second Quarter 2012



TNMR Tackles Heavy Traffic

Texas-New Mexico Railroad continues to see business boom as traffic more than doubled in the past year.

“The growth of new customer facilities and the influx of traffic is the most radical change I’ve seen in 18 years,” said TNMR General Manager Geoff McCormick.

Coming from a 5,000 carload-a-year industry to what could be a 20,000-carload year for TNMR has been his biggest challenge.

The majority of TNMR’s customers are in the oil and gas industry, which has prospered in West Texas. The largest commodity is frac sand, followed by oil field chemicals, scrap steel and liquefied petroleum gas. Pipe, a commodity new to IPH railroads, is now being received, and another brand new commodity, crude oil, is expected to begin shipping later this year.

TNMR works with Union Pacific to handle the extra traffic. McCormick praised the partnership with UP in assisting logistical data and traffic flow. UP is slated to complete a \$14.5 million interchange project in Monahans, Texas, to accommodate the additional traffic.

“It is gratifying to work with Union Pacific on customer service and information exchange,” he said. “They have assisted us with customer relations and developing new business.”

TNMR has added substantial track space to accommodate business and continues track and structures improvements. McCormick said this reflects the railroad’s commitment to be the best Southwest short line.

He is proud to lead a team of dedicated employees to assist with the growth. San Luis & Rio Grande Trainmaster Kurtis Lindsey transferred to TNMR as superintendent. McCormick praised the work he has done since his arrival.

“Track Supervisor Roy Boussouw has his hands full, but has responded well, and our mechanic, Clay Thompson, has done very well with the expectations we put in place alongside the completion of our new diesel shop,” he said. “Everyone is eager to contribute.”

The Eunice diesel shop, a through-track structure, entered service the first week of April, complete with two office spaces, a restroom and servicing pit with oil separator. With traffic at its peak, McCormick said TNMR is on track to establish a safe, efficient Mechanical Department to maintain cars and locomotives.

TRAINING THE TNMR WORKFORCE

To meet the demands of customers and continue to couple cars, Texas-New Mexico Railroad is recruiting, hiring and training a fresh workforce.

Art Miller, manager-safety and regulatory compliance, already has established training classes for new hires. He has spent about 90 percent of his time since the beginning of the year helping with regulatory compliance and training crews.

“We are increasing operating crews from five to 20 employees to meet the demand,” he said. “We are running training classes continuously with three to six new employees per class.”

The biggest challenge TNMR faces is competing with other labor markets during the oil and gas expansion. Miller said the railroad offers staying power and will continue to offer competitive wages after the boom subsides.

New hire training includes basic railroad familiarization and in-depth classroom training. Miller said it takes about six months to develop a conductor who can work effectively and independently in the field.

“TNMR is not a simple railroad, due to complex customer requirements,” he said. “Our customers’ products always are varying, and switching instructions can change weekly.”

As they build their workforce, Miller said Iowa Pacific Holdings would like to hire returning military veterans and service employees.

Geoff McCormick, TNMR general manager, looks forward to new Maintenance of Way and Transportation employees to replace the current contractors.

“Recruiting and training will be steady to provide a smooth transition from contractors to new employees,” he said. “I appreciate the team effort and positive approach put forth by everyone in the IPH organization. The contributions by T&E employees from other IPH properties have been especially valuable.”





Texas-New Mexico Conductor Jim Prokes checks his paperwork with new TNMR Superintendent Kurtis Lindsey during a safety cleanup at Eunice, N.M.



Texas-New Mexico MOEU-26 works across the New Mexico desert at Milepost 36.



Business Preparation, Implementation

A series of business decisions by Iowa Pacific Holdings two and three years in advance gives them a competitive edge as traffic continues to grow on the Texas-New Mexico Railroad.

“The fact that TNMR has grown 400 percent in the last three to four years is something I haven’t seen since the Powder River coal boom in the mid-late 1980s,” said Manager-Safety and Regulatory Compliance Art Miller, who has been with the railroad since 1969.

IPH has been making significant capital investments to prepare for growth since 2009. When frac sand technology became popular, IPH management invested ahead of the boom. Now in 2012, the company is ready and accepting of the TNMR growth.

“The capital improvements were made and staged in a well thought out expansion plan and our management was smart and saw the boom coming,” Miller said.

Ed Ellis, IPH president and CEO; Steve Gregory, executive vice president, Marketing; Mike McConville, executive vice president, Operations; and Jack Dapkus, vice president, Sales; were a few of the senior leaders who prepared for the boom.

“Vice President, Permian Basin Logistics Bruce Carswell, who was general manager for Permian Basin, saw the possibility of a traffic boom,” McConville said. “Mr. Carswell was paying attention, talking to local customers and

using his business savvy. We made a decision that was a gamble, but it has paid off.”

In addition to IPH investments, customers – including Schlumberger, Nova Mud and Halliburton – have invested approximately \$25 million into rail unloading technologies.

“To deal with the extra traffic, we added human resources, power resources and upgraded management at the TNMR,” McConville said. “We started daily communications with Union Pacific Railroad, and we work with their local crews and marketing.”

TNMR recently added seven miles of ribbon rail, thousands of new ties and carloads of ballast. It will continue to enhance tracks to stay ahead of the booming economy.

“We are making adjustments with track work, training, and beefing up our Mechanical and Maintenance of Way with more equipment,” McConville said.



Freight train MOEU-26 now hauls 40-80 cars three times a week from Monahans, Texas, to Eunice, N.M., on the Texas-New Mexico Railroad.



From left, Kyle Kimpel, Chicago Terminal Railroad conductor; Jason Trujillo, San Luis & Rio Grande instructor; Chris Bayless, West Texas & Lubbock Railway conductor; and Dan Zechman, Chicago Terminal Railroad conductor, participate in Locomotive Engineers Basic Training.



Art Miller, manager-safety and regulatory compliance, instructs Chris Bayless, WTLC conductor, during the Locomotive Engineers Basic Training in January.

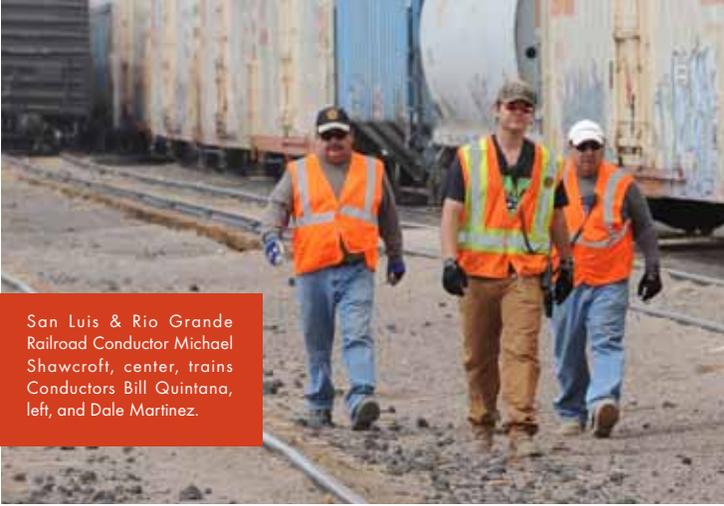
A Learning Experience

January Locomotive Engineers Basic Training on the San Luis & Rio Grande Railroad was a success with Chicago Terminal Railroad Conductors Kyle Kimpel and Dan Zechman recently promoting to locomotive engineers.

Although two have graduated, certification for other student locomotive engineers has been delayed by Texas-New Mexico Railroad traffic growth and other duties.

SLRG Locomotive Engineers Jason Trujillo and Tyson Bagwell became Permian Basin Railway’s first designated training instructors.

“They make great instructor engineers because of the unique terrain they safely deal with on a daily basis,” said Matt Abbey, SLRG general manager.



San Luis & Rio Grande Railroad Conductor Michael Shawcroft, center, trains Conductors Bill Quintana, left, and Dale Martinez.



San Luis & Rio Grande Railroad Conductor Michael Shawcroft, right, teaches new Conductors Bill Quintana, left, and Dale Martinez how to safely ride cars.

Ahead of the Curve

Iowa Pacific Holdings pushes ahead with quality conductor certification with the FRA deadline more than six months away.

A formal conductor training and qualification program was part of the Rail Safety Improvement Act of 2008. This rule requires railroads to have a formal program for certifying conductors.

According to Art Miller, manager-safety and regulatory compliance, FRA regulations will not go into effect until next year, but IPH stays ahead of the curve and has already prepared a conductor certification draft.

“We are using the transition period to apply our programs for freight at the

Texas-New Mexico Railroad and for passenger service at the San Luis & Rio Grande Railroad,” he said. “We want to work the bugs out of the training before submitting our final program to the FRA.”

Throughout the trial run, the company is evaluating which combination of classroom training, field familiarization, on-the-job training and graded proficiency tests works best. Through initial tests, a lot has been learned about creating effective classroom presentations and how to integrate the presentations into field training, Miller said.

Employees from other IPH short lines have pitched in to help with conductor

certification. TNMR General Superintendent Kurtis Lindsey, Saratoga & North Creek Springs Trainmaster Larry Pitbladdo and Conductor Mark Ellsworth are assisting on the TNMR, and SLRG General Superintendent Andy Cyrus is focusing on passenger safety with SLRG employees.

IPH will submit its written program to the FRA for review the first quarter of 2013.

“I’m quite confident that given the work we put in, we will have one of the best programs in the entire country,” Miller said. “The FRA knows we have been working on it, and I wouldn’t be surprised if they came out to see exactly how this ‘best of show’ program is applied in the field.”

Improvements Inside and Out

Mount Hood Railroad has been busy this year, making additions and repairs to its Oregon infrastructure. Various capital expense projects include:

TRACK

MHRR has installed approximately 2,000 new ties to the track structure. In addition, crews completed an extensive track welding project consisting of switch point and frog repairs through the entire line.

PUBLIC ADDRESS SYSTEM

The depot, built in 1911 and on the National Register of Historic Places, now has

a built in public address system. According to General Manager Ron Kaufman, it has been useful in providing station announcements and playing background music inside and outside the depot.

COMPANY VEHICLES

MHRR added three new vehicles to the company fleet, including a 15-passenger van to transport customers and staff. The van has been beneficial to employees during the Polar Express, Western Train Robbery and other events. Kaufman said the addition of a new hy-rail truck has been an asset to the track

department, helping employees complete capital projects and daily duties.

MECHANICAL SHOP

The largest capital project is the addition of a 5,000-square-foot maintenance shop, which includes a lunchroom, ADA restroom and maintenance pit. The new shop will enable employees to complete maintenance projects in a heated facility year-round. Their first project will be to match the paint scheme on all rolling stock equipment.



Left: Mount Hood Railroad employees appreciate the new 5,000-square-foot heated maintenance shop. Right: The historic Mount Hood Railroad Depot receives a new built-in public address system for passenger announcements.



McCormick Takes on the Bustling TNMR

Texas-New Mexico Railroad welcomes new General Manager Geoff McCormick.

Originally from Milwaukee, he joined Iowa Pacific Holdings as a train dispatcher in 2007. After three months, he promoted to chief dispatcher and later helped develop the Network Operation Center. He promoted to system manager of rules and operating practices and relocated to Phoenix in April 2011 as Arizona Eastern Railway general manager. He began his new assignment in January.

“My responsibilities at TNMR cover the entire operation,” he said. “I handle Engineering, Transportation and Mechanical.”

According to McCormick, the biggest challenge from a regional perspective is recruiting and staffing. The labor market remains tight during the oil boom. As a result, TNMR shares employees and other resources with West Texas & Lubbock Railway.

“We hope to achieve the right balance of what we can offer perspective employees versus other opportunities in West Texas,” he said. “We want to hire and retain good employees.”

Until the recent growth spurt, TNMR shared resources and operated in conjunction with WTLC. Currently, TNMR is working to acquire its own resources to enhance efficiency.

McCormick’s No. 1 goal is to successfully deal with the influx of traffic while ensuring customer satisfaction and driving down injuries and human-factor rail incidents. As of April 20, TNMR employees worked 77 days without a human-factor rail incident.

He said this is the largest spike in traffic he has seen in his 18-year career.

“This change is exciting for everyone, but it is a learning experience,” he said. “We want to drive improvements in safety and customer service from top to bottom.”

Away from work, McCormick enjoys playing drums and guitar, and recording music. He likes to hunt, boat and participate in shooting sports.

This newsletter appears under the direction of the president. For news coverage, contact Kaitlin at the newsletter office by phone at 402-475-6397, mail to 1845 S. 11TH ST, LINCOLN, NE 68502-2211 or email kaitlin@newslink.com. This material is intended to be an overview of the division news. If there are any discrepancies between this newsletter and any collective bargaining process, insurance contracts or other official documents, those documents will govern. Iowa Pacific Holdings continues to maintain and reserves the right, at any time, to alter, suspend, discontinue or terminate all plans and programs described in this newsletter. This newsletter is not an employment contract or any type of employment guarantee. Thanks to everyone at Iowa Pacific Holdings who took time to contribute to this newsletter.

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IPH joins AAR

Iowa Pacific Holdings became the newest member of the Association of American Railroads March 1.

“We are excited to join the AAR, which has been the leader in educating policymakers on the importance of the freight rail industry in America and ensuring best practices are shared among railroads,” said Ed Ellis, IPH president and CEO, in a recent press release.

Along with its membership, IPH received seats on the AAR’s Safety and Operations Management Committee and Policy and Advocacy Management Committee. These committees develop policies and practices to enhance safety, promote

business practices and public policies, and provide quality customer service.

“We are delighted to welcome IPH to the AAR,” said AAR President and CEO Edward Hamberger. “Their decision to join AAR broadens our membership and strengthens our ability to represent the freight rail industry effectively before various public agencies.”

AAR is the world’s leading rail-road policy, research and technology organization focusing on the safety and productivity of rail carriers. AAR members include major freight railroads from the U.S., Canada and Mexico, as well as Amtrak.