



Michael Sussman's Opening Remarks, USA Rail 2009, Chicago, IL, September 10, 2009

Good morning, ladies and gentlemen. First of all, I want to wish you an enjoyable, satisfying time here at USA Rail 2009. I imagine that like me, you are hoping to contribute and to learn and to connect with others in support of your commitments.

Since being asked by Terrapinn to chair their conference I have been impressed with their commitment to facilitate dialogue and new thinking beyond typical panel presentations.

I invite you to consider yourselves the primary contributors to the proceedings. Your questions and your input will make all the difference here.

The railroad industry is not just another area of commercial activity. Rail transportation is the lifeblood of any society that expects to thrive sustainably amidst industrial development and population growth. Rail transportation has proven to be the most energy-, capital-, and space efficient means of moving heavy weight across land. Even as we implement new solutions to the challenges presented by global climate change, there are no technological replacements on the horizon for railroads to move goods and people efficiently.

We have, therefore, a greater responsibility than if we were gathering for a conference in any other commercial arena. Today, more than ever, we need straight talk, not happy talk. We must allow constructive observations and brainstorming for new possibilities to coexist with congratulating our successes. Yes, there is much to appreciate as railroad management successfully negotiates our current economic challenges. But our problems – increasing greenhouse gas emissions, a steadily shrinking rail network, more and more trucks to move goods to and from freight terminals – make the status quo unsustainable.

I am sorry to say that major segments of our rail system are being rendered less viable by business plans in the transportation and distribution sectors designed to generate profit through consolidation, aggregation and standardization. We have lost half a percent of our route miles in the past year, half a percent of our route miles the year before... twenty percent all together since 1990. Vitaly important small line segments of 3, 8, or 10 miles here and there are abandoned, leaving more and more parts of the rail system and our continent disconnected.

Intermodalism, as currently being advanced in North America is moving us farther away from, not closer to, our goal of transportation efficiency. Advocacy for expanding the network of large intermodal rail to truck facilities is silent on the increasing use of trucks where we can least afford them, on the local roads of small towns, small cities, and indeed our large metropolitan regions across the continent that are increasingly suffering from congestion and air pollution. Pennsylvania, my state, has now become a hotbed of distribution, warehouse, and intermodal facilities that are alarmingly being built, not only truck out, to cover the Baltimore to Boston market, but also truck in, forcing more truck traffic on our crowded highways and local roads. So

even those goods that are carried long haul by the railroads are unloaded in the midst of large intermodal terminals in small town America, instead of being delivered directly to the customer.

My perspectives on this issue have been informed by my work arranging capital for some of the leading Class III rail developers in the country: Ed Ellis, Dan Sabin, and Dave Fellon for instance. These men and others, including some of you here today, buck many odds to not only save large portions of our rail network, but turn them into major contributions to their regions' economy. We have to ask—what does their ability to profit from cast-off line segments say about the prevailing wisdom of transportation economics that justified letting these branch lines go fallow. Our responsibility to future generations requires us to apply their level of tenacity, leadership, and vision, to end rail line abandonment and to rebuild direct rail service.

We know that much of the strength of the U.S. rail industry is due to its long history of service to our country. Our nation's commerce and the rail industry developed in concert for many years. For our long-term best interests can we now establish a new level of cooperation among railroads, transportation and logistics providers, distribution companies, government, shippers, labor, the financial community and the public? We can no longer create solutions to these problems through marketplace competition alone; we must confront them together.

But we have real Jekyll and Hyde issues in the United States with industrial collaboration. Rail management cannot simply light up the largest peace pipe in history and invite everyone with whom they are in relationship – or conflict – to sit down together. We don't often trust business people to act in all our best interests, so we limit their collaboration through extensive anti-trust regulations. We are left to hope that somehow competition, rather than coordination, will deliver the optimal transportation system. Unfortunately, competition for individual gain naturally leads to domination, and we all lose out in the process, as the political and regulatory process itself succumbs to vested interests run amok.

Private sector commercial enterprise can fuel our societal well being if we now integrate productive competition with thoughtful collaboration. At a time when climate change is steering us toward a cliff, can we turn competition for individual gain into competition to improve the system as a whole? That is why I founded OnTrackAmerica, a nonprofit transportation consultancy, to provide a think tank wherein we all can participate in designing new ways for industry, government, and the community to work together. Given the critical relationship of transportation to the environment and our use of land, we must work together toward an optimal transportation system, if we are to retain any hope of long-term prosperity in North America.

I have found people in the railroad industry and government to be the most hardworking, intelligent, and experienced of any industry. That's you. All of you. Here and now, at this conference we have an extraordinary opportunity. We can take up the challenge, to coordinate our intelligence... to collaborate across companies... industries... and sectors... We can move the entire industry forward with our thinking here. Thank you so much for your participation. I am looking forward to getting to know as many of you as possible over the next two days. I hope you leave here informed, inspired, and happy.