

Change Worth Making



CHANGE WORTH MAKING

SAFETY

TRACK

SERVICE

GROWTH

PARTNER

 **CARLOAD** EXPRESS

Rare Opportunity for JRA



- Making Change is Difficult!
- To Choose Change *the Change Must be Worth Making*
- Carload Express is a Change Worth Making

Who is Carload Express?

- We are a Pennsylvania Company
- We share the JRA's values
- We operate a remarkably comparable network
- We have a strong relationship with Norfolk Southern
- We have a strong public-private partnership
- We are honest, highly-skilled, and passionate about railroading

Carload Express, a Change Worth Making

Carload Express is a change worth making!

- A change worth **\$26.2 million** of new value to the JRA
- A change worth **\$16.9 million** of new track maintenance
- A change worth **\$9.3 million** of new operating fees

Opportunity for a Quantum Leap in Quality:

- **Safety**
- **Track Maintenance**
- **Rail Service**
- **Economic Growth**
- **Public-Private Partnership**

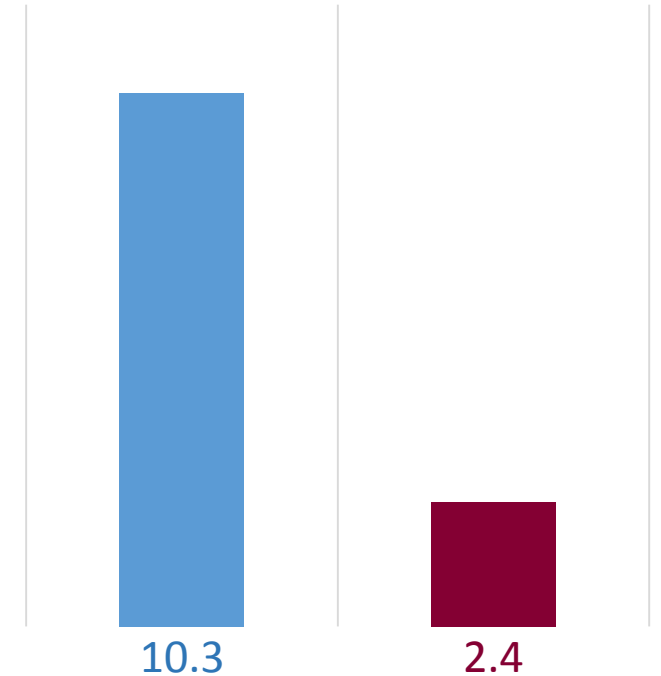
Choose Safety: Reduce Reportable Injuries

Safety is your first priority!

FRA reportable injuries per 100,000 cars delivered:

- JRA Operations: 10.3
- **Carload Express: 2.4**

**JRA's operations incur 4.3 times more
reportable injuries per delivery**



Choose Safety: Reduce Train Accidents

Safety is your first priority!

FRA reportable train accident cost per 100,000 cars delivered:

- Current Operator: \$418,447
- **Carload Express: \$75,231**

JRA's operations produce 5.6 times more accident cost per delivery

Choose Safety: Reduce Track-Caused Accidents

Safety is your first priority!

FRA reportable track-caused accident cost per 100,000 cars delivered:

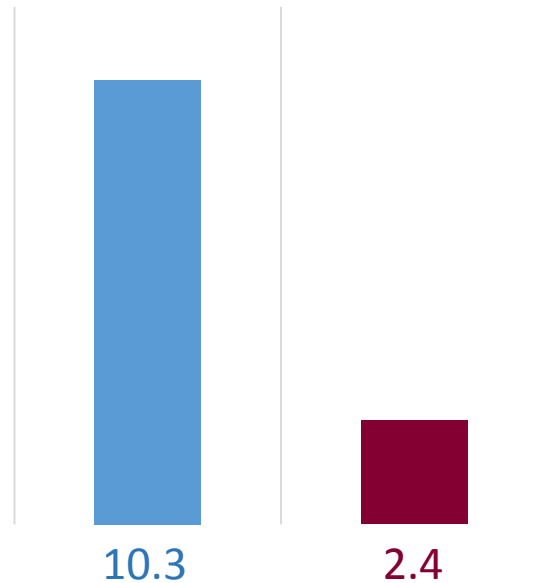
- Current Operator: \$371,815
- **Carload Express: \$48,132**

JRA's operations produce 7.7 times more track-caused accident cost

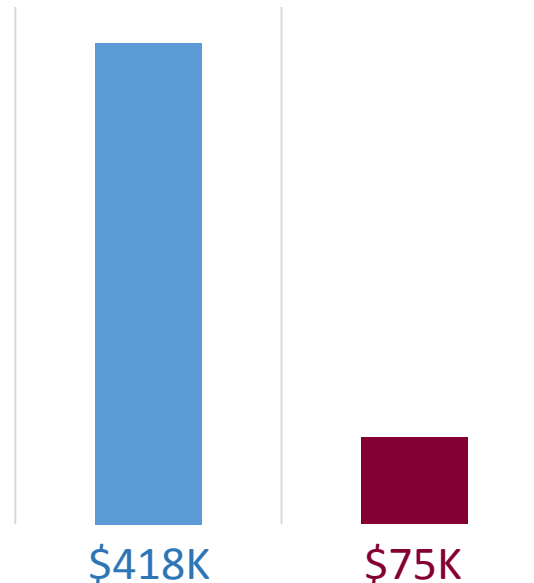
Choose a Quantum Leap in Safety

According to the FRA, per carload delivered, Carload Express has:

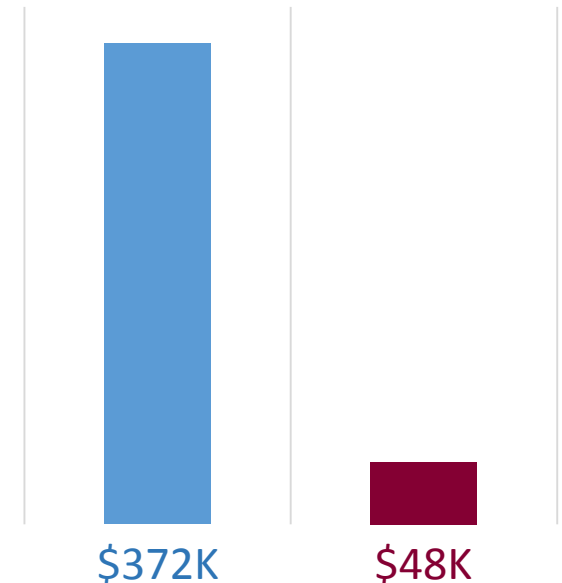
77% fewer reportable injuries



82% less train accident cost



87% less track-caused accident cost



Your opportunity: Choose Carload Express for Safety

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Choose Quality Track Maintenance

Track maintenance is your key objective!

- **\$16.9 million** of new track maintenance
- 50% increase from \$25,000 per mile to **\$37,500 per mile**
- 50% increase from \$4.4 million per year to **\$6.6 million per year**

Your opportunity: Choose a quantum leap in your track maintenance

Choose Quality Track Maintenance

Infrastructure preservation is your primary mission!

Let's take a look: $660,000 \text{ ties} \div 30\text{-year tie life} = 22,000 \text{ ties per year}$

- Current Operator: 8,000 ties per year (36%)
 - Infrastructure in decline
- Carload Express: **22,000 ties per year (100%)**
 - Infrastructure in preservation

Your opportunity: Choose preservation of your rail infrastructure

Choose Quality Track Maintenance

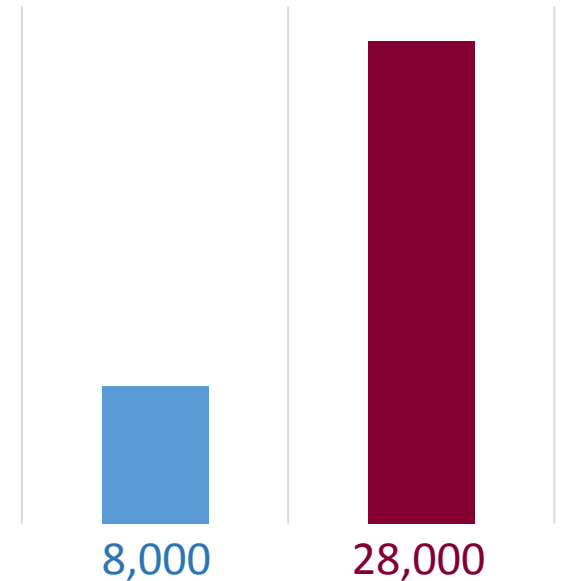
Eliminating deferred maintenance is our first priority!

Deferred tie replacement since 2009 is 57,000 ties:

- 100-car unit train or 4 ½ miles of trucks of new ties

Carload Express restores 6,000 deferred ties per year:

- 22,000 preservation + 6,000 extra = **28,000 ties per year**



Your opportunity: Choose elimination of deferred maintenance

Choose Quality Track Maintenance

Choose first-class, high-quality track maintenance!

At Carload Express, we're *passionate about track*:

- **99%** of mainline ties are non-defective (FRA 80 mph tie conditions)
- **99%** of turnout ties are non-defective
- **94%** of turnouts new or refurbished
- **57%** of turnouts entirely new 136RE rail, frogs, points, and timber
- **65%** of bridge decks new or almost new

Choose a Quantum Leap in Rail Service

Expedite the freight to your customers!

- Operating Agreement: delivery within three (3) business days
- Carload Express: delivery within one (1) business day
- Delivery on Shamokin Sub: within two (2) business days

Your opportunity: Choose to increase the velocity of your service

Choose a Quantum Leap in Rail Service

Increase the frequency of service to your customers!

- **67% increase** on the North Branch from 3 to 5 days per week
- **67% increase** on the Lycoming from 3 to 5 days per week
- **67% increase** on the Lewistown from 3 to 5 days per week
- **300% increase** on the Shamokin from 1 to 3 days per week

Your opportunity: Choose 10 extra trips per week, a 77% increase

Choose a Quantum Leap in Rail Service

Introduce overnight service!

Carload Express service design:

- Today's loaded aggregate cars for tomorrow morning's unloading
- Today's empty aggregate cars for tomorrow morning's loading
- Carload Express = Overnight Service!

Your opportunity: Choose Overnight Service

Choose a Quantum Leap in Rail Service

Give your rail shippers a financially strong operator!

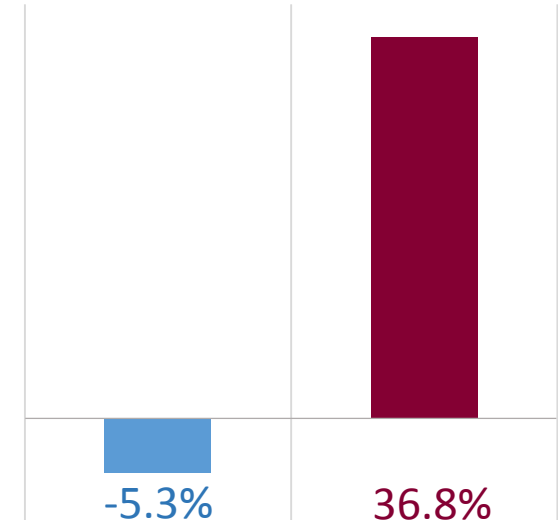
- **Strong 86% Operating Ratio** yet we spend **43%** of revenue on track!
- Return on assets exceeds industry average!
- Net Income as percent of revenue exceeds industry average!
- Cash on hand exceeds debt!

Your opportunity: Choose a financially stronger operator!

Choose a Quantum Leap in Economic Growth

Grow your business!

- Carload Express: **36.8%** average annual *growth* (5-year)
- Current Operator: **5.3%** average annual *decline* (5-year)
- More sales = less cost per carload = better freight rates



Your opportunity: Choose the best value for your shippers

Choose a Quantum Leap in Economic Growth

Create better paying jobs!

- **20% increase** in rail worker hourly pay
- **Overtime pay** after 40 hours per week
- **32% increase** in compensation for 50-hour week
- **4% increase** in wages each year for five years

Your opportunity: Choose better paying jobs in your community!

Choose a Quantum Leap in Economic Growth

Fund JRA economic development and job creation!

- Current Operating Fee: \$2 million
- Carload Express Operating Fee: **\$3.1 million**
- Use \$1.2 million to match RTAP for **\$4 million project**
- Net **\$1.9 million for job creation**

Your opportunity: Choose \$1.9 million of new job creation!

Choose a Quantum Leap in Economic Growth

Support Industrial Development!

- We employ a corporate Vice President to senior marketing role
- We employ a full-time Director of Industrial Development
- We collaborate with Industrial Development Corporations
- We collaborate with Economic Development Associations
- We collaborate with Chambers of Commerce

Your opportunity: Put our \$1.9 million of job creation funds to work!

Choose a Great Partner

Choose a high-quality partner!

- Carload Express is honest, sincere, passionate, and highly skilled
- CPL is a stand-alone company free of inter-company transactions
- Our books are always open to the JRA
- We support passenger excursions with skill
- We serve others: *We always give more than we receive*

Your opportunity: Choose an honest, skilled, and caring partner!

Choose a Great Partner

Choose a successful partner!

- Carload Express delivers **\$9.3 million** of new operating fees
- We turn around the management and performance of your operations
- We turn around the decline in your rail traffic
- We deliver **\$16.9 million** of new funds to your rail infrastructure
- We deliver the quality of service that your customers deserve!

Your opportunity: Choose a great company!

Choose a Great Partner

Choose a sound and sustainable business plan!

- Our networks are remarkably comparable
- Our growth projections are conservative
- Our estimates are sound: based upon actual performance
- Our estimates are sustainable: financials exceed industry averages
- *Central Pennsylvania Lines* is backed by a financially strong company!

Your opportunity: Choose a strong and sustainable partner!

In Conclusion



A Change Worth Making

It is easy to choose the status quo.

- Choosing Change is Difficult!
- To Choose Change *the Change Must be Worth Making*

Let's take a look at the status quo...

Choose the Status Quo?

Lose the opportunity to improve JRA operating safety:

- Lose opportunity to **reduce** reportable injuries 77%
- Lose opportunity to **reduce** train accident cost 82%
- Lose opportunity to **reduce** track-caused accident cost 87%

Your loss: Railroad employee and community safety

Choose the Status Quo?

Lose the opportunity to strengthen your rail infrastructure:

- Lose **\$16.9 million** of new track maintenance value
- Lose replacement of **20,000 additional crossties** per year
- Pass up a new partner passionate about **improving** your track
- Pass up **erasing** your operator's deferred crosstie maintenance

Your loss: A truly strong rail infrastructure

Choose the Status Quo?

Lose the opportunity to energize economic development:

- Lose your opportunity to **reverse** your 5.3% traffic decline
- Lose your opportunity to **reduce** the cost per rail car delivered
- Lose the opportunity to **create** better paying jobs
- Lose **\$1.9 million** per year in job creation funding
- Lose **\$26.2 million** of new infrastructure and development value

Your loss: Over \$26 million of job creation and economic development

Choose the Status Quo?

Lose the opportunity to enjoy a truly excellent partner:

- Miss turning around management and performance of operations
- Miss our honest, sincere, passionate and skilled partnership
- Miss our truly extraordinary commitment to track maintenance
- Miss our improved velocity, frequency and quality of shipper service
- Miss out on having a financially strong, durable partner

Choose Wisely!



- This is your rare opportunity to make change
- Change is difficult
- To make change, *the change must be worth making*
- You have been presented with a very strong case to make change

In this case, the change is necessary!

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