2014

RAILINC

Contents

Message from the President

E. ALLEN WEST
President & CEO

In 2014, Railinc worked to provide high levels of service and support for the North American freight rail industry. Our people have enthusiastically delivered quality products, given superior customer service and ensured that Railinc systems were available to keep your business moving. In addition, we completed a score of information technology projects that will deliver value to the industry for many years to come.

> **"** Over the last year, our product teams have worked with AAR committees to help railroads, railcar owners and other industry stakeholders achieve value through improved safety, operational efficiency and regulatory compliance.

Over the last year, our product teams have worked with AAR committees to help railroads, railcar owners and other industry stakeholders achieve value through improved safety, operational efficiency and regulatory compliance. These efforts included creating a mobile application for emergency responders; improving systems related to damaged and defective car handling, car hire administration and negotiation, and waybill and trip plan exchange; and quickly adding new capabilities to the Umler® system when faced with new tank car regulations.

Railinc remains aligned with the AAR's Safety and Operations Management Committee to advance industry information technology activities including major program areas related to asset health and gateway operations.

The Asset Health Strategic Initiative (AHSI) is one of Railinc's top priorities. Project teams are developing and implementing programs to address line-of-road failures, improve inspection data quality and enable greater industry access to equipment health information. These programs are now in the initial stages of returning value to the industry.

Similarly, in the Chicago Gateway, Railinc has assisted terminal operations through automating bulletin capture and dissemination, and the development of an automated scorecard of critical operations information. We look forward to working with personnel at the terminal to identify further opportunities where we can assist. It is worth noting that investments in Railinc projects and systems continue to be good for the freight rail industry.

2014

Recent studies have shown that the Umler and Damaged and Defective Car Tracking systems returned millions in value back to the industry in recent years.

We continue to create value in other ways, too. As in previous years, Railinc maintains a steady focus on operational excellence to improve its daily performance. For example, we are moving into the final stages of the company's four-year mainframe migration program. Our new midrange platform improves Railinc's operational flexibility and delivers long-term cost savings for our customers.

We are keenly aware that software system reliability and data security are critical to your operations. Railinc has taken a comprehensive approach to security and disaster recovery, including training all Railinc personnel to prevent social engineering and eliminate problems associated with malware. To date, no malicious attacks or vulnerabilities have compromised Railinc system performance. Further, Railinc's disaster recovery program continues to exceed expectations in ongoing tests with our customers.

Again this year, Railinc employees have stepped up on a personal level. With employee participation reaching 99 percent, the company's wellness activities enabled us to hold the line on the ever-increasing cost of health insurance. For the second year in a row, Railinc was recognized as one of the area's "healthiest employers" by the leading regional business publication.

Railinc is filled with talented people, passionate about their work and dedicated to helping you accomplish your business goals. Throughout the year our teams have aligned with your teams. We have convened, collaborated and celebrated achievements. We are joined together in pursuit of good work that improves the freight rail industry and returns value to your customers and your bottom line. We are delighted with the opportunity to serve you and grateful for the confidence you show in us.

Thank you, as always, for your business. Best regards for a healthy and prosperous year ahead.

Sincerely,

E. Allen West

E. Allen West
President & CEO

Mission, Vision & Values

Railinc Mission
Our mission is to create valued solutions for rail industry problems using our people, processes and technologies.

Railinc Vision
Our vision is to become the rail industry's innovative, go-to resource for data and information systems.

Railinc Values
Values drive our actions. They identify the behaviors and ideals we believe are important to the success of our company.

Railinc embraces three primary values:

1 SERVICE
We serve the changing needs of our customers and our industry to enhance the value they bring to our community, the environment and our economy.

2 COLLABORATION
We collaborate with our teams and our customers to get the job done, respecting individual ideas and contributions and moving forward in pursuit of shared goals.

3 RESULTS
We deliver on our promises to create value for the freight rail industry through talented people, good ideas, business leadership and great technology.
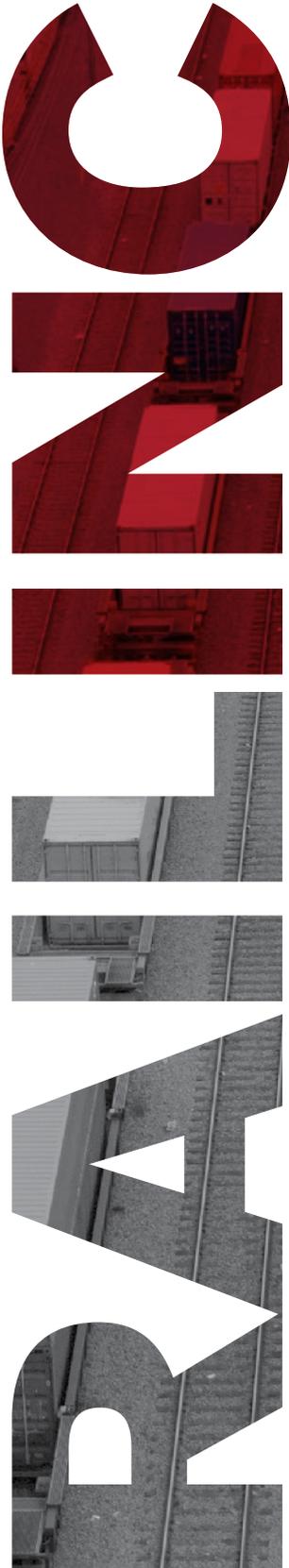
People Serving You

Railinc is made up of talented people who are dedicated to serving and supporting the North American freight rail system.

While you're keeping the economy moving with each carload, our people are working behind the scenes to make sure you have accurate, reliable data and information you can use to get shipments where they need to go, to keep railcars rolling safely and efficiently, and to streamline operations.

This year's annual report highlights just a few of our outstanding employees. These are the people who work with you on industry committees, who welcome you when you visit our office, who answer the phones when you call us for support and who each year deliver products that we hope make your jobs easier.

We spend a lot of our time immersed in data at Railinc, developing solutions to help the industry solve its most pressing technology challenges. But at the end of the day, we know that people—your people—are on the other end of all the zeroes and ones, and we're proud that our employees are helping them do great things every day.
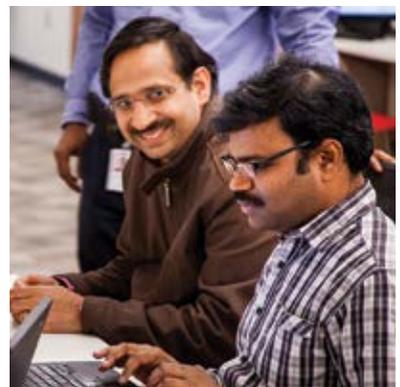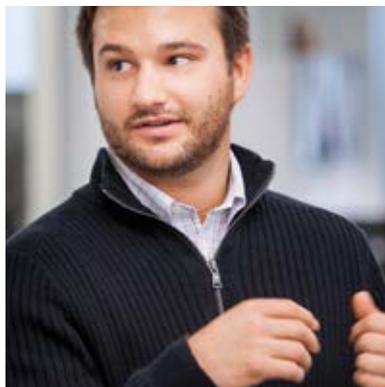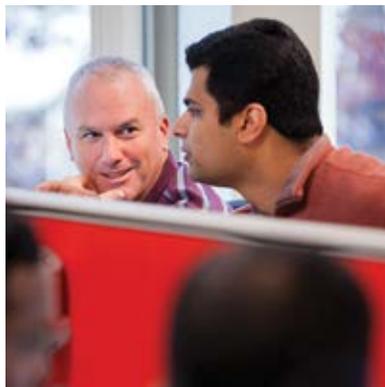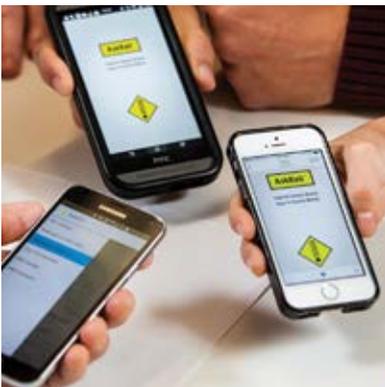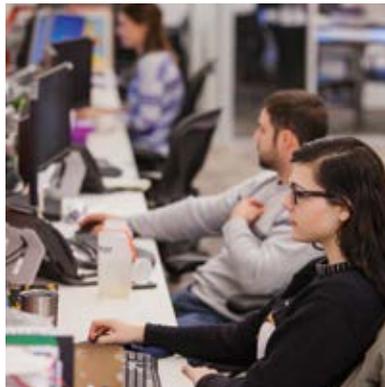
Railroaders at Railinc

Many Railinc employees got their start in the freight rail industry working for railroads and rail-related companies. We're grateful for the industry knowledge and insights they bring to their jobs. Here are many of them, listed with their current Railinc roles and the companies where they served:

MARK ALDENDERFER
Sr. Business Analyst
(previously Norfolk Southern)

ALICE BJORK
Sr. Manager, Product Support
(previously Soo Line Railroad)

TREADWELL DAVISON
Vice President, Business Operations *(previously CSX)*

PARMALLEE HAKEY
Product Support Specialist II
(previously Vermont Rail System, New England Central Railroad)

CHAD HANNA
Business Analyst I
(previously Norfolk Southern)

DOUG MACKLEM
Product Manager
(previously Norfolk Southern)

ALAN McDONALD
Business Services Director
(previously Canadian National, Canadian Pacific)

JIM MORAN
Director of AAR Support Services
(previously Pennsylvania Railroad, Penn Central, Conrail)

JIM PINSON
Manager, Car Audit Accounting
(previously Norfolk Southern)

ROBERT REDD
Release Engineer Administrator
(previously Union Pacific)

CANDACE SEIDL
Business Solutions Coordinator
(previously CSX)

KRISTI TALLEY
Director of Interline Products and Services *(previously BNSF)*

PATRICE THOMPSON
Product Support Specialist II
(previously ShipXpress)

KYLE TUBMAN
Product Support Specialist II
(previously Norfolk Southern)

ALLEN WEST
President and CEO
(previously Norfolk Southern and CSX/Sealand)

With nearly 35 years in the industry, **Alan McDonald** has held roles ranging from yardman and train conductor to general manager of relationship management at Canadian Pacific and manager of Canadian National's locomotive distribution center. As Business Services Director, he manages initiatives like the gateway operations program and works with customers to identify opportunities for new products. In previous years he led the modernization of the Umler® system and the development of the Equipment Health Management System.

As Director of Interline Products and Services, **Kristi Talley** works closely with our customers to find ways Railinc products can add value to the freight rail industry. Her team's products, including the Liability Continuity System and the Car Accounting Self-Service application, help to keep traffic flowing smoothly by addressing the challenges railroads face at critical connection points in the rail network. Kristi joined the freight rail industry out of college, working as a project manager at BNSF. She has been with Railinc since 2007.

A former U.S. Army tank platoon leader and Operation Desert Storm veteran, **Robert Redd** plays an important role on the Infrastructure Services and Solutions team. He manages systems that ensure Railinc applications are working for our customers and that support the work our developers do to create innovative solutions for the freight rail industry. Robert came to Railinc in 2000 with three years of experience as a systems engineer at Union Pacific Technologies.

Patrice Thompson brings more than 10 years of industry knowledge to her work helping customers get the most out of Railinc products and services. Patrice first joined the company in 2002 as an information processing specialist. After eight years with ShipXpress, she "came home" in 2013 as a product support specialist on the Asset Utilization team. She provides product support for the Car Hire Accounting Rate Master and the Liability Continuity System.

Jim Moran joined the freight rail industry in 1957, working in the Pennsylvania Railroad's car accounting data processing center. In the nearly 60 years since, he has been a central figure in the development and continued advancement of foundational industry products such as the Umler® system and Early Warning. As Director of AAR Support Services, he works closely with railroads, private car owners, the AAR and others to help Railinc build better products for the industry. Jim came to Railinc in 1998 and has also served at Penn Central, Conrail and the AAR.

2014 AAR Program and Project Review

In 2014, Railinc delivered 16 projects prioritized by the AAR's Railinc Project Support Working Committee. The majority of these projects were part of larger multi-year programs aimed at tackling important industry challenges with the goal of delivering significant value from these investments through improved railroad operations. Here is a brief review of the projects:

ASSET INFORMATION REPOSITORY (Phase 2)
This Asset Health Strategic Initiative (AHSI) project continued foundational work to develop a comprehensive, equipment-level view of asset health and characteristic data. This project was guided by the AAR's Asset Health Task Force.

E-TRAIN (Phase 2)
Phase 2 of this project created the groundwork for a centralized database of train information that enables real-time visibility and analysis of consist data related to asset health. The project improved data accuracy and timeliness to support increased safety, reduced service interruptions and increased yard and shop efficiency. This effort was guided by the AAR's Asset Health Task Force.

INSPECTION QUALITY (Phase 2)
The Inspection Quality Phase 2 continued foundational AHSI work and investment to create a comprehensive database of defect-detector reads. This project was guided by the AAR's Asset Health Task Force.

ASSET HEALTH AND MECHANICAL REFERENTIAL DATA (Mechanical Reference Repository Phase 2)
This project built on foundational AHSI investment to create a centralized and automated repository for current and historical operational reference data. The project was guided by the AAR's Asset Health Task Force.

AEI DATA QUALITY

This project developed processes to improve the quality of data generated by Automated Equipment Identification (AEI) defect detectors, enabling better inspections, more efficient repair work and fewer mechanical-service interruptions. This project was guided by the AAR's Asset Health Task Force.

EXPAND DDCT RULE COMPLIANCE

This project created a flexible framework that enables users to add, edit or remove industry rules in the DDCT system with ease, increasing operational efficiency and reducing costs. The Damaged and Defective Car Tracking TAG provided guidance for this project.

LOCATION MASTER

Industry participants have various ways of classifying location-based data. This project created a foundation for a standard classification system for this data to support future data sharing and related projects. The AAR's Asset Health Task Force provided guidance for this project.

COMPONENT TRACKING — BRAKE VALVES

This project used the database framework developed as a part of the Comprehensive Equipment Performance Monitoring (CEPM) program to enable the emergency and service portion of the brake system to be registered and associated with a railcar. The Asset Health Task Force and the Equipment Health Monitoring Committee provided guidance for this project.

CENTRALIZED CAR HIRE USER FOUNDATION
(User Support)

This project delivered the initial work required to create an automated system for handling car-hire payments and to provide state mileage reports. The AAR's Equipment Assets Committee provided guidance for this project.

MAJOR GATEWAY DECISION SUPPORT

The Chicago Terminal issues a daily scorecard to railroads with critical operations information. This project automated the scorecard system to improve usability, visibility, and accuracy and enable proactive decision making around traffic issues. The AAR's Chicago Planning Group and the Chicago Terminal Coordination Office provided guidance for this project.

MAJOR GATEWAY BULLETIN EXCHANGE AUTOMATION — Phase 2 (Capturing Bulletins)

This project delivered additional functionality to the Clear Path™ System by creating a secure database of electronic train bulletins that will help to reduce train delays through the Chicago Terminal. The AAR's Chicago Planning Group and the Chicago Terminal Coordination Office provided guidance for this project.

CLEAR PATH INTEGRATED FLOW CONTROL

This project delivered terminal corridor performance metrics, improved visibility to traffic flows and a train movement planning tool. The AAR's Chicago Planning Group provided guidance for this project.

FORWARD AND STORE 7010 EDI UPGRADE

When two or more railroads are involved in a shipment, timely notification of traffic to be interchanged must be provided to the participating railroads. This data quality compliance project supported improved communication by integrating changes to two message types. The AAR's EDI Committee provided oversight for this project.

IRF 7010 EDI UPGRADE

Industry Reference Files (IRFs) ensure consistency in data interpretation and facilitate communication among industry partners. This upgrade enabled a new interchange type and enhancements to the Serving Carrier Reciprocal Switch file. This project was overseen by the AAR's Customer Location Task Force.

CAR HIRE RATE NEGOTIATION EDI 432
7010 UPGRADE

This upgrade improved the quality of data used to negotiate car hire rates, promoting greater process efficiencies. This project was overseen by the AAR's Equipment Assets Committee.

ELECTRONIC AVAILABILITY OF HAZMAT INFORMATION FOR EMERGENCY RESPONDERS

This project delivered AskRail™, a mobile application that provides immediate access to accurate, timely data about railcars carrying hazardous materials on a train. It serves emergency responders who arrive first to the scene of a rail emergency. This project was developed under the guidance of the AAR's Risk Management Working Committee. ■

2015 AAR
Program Preview

Railinc works closely with the AAR's Railinc Project Support Working Committee (RPSWC) to identify multi-year programs that will deliver the highest value from industry investments in 2015 and beyond. The following three programs and their RPSWC-approved projects hold promise to contribute significant value to the industry:

ASSET HEALTH STRATEGIC INITIATIVE (AHSI)
The multi-year, multi-phase AHSI program focuses on solving rail-network challenges related to asset health with the targets of reducing mechanical-service interruptions, improving inspection quality, and increasing yard and shop efficiency. The following projects are aligned with the 10-year AHSI roadmap and come under the guidance of the AAR's Asset Health Task Force.

- **Asset Information Repository (AIR) — Production and New Value Expansion**
  After two years of architecture, design and railroad integration work, this AHSI project goes into production across Class I railroads in 2015 and builds the foundation for a comprehensive, equipment-level view of asset health and characteristic data. It will include identification of bad actors for line-of-road failures and the addition of information from asset health-related work and other new data sources.

- **E-Train and Train Inspection Visibility — Production and New Value Expansion**
  This project will put E-Train into production across Class I railroads and will create the ability to store and record data that support train inspections and to log mileage as it relates to inspections.

- **Inspection Quality (IQ) — Production and New Value Expansion**
  This project builds on work to standardize characteristics, data, data quality and rules related to detector technology. It will implement brake effectiveness data summaries and indicators to support the use of industry wheel temperature detectors in the Asset Health platform. It will also support integration and the sharing of detector data in the Asset Health platform, as well as the move to condition-based inspection.

The above AHSI projects will lead to improved decision making around safety, reduced service interruptions, and increased yard and shop efficiency, as well as an improvement in inspection quality and a reduction in mechanical-service interruptions.

- **Real Time Event Processing for Mileage**
  This project modifies Railinc's mileage capabilities to enable the processing of railcar movement events as they are received, with miles assigned to railcars in real time rather than after the previous five-day waiting period. This mileage data supports brake health monitoring and provides visibility into the mileage since a railcar's last inspection, enabling improved decision making around asset health activities.

- **Location Management — Design and Standards**
  This foundational project creates the design for a standard way to link and share geospatial information at an industry level to support decision making around asset health, inspections and traffic management. This project is related to GIS and other location efforts happening across the industry and has significant long-term benefits for asset, operations and incident management.

- **Repeat Repair Visibility and Component Failure Analysis**
  This project develops an industry capability to more quickly identify patterns of component and equipment failures. It establishes a database that includes derailment data and component details and develops a methodology to identify trends related to component failures and the repeated inspection, replacement or repair of components. This will help to reduce mechanical-service interruptions and will improve yard and shop efficiency.

- **Interchange Rule 83 Qualifier Expansion**
  Access to detailed information about repairs helps to improve the efficiency of industry communication. This project promotes more effective and detailed repair reporting through a data field expansion in the Car Repair Billing system that will enable more efficient repair categorization and improved descriptions of completed repairs. The AAR's Car Repair Billing Committee is also providing guidance for this project.

AUTOMATED/CENTRALIZED CAR HIRE (CCH)

The CCH program aims to reduce the industry burden of processing car hire. It is leveraging existing Railinc processes to simplify, automate and centralize car hire administration and, ultimately, will offer stakeholders an alternative to system replacement and maintenance. The following projects are part of the CCH program and come under the guidance of the AAR's Equipment Assets Committee (EAC).

- **Centralization of Car Hire Rule 22 (Reclaim for Loading Delay)**
  This project will leverage car movement records, Liability Continuity System interchanges and waybill data to automate the Rule 22 reclaim process for loading delay. The result would be the reduction of manual work and system maintenance costs, as well as the avoidance of costs associated with the current Rule 22 reclaim process. This project is contingent upon EAC approval of changes to Rule 22.

- **Rules-based Change to the Formula to Calculate Appurtenance Rates (Appendix S)**
  Changes to freight rail industry rules often require updates to Railinc systems and applications. This project will change the formula used to calculate appurtenance rates to comply with updates to the Code of Car Hire Rules that take effect June 1, 2015.

GATEWAY OPERATIONS SERVICES

The Gateway Operations Services program aims to help rail operations personnel better manage traffic conditions at gateways. The program focuses on enabling the exchange of timely, accurate and actionable information in the Chicago Terminal to facilitate proactive intercarrier operations. Railinc will deliver the following project in 2015 under the guidance of the AAR's Chicago Planning Group and the Chicago Terminal Coordination Office:

- **Clear Path™ Terminal Reference and Technology Platform — Phase 1 (Gateway Operations Services)**
  The Chicago Terminal is the busiest and most complex rail terminal in North America. This foundational Clear Path project will create a geographic representation of the entire terminal, including tracks, yards, corridors, trackage rights and capacities. This project will support all future Clear Path program work to improve the fluidity of terminal traffic. ■

In addition to the projects associated with multi-year programs, the RPSWC has also approved these technology upgrade projects for 2015:

ISS 7010 EDI UPGRADE

Rail carriers use the Interline Settlement System® (ISS) to settle millions of dollars in interline revenue each month. This data quality compliance effort will upgrade ISS to EDI version 7010, delivering business process improvements and ensuring that the revenue waybill exchange meets current EDI standards. This project is overseen by the AAR's Interline Revenue Committee.

REN 7010 EDI UPGRADE

The Rate EDI Network (REN) is an electronic message exchange that enables rail carriers to define information on rates for rail freight movement of commodities so they can be accurately communicated between the carriers involved in the interline move to which they apply. This project will ensure that REN message types meet current EDI standards and will include changes that improve data quality and streamline REN functionality. This project is overseen by the AAR's Interline Revenue Committee.

Key Project Highlights

Railinc Develops AskRail™ Mobile App

Released in 2014, the **AskRail™** mobile app helps to ensure that emergency responders have the information they need when they arrive at the scene of a rail emergency. This invitation-only mobile application provides access to accurate, timely information about railcars carrying hazardous materials. The data can help emergency responders make informed decisions about how to respond to a rail emergency. AskRail is a backup resource if an emergency responder cannot locate the conductor or information on the train consist.

Through AskRail, users can query the contents of a railcar with a simple railcar ID search and see whether it or other railcars on a train are carrying hazardous materials. Users can also view emergency contact information for all Class I railroads and Amtrak and reference resources for responding to incidents involving dangerous goods and/or hazardous materials. This app was developed under the guidance of the AAR's Electronic Availability of Hazmat Information for Emergency Responders Task Force, part of the Risk Management Working Committee.

Clear Path Operations Scorecard Introduced in Chicago

The **Clear Path™ Operations Scorecard**, introduced in late 2014, gives decision makers in the Chicago Terminal convenient access to key performance indicators and metrics. They can use this data to measure and communicate about the overall fluidity of traffic moving through the terminal. The scorecard data is reported by railroad personnel via Railinc's Clear Path System and is pulled automatically from industry databases. With the Clear Path Operations Scorecard, decision makers have up-to-date information while working to improve the fluidity of traffic moving through the terminal.

Railinc Company Overview

Railinc is an innovative and reliable resource to the rail industry for rail data, IT and information services. We support business processes and provide business intelligence that help railroads, rail equipment owners, their customers and business partners increase productivity, achieve operational efficiencies and keep their assets moving. Railinc is the industry's largest source for accurate real-time interline rail data. Railinc Corp. is a wholly-owned subsidiary of the Association of American Railroads.

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Director, Corporate and
Brand Communications

KRISTEN SANDSTROM
Director, Human Resources

CATHELENE THOMAS
Chief of Staff

Railinc Business Overview

Railinc Net Promoter Score 2010 - 2014

Year	Score
'10	46
'11	47
'12	45
'13	52
'14	63
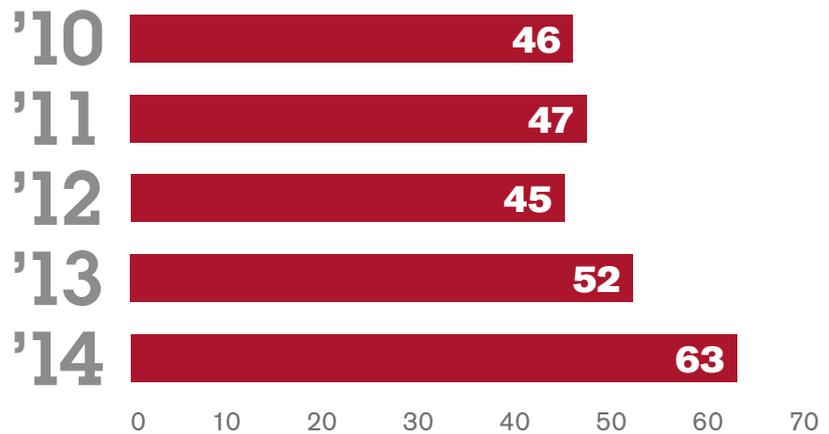
Railinc 2014 Customer Mix by Type

- Class I - **53.9%**
- Private Car Owner - **20%**
- Third Party - **15.6%**
- Other RR - **4.7%**
- Shipper - **3.6%**
- Government - **0.7%**
- Other Customers - **1.5%**
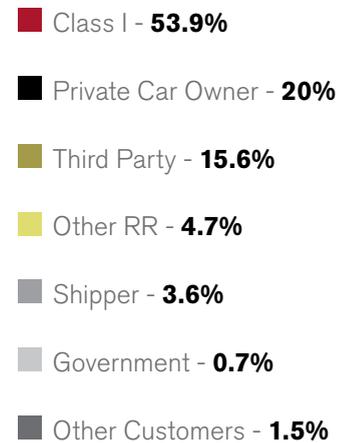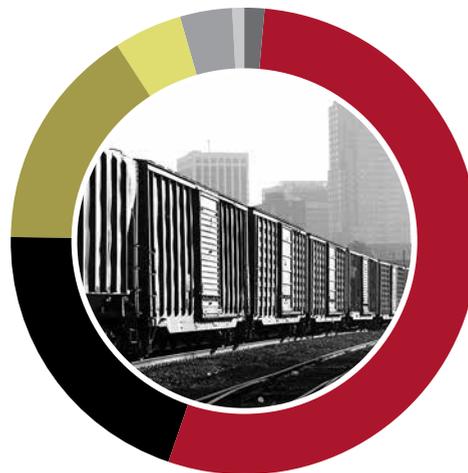
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