RTA Conference Informs On Economy, RR Procurement, Sawmill Issues, Safety & More

With more than 300 members and guests of the Railway Tie Association attending the 98th Annual RTA Symposium & Technical Conference, the meeting rooms at the Hyatt Regency Coconut Point in Bonita Springs, Fla., were abuzz with activity Oct. 25-28.

Members were treated to numerous networking activities, where they were encouraged to connect with old friends and make new ones. The Annual Golf Tournament, an Airboat Tour, the Annual President’s Reception and the Annual RTA Awards Banquet are just a few of this year’s fun events.

Business sessions addressed issues ranging from economic factors influencing the economy to challenges faced by sawmillers, RTA’s largest membership category. Attendees also learned about the railroads’ upcoming infrastructure projects and heard from procurement professionals what the railroads’ tie demands will likely be in the next few years.

Below is a pictorial essay depicting conference activities, speakers, vendors and participants. To see a gallery of all photos taken, log onto http://coleman-photography.pass.us/rta2016/.

Golf Tournament

Golfers were treated to a round of competitive yet entertaining golf at the Raptor Bay Golf Club at the Hyatt Regency during the Annual RTA Golf Tournament.
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Air Boat Tour

The Everglades Eco-Tour Excursion took attendees to four major geographical areas of the unique Everglades ecosystem—the pinewoods, the cypress swamps, the fresh and saltwater marshes, and the mangrove islands.

Several of the groups are getting ready to jet off into the murky and gator infested swamps. Sure hope…

…we see them again!

Uh oh, someone told them the RTA gang was coming and it was just about lunchtime.

Ken and Sue Peirson rocking the gator pose.

Is that Susan Gauntt’s head in an alligator’s mouth?

Jeanne Olson, Buddy Downey and Betsy Beal look like they made a couple of friends along the way.

President’s Reception

A prime networking opportunity for attendees, the Annual President’s Reception took place at the Hyatt, giving attendees the opportunity to catch up on the latest personal and professional happenings.

Jeff and Jana Lippincott

Ken and Sue Peirson

Is that Susan Gauntt’s head in an alligator’s mouth?

Jeanne Olson, Buddy Downey and Betsy Beal look like they made a couple of friends along the way.

Stacey Banister, Tricia Tucker, Becky Mellott, Susan Tomlinson and Susan Peirson kick off the President’s Reception.

Tom Mitchell with Ken Laughlin

Wayne Fleming with Kevin Kirkland

Wes Piatt with Tim Carey
President’s Reception

Gail Donlon with Ken Jurgensmeyer and Bill Moss
Bud and Mary Bartley
Gary and Barb Ambrose with William Rhea
John McGinley with Howard Tomlinson
Geri Sito, Debbie Hughes and Sally Caric
Rob Banister with Ken Pierson
Jeff Parrett
Skipper Beal with Tina and David Caldwell
Chuck Kraynik, Chuck Shaw and Stacey McKinney
Tom Loadman, Rob Churma and Gary Ambrose
Kirby Martensson, Tom Mitchell and Pedro Gómez
George Caric, Steve Bolte, and Jim Hansen
Jane and Bill Moss
Lee Fedor with Jim Raines
RTA Business Session & Luncheon

Thursday marked the official kick-off of the conference, opening with the pound of the gavel by RTA President Kenny Dailey of Stella-Jones Corp.
Annual RTA Banquet

Always a highlight of the conference, the Annual Banquet gave attendees the opportunity to enjoy a fabulous meal while being entertained by comedian Mack Dryden.
Awards & Recognition

One of the most enlightening segments of the RTA Conference is the awards and recognition ceremony, where RTA plays insightful slide shows about the year’s award winners and offers the podium for the winners to address the audience.

George Caric displays his plaque proudly with good friend, RTA President Kenny Dailey.

Howard Tomlinson escorts Jack Hughes of Norfolk Southern to the podium to accept his plaque for the Branding Hammer Award.

Sally Caric and Mike Sylvester were George Caric’s escorts for the Broad Axe Award.

Dailey congratulates Silver Saw winner Skipper Beal on his award.

Dave Webb receives RTA's Award of Merit presented by President Dailey. This is only the third such award presented by RTA.

Jim Gauntt and Kenny Dailey thank outgoing board member Jeff Parrett (center) for his years of service to the Executive Committee.

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RTA Conference Exhibitors

A variety of suppliers to the wood crosstie industry were on hand with exhibit booths.

Bruce Hobbs talking with Claus Staalnner of American Wood Technology and Mike Goldston of Brewco.

John McGinley talking with Tim Carey of Arch Wood Production in front of their exhibit.

David Piper and Mike Goldston of Brewco

Wood Care System

Omaha Track

Encore

Progressive Railroading

Sheri and Wayne Fleming stand by their exhibit.
Thank you to all of the businesses involved in making the 2016 RTA Conference a success!

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RTA Conference Presenters Share Insight On Issues Affecting Wood Tie Industry

Experts from all facets of the railroad, hardwood and wood tie industries were on hand at the 2016 RTA Conference and Technical Symposium in Bonita Springs, Florida, in October. The presenters shared their insights about challenges and opportunities the industry is facing today and looking ahead to in the next several years. Below are excerpts from their presentations.

KEYNOTE ADDRESS
Robert Sumwalt, National Transportation Safety Board

Priorities come and go. Don’t make safety a priority. Make it a core value. And, most importantly, live those values. What separates world-class organizations is that the really well-performing organizations actually live their values. Organizations with strong leaders are those organizations that ensure their values are aligned and lived throughout the organization. They do the right things by caring for the safety and health of their employees and customers. Because of their commitment to values and caring, they have greater potential to perform well financially.

U.S. ECONOMY
Matt Watkins, Miller Howard Investments

Oil shipments to the East Coast are down 69 percent from the peak in May 2015. We see improved economics for importing foreign oil due to lifting export ban. ANS production continues to decline, sustaining the need for CBR to the West Coast. The Permian is arguably the least overbuilt of the four largest crude plays in the U.S., as supply is expected to exceed takeaway capacity by Q4 2020 under the high-case scenario. Pipelines expected to be placed in service include the Midland to Sealy Pipeline. Rail is not expected to play a meaningful role in the takeaway through 2020. While rail has historically played a meaningful role in the Williston basin, the completion of the DAPL pipeline would likely displace a significant amount of CBR volume.

Tom Buis, Growth Energy Organization

Ethanol has come a long way in its second generation. Ninety-seven percent of gasoline used has ethanol in it. Producing almost 15 billion gallons per year. As we go down the road, will we have higher blends (15 percent for conventional vehicles), as automakers have to meet higher environmental standards and double fuel standard mileage? Sixty percent of all ethanol is transported by rail, approximately 29,000 rail cars. Shipments could double over next four to five years. Also, we are now shipping by rail to ports for exporting close to a billion gallons of ethanol annually, and that number is going up.

Joel Lindahl, Wood Mackenzie

We are undergoing a renaissance, with the driver being prices of oil and the gas revolution in the United States. What is the impact of this? There are 264 new chemical industry projects due to shale gas: ethylene, propylene, methanol, etc.—all based on oil. There are projects underway to build ethylene production plants. New plants will produce big volumes with resin pellets moving around the country rail. These tons will move a lot offshore. There is a huge amount of material being moved out of ports. Transportation happens primarily by rail.

Tony Hatch, ABH Consulting

Service is the best it’s ever been, velocity numbers are at an all-time high, etc. The network is in great condition. Regarding capital spending, 2015 was a terrible year, right? But it was the largest capital-spending year ever. Rail service greatly improved because of that. Coal is going to stabilize. It’s 30 percent of our fuel burn. What’s left will stay, but it has gone from being base load business to being more volatile. Growth potential is in intermodal; chemicals/re-industrialization; cyclical recovery in housing; steel and autos; grain and food, with exports up 10 percent; carload merchandise; and shale/oil/sand. Other rail opportunities are in unitization, industrial products/MSW and perishables.

John Gray, Association of American Railroads

Retail sales are critical to rail intermodal volume. That is both for the import business, for domestic consumption. Retail sales have been reasonably strong. And it will again in 2016 surpass the 2006 record. It will be second or third best year we’ve ever had. Also, if you look at intermodal in 2006, that last record, about 70 percent was import or export. One of the important transitions taking place since then is that business is now split 50/50 between international and domestic business. It’s good news that we’re getting some real growth, and it also is a trigger for some capital expenditures.

KEYNOTE ADDRESS
Roger Young, Miller Howard Investments

Policymakers say deficit spending and debt need to be addressed. Yet policymakers unwittingly have caused an even faster rate of economic deterioration. They are hooked on spending and hooked on power. Since the Great Recession, we have had eight years of quantitative easing. Stock markets have rallied, but the Fed was way off on the spending effect. There has not been a lot of personal or corporate spending. So, where is money going? Into savings, too. Quantitative easing has been a big nothing, and has not boosted economic growth. Therefore, quantitative easing is like pushing on a string. The Fed has brought down the cost of money, but, ironically, the economy has not reacted. The shale revolution first hit the headlines eight years ago. The existence of shale around the world is...
CROSSTIES • NOVEMBER/DECEMBER 2016

not new. The trick was how to get those hydrocarbons out of shale. U.S. has been in forefront of developing shales. It’s real. It’s significant for the U.S. both from an employment standpoint and from a political standpoint. It gives U.S. lots of optionality that other countries don’t have. If folks from Washington can stay out of it, the shale revolution will prosper.

PROCUREMENT, RESOURCE & UTILIZATION SESSION I
David Caldwell, Hardwood Market Report

2016 production is down .6 percent from 2015 to an annual average of 8,373,367,300 through August. Mills really have had trouble moving their dust and chips. The largest consumer of hardwoods is the wooden pallet and container industry. We see falling demand due to major shift from hardwood to softwoods. The railway tie industry is the third largest consumer of hardwoods, only behind pallet and exports. Through midyear, we see the sixth consecutive increase in consumption. Production from August 2015 to 2016 is up 13.7 percent. Compared to two years ago it’s 40 percent. For hardwood sawmills, I see flat production and demand for 2017.

Brent McLendon, National Wooden Pallet & Container Association
Two billion pallets are moved every day, 95 percent are wooden. That percentage is going up. There are several major issues in the pallet industry. Fiber availability: A lack of hardwood fiber pushed people to use softwood. Price pressures: It’s a value-driven, ultra-competitive market with thousands of competitors. Government: The Food Safety Modernization Act, OSHA and bat issue as example. Invasive species: the quarantines, logistics and ISPM15 U.S./Canada Exemption. Sanitation/Mold: Purchasing specifications are tightening iterative materials? These issues are changing corporate buying patterns.

Bill Luppold, USDA Forest Service
The real growth of the hardwood resource had been in that pole timber size. But sometime in 2000, that flipped and is now a lesser part of the total resource. Mid-size is growing bigger, and large-size is getting to be large. Our forests are getting older.

Below are several notes from those who attended the RTA Conference. RTA appreciates the feedback!

We were honored to contribute and participate in this long standing tradition. Thank you again for the opportunity.
—Matt Watkins, Miller Howard

We look forward to supporting the RTA.
—Bob Snyder, OmniTrax

It was an honor to participate I really enjoyed the conference.
—Matthew Netterville, Netterville Lumber Company

How the raised bar keeps getting met is beyond me. Fingers crossed for attending next year in San Diego!
—Rob Churma, Canadian Pacific Railway

I’m very happy to be a bigger part of the RTA. It was a great convention last week. You all did a great job as usual.
—Dave Koch, Wheeler Lumber LLC

Enjoyed the conference again this year.
—Tod Echler, CSX Transportation

Great meeting last week. Thank you for including me!
—Dana Lee Cole, The Hardwood Federation

I want to personally thank you for one of the best conventions I have ever attended. The meetings were great, the fun times better, and the hotel choice was excellent. Thank you again for one of the best conventions ever!
—Bill Moss, MiTek USA Inc.

Congratulations on another great conference. As always a job well done.
—Steve Bolte, Danella

Congratulations on an outstanding meeting and thank you for the opportunity to participate. Your team is outstanding, and I thought the entire event, from beginning to end, was seamless. I also met a number of your members and very much enjoyed the conversation...and they all LOVE you and the RTA. Congrats again!
—Brent J. McClendon, CAE, National Wooden Pallet Container Association

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When things get old, they succumb to disease a little bit easier. We are seeing a real reduction in the harvesting of higher-quality sites. The sites we are harvesting today are more reflective of the market we have today. Some bugs and diseases that have or are changing Eastern hardwood forests: Dutch elm disease took out a species. Still occurring and has caused elm to become an endangered species. Gypsy moth is still occurring, with Northern Red Oak being hard hit.

Dana Cole, Hardwood Federation

As timber harvesting has gone down, the forest fire burn rate has gone up. This is one of the reasons we’ve actually been able to make progress in terms of federal forest management reform. People see that millions of acres are burning up. The forest service this year will spend 50 percent of its budget fighting forest fires. About 15 years ago, it was 15 percent. They are spending less money on things like harvesting, protecting streams, regeneration... all of the budget is sucked up and put into fighting forest fires. The National Forest Service is really a jewel, but we’re not doing everything we can to preserve forestland, including harvesting, which should be viewed as a forest management tool.

ENGINEERING FORUM & AREMA PRESIDENTIAL ADDRESS:
David Becker, Norfolk Southern

2016 was a successful year. In August, we held our annual conference in Orlando. It was sold out and well attended. We had 70 technical presentations and professional development seminars. Education is the key focus of AREMA mission. Norfolk Southern’s theme is slow, steady growth. Nothing earth shattering. We will maintain programs on the maintenance side in ties and bridges. From a project side, I am pleased to report we solidly a wood tie railroad and will be progressing with several projects that will use wood railroad ties in 2017. TIGER money has helped the projects progress, but this will come to an end this year, which primarily affects new construction. With most of our industrial projects that we are doing with third parties because of ever-increasing of 286 and 315 cars we’re seeing, rail sizes are upgraded, which means we need more grade 4 and 5 ties and less consumption of Grade 3.

FOCUS ON CLASS 1, REGIONAL & SHORT LINE INFRASTRUCTURE PARTNERSHIPS
Kenneth Sito, Union Pacific

The wood tie is our go-to tie since 1886. Wood ties comprise 85 percent of network, both hardwood and softwood. We are getting only 20 years average life on our ties and some of this is quality control related. That’s one of the areas we are learning about is how to extend life. We want to put in a million borate ties per year for the next few years. We use a two-step process. We are using a lot of foam plugging, ballast management, end plating, top of rail, surfacing and rehabbing ties to extend tie life.

John Cech, BNSF

BNSF is primarily a wood tie railroad, 91 percent wood ties. When we do our math on tie life, we think we should be putting in about 2.8 million mechanized wood ties per year. We’ve been significantly over that number since 2011. This is the first year, if you look at defective tie count, we should be doing less than 2.8 million wood ties. This is another metric showing us the railroad is in very good shape from a wood tie standpoint. Our crosstie challenges are that we want a cheaper tie and want it to last longer. About 40-42 percent of our capital maintenance program goes to ties. Anything you could do to help us with this will result in big savings for us.

Michael Singelyn, Canadian National Railway Company

CN continues to reduce the usage of 8-foot crossties in Canada. We continue to move away from softwood crossties system-wide. We are also exploring increased borate, concrete and composite tie installation in high-risk areas and where it is cost effective. We are trying to go to 100 percent hardwoods. Scrap tie disposal: We started in 2010 with 6.8 million tons in the right of way and in legacy piles. We estimate the legacy scrap tie disposal project will be completed 2020/2021. We are seeking more cradle-to-grave disposal solutions and exploring supply chain disposal options with new tie vendors.

RESEARCH SESSION
Mike McHenry, Transportation Technology Center Inc.

There are many challenges facing railroad industry relative to the wood ties. How do we increase wood tie life, whether that’s getting a better material from the beginning before treating or treating the ties better? It’s at the railroads’ bottom line. Wood tie disposal. It’s a challenge for the industry, and better options are needed. Better inspection and tracking throughout the lifecycle. There are exciting technologies out there that inspect the ties. Lastly, there’s a question anecdotally, whether the tie I’m buying now the same tie I was buying 30 years ago. Does it treat differently, am I getting the same life out of that tie. It’s a question yet to be answered definitively. There are some quality improvements and technologies out there that could address the issue.

Michael Sanders, Mississippi State University

Phase I has now reached a point where some treatments may be starting to give way. Decay is the major biological deterioration problem. Phase II is starting to provide results, with controls beginning to show signs of deterioration. As anticipated, these studies show the necessity and/or value of long-term research projects for full-sized treated specimens.
PROCUREMENT, RESOURCE & UTILIZATION SESSION II

Bill Buchanan, Buchanan Lumber

This year, we placed a 54-inch optimized carriage with another of the same. We cut a pallet cant or a switch tie out of every log. We have 600,000 board feet of kiln capacity. Two silos to handle waste. Twenty percent of our material leads come from our own land. Our flooring is shipped to distributors all over the United States. Our sawmill and flooring plants are located adjacent to one another on 90 acres of land.

Labor is always an issue, but we’re also having a really hard time moving our residuals. From 2005-2015, there were 458 paper mills, now 341. They are the biggest buyer of our residuals.

Bob Miller, Frank Miller Lumber Company

Since the Great Recession of 2008, if you ask me how far we go for logs, we are probably going to within a 120- to 150-mile radius of Union City. Back in those days, we had 28 percent more loggers than we do today. There is timber out there; we just don’t have the loggers. What keeps me up at night is log availability and pricing. We have operations in our area buying white oak logs. There are two environmental groups trying to lock up state forests for no forest management. They come with deep pockets. Endangered Species Act: If there’s an Indiana bat on a piece of property, there’s going to be a no cut area around that bat.

Matthew Netterville, Netterville Lumber Company

My grandfather started our company in 1952. I’m fourth generation and have sawdust running through my veins. We procure within a 120-mile radius of Woodland, Miss. we’ve got good standing timber. It’s better now than 25 years ago. This is a testament to the stewardship of landowners. We have 27 hardwood mills about 375 million feet of hardwood production within 120 miles. It’s a challenge for us to get raw costs as low as we can. We cut about 27 million board feet per year.
Labor is our biggest problem. We employ 120 people and hired and fired 126 last year. We’re battling a government entitlement program. When you get into middle range of employees it’s not an issue. But when you have the guys who are the pullers. It’s bad when I pull up every morning and have to ask whether everybody is here. Last week, I had nine not show up and couldn’t run one of the mills. It’s a culture problem, and it’s something we’re going to have to deal with. Our biggest problem is manufacturing efficiently in this country with the labor force we have.

Thomas Battle, Battle Lumber Company

Our procurement region for logs is about 200 miles. Our procurement scheme changed by managing the harvesting of 75 percent of all our log deliveries. As far as locations we ship to, we are a global company. We go to 19 countries across the globe. We have a sales office and staff both in Wadley, Ga., and China. We export more than 100 containers per week. Ours is a family-owned-and-operated business for more than 50 years. Cutting edge sawmills and equipment, producing the highest yield recovery/ton log possible. We have over six months supply of log inventory on the yard at all times. This allows us to provide consistent product supplies regardless of weather conditions.

RAILROAD PURCHASING FORUM

Robert Guinan, OmniTRAX

We have 22 short line railroads, three industrial parks, 11 transload operations and 2,600 miles of track in our network. We serve more than 350 industrial customers in multiple industries. Our forecasted volumes for ties are 150,000 in 2017, 170,000 in 2018, and 180,000 in 2019.

Cory Thomas, BNSF

We expect $4.2 billion in capital investments for 2016. Replacement capital is investment in rail ties and undercutting is a big part of what we are doing. It’s a drop from 2015. Expansion is a big cut back from 2015 to 2016. Much of that is the regulatory environment making it harder. Total volume is down 7.5 percent in first half of 2016. Automotive and consumer products up, agriculture is up. Bad side is that industrial products are down 7.2 percent. Coal is down 33.4 percent due to low natural gas prices. This year, our wood tie replacement program is about 3.7 million, up from 3.2 million in 2015.

Nate Irby, Union Pacific

50 percent of our capital plan is dedicated to infrastructure replacement. We have leaned heavily on our current suppliers, and they have stepped up to the plate. We are grateful to them for helping us in our time of need. Wood ties for 2017 will be 3.6 million, with 400,000 concrete. We expect a total of 4 million ties, which is down just a bit from 2016.

Larry Fenwick, CSX Transportation

Our crosstie inventories are built up from the 2014 crisis. Now, the war on coal is putting the brakes on everything. Next year, will put in 2.8 million wood ties; 75 percent mainline and 25 percent branch line. Switch ties: 10-12 million BF; bridge timber: 3-3.5 million BF; crossing timber: 3 million BF. For 2017 and beyond, we will continue to be a wood tie railroad. However, new track construction will be mostly concrete/steel. Composite ties may become an effective option in high rot zones. CSX will continue with a robust capital reinvestment program.

Kristine Storm, Genesee & Wyoming

Our 2017 capital program includes wood ties at 750,000 BF; switch timbers at 500,000 BF; bridge timbers at 900,000 BF; crossing timbers at 100,000 BF; and steel ties at 2,000. Forecasted demand is flat into 2017 for core capital, special projects and grants. New ties represent 98 percent of demand. Relay represents 2 percent of demand. If our suppliers can keep costs down, we can put in more ties.

Scott Feldman, Norfolk Southern

Coal is down, CBR is down, but we still had a record nine-month operating ratio, which improved 330 basis points or 5 percent. Our service metrics are up over 2015, really growing our value proposition. We’re looking to bring in as much revenue as possible but also reduce costs as much as possible to offset some of the challenges that we’ve had. Our goals for 2017 include a transition to Cu-Nap for all bridge ties for the 2018 program; to maintain a steady and adequate inventory level; and to leverage the market to achieve price stability.

Bill Blaise, Kansas City Southern

We think there’s great opportunity for us in Mexico, with new automotive plants going up in 2017, 2018, and 2019. Energy reform will take over in Mexico, which provides opportunity for investment for third parties in Mexico.

Mitchell Johnson, Canadian National

Despite market conditions, CN is always committed to taking advantage of maintaining infrastructure. Not too many surprises on an annual number front coming from our group. We are going to maintain borate installation in Zones 4 and 5. CN is looking to the RTA and its members to continue to innovate and provide value to the railroad industry. Some ideas include the selection of more durable species; moving away from a P3 mix to P2 solutions; and more assistance from the industry with scrap tie disposal and handling. CN is also exploring the potential increased use of both composite and concrete ties.

Rob Churma, Canadian Pacific

Revenues are up, earnings per share are up and cash flow is up. Primarily a bulk shipment operation in Western Canada. It’s a little delayed in grain harvest due to wet conditions, but it should help boost our fourth quarter revenues. Capital investment for 2017 is down slightly, which affects all track materials including ties. But, we look back a few years, and we are still above a million ties in our requirement. In 2017, we are looking at 1.1 million ties; 2018: 1.2 million ties; 2019: 1.2 million for a total of 3.5 million over next three years. Till no borates yet. We are 100 percent black tie and 100 percent hardwoods.