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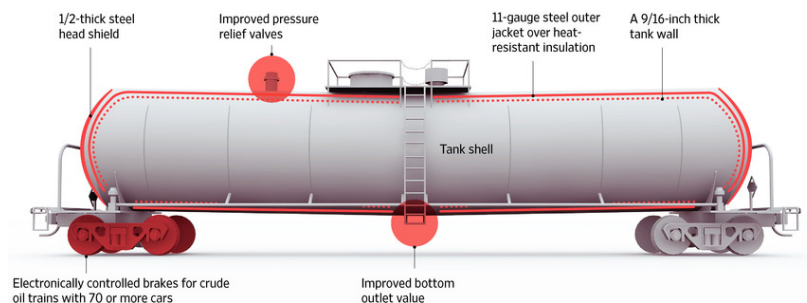
BUSINESS | LOGISTICS REPORT

U.S. Lays Down Strict Railcar Rules

Oil trains required to have electronic brakes, sturdier tanks

Designing a Safer Oil Train

The U.S. unveiled new rules for railroads hauling crude oil and other flammable liquids.



Sources: Pipeline and Hazardous Materials Safety Administration; Federal Railroad Administration

Graphic by Alberto Cervantes/ THE WALL STREET JOURNAL.

By **AMY HARDER** and **BOB TITA**

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U.S. transportation regulators Friday issued tough new rules for railroads hauling crude oil and ethanol that will require trains be equipped with expensive new brake systems.

The regulations also require that sturdier tank cars be built for hauling oil, ethanol and other flammable liquids and prescribes upgrades for an estimated 154,500 tank cars already carrying flammables.

Trains carrying large amounts of crude oil will be restricted to 30 mile an hour speeds if they don't have new electronic brakes installed by 2021. Other flammable liquids, including ethanol in high volumes would be speed-restricted after 2023. Trains with either a block of 20 or more cars or a total of 35 or more cars of flammable liquid will be

required to use a second locomotive to help with braking.

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The rules, unveiled Friday in a joint announcement by U.S. and Canadian regulators, were tougher than expected. The electronically controlled pneumatic brakes deploy faster than the air brakes now used on freight trains.

Freight railroads maintain that installing them on existing railcars and locomotives would be prohibitively expensive and take years of work fully implement. The cost of installing ECP brakes on an existing railcar is estimated at \$8,000 to \$10,000, according to rail industry consultants. It wasn't immediately clear whether Canadian regulators will also require electronic brakes.

The decadelong phase-in requirement for upgrading tank cars already in service is double the time originally suggested by U.S. transportation regulators for completing retrofits. Transportation safety advocates and railcar builder Greenbrier Cos. have said that 10 years is too long and have urged that older cars be upgraded or removed from service sooner.

Several fiery crashes of crude-oil trains, including four this year alone, have ratcheted up pressure on government officials to reduce the risks posed by dozens of crude-oil trains a day traveling through metropolitan areas on their way to refineries.

Shares of tanker-car makers jumped Friday on the prospects of more business for them. Westinghouse Air Brake Technologies Corp., or Wabtec, rose 6% to \$99.66; Trinity Industries Inc. gained 3.8% to \$28.12; Greenbrier Cos. added 5.3% to \$60.77; and American Railcar Industries Inc. increased 2.6% to \$54.43.

Transportation Secretary Anthony Foxx said the rule "is recognizing that we have a growing risk, and it is attempting to put some brackets around that risk to the public."

The Transportation Department believes the timeline for retrofitting tank cars is "workable," but it has caused some tank car manufacturers to balk, Mr. Foxx said during a Friday morning news conference. "It's more aggressive than some of them would like, but we think it's a prudent way to go and what we have to do," he added.

If the final rule is challenged in court, Mr. Foxx said, “we believe strongly that our rule will stand up.”



U.S. transportation regulators issued tough new rules for railroads hauling crude oil and ethanol that will require trains be equipped with expensive new brake systems. *PHOTO: ASSOCIATED PRESS*

Although railroads have come out in opposition to the need for ECP brakes, “we are strident in believing this is a good technology and one that is useful,” he said.

Almost as soon as the new regulations were announced, they came under fire. The American Petroleum Institute, which represents all segments of the U.S. oil and natural gas industry, said it thought the new braking systems would compound the limited shop capacity problems that would already be created by other requirements called for in the rules to retrofit the existing tank car fleet.

“We support upgrades to the tank car fleet and want them completed as quickly as realistically possible,” said API President and Chief Executive Jack Gerard. “The railcar manufacturing industry’s own calculations show it does not have the shop capacity to meet the retrofit timeline announced today, which will lead to shortages that impact consumers and the broader economy.”

He called the safety impact of the new brakes “marginal at best,” adding: “It is concerning that regulators did not select one of several alternative braking technologies that have much clearer benefits for safety.”

Brendan Williams, executive vice president of the trade association American Fuel Petrochemical Manufacturers, called the deadlines for tank car retrofits laid out in the new rule “aggressive” and “unrealistic.” He said they “may be disruptive to transporting crude oil to markets across the country.” He said the AFPM will work to implement the new rule “to the greatest extent possible.”

While the Association of American Railroads said it supported the tank car rules, it called the decision to require ECP brakes “imprudent” and a “rash rush to judgment,” lacking support in data or analysis.

”First and foremost, the DOT has no substantial evidence to support a safety justification for mandating ECP brakes, which will not prevent accidents,” said AAR’s Chief Executive Edward R. Hamberger. “The DOT couldn’t make a safety case for ECP but forged ahead anyhow.”

Tom Simpson, president of the Railway Supply Institute, a rail industry equipment association, said there are only two suppliers of the ECP brakes in the U.S.

”ECP brakes is not a widespread technology, despite what the secretary said,” said Mr. Simpson. “ECP brakes are an expensive proposition. We estimate it costs about \$8,000 per car, and over 125,000 tank cars would have to be modified.”

Speaking for the RSI Committee on Tank Cars, he said, “We think that is an unnecessary expenditure because there are existing braking systems that work and can provide the same service at no additional cost to my industry.”

—Laura Stevens contributed to this article

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