

A great ride

As my tenure as vice president of rail operations at ARG Railroad Services comes to an end, I would like thank each and every employee for making my career successful.



Paul Thomas

I have watched as the business grew and prospered and it is gratifying to know that every one of you understand the vision of ARG Transportation. As this company grows and the individual railroads and companies within the ARG group continue down the road of success, please keep in mind that although the carloads and operating ratio are very important, the most important asset in the inventory is the people. That is what makes this company a great place to work. Being part of an organization where the employees are valued and respected has been inspiring. To me, what defines a great company is not how successful it is on the balance sheet, but how successful their employees are.

The last few months of my tenure at ARG have brought many changes—in particular, the reorganization of the management teams at CBR and SPSR. This was done with a great deal of planning and foresight. Although change can be tough on any organization, this transformation went very smoothly. As Duke Rodley becomes the chief operating officer; Richard Archunde and Aaron Lovelady take on the general manager posts at CBR and SPSR; and Greg Bess is promoted to operations manager at CBR, I know that the railroads are in good hands.

Last, but not least, I would like to thank the train, track and office personnel to know that I am honored to have worked with you all.

I will continue to be part of ARG as I will be working on some special projects. So I am not completely going away—just moving on to the next challenge.

Paul Thomas
VP rail operations

Copper prices rise and so do SPSR carloadings

An upsurge in copper prices in November and December brought a corresponding rise in San Pedro & Southwestern Railroad's carloadings. After dipping to 122 in October, traffic rebounded to a more normal 164 and 166 carloads, respectively, in the last two months of the year.

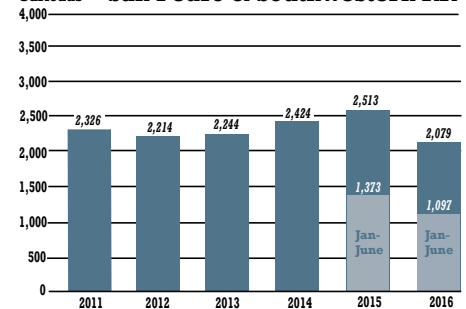
"Much of the increase was due to copper making a comeback," notes SPSR General Manager Aaron Lovelady. "We also experienced a temporary shutdown by Apache Nitrogen, while it automated one of its systems."

"Willcox is keeping us alive," adds Aaron. SPSR has been busy switching cars of animal feed, consumed mostly

by Coronado Dairy, home to some 60,000 heifers and cows.

At Curtiss, SPSR has acquired five more acres to provide parking and support for Superior Bulk Logistics.

Carloads **San Pedro & Southwestern RR**



David L. Parkinson 1938-2016



Former owner of the San Pedro & Southwestern Railroad and short line railroad executive David L. Parkinson, 78, died December 17 at Palm Desert, California after a brief illness. He acquired the San Pedro & Southwestern Railroad from RailAmerica in 2003.

Mr. Parkinson had been involved in railroad investments and acquisitions since 1988. He was founder and chairman of the Arizona & California and the California Northern railroads since their respective startups in 1991 and 1993 and chairman of the Puget Sound & Pacific Railroad, which began operation in 1997. The three railroads were sold in 2002 to Rail America, Inc., which subsequently was acquired by Genesee & Wyoming Inc. in 2012.

He was a director of Evraz Oregon Steel Mills Inc. since 2001. Mr. Parkinson served on the board of directors for Napa Landmarks and California Short Line Railroad Association, and the Foundation of Intermodal Research.



PHOTO BY AARON LOVELADY

WILLCOX SPUR—San Pedro & Southwestern Railroad switch crew brings in more carloads of animal feed—much of it destined for hungry heifers at the Coronado Dairy, now in its second year of operation.

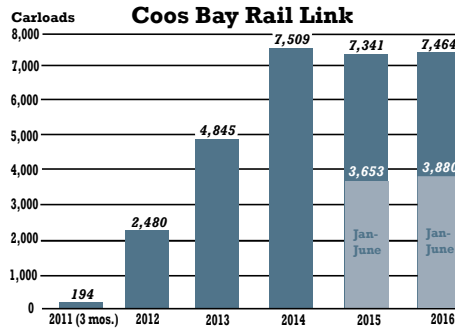
CBR carloadings up 1.7%

Carloadings on Coos Bay Rail Link inched up in the second half 2016 to 7,464, versus 7,341 in the prior year.

Dimensional lumber, wood chips, and plywood continue to account for most of CBR's traffic.

Two new customers are expected to be up and running later this year. K2 Exports is planning to receive logs at Millington siding, south of Coos Bay. In February, Lost Creek Rock Products plans to complete a 1,200-ft. spur track near Green Hill Road in West Eugene, Oregon.

Initially, Lost Creek's 6.5-acre site will transload logs for movement overseas via Coos Bay as well as in-bound lumber up from North Bend,



transloading it into trucks.

Eventually, LCRP plans to ship construction grade rock to Mapleton and Coos Bay—using rail to move the products more efficiently with reduced emissions.

ARG Mechanical adds car, locomotive work

ARG Mechanical Services has grown in the past year from one to five people. “Besides repairing freight cars for CBR,” says General Manager Doug Bratton Sr., “we are starting an upgrade of locomotive No. 3802 to bring it up to the latest GP38-3 standards.”

In addition to locomotive work, ARG Mechanical is also adding two more employees to inspect and repair 22 gondola cars to move logs from LCRP's new Green Hill site. Other work includes performing AAR (Association of American Railroads) billing and inspection on other local railroads.

Duke Rodley is chief operating officer

Darrell “Duke” Rodley, general manager, has been promoted to chief operating officer of ARG Transportation Services, effective January 1, 2017—overseeing Coos Bay Rail Link and San Pedro & Southwestern railroads.



Duke Rodley

of rail operations after 40 years of service, mostly with the former Santa Fe Railway, now BNSF. Paul began railroading as a laborer, advancing to superintendent of operations for BNSF at Phoenix, Arizona. He joined ARG Transportation in 2013.

Duke has been a railroader for more than 20 years and joined CBR as a track supervisor at start up in 2011, advancing to director of railroad operations in 2015. He was named general manager January 1, 2016.

Duke began railroading in 1996 as a section hand working in the engine-

ering department for the Central Oregon & Pacific Railroad in Roseburg, Oregon. After holding several management posts at RailAmerica, Duke formed his own railroad contract repair company in 2010, doing work for the Port of Coos Bay and CBR in 2011.

Duke plans to visit CBR and SPSR on alternating months and also spend time at ARG Mechanical Services.

Meanwhile, Duke has been out meeting with customers. “I like that part of it—being proactive with the railroads and customers both,” says Duke.

Succeeds Paul Thomas

Duke assumes the duties of Paul Thomas who retired as vice president

PLENTY OF POWER—Westbound Coos Bay Rail Link hauler led by No. 2470, the “Peter DeFazio,” departs Union Pacific’s yard at Eugene, Oregon. The five-locomotive consist is returning to Coos Bay after delivering a 93-car train of mostly loads of lumber to the UP.



PHOTO BY JAKE O'HALLORAN



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