

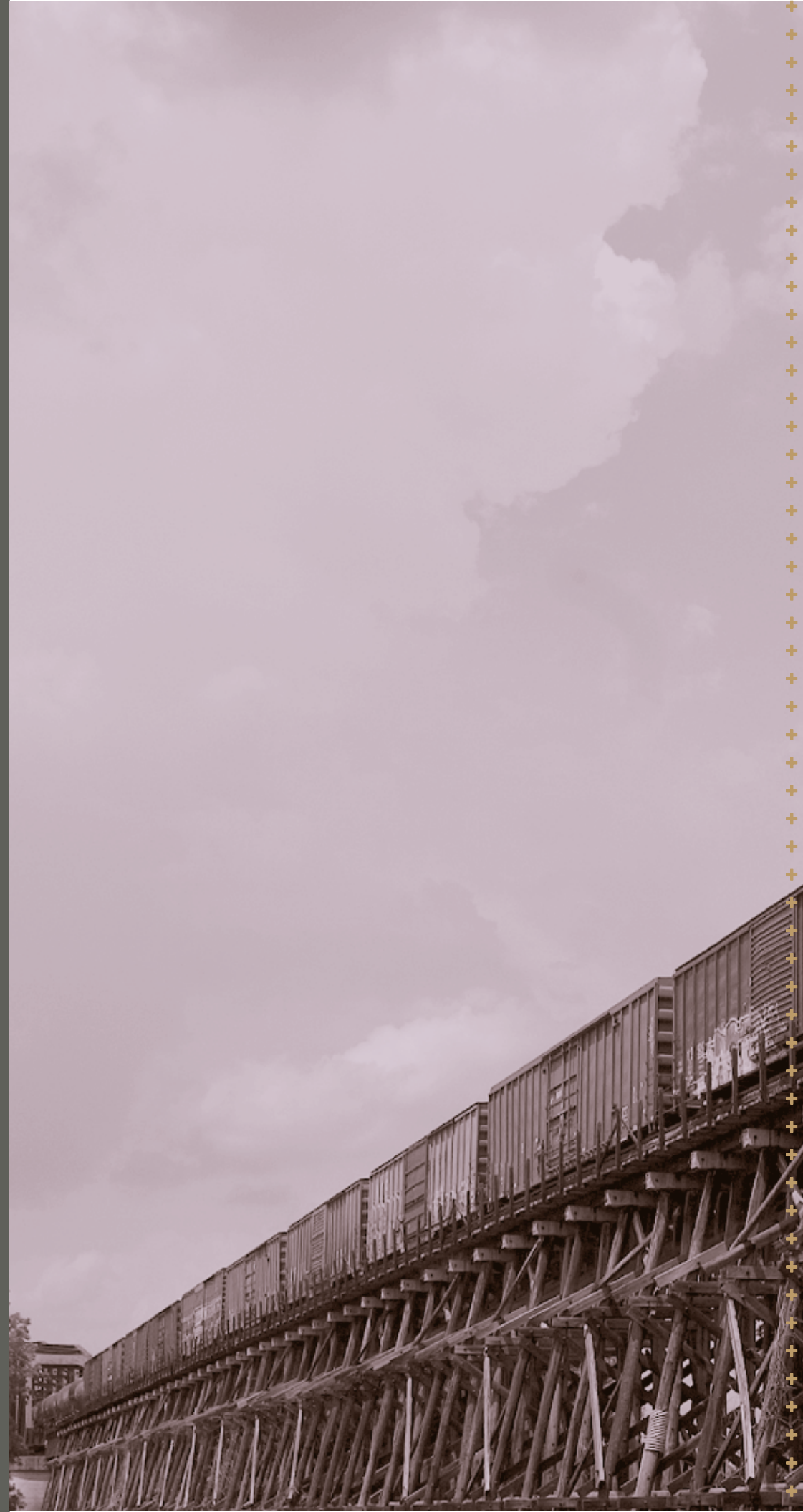


# RAILLINC / ANNUAL REPORT



БАЙЛЛЫС

ТЮРӨД ЛАУИНА \ АИИЛУГ БЕРӨБЛ

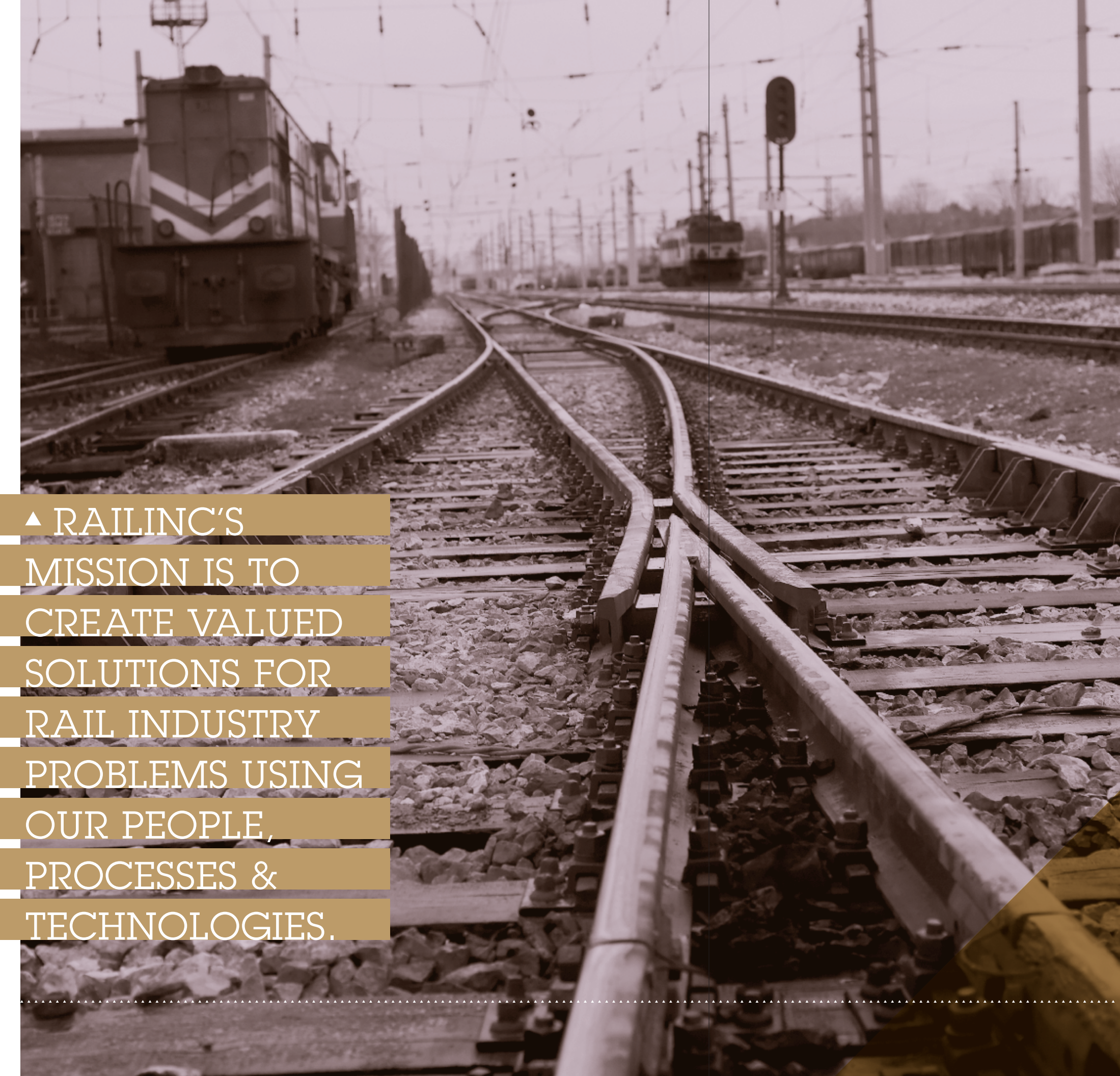


RAILINC /

ANNUAL REPORT







▲ RAILINC'S  
MISSION IS TO  
CREATE VALUED  
SOLUTIONS FOR  
RAIL INDUSTRY  
PROBLEMS USING  
OUR PEOPLE,  
PROCESSES &  
TECHNOLOGIES.

***** TABLE OF CONTENTS *****	
4-5 . . . . .	President's Message
6 . . . . .	Railinc Vision
7 . . . . .	2010 Industry Initiatives in Review
8-9 . . . . .	2010 Railinc Company Highlights
10-11 . . . . .	New for 2011
12-13 . . . . .	Railinc by the Numbers
15 . . . . .	Railinc Leadership
16 . . . . .	Corporate Overview

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# A MESSAGE FROM THE PRESIDENT

## TO OUR RAIL INDUSTRY PARTNERS

**+** As the North American rail industry rebounded in 2010, so did Railinc, producing one of the best yearly performances in the company's history. To achieve this superior performance, Railinc focused its efforts in three areas: 1) Creating better value for industry products through flawless releases and upgrades; 2) Improving Railinc's IT operations and customer service to the direct benefit of our customers; and 3) Developing commercial products to spread the company's costs across a broader product base. Here is a review of our efforts in these and other areas throughout 2010:

### EMPHASIS ON DELIVERING VALUE THROUGH INDUSTRY PROJECTS //

Working in conjunction with AAR committees, Railinc delivered six industry projects in 2010. These projects varied in size and scope, and each was implemented successfully on time and on budget. Among them, the Damaged and Defective Car Tracking system was the most prominent, forever changing an essential rail industry process and rendering the paper defect card obsolete. Other projects expanded the functionality of existing applications such as the Umler System, upgraded technology infrastructure to new standards and validated the need for further technology work focused on asset productivity.

In addition, Railinc worked very productively with the AAR to establish the Railinc Project Support Working Committee. This AAR committee provides an operations perspective on prospective industry projects, helping to identify new opportunities, validate business cases for new opportunities and recommend industry projects to the Railinc Board of Directors. The slate of industry projects underway for 2011 was developed with full review and input from this committee.

### SIGNIFICANT IMPROVEMENTS IN OPERATIONS AND CUSTOMER SERVICE

// Early in 2010, Railinc reorganized its business services group into two divisions, separating AAR-related products from commercial products. This change has enabled management to refine business objectives to align better with customer needs, maintain greater transparency and accountability, and effectively manage resources for projects and products. Railinc also has improved its daily interactions with customers. The capstone of this effort was the successful implementation of the Railinc Launch Pad. The Launch Pad is the portal login landing site that customers use to access Railinc applications and community sites. The site helps users

access applications, open and view service tickets, and communicate with Railinc more effectively. This self-service model has improved customer satisfaction and shifted customer service workloads to more critical customer-related tasks.

In addition, Railinc made significant strides through its reporting and billing system. Refinements in this new system have more effectively and more accurately tracked customer product and data usage. Railinc can now present customers with a simple and easy-to-read billing statement that helps multiple departments within a company more effectively manage their payments and interact with Railinc during the payment process.

Along with ongoing product improvements, these efforts generated praise from customers and contributed to healthy gains in customer loyalty and in Railinc's net promoter score – an internationally recognized metric gauging customer satisfaction.

### A FIRM FOUNDATION FOR COMMERCIAL PRODUCTS GROWTH //

Railinc's commercial business exists to provide financial and operational support for the company's industry-related products. In 2010 Railinc's commercial products group established a firm foundation for revenue growth in the coming years. Significant upgrades were made to the RailSight application to meet industry expectations and make it a more compelling product. Other Railinc teams worked with large customers to manage their EDI transactions and to develop new types of analytics products that help fleet managers make more informed decisions about their equipment. We look forward to building upon this success next year.

### CREATING VALUE THROUGH ASSET HEALTH AND MANAGEMENT //

As we move into 2011, I am confident that our executive team can manage effectively to meet the evolving needs of the rail industry. Our recent work with the industry shows that Railinc can play an even greater role in areas of asset health and management, beyond the applications where we are currently involved. As the interconnections and real-time communication among all classes of railroads and equipment owners become both more complex and essential for efficient operations, Railinc will seek out opportunities and look to invest in technology solutions with the industry that continue to make the North American rail industry the most productive freight transportation system in the world.



We will focus our energies on the areas that matter most, such as creating better value through our industry products; continuing to improve Railinc operations and customer service by making improvements in infrastructure including migrating off of Railinc's mainframe platform; and developing new revenue through existing, market-based products that fill gaps where our customers have significant needs or could benefit by easier access to rail data. The goal will be to deliver services that meet the quality our customers expect from Railinc at the lowest total cost and that are convenient for them to use.

Overall we are pleased with what we accomplish at Railinc on a daily basis. But we are also proud to be a part of this great industry and the contributions it makes to its customers, the economy and the environment. In the coming year, we will work harder than ever to serve our rail industry customers well and provide the support necessary to keep freight trains moving safely and efficiently.

Thank you for giving us the privilege of serving you.

Sincerely,

**E. ALLEN WEST**  
CEO & President

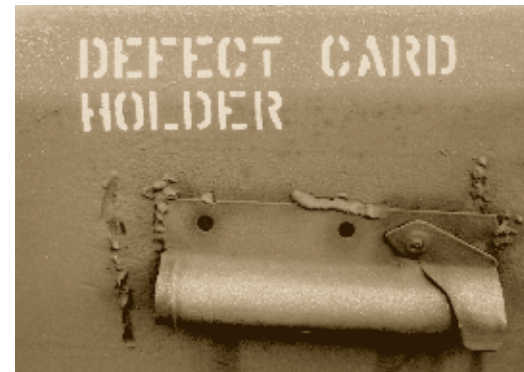




▲ RAILINC'S VISION IS TO BECOME THE RAIL INDUSTRY'S INNOVATIVE, GO-TO RESOURCE FOR DATA & INFORMATION SYSTEMS.

## 2010 INDUSTRY INITIATIVES IN REVIEW

**D**URING 2010, RAILINC SUCCESSFULLY DELIVERED ON projects and initiatives that create and return value to the rail industry. These efforts streamlined and automated business processes, identified areas for future improvement and upgraded technology to drive down costs and improve efficiency and communication across the industry. Here is a review of the year's projects:



### **DAMAGED AND DEFECTIVE CAR TRACKING (DDCT) SYSTEM //**

The DDCT system was Railinc's flagship project for 2010. The system, launched in January 2011, replaced the manual process for identifying and tracking information related to damaged or defective freight cars with an easy-to-use, web-based application. It created a central repository for information related to these rail cars and facilitates communication among mechanical, accounting and transportation personnel. See story on page 8.

### **UMLER™ AUTOMOTIVE SUPERSTRUCTURE //**

The Umler Automotive Superstructure project expanded the Umler system to include bi-level and tri-level vehicle racks for improved asset management capabilities of rail equipment owners.

### **COMPLETE CAR HEALTH STUDY //**

This study assessed the value of bringing together equipment repair and status data to improve rail car maintenance planning, asset utilization and rail safety. The results of this study are driving Railinc's top industry initiative for 2011, the Comprehensive Equipment Performance Monitoring (CEPM) project. See project details on page 10.



### **TRAIN TRACING JOINT INDUSTRY ENHANCEMENTS //**

By enhancing information-sharing to better track rail cars, this joint industry initiative improves customer satisfaction among rail shippers, with greater accuracy of demurrage charges and fewer demurrage disputes.

### **FORWARD AND STORE VERSION 6020 EDI UPGRADE //**

This technology upgrade improved data quality and ensured regulatory compliance within the transportation-based EDI transaction sets. The technology standard ensures efficient and effective communications even as technology improvements occur.

### **IRF 6020 EDI UPGRADE //**

Data quality is critical for rail-industry participants. This data upgrade improved waybill accuracy and reduced costs through more detailed EDI messages and better error checking.



## 2010 RAILINC COMPANY HIGHLIGHTS

**R**AILINC WORKED THROUGHOUT 2010 TO FIND NEW and better ways to serve the rail industry. The company collaborated with industry participants to deliver on key projects and create new service tools. Industry committees were engaged and focused on creating real business value. And Railinc employees were challenged to become more innovative.

Here's a closer look at the year's milestones:

### DDCT SYSTEM AUTOMATES 125-YEAR-OLD MANUAL INDUSTRY PROCESS //

Railinc's successful launch of the Damaged and Defective Car Tracking System in January 2011 made a 125-year-old piece of paper obsolete and brought an essential rail process into the modern technology era. With this centralized, web-based application, rail carriers, equipment owners and repair shops now have real-time access to damaged or defective car information through a single, standardized source.

Defect cards date back to the late-1800s and provided essential information about a freight car's physical condition. This 3½ by 8 inch card, placed in a tube on the outside of damaged freight cars, drove nearly \$1.5 billion of annual rail car repairs. Now system users can more quickly facilitate the DDCT process and update, retrieve and share information in a timely manner. The results are better communication and collaboration among rail partners, better equipment management, improved rail safety and reduced administrative costs.

The new DDCT system required four years of industry-wide coordination and development. Representatives from the Class I railroads, many rail equipment owners and repair shops participated in developing the system.

### BUILDING A CULTURE OF INNOVATION //

In 2010, Railinc focused on building a culture of innovation among its employees. The idea was that stimulating innovative thinking would encourage ingenuity and collaboration and lead to better technology solutions for rail industry customers. That concept led to Railinc's inaugural Innovation Challenge. The Innovation Challenge encouraged IT employees who usually do not work together to form teams, identify opportunities for innovation and develop suitable prototypes addressing the opportunities. There was one criterion for proposed ideas: any innovation must add value to Railinc and the industry.



Seven teams took the challenge and developed promising ideas, many that Railinc has already implemented. The winning idea, "Predictive Market and Idea Market," uses predictive analytics to help Railinc anticipate customer needs and develop products to solve those needs. To date, Railinc has identified the following benefits of its innovation efforts:

- {1} more creative thinking and cross-functional collaboration,
- {2} tangible ideas that improve company operations, product quality and customer satisfaction, and
- {3} happy employees.

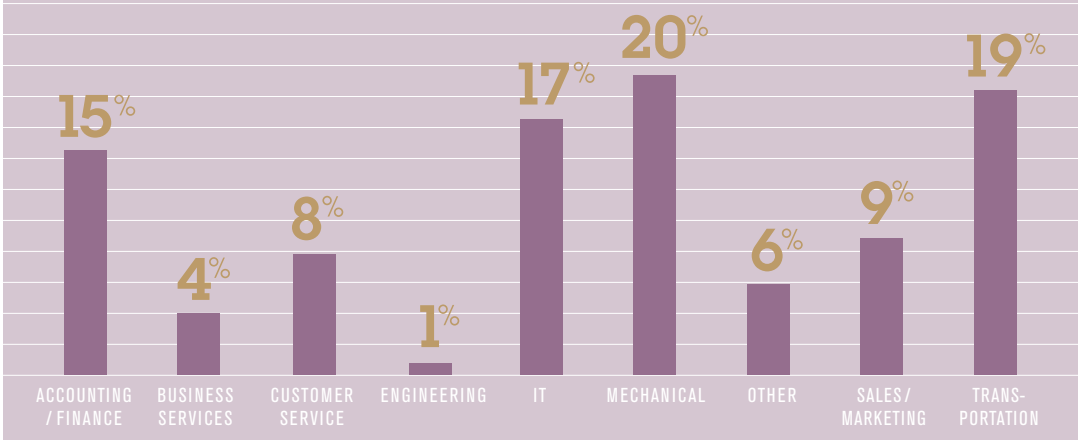
The inaugural competition was so successful that it will be expanded to include the entire company in 2011.

### RAILINC'S LAUNCHPAD IMPROVES CUSTOMER RELATIONS //

In 2010, Railinc put out a new welcome mat for customers logging in to Railinc.com with the debut of the Railinc Launch Pad. The Launch Pad is a portal landing page where more than 9,000 users access their Railinc applications and community sites each day. Through the Launch Pad, customers can access their applications, open and view service tickets, communicate with customer support, set

## WHO PARTICIPATES IN RAILINC PRODUCT SATISFACTION SURVEYS BY DEPARTMENT?

395 Total Respondents, 2010



preferences for notifications and manage their account settings—all without having to pick up the phone or access another application.

Customers report that they like the greater visibility of their communication with Railinc and improved ability to manage their interactions with customer support. These self-service tools also have enabled the company's customer service representatives to spend more time on critical customer-related tasks and projects than on unlocking passwords.

### RAILSIGHT™ ENGINE EASIER TO USE AND MANAGE //

In 2010 Railinc introduced significant improvements to its track and trace application, RailSight. The product is essential for many companies tracking rail cars and freight shipments across North America. The upgraded application includes an easy-to-use web tool, expanded integration options and historical tracing. The new version adds features and critical functionality that give rail equipment owners, shippers, third-party logistics managers and transportation management software (TMS) providers an improved ability to manage and view rail fleets and rail event data for themselves and their customers.

### PARKER NAMED AMONG REGION'S TOP FINANCIAL EXECUTIVES //

Railinc's Yates Parker, assistant vice president, finance, was recognized twice in 2010 by local business publications honoring the region's chief financial officers.

In July, Parker received the *Triangle Business Journal's* 2010 CFO of the Year Award in the category of Medium Private Company. The organization presented awards to professionals in North Carolina's Triangle region who exemplify excellence as corporate financial stewards. In December, Parker was recognized again, this time by *Business Leader Magazine* as one of the Top CFOs

in the Triangle for 2010. This award is given to chief financial executives for outstanding performance in positioning their companies to maintain profitability and for their strong leadership in both their organizations and the community. Parker leads Railinc's corporate services department and is responsible for finance, control and treasury functions.

### NEW AAR COMMITTEE FOCUSES ON RAILINC INDUSTRY IT PROJECTS //

In mid-2010, Railinc and the AAR worked closely together to establish the Railinc Project Support Working Committee (RPSWC). This AAR committee is composed of senior rail industry executives, who advise Railinc and its Board about prospective industry IT projects. It is a sub-committee of the AAR's Safety and Operations Management Committee (SOMC).

Specifically, the RPSWC focuses on four key objectives related to Railinc's industry IT projects. They are: {1} giving Railinc an operations perspective of prospective projects; {2} helping to identify new industry IT project opportunities; {3} validating business cases for new IT projects; and {4} recommending additional industry projects to the Railinc Board of Directors.

The committee will also facilitate communication and provide insight regarding the rail industry stakeholders that use the company's IT systems and software applications. Railinc developed its slate of 2011 industry projects with full review, input and advice from the RPSWC. See pages 10–11 for the complete 2011 industry project listing and a brief description of each project.



## NEW FOR 2011: INDUSTRY-SPONSORED PROJECTS

**R**AILINC WORKS CONSISTENTLY WITH ITS RAIL industry partners and related AAR committees to identify and develop new information technology projects that can help improve rail operations and better serve rail customers. For 2011, the following 12 industry initiatives received additional review and input from the newest AAR committee, the Railinc Project Support Working Committee, also known as the RPSWC (see page 9), before earning final approval from the Railinc Board of Directors.

### **COMPREHENSIVE EQUIPMENT PERFORMANCE MONITORING (CEPM) //**

Railroads and other industry participants maintain separate component and equipment records. This project will create a comprehensive database of rail components that incorporates mileage information and that provides an integrated view into the complete car-health status of freight-rail equipment. This view into current and past car-health data will improve the recall process, decrease derailments, lower repair costs and ultimately improve railroad safety. Initial work in 2011 will focus only on the wheel-set component and will create a reusable framework for this multi-year project.

**EARLY WARNING RE-WRITE AND VALUE EXPANSION //** Maintenance advisories and "early warnings" are critical to rail safety. This project expands the current early warning system, integrating it with additional equipment-health asset management applications through a web-based system. The expanded system will streamline the alert-entry process and improve access to alerts for improved regulation compliance and rail safety.

**LIABILITY CONTINUITY SYSTEM (LCS) SELF-SERVICE //** Rail-equipment owners rely on accurate car movement records to determine car hire liability. The Liability Continuity System manages interchange reporting for car accounting purposes. This project will create a customer service portal for the LCS system that will expand equipment owners' visibility into events, enable greater understanding and analysis of car hire calculations and reduce support costs.

**CAR HIRE DATA EXCHANGE (CHDX) PLATFORM UPGRADE //** A majority of the North American car fleet use the CHDX system to send and receive car-hire payables. This data upgrade will provide a common platform and automate existing manual processes. The result will be improved data quality and reduced application-support costs.

**LCS RISK/OPPORTUNITY ASSESSMENT //** Various industry rules are applied in the Liability Continuity System to determine car-hire liability. This study will assess the value of new application features such as a business-rules engine and will determine potential risks in the current application design to ensure the system's long-term value for car-hire accounting.

**SWITCHING SETTLEMENTS THROUGH RCH //** A centralized system for transferring funds between railroads is critical for an efficient, accurate and economical process. This project will add switching charges to the financial settlements performed by the clearinghouse to reduce the cost and time to process these payments.

**CAR REPAIR BILLING MANDATORY RULE CHANGES //** AAR industry rule changes ensure safe and efficient freight railroad travel. This project continues data quality efforts for the Car Repair Billing Data Exchange to manage the exchange of repair bills for foreign freight equipment.

**ISS EDI 6020 UPGRADE //** Technology standards ensure efficient and effective communications, especially as technology improvements occur. This upgrade delivers business process improvements for the Interline Settlement System (ISS) to drive down costs by reducing the manual work required to settle revenue waybills.

**REN EDI 6020 UPGRADE //** This data quality compliance effort promotes greater process efficiencies and more effective communication by reducing the manual work required to communicate rates between railroads participating in an interline move through the Rate EDI Network (REN).

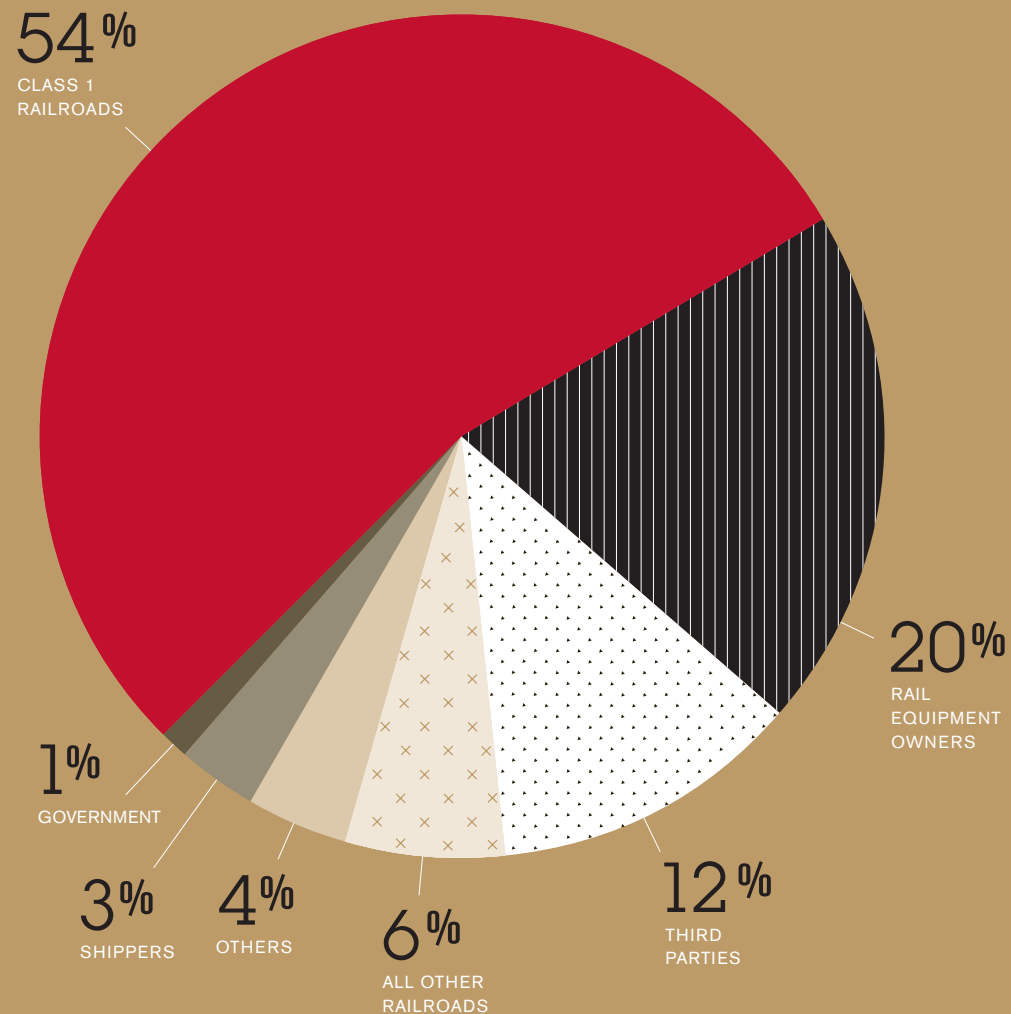
**ISS RISK/OPPORTUNITY ASSESSMENT //** When two or more railroads are involved in a shipment, the revenue generated must be tracked and settled among the railroads involved. This study will evaluate the technology and processes used in the Interline Settlement System with a focus on the potential value of process improvements such as integrating with SAP software to ensure continued value and cost reduction from the system.

**LOCOMOTIVE HPH/FUEL OPPORTUNITY ASSESSMENT //** Equipment owners spend a lot of time calculating and reconciling the horsepower hours and fuel used for interchanged locomotives under the current process. This study will assess the value of a centralized, automated data exchange driven by industry rules to reduce the cost and time required to reconcile locomotive exchange.

**MACHINE VISION REQUIREMENTS STUDY (UMLER™) //** Rail equipment inspections require a significant investment of manual hours. This study will determine the requirements for the new Machine Vision application within the Umler system that will enable inspections to be automated and performed remotely.



# RAILINC BY THE NUMBERS



RAILINC 2010 CUSTOMER MIX BY TYPE • All Railinc Products Customer Mix by Revenue, 2010



THE APPROXIMATE NUMBER OF WAYBILL EMBARGOES RAILINC PROCESSES EACH DAY.



THE APPROXIMATE NUMBER OF INDIVIDUALS THAT PARTICIPATED IN AN INDUSTRY-WIDE TRAINING SESSION PREPARING FOR THE LAUNCH OF THE RAILINC DDCT SYSTEM.



TOTAL PIECES OF RAIL EQUIPMENT REGISTERED IN RAILINC'S UMLR SYSTEM AT THE END OF 2010, DOWN ALMOST 2 PERCENT (33,991 UNITS) FROM THE PREVIOUS YEAR.



RAILINC'S 2010 NET PROMOTER SCORE. *(The NPS® gauges customer satisfaction with an organization by asking the question "How likely would you be to recommend Railinc to a colleague?" This score equals that of Symantec, the leading consumer software firm for the year.)*



THE DOLLAR AMOUNT RAILINC PROCESSES ANNUALLY IN RAIL CAR REPAIRS.



THE NUMBER OF EDI MESSAGES RAILINC PROCESSES EACH DAY, INCLUDING WAYBILLS, EVENTS AND CONSISTS.



RAILINC'S AVERAGE SATISFACTION SCORE ON 16 KEY PRODUCTS, WHICH TRANSLATES TO A "MORE THAN SATISFIED" RAILINC CUSTOMER.





# RAILINC LEADERSHIP

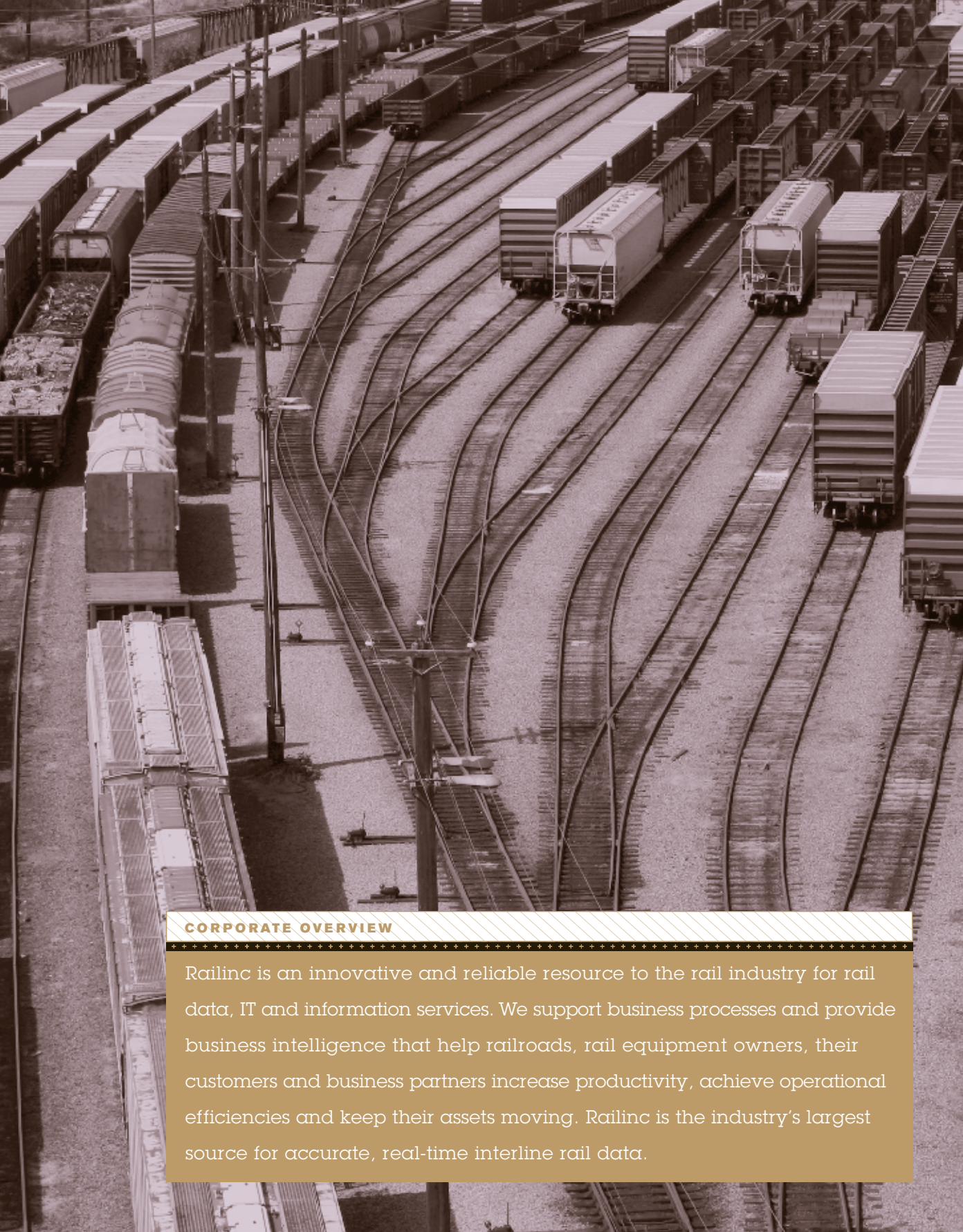


{ RAILINC EXECUTIVE MANAGEMENT TEAM // Standing (L to R): Patrick O'Neil, Yates Parker, Allen West, Karen Folino, David Kaufman // Sitting (L to R): Robert Simora, Treadwell Davison }

THE RAILINC BOARD OF DIRECTORS	RAILINC LEADERSHIP TEAM
<p>The Board of Directors offers guidance and insight into business strategy and issues challenging Railinc and the rail industry. The Railinc Board of Directors is comprised of the following executives:</p> <p><b>TOM WERNER, CHAIRMAN</b>  <i>Vice President, Information Technology  // Norfolk Southern Corp.</i></p> <p><b>JIM BRIGHT</b>  <i>Vice President, Information Technology &amp; Chief Information Officer  // Canadian National Railway Company</i></p> <p><b>HEATHER CAMPBELL</b>  <i>Vice President &amp; Chief Information Officer  // Canadian Pacific Railway</i></p> <p><b>ED HAMBERGER</b>  <i>President &amp; Chief Executive Officer  // Association of American Railroads</i></p> <p><b>CARL HARRISON</b>  <i>Vice President &amp; Chief Information Officer  // Kansas City Southern</i></p> <p><b>FRANK LONEGRO</b>  <i>President, CSX Technology  // CSX Transportation</i></p> <p><b>JO-ANN OLSOVSKY</b>  <i>Vice President, Technology Services &amp; Chief Information Officer  // BNSF Railway Company</i></p> <p><b>LYNDEN TENNISON</b>  <i>Sr. Vice President &amp; Chief Information Officer  // Union Pacific Corp.</i></p> <p><b>ALLEN WEST</b>  <i>President &amp; Chief Executive Officer  // Railinc Corp.</i></p>	<p><b>ALLEN WEST</b>  <i>President &amp; Chief Executive Officer</i></p> <p><b>ROBERT SIMORA</b>  <i>Chief Information Officer</i></p> <p><b>TREADWELL DAVISON</b>  <i>Assistant Vice President,  AAR Products &amp; Services</i></p> <p><b>KAREN FOLINO</b>  <i>Assistant Vice President,  Commercial Products &amp; Services</i></p> <p><b>YATES PARKER</b>  <i>Assistant Vice President, Finance</i></p> <p><b>DAVID KAUFMAN</b>  <i>Senior Director, Customer Relations</i></p> <p><b>PATRICK O'NEIL</b>  <i>Director, Corporate Communications</i></p>







#### CORPORATE 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 CORPORATE OFFICES 7001 Weston Parkway, Suite 200 / Cary, NC 27513 / [www.railinc.com](http://www.railinc.com)

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