



Pacific Harbor Line REPORT

March 2019

Message from Otis Cliatt II



News for Customers, Employees & Friends of the Pacific Harbor Line



2018 was a prosperous yet challenging year for PHL, our customers and the industry. My hat's off to our staff of dedicated employees and vendors who continued to succeed during 2018's turbulent times: trade war between the U.S. and China; a tight labor market in the rail industry; a new administration in Washington DC; consolidations in the shipping industry; and the rising cost of doing business.

PHL continues to find innovative ways of remaining a viable port partner company: we are the first and last mile of the global economy. We continue to have a strategic focus on finding the best available employees in the greater Los Angeles area to hire. Our robust process allows PHL to retain a veteran population that averages 25 percent of our workforce.

Four important factors that we continually focus on are:

1. Safety: "One Move at a Time, One Shift at a Time and One Day at a Time"
2. Technological Innovation: GPS; locomotive cameras; shared data; etc.
3. Emissions reduction: our entire fleet of locomotives are Tier 3 level and above
4. Treating our employees as family: employee appreciation events (dinner, health fair and BBQs)

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PHL 'Second to None' Says L.A. Grain



For nearly 60 years, exporters of agricultural commodities have relied on Los Angeles Harbor Grain Terminal to keep their shipments flowing smoothly from the U.S. heartland to destinations across the Pacific Ocean.

L.A. Grain's important and growing niche market is different from the massive Chinese demand for grains, seed, millet, oils, etc. that are carried via bulk vessel to China. Rather, the Southeast Asia markets served by L.A. Grain either lack the infrastructure to accept large bulk ships, or have other needs that require the use of containers.

Today, L.A. Grain operates a busy eight-acre terminal that accepts trucks and primarily railcars for loading their cargo into some 20,000 ocean containers annually for delivery to waiting vessels.

The terminal does not have a large amount of space for ground storage, so it is essential to L.A. Grain and its customers that products move reliably and quickly between inbound delivery and shipment of loaded containers to the Ports of Long Beach and Los Angeles.

That's Where PHL Comes In

"We generally have a three-day supply of products stored in 60 or 70 railcars on site," explains Dwight Robinson, vice president and general manager, Los Angeles Harbor Grain Terminal. This makes it critical that we maintain a balance between inbound and outbound products."

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We began 2018 in January with our employee banquet, followed by our anniversary in February as we celebrated our 20th year. Later in the spring, we added additional services to APM Terminals, Union Pacific. We also managed port infrastructure improvement projects which resulted in traffic challenges in the San Pedro Bay Port Area due to continued construction of the Gerald Desmond Bridge project. In May, we held our annual Health Fair and Family Fun Day, followed in July with PHL's annual 4th of July BBQ dinner and fun.

July is the traditional start of Christmas season for the ports and PHL, as we begin to receive and dispatch containers for the upcoming holidays. Other events from 2018 support PHL's claim as an industry leader in technology and sustainability: we began demonstration operations of a Tier 4 low-hp switch locomotive provided by Progress Rail Service. We've also upgraded all locomotives to include Wi-Tronix, outward facing cameras, and GPS. More locomotive enhancements are coming. Please enjoy.



O.L. Cliatt II, President
Pacific Harbor Line

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We Salute Our Vets

We are proud of our entire workforce, including those who have served in the nation's armed forces. Engineer Juan Saldana is one of our on-the-job veterans, having recently retired after 20 years as an Army Reserve Sergeant (E-5).

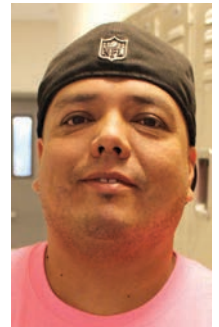
Saldana, along with one of his brothers, followed in their father's footsteps when they joined the Army.

Saldana has been with PHL since 2005, when he started his railroad career. He joined our company on the recommendation of friends who were PHL employees.

"They told me how well they were doing, which made me decide to look into it," said Saldana.

Married, with a teenage daughter, his family resides in Fontana. At home, he likes to barbecue. He won't divulge any recipes, but he says it's really "all about the cooking."

PHL's efforts to hire veterans are spearheaded by our president, Otis Cliatt II,—himself a U.S. Army veteran. Approximately one-fourth of our PHL workforce is veterans. ♦



Juan Saldana

My Growth with PHL

As a professional young woman, I am often asked what led to me to pursue a career in railroading.

Anacostia 'On the Move'

by Kimia Khatami
PHL Director of Customer Service

In college, I studied political science and business management. During a summer spent performing field research in East Africa, I came to understand and appreciate the strong connection between transportation infrastructure and economic development. This led me to consider ways in which I could participate in protecting the system we have here in the United States and help propel it forward in a positive direction. It is a field that I truly believe contributes to improving our daily lives and providing equality in goods access to people across our country.

When senior year of college arrived and it was time to select a full-time opportunity, Union Pacific offered me a marketing position at their Omaha headquarters. After a few years, I started looking for a job in my home state of California, and the opportunity at PHL was the perfect fit.

When I began my career, I had no definite plans of what the future would look like. Now, I am confident that the supply chain/transportation field is an opportunity-rich career for young workers. It is an established industry that is also dynamic and evolving. And, as the current workforce ages out, there are openings for new entrants to the industry.

No day at my job is the same. Customers change. Operations strategies advance. And, emerging technology creates both new challenges and successes. Every member of our team is tasked with keeping our railroad viable—today, and for the next five to 10 years.

Railroading has its own culture with a specific role in the supply chain. Breaking into the industry as a young worker—and as a woman—is not easy. It takes time to build trust and establish your reputation. But, once you prove capability and commitment, people accept you as a member of a transportation team that plays an important role in our country's economic success. ♦



Superior Service to the West Coast for Two Decades

Organized in 1989 by Anacostia Rail Holdings (ARH), PHL was created to provide railroad switching, track maintenance, and dispatching services to the Ports of Long Beach and Los Angeles. The combined volume of these side-by-side ports represents more than 45 percent of all containerized U.S. cargo.

We serve nine on-dock intermodal terminals and dispatch upwards of 140 intermodal or unit trains daily. In addition, PHL handles more than 35,000 freight carloads annually. All told, we operate and dispatch 24 hours a day, 7 days a week, within this very strategic network that consists of 19 route miles servicing customers at both ports.

Much has changed in the past 20 years, but one thing hasn't. We are dedicated to providing neutral service to all our partners, including the two ports, two Class I railroads (BNSF and Union Pacific), nine intermodal terminals, and numerous carload customers.

PHL President Otis Cliatt II notes the strategic role PHL plays in supporting the ports' preeminence among U.S. Ports. He has been proud to lead the company

for eight years, saying it is "an honor and a privilege. Team PHL has improved in three major areas: safety, service and technology."

PHL has won many accolades. In 2009, it was named Short Line Railroad of the Year by *Railway Age* magazine. And in 2013, the California Employer Advisory Council named the railroad Veterans Employer of the Year. We are proud to have been the first U.S. railroad to operate a locomotive fleet of entirely Tier 3 diesels,

and we recently demonstrated a 2,000-hp road-switcher built to the EPA's more stringent Tier 4 standards.

ARH President and CEO Peter Gilbertson noted the strategic role PHL plays in supporting the preeminence of Los Angeles and Long Beach among U.S. ports.

"PHL has developed an international reputation as the leading port rail operator," he said. "We look forward to working with our employees and stakeholders to continue to improve." ♦



Pacific Harbor Line turned 20 last year and we couldn't be prouder of that accomplishment. This private special passenger train took guests on a tour of both ports.

Supporting World Trade Week's Education Initiative

As part of World Trade Week's Education Initiative, PHL provided two of 13 scholarships totaling nearly \$10,000 to local college and high school students.

"We know that we must help support tomorrow's leaders to keep our future bright," said PHL President Otis Cliatt II, who served as chairman of World Trade Week 2018—the 92nd annual event sponsored by the Los Angeles Area Chamber of Commerce.

The scholarships were given to honor this year's theme, "Evolution of Trade in a Digital World." World Trade Week is one of the most extensive programs of its kind in the U.S.

In recognition of two years as World Trade Week's vice-chairman and then chairman, Cliatt was presented a certificate of appreciation at the kickoff breakfast by Los Angeles Mayor Eric Garcetti, in front of more than 800 people.

"It was a pleasure to lead a very diversified group of global supply chain professionals based in greater Los Angeles," Cliatt said. The week included more than 30 events, seminars, and workshops focusing on the role of global trade on the economy.

PHL's leadership role in World Trade Week reflected our position as a key link in the global supply chain. ♦

L.A. Grain, Continued from Page 1



PHL spots inbound railcars on one of two storage tracks.

“The fact that PHL consistently and reliably spots cars for us at least five days a week is a tremendous advantage,” Robinson says. “Their excellent service allows us to keep customer products moving predictably and without delay.”



Dwight Robinson
of L.A. Grain

He notes a recent instance where a new customer had concerns about delays that might occur between the handoff from the delivering Class I carrier to PHL and then subsequent movement to the L.A. Grain terminal.

“When the customer saw that cars delivered to PHL in the morning were spotted at our terminal the same day, they were quite impressed,” he says.

According to Robinson, another benefit of working with PHL has been adoption of best-in-class information technology. He says PHL’s IT services greatly streamline the exchange of documents and provide the visibility into shipment status customers now require.

Future prospects look bright to Robinson. The products L.A. Grain handles are separate from the huge volumes of grain that are being affected by the U.S.–China trade disputes, and he foresees continued steady growth for railcar volumes handled by PHL.

“About 85 percent of our traffic arrives by rail, and its share is growing while truck volumes are about static,” he says.

The reason Robinson and L.A. Grain are enthusiastic about PHL is simple—“PHL is second to none,” says Robinson. ♦

Eric Flores Recognized for Current and Future Contributions to Industry



Eric Flores, PHL trainmaster, was honored in 2018 as an American Association of Railroad Superintendents (AARS) “Ones to Watch.”

The association gives the award annually to a person in railroad management who has contributed to the success of their railroad and is expected to continue providing valuable industry leadership.

Flores began his career with PHL as a conductor in 2002 and was promoted to locomotive engineer in 2003. He advanced into management in 2005 as an assistant

trainmaster, and was promoted to trainmaster in 2007.

During his 16 accident-free years with the railroad, Flores has seen a steady growth of responsibilities, especially in areas of safety and employee communication.

Flores has led PHL in the field of electronic communications system (ECS) management. He oversees the ECS Board that informs employees about safety announcements, special events, and other important developments at the railroad.

Flores is also very involved with PHL-sponsored charitable fundraisers and employee-appreciation events.

“For years, Eric has spent countless hours teaching PHL’s safety culture and TEAM concept to new employees,” said PHL President Otis Cliatt II. “He is the go-to guy for inspiring esprit de corps in our employees and managers with his positive and ever-involving attitude.” ♦

Kimia Khatami Honored by AAR

PHL’s Director of Customer Service Kimia Khatami was one of four 2018 nominees for a prestigious award from the Association of American Railroads (AAR).

The John H. Chafee Environmental Excellence Award is handed out annually to honor efforts that promote the sustainability and environmental benefits of rail transportation, and recognizes companies for their environmental stewardship in the previous year.

Khatami was nominated for her work to restructure and enhance PHL’s compliance program within its environmentally sensitive operating footprint at the Ports of Los Angeles and Long Beach. She led PHL in developing a deep understanding of federal, state, and local environmental



policies as well as implementation of new procedures and risk-mitigation training.

She was also recognized for mitigating the railroad’s impact on the Leeward Bay Marina, located on the East Basin deep within the busy Port of Los Angeles, and also adjacent to PHL headquarters at Wilmington. ♦



Record Turnout for Family Fun Day 2018



The PHL team gathered for its 8th annual Health Fair and Family Fun Days last spring. It was the biggest such event yet, attended by some 135 employees and their families on May 5 (Cinco De Mayo). A new feature—a great rock and roll band—added to the fun.

There is a serious purpose to this event, which serves to remind all of us who work in the demanding railroad environment that our good health must remain a high priority. We come together each year to focus on this essential fact and to have a great time!

The weather cooperated, giving us a nice day during which 54 participants took advantage of free health screenings to check cholesterol, body mass index (BMI) and blood pressure, while learning about the importance of these tests.

At a new location—El Dorado West

Park in Long Beach—the day started with a morning stretch led by Mike Casey and T.R. Quinzel. Then, off to the races, on a fun run/walk. At the conclusion, various categories of winners were recognized.

There were also games for families, plus some tasty food including grilled carne and chicken asada.

“We started this event to help everyone at PHL recognize and effectively manage the health challenges that come with working in a ‘round-the-clock’ business like the railroad,” said trainmaster Eric Flores. He and his wife, Danielle, have organized Family Fun Days since the inception.

In addition to stretch leaders Casey and Quinzel, Flores also thanked Randy Eldridge and Ben Ascensio and his family, all of whom helped keep the event rolling.

“It was a beautiful day,” Flores said, “and we are looking forward to the 9th annual event.” ♦





Milestones

PHL employees reached the following milestones in 2018. We thank you for your service.

Promotions

- Craig Denny
Road Foreman of Engines
- Alan Jackson
Trainmaster
- Kimia Khatami
Director of Customer Service
- Howard Magana
Director of Transportation
- Earnest Manuel
Assistant Trainmaster at APMT
- Carlos Maravilla
Assistant Trainmaster at APMT
- Alex Moffit
Trainmaster
- Stephane Perri
General Superintendent
- Greg Peters
Senior Manager of Ops Support
- Joel Toston
Assistant Trainmaster
- Rick Vanzee
Director of Operations

Anniversaries

20 years

- Robert Burris Celso Montalvo
- Greg Dixon Joaquin Oropeza
- Lyle George Greg Peters
- Robert Giannoble Jose Rivas
- Howard Magana

10 years

- Scott Bailey Edward Martinez
- Kim Briscoe Ricky Rico
- Eric Carroll Rodney Williams
- Carlos Maravilla

2018 Employees of the Month



January
Celso Montalvo



February
Henry Henriquez



March
Scott Doyle



April
Jacob Hernandez



May
Bo Jenkins



June
Lyle Gibson



July
Jack Oropeza



August
Osbaldo Contreras



September
Eddie Moreno



October
Danny Gomez



November
Melissa Espinosa



December
Frank Gutierrez

2018 Eagle Eye Honors

January

- Stuart Spears
- Pedro Granados
- Michael Fuentes

February

- Juan Jurardo
- Peter Figueroa

March

- Amado Madrid
- David Morn

June

- Santiago Moya
- Alejandro Gomez

July

- Alberto Herrera

August

- Kernel Lawrence

September

- Jason Begal

October

- Joseph Gonzales

December

- Dallas Daeley

Welcome New Hires!

- Francisco Barrios
- Randall Eldridge
- Javier Esquivel, Jr.
- Dave Hawthorne
- Timothy Herron
- Joseph Maes
- Richard Magallanes
- Mike Magazin
- Earnest Manuel
- Michael Moreno
- Robert Paz
- Robert Ramirez
- Alejandro Rodriguez
- Andre Solache
- Ramon Uribe
- James Walden