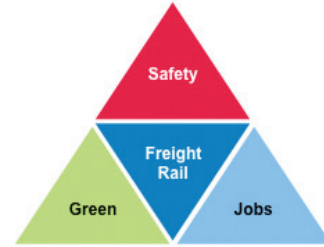


EXECUTIVE SUMMARY

GREEN RAILCAR ENHANCEMENT ACT OF 2010

Objective: To promote a tax credit proposal that would create jobs, make freight transportation greener, safer, and more fuel efficient, and to help the O.E.M. freight car and related supply industry survive during the economic downturn.



Freight Rail National Benefits

I. FREIGHT CAR SUPPLY INDUSTRY OVERVIEW

- A. Six major freight car manufacturers
- B. 250 major component parts manufacturers
- C. 150,000 employees
- D. \$20 billion/year industry

II. THE INDUSTRY IS DEVASTATED

- A. Deliveries down from 75,000 in 2006 to 21,000 in 2009¹
- B. Deliveries projected under 10,000 for 2010
- C. Only one or two suppliers remain for each component
- D. Many that remain will not survive 2010
- E. When market returns, North American rail supply base may lack capacity to meet demand

III. GOAL OF LEGISLATION

- A. Shift portion of market demand from 2012-2014 to 2010-2011
- B. Help supply industry survive 2010 and 2011
- C. Ensure domestic supply industry when market returns

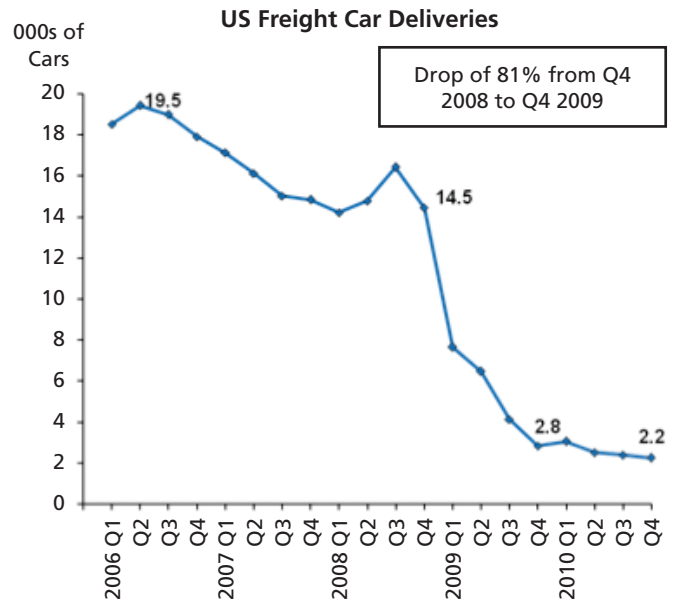
IV. MECHANICS OF PROPOSAL

- A. Provide a 25% tax credit for replacing or rebuilding old, inefficient railcars
- B. Must obtain 8% increase in capacity or fuel efficiency
- C. Limited to cars built in 2010 and 2011

V. COST OF PROPOSAL

If the credit can stimulate the building or rebuilding of an additional 50,000 railcars during 2010 and 2011, the estimated cost of the credit would be \$813MM². This cost would be reduced by the significant tax revenues stimulated by this additional economic activity. A formal revenue estimate will be requested upon bill introduction.

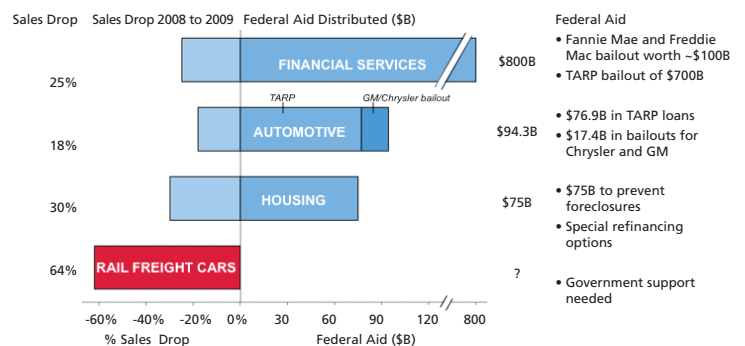
The freight car industry has been hit especially hard by the economic downturn.



Source: IHS Global Insight Rail Car Outlook Forecast Tables, November 10, 2009; 2009 Q4 internal estimates, Internal analysis 2010 projection reflects internal estimates

Other US industries with less precipitous drops have received significant federal aid.

Federal Aid Applied to Troubled US Industries



- Fannie Mae and Freddie Mac bailout worth ~\$100B
- TARP bailout of \$700B
- \$76.9B in TARP loans
- \$17.4B in bailouts for Chrysler and GM
- \$75B to prevent foreclosures
- Special refinancing options
- Government support needed

¹) Bailout total of sample industries only.

Sources: IHS Global Insight Rail Car Outlook, November 2009, JD Powers Auto estimates, SigTarp summary of TARP allocations, marketoracle.co.uk assessment of housing fall, White House summary of Affordability and Stability Plan, RGE Monitor assessment of mortgage dollars at risk, CNNMoney.com estimates of Fannie Mae and Freddie Mac bailout costs.

¹ ARCI for rail car delivery data

EXECUTIVE SUMMARY

GREEN RAILCAR ENHANCEMENT ACT OF 2010

VI. BENEFITS OF PROPOSAL

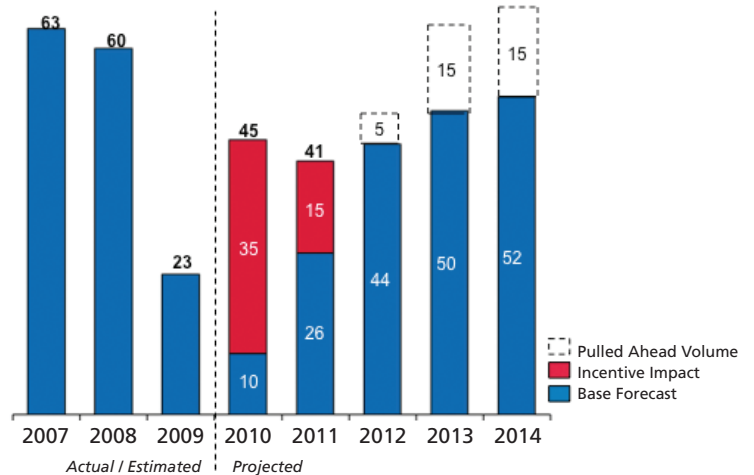
- A. Jobs.** The building or rebuilding of 50,000 total additional railcars during 2010 and 2011 would generate approximately 32,000 – 50,000³ jobs. The average annual wage of a rail supply worker is \$62,589⁴.
- B. Enhanced fuel efficiency.** For example, if 10,000 coal railcars were replaced with more efficient cars, the estimated fuel savings would equal 18MM⁵ gallons per year.
- C. Reduced emissions.** For example, if 10,000 railcars were replaced with more efficient cars, the estimated reduction of CO₂ would be 200K⁶ tons per year.
- D. Enhanced efficiency.** Rail transportation is the “green alternative” for the movement of freight, whether viewed from the perspective of fuel consumption per ton-mile, pollutants per ton-mile, safety or congestion. Upgrading the existing fleet of railcars would enhance the competitive nature of the rail industry and help take freight off the highways.
- E. National security.** A strong railroad supply industry is vital to the nation’s defense and security.

VII. CONCLUSION

The freight car supply industry is on its knees. Approximately 54,000⁷ jobs have been lost in the past 18 months. The railcar fleet is aging rapidly and eventually will have to be replaced or rebuilt. That work should be done by American companies. Unfortunately, those American suppliers may not survive the economic crisis we now are in. With a modest federal incentive, some of the fleet could be replaced or rebuilt during 2010 and 2011 while putting thousands of Americans back to work until the economy recovers.

A modest government program could trim the demand peaks to offset the severity of the drop for the rail supply industry.

Potential Impact of Incentive Program



Source: IHS Global Insight Freight Car Forecast Tables, November 10, 2009; Internal analysis.

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² Tax credit calculated (((\$65,000 x 50,000 cars) x 25%) = \$813MM

³ Industry based spreadsheet which identifies approximate hours required to build a new rail car and applies employment multipliers from EPI

⁴ AAR Freight Rail Works

⁵ Internal fuel savings calculations (80,000 higher capacity cars save 145.3MM gallons of fuel)

⁶ Internal emissions savings calculations and confirmed with EPA.gov

⁷ Calculated by taking the difference of cars produced in 2006 (75k) versus 2009 (21k) or a difference of 54K cars and then applying an internal formula of 1000 cars roughly equates to 1000 jobs