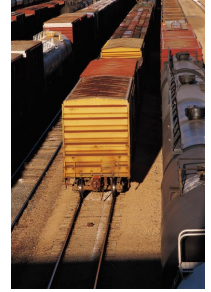




BIGGS APPRAISAL

PROVIDING VALUATION AND TRANSPORTATION SERVICES TO THE RAIL INDUSTRY



Subjects of Value

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The SD70M An Updated Look and Three strikes and you're Out!

In a September 2010 article of Subjects of Value, I looked at the SD70M. At that time Union Pacific Railroad had 88% of the SD70M fleet with something over 1,400 units. One might say it was a core locomotive of a very diverse fleet. Now UP has made the decision to cull these units from their fleet.

The SD70M features a wide cab, HTCR steerable trucks, and upgraded electronic fuel injection by Union Pacific on the almost bullet proof third generation 710 prime mover rated at 4,000 horsepower. Back in 2010, I was out inspecting these fine units that wore an EMD moniker of "Ultra High Reliability", and they lived up to it. Crews and management liked these units and I remember how I chased units across the

UP system because they came and went like the wind.

On a recent lease return inspection, I looked at some of the same units I chased in 2010, and they still looked good. For the most part, they were well maintained and made something just over their rated 4,000 horsepower. I asked machinists, electricians, and a couple of foremen about why they were coming back. Was it a performance issue? Was it a mechanical issue that impacted reliability? No! The units still perform admirably with high reliability and ease of troubleshooting and repair. It seems that despite still living up to the ultra-high reliability moniker, the SD70M has several strikes against it.

Strike One. Longer Trains require distributed power and these units do not have distributed power.

Strike Two. Union Pacific is moving towards full AC power on its road power.

Strike Three. One could only speculate that Union Pacific upper management had a bad experience that cooled them toward the 20-year-old locomotives that still pull their fair share. Could it possibly be having 100 newly delivered Tier 4 high horsepower locomotives gathering dust in the desert to protect their warranty? Might that have caused UP management to put all of its eggs in the Wabtec-GE locomotive rebuilding basket? Could it be that they have just too many locomotives as a result of PSR? Is the SD70 underpowered when compared to the 4,400 horsepower GE's?

Strange that they would do this even when there is a proven series of upgrades to the SD70M that builds on that solid core of reliability and ease of maintenance. There is a relatively easy to apply distributed power application upgrade. EMD also offers an upgrade to the 710 prime mover that raises the horsepower, as well as an AC conversion. Yes, there are units out working to show their stuff.



Maybe it is financing the rebuilding and improvements? No! That certainly is not the problem.

I really find it sad to see any big company lose sight of the importance of competition. The rail industry has consolidated so much both on the railroad and supplier side that the competition that drives the innovative spirit gets stifled when the competitors go away. Will Progress Rail-EMD go away? Will the National Railway Equipment, Knoxville Locomotive Works, Metro East, and the like fill the

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Biggs Appraisal and Subjects of Value are service products of Edward D. Biggs III, LLC D/B/A Biggs Appraisal. An Accredited Senior Appraiser (ASA) member of the American Society of Appraisers with a focus on rail equipment, locomotive, railcar, and maintenance of way equipment valuations. Ed Biggs has spent over 45 years in the railroad industry with a mix of significant experience with railroads and leasing companies, including experience in fleet operations, mechanical, and sales. Biggs has particularly in-depth knowledge of railcar extended life upgrade and rebuilding programs. Biggs Appraisal also researches a wide variety of subjects to support valuations, both for its own interests and those of its clients. Stuart Biggs has been involved with every aspect of Biggs Appraisal's business for over 15 years and is a qualified rail equipment inspector that you can expect to see more of on inspections. Johanna Biggs Crowley has been working for six years in research, appraisals, and inspections both are members of the American Society of Appraisers. The articles in Subjects of Value are by necessity brief and are designed to spur further conversation. Questions, comments, and feedback are always appreciated. This newsletter is aimed at people interested in the rail industry. If you wish to be added to the Subjects of Value mailing list there is a sign-up form on the front page of our website Biggsappraisal.com. We encourage industry distribution of this newsletter.



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void if they do? Do not underestimate the blundering ways of big corporation management. Also, do not underestimate the resourcefulness of small companies in bringing their own flair to locomotive rebuilding and meeting what many believe are onerous Tier 4 standards. It is likely that no new locomotives

will be built and rebuilding is what will be continue to be needed.

At the end of the day if you need good solid high horsepower locomotives and you're not looking at the SD70M it might be you who is blundering.

RAIL EQUIPMENT FINANCE CONFERENCE 2023 La Quinta, CA March 5-8, 2023

If you are serious about what is going on in the rail equipment space, this is the conference to attend. It will give you a really intense update. Prepare for information overload and great networking all in a beautiful location. This conference is so informative that I have the entire Biggs Appraisal team attending. I know a big part of the success of Biggs Appraisal has been related to our presence and exposure at REF. Looking to succeed in this industry REF is a power tool for success.

Mentors and a Toast!

I have been blessed throughout my 45 years in the rail industry with a series of great mentors. The first was Carl Hibner formerly of the Nickle Plate RR, and later Norfolk and Western RR, who trained me on the fly to be a railroad engineer on the Kankakee Beaverville and Southern RR. Gene Eadus formerly of the Milwaukee Road, later Xtra and Chrysler Rail. He was a mechanical mastermind with railcars who shared his mechanical know how on the various rebuild projects we worked on together at Xtra and Chrysler Rail. Gene Martini at Railcar Ltd. is also included in that list. From my first steps into the office at Railcar Ltd, he put me right to work, guiding me through everything in the financial world. At his behest, I worked with both Norman Seip and Jim Husband with the goal of educating the appraiser of all the value in the equipment that Railcar Ltd. was upgrading and converting to fill a variety of railroad and shippers needs. This equipment was all leased and then sprung off to the financial world in portfolio sales.

The other day Norman Seip's name came up from a potential customer I was trying to woo. He said Norman was one of the most brilliant men he had ever met and since I was an associate of his, that was good enough for him. When I joined Norman Seip and Associates, I thought I knew a lot

about appraising. Working with Norman was the most enjoyable education finishing school an adult could ever attend. His advice was "stay engaged", he credited it with his ability to remember things well after most minds go to seed. At 99 he was sharp as a tack and called my Subjects of Value newsletter a good missive.

I really thought Tony Kuklinski didn't like me. That was not the case, but he expected a lot from me, and when he didn't get it he got impatient. New to my own business and putting out an article in Subjects of Value on Covered Hoppers, Tony wanted to use portions of it in his Railway Age column. My company name Edward D. Biggs III, LLC was way too cumbersome, and Biggs Appraisal was born. Tony was good at getting to the heart of things and his mentoring was very important to my success as an appraiser.

The point of this write up is these men are all gone but not forgotten. Mentoring can take many forms being there for someone and you're sharing your experience and expecting them to learn your life lessons will be important down the road and it is likely you will be remembered in a good way. A toast to my many mentors... Thanks!

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While freight cars are the largest segment of Biggs Appraisal's work, we also inspect and appraise locomotives of all kinds, maintenance of way equipment, and railcar movers. Buying/ selling talk to Edward IV.