

Michigan

RAIL UPDATE



A publication of the Michigan Railroads Association

FALL 2009

Tax Incentives For Investments Will Help Revitalize Railroad Infrastructure

The U.S. freight railroads collectively comprise a 140,000 mile rail network that serves nearly every industrial, wholesale, retail, agricultural and mining based sector of our economy. Whenever Americans grow something, eat something, mine something, make something, turn on a light, or get dressed, a freight railroad is probably involved somewhere along the line.

Demand for Freight Transportation Will Skyrocket

• We all know we're going through some very difficult economic times. At some time though, the demand for freight transportation will surge due to population and economic growth. In fact, the U.S. Department of Transportation projects that freight transportation demand will rise 92 percent by 2035.

• Railroads are the best way to meet this demand. Railroads are safe, save fuel, keep trucks off overcrowded highways, and reduce greenhouse gas and other emissions. And they do it while providing affordable, reliable transportation to America's manufacturers, farmers, electricity producers, retailers, and consumers.

Railroads Are Re-Investing Record Amounts — But More is Needed

• Trucks, airlines, and barges operate on publicly-financed highways, airways, and waterways. By contrast, *freight railroads pay nearly all of the costs of their tracks, bridges, and tunnels themselves*. From 1980 to 2008, railroads re-invested some \$440 billion of their own funds — more than 40 cents out of every revenue dollar — to maintain and improve their tracks and equipment.

• But more must be done. Railroads will continue to pay the overwhelming majority of the costs of their infrastructure and equipment. However, there is a gap between the level of new rail capacity America needs and what railroads can afford on their own.

• In fact, a recent independent study found that major U.S. freight railroads will be able to generate only around \$96 billion of the \$148 billion in new capacity they will need by 2035 to move the freight America will need moved. Even if the current economic downturn delays previously projected growth by a few years, if the nation is to have the rail capacity it needs in the years ahead, the issue must be addressed now.

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Vigilance Is Needed When Crossing The Tracks



From The President

Robert
Chaprnka

How many times have you driven across the railroad tracks not looking both ways to see if a train is coming? It's easy to do because trains do not follow set schedules and are usually not in sight giving the false sense that these are not dangerous intersections. Each

year too many people are killed or injured because they did not exercise caution when crossing the tracks.

The good news is that vehicle/train collisions have been steadily decreasing since 1972 when there were over 12,000 collisions between trains and motor vehicles annually in the U.S. By 2008 that number has been reduced by 80% to 2,391 and only 59 in Michigan even while rail traffic has increased substantially.

Significant efforts have been employed to reduce collisions including highway/railroad grade crossing safety education. Operation Lifesaver, a nationwide, non-profit public awareness and education program, was

established in 1972 and is dedicated to ending deaths and injuries at highway/railroad grade crossings. Michigan Operation Lifesaver has instituted many safety programs in efforts to prevent and reduce collisions. The most prominent of these programs include:

- Training a cadre of volunteers to make safety presentations to school and other groups on grade crossing safety.
- Training local police agencies on grade crossing safety often utilizing railroad equipment.
- Training school transportation supervisors and school bus trainers on school bus/railroad safety.

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How to Bridge the Funding Gap — and Stimulate the Economy

- A sensible way to help bridge this funding gap is to enact legislation like H.R. 1806, which provides tax incentives for projects — such as new track, bridges, tunnels, and intermodal facilities — that expand freight rail capacity. All businesses that make capacity-enhancing rail investments, not just railroads themselves, would be eligible for incentives. A similar tax credit was passed several years ago for smaller railroads, known as short lines, but is set to expire on December 31, 2009. It has worked well to rejuvenate investment in the infrastructure of the short lines. However, H.R. 1132 or S. 461 needs to be passed by Congress to extend and enhance this credit for short line railroads.
- The cost of freight railroad infrastructure tax incentives would be about \$300 million per year. The stimulatory benefit to the U.S. economy would be much greater. In fact, based on U.S. Department of Commerce data, every \$1 of rail infrastructure investment that would be stimulated by a tax incentive would generate more than \$3 in total economic output. Thus, \$300 million in additional freight rail capacity investment would result in nearly \$1 billion in overall economic stimulus. Moreover, each \$1 billion of new rail investment induced by the tax incentives would create 20,000 jobs.

- Many transportation experts, businesses, policymakers, and others support rail infrastructure tax incentives because they know freight rail expansion is in America's best interests. Supporters include the American Association of Port Authorities, the American Society of Civil Engineers, the American Council for an Energy Efficient Economy, the National Retail Federation, U.S. Chamber of Commerce, and many others.

Huge Benefits to the American Public

The public benefits of freight rail tax incentives would far exceed their cost:

- Fuel efficiency – On average, railroads are three or more times more fuel efficient than trucks. In 2008, U.S. railroads moved a ton of freight an average of 457 miles per gallon of fuel. If 10 percent of the long-distance freight that currently moves by truck moved by rail instead, fuel savings would exceed one billion gallons per year.
- Greenhouse Gases – Moving freight by rail instead of truck reduces greenhouse gas emissions by two-thirds or more. In fact, the greenhouse gas emissions saved if 10 percent of long-distance truck freight moved by rail instead would be equivalent to taking 2 million cars off the road or planting 280 million trees.

- Highway Congestion – Highway gridlock costs the U.S. economy more than \$78 billion per year — and that's just in wasted fuel and time. Lost productivity, cargo delays, and other costs add tens of billions of dollars to this tab. But a train can carry the freight of 280 or more trucks. That means railroads reduce highway gridlock, the costs of maintaining existing highways, and the pressure to build costly new highways.

- Pollution – According to the EPA, a typical truck emits three times more nitrogen oxides and particulates per unit of freight than a locomotive. The EPA has released new regulations that will mean even greater reductions in locomotive emissions.

- Safety – Simply put, trains are safer. Rail freight transport incurs about 12 percent of the fatalities and 6 percent of the injuries that trucks do per trillion ton-miles. The employee injury rate for railroads is half that of trucks.

Congress Needs To Act

The U.S. Congress needs to pass H.R. 1806 which provides federal tax incentives for investment in new track, bridges or tunnels that would allow more freight to move by rail. Also, Congress needs to pass either H.R. 1132 or S. 461 that would extend and enhance a similar tax credit for short line railroads.

Change In Leadership At Michigan Operation Lifesaver

Michigan Operation Lifesaver State Coordinator Al Bard has retired after nearly seven years of working diligently running the organization dedicated to ending collisions, deaths and injuries at railroad crossings and on railroad rights-of-way.

“Al has done a tremendous job leading the Michigan Operation Lifesaver organization,” says Bob Chaprka, president of the Michigan

Railroads Association. “He has initiated several new and unique features to Operation Lifesaver programming such as the Train/Vehicle Near Hit Report and the Juvenile Trespass Program. Al has a strong passion for grade crossing safety, which is a natural extension of his prior work developing safety initiatives with the Bureau of Driver Improvement at the Michigan Department of State. He will be missed.”

“Al has done a fantastic job serving as the Coordinator for the Michigan Operation Lifesaver program” stated Tina Hissong, MDOT Rail Safety Section Manager. “Al has put in countless hours and has poured his heart into this effort. The programs he has initiated and the trainings he has coordinated and facilitated for school kids, school bus drivers and law enforcement have helped

educate the attendees on safe practices around trains. I know all his efforts have helped to prevent train related tragedies that can result in personal injuries and death. The State of Michigan has been fortunate to have Al in charge of our Operation Lifesaver program for seven years. We wish him the best in his retirement!”

Sam Crowl, locomotive engineer for the Star Clipper Dinner Train and retired Senior Trainmaster for Conrail, has been named the new Operation Lifesaver State Coordinator. Mr. Crowl's background ideally suits him to lead Michigan Operation Lifesaver having been involved in railroad safety programming for over 36 years.



Sam Crowl (left) takes over for Al Bard As Michigan Operation Lifesaver Coordinator



MOVING MICHIGAN

Grand Elk Railroad



Operations Center: **Kalamazoo, Michigan**
 General Manager: **Rodney Gordon**
 Employees: **58**
 Route Miles: **123**
 Major Commodities:
Plastics, metals, forest products, agricultural products and aggregates



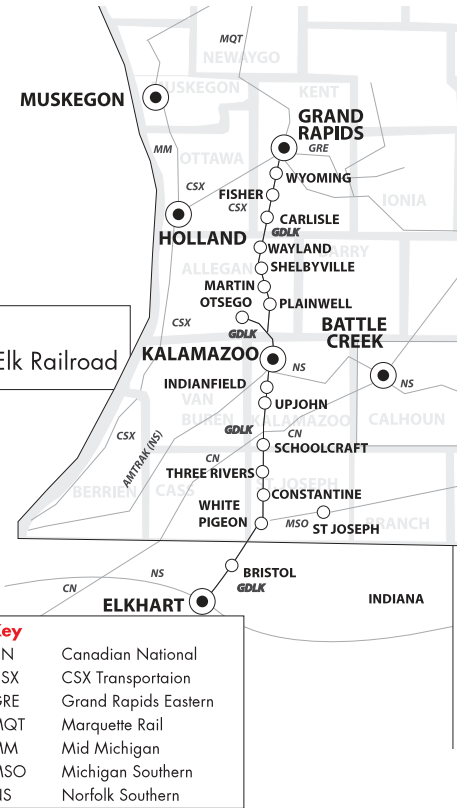
Rodney Gordon
General Manager

The Grand Elk Railroad began operations on March 8, 2009 as Watco's first railroad to operate in the states of Michigan and Indiana. Watco is the holding company of 20 short line railroads located throughout the United States. Long-standing businesses and a well trained and hard working workforce are two things that the Grand Elk Railroad considered when deciding to operate the line running from Grand Rapids to Elkhart. The Grand Elk is Watco's 20th short line railroad and covers 123 miles running from Grand Rapids, Michigan to Elkhart, Indiana. The Grand Elk is leasing the line from The Norfolk Southern Railway and will interchange with three Class I railroads; Norfolk Southern, CSX and CN. Four short lines also interchange with the Grand Elk; the Marquette Railroad, Mid-Michigan Railroad, Michigan Southern Railroad and the Grand Rapids Eastern Railroad.

Serving more than 55 customers in Michigan and Indiana, the Grand Elk is helping the area's economy by providing freight services to customers like The Andersons, Pfizer, Cytec and Magic Steel. Western Michigan has an abundance of successful companies needing

freight rail service. The Grand Elk offers these companies the advantage of delivering their products more efficiently, thus increasing their productivity and potentially creating job opportunities and putting more money back into the local economy.

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Maintenance track team replacing ties in major infrastructure rehabilitation of the Grand Elk Railroad in 2009. The railroad will have replaced 15,000 ties by the end of the year substantially improving rail service across the entire line.

In order to provide the best possible service to their customers, the Grand Elk is investing to improve the railroad conditions. They will have replaced 15,000 ties by the end of the year which will improve service to the customers that are on or near the line. The improvements will be seen in turn-around times and the ability to haul shipments to their destination expeditiously as the speed limits will rise from 10 mph to 25 mph. The improvements have already helped to increase rail car weight limits to 286,000 pounds across the entire line.

The main commodities currently shipped on the Grand Elk are aggregates, grain and plastics. Other commodities shipped include: forest products, metals and chemicals. With their “customer first” approach, the Grand Elk’s experienced team is dedicated to cultivating customer relationships that will not only grow the business of current customers, but also bring more opportunities to Western Michigan.

The Grand Elk Railroad also has a safety team dedicated to ensuring that the Grand Elk not only meets but exceeds all safety requirements. In April the Grand Elk’s sister railroads took home 16 safety awards from the most recent American Short Line Railroad Association’s

annual meeting. Grand Elk’s priority is to make sure the company operates in the safest manner possible and that each team member returns home safely to their family at the end of the day.

Watco’s guiding principles of improved customer satisfaction, improved safety, improved profitability and return on assets and long term vision is a priority for each and every Grand Elk team member. Watco’s

mission is to “provide the best transportation related services to our customers in the most efficient and economical manner possible.” This mission will provide an environment that will allow the Grand Elk and its employees to improve and grow, passing on to future generations a company with an outstanding reputation for customer service, profitability and quality. These principles will in turn build a strong relationship between Michigan communities and the Grand Elk Railroad.



Grand Elk crew pulling box cars out of International Paper Company located in Kalamazoo, Michigan.

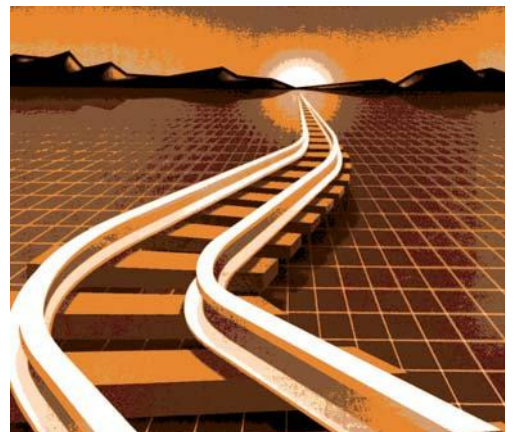
Rail Map And Emergency Phone Numbers Available

A newly updated map of Michigan’s rail system with railroad company emergency telephone numbers is now available by contacting the Michigan Railroads Association. “All police and fire departments should know which railroads are traversing their communities and how to contact each company in case of an emergency,” said Bob Chaprnka, president of the Michigan Railroads Association (MRA). “This publication provides the necessary information.”

Contact the MRA at (517) 482-9413 or by email at mra@michiganrailroadsassociation.com for a copy free of charge.

This information can also be obtained by accessing MRA’s web page at www.michiganrailroadsassociation.com

Michigan’s Rail System and Railroad Company Emergency Phone Numbers



- Production and distribution of several video/DVDs on grade crossing safety for elementary, middle and high school students, snowmobilers and law enforcement.

Michigan Operation Lifesaver's goal is to spread the railroad grade crossing safety message to as many people as possible. Operation Lifesaver volunteer speakers, called presenters, are available free of charge, to provide important safety information to professional truck and bus drivers, school bus drivers, driver education classes, elementary through high school students, law enforcement, emergency responders and other groups.

Any organization or individual is invited to become active in Michigan Operation Lifesaver. Michigan Operation Lifesaver meets quarterly in mid-Michigan. If you would like a rail safety presentation made to your group, or would like more information, contact Michigan Operation Lifesaver State Coordinator Sam Crawl at (248) 823-7037 or samcrawl@comcast.net.

Driver Safety Tips From Operation Lifesaver

- ✓ **Never drive around lowered gates**—it's illegal and deadly. If you suspect a signal is malfunctioning, call the 1-800 number posted on or near the crossing signal or your local law enforcement agency.
- ✓ **Never race a train to the crossing**—even if you tie, you lose.
- ✓ **Do not get trapped on the tracks.** Only proceed through a highway-rail grade crossing if you are sure you can completely clear the crossing without stopping. Remember, the train is three feet wider than the tracks on both sides.
- ✓ **If your vehicle ever stalls on a track while a train is coming, get out immediately** and move quickly away from the tracks in the direction from which the train is coming. If you run in the same direction the train is traveling, when the train hits your car you could be injured by flying debris. Call your local law enforcement agency for assistance.
- ✓ **Watch for a second train at a multiple track crossing** approaching in either direction when waiting for a train to pass.
- ✓ **Always Expect A Train!** Freight trains do not follow set schedules.
- ✓ **Be aware that trains cannot stop quickly.** Even if the locomotive engineer sees you, a freight train moving at 55 miles per hour can take a mile or more to stop once the emergency brakes are applied. That's 18 football fields.
- ✓ **Do not be fooled—the train you see is closer and faster moving than you think.** If you see a train approaching, wait for it to go by before you proceed across the tracks.
- ✓ **When you need to cross train tracks, go to a designated crossing,** look both ways, and cross the tracks quickly, without stopping. Remember that it isn't safe to stop closer than 15 feet from a rail.

For more highway/rail grade crossing safety information visit www.oli.org

