

Michigan

RAIL UPDATE



A publication of the Michigan Railroads Association

FALL 2011

Rail Intermodal Leads Rail's Growth

Rail intermodal — transporting shipping containers or truck trailers on rail cars — has been the fastest-growing major segment of the U.S. freight railroad industry for many years. Despite its rapid growth, however, rail intermodal is still underutilized. More rail intermodal would mean a more cost-effective, environmentally friendly alternative to excessive reliance on highways to transport freight.

What is Rail Intermodal?

Rail intermodal is the long-haul movement of shipping containers or truck trailers by rail, combined with a (usually much shorter) truck movement at one or both ends. Today, intermodal accounts for approximately 21 percent of U.S. rail revenue, second only to coal among all rail traffic segments.

Intermodal traffic has skyrocketed, rising from 3 million trailers and containers in 1980 to more than 12 million in 2007. Intermodal traffic declined in 2008 and 2009 due to the recession, then rebounded to more than 11 million units in 2010. Experts predict intermodal will see rapid growth in the years ahead.

Why this growth in intermodal? Intermodal allows railroads, ocean carriers, trucking companies, and intermodal customers to take advantage of the best attributes of different transportation modes to yield a highly efficient and cost-effective overall freight movement.

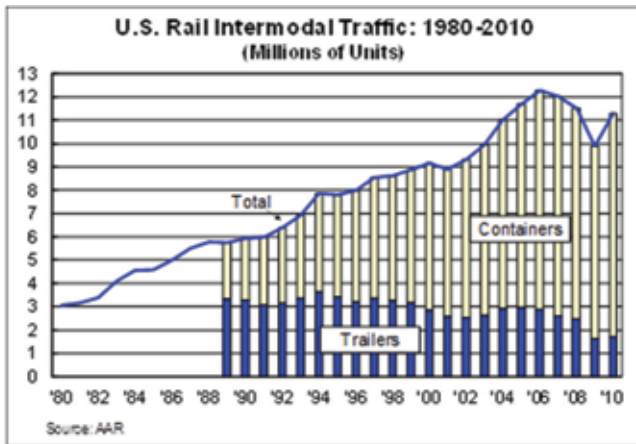
Rail intermodal transports a huge variety of goods — everything from greeting cards and clothing to frozen chickens and computers — that Americans use every day. It is also used to ship increasing amounts of industrial and agricultural products like grain and auto parts. Exports and imports account for around 60 percent of U.S. rail intermodal traffic.

Expanding Rail Intermodal Would Yield Huge Public Benefits

Trucks are, and will remain, critical to freight transportation and to America's economy. However, railroads are more cost effective, more fuel efficient, and more environmentally desirable than an over-reliance on highways for freight transport:

- In 2010, railroads moved a ton of freight an average of 484 miles per gallon of fuel. According to a recent independent study for the Federal Railroad Administration, railroads are, on average, four times more fuel efficient than trucks. If just 10 percent of the long-distance freight that moves by truck moved by rail instead, fuel savings would exceed a billion gallons per year.

(Continued on page 2)



Railroads and State Economic Developers Meet to Foster Growth



From the President

Robert Chaprnka

Top officials from the Michigan Economic Development Corporation (MEDC) and the Michigan Department of Transportation, through the assistance of the Michigan Railroads Association, met with senior railroad industrial development officials this past June at MEDC's headquarters in Lansing to renew a cooperative partnership for economic development in Michigan.

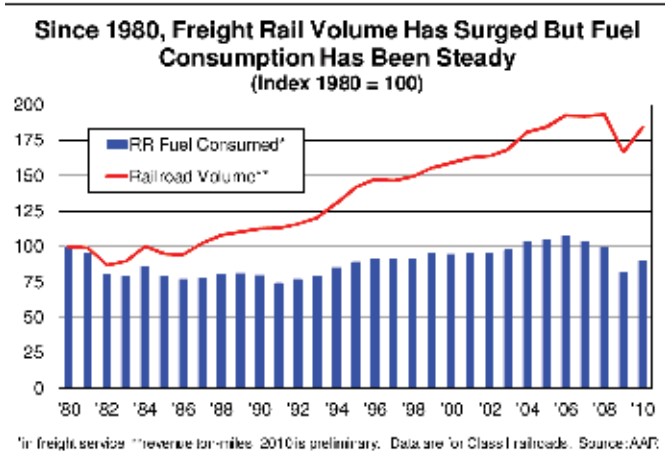
Highlighting the meeting were addresses from Michael Finney, President and CEO of the

MEDC and Kirk Steudle, Director of the Michigan Department of Transportation. Both officials outlined directions their departments are taking to further economic development in Michigan.

As part of the meeting, over forty individuals from MEDC's retention and growth and business attraction teams participated. The meeting allowed for collaboration and exchange of ideas and information. Additionally, Jim Byrum, Presi

(Continued on page 2)

- In recent years, railroads have nearly doubled their freight volume from 1980 levels, but they did so using virtually the same amount of fuel.



- Greenhouse gas emissions are directly related to fuel consumption. That means that, on average, moving freight by rail instead of truck reduces greenhouse gas emissions by 75 percent. If just 10 percent of long-distance freight now moving by truck moved by rail instead, annual greenhouse gas emissions would fall by more than 12 million tons.

That's equivalent to taking 2 million cars off the road or planting 280 million trees.

- According to the Texas Transportation Institute, in 2009 congestion on America's highways cost \$115 billion just in wasted time (4.8 billion hours) and wasted fuel (3.9 billion gallons). Lost productivity, cargo delays, and other costs add tens of billions of dollars to this tab. But freight trains, including intermodal trains, can carry the freight of several hundred trucks. Shifting freight from trucks to rail also reduces the pressure to build costly new roads and helps cut the cost of maintaining the roads we already have.
- That's important because roads are incredibly expensive and time consuming to build. It can easily cost \$15 million (and often much more) and well over a decade just to add a lane to a mile of highway — compared to \$2 million to \$4 million and relatively little time for a typical mile of rail line.
- Finally, moving freight by rail intermodal rather than by truck alone significantly reduces emissions, and that means cleaner air for all of us. In March 2008, the Environmental Protection Agency issued stringent new locomotive emissions standards that will mean cuts in particulate emissions of up to 90 percent and cuts in nitrogen oxide emissions of up to 80 percent. The new standards will also yield big reductions in emissions of other harmful pollutants.

(From the President continued from page 1.)

dent of the Michigan Agri-Business Association, presented on the importance of rail service to the success of agriculture in Michigan.

Rail representatives emphasized that Michigan's rail network connects to more than 560 other railroads in the U.S. that form a 140,000 mile rail system providing rail service to the entire North American continent and ports for export. With rail's competitive advantage with low rail freight rates and improved service, the industry is a catalyst for economic growth in the state and nation.

It is important for the freight railroads and Michigan's economic developers to continue a close working relationship to maximize the state's economic development potential. Cooperation between government and the private sector is vital to attracting industry and developing a transportation system that will benefit everyone.

Michigan Operation Lifesaver News

Michigan Operation Lifesaver (MI-OL.org) is a volunteer based statewide organization, part of Operation Lifesaver International (oli.org), a group formed 39 years ago, established to reduce and eliminate train/vehicle grade crossing crashes and trespasser incidents around railroad tracks. The mission of Operation Lifesaver is to educate people to make safe decisions at rail intersections and around railroad tracks through education, engineering and enforcement.

MI-OL meets quarterly to discuss and plan its educational, engineering and enforcement agenda and programming as well as reviewing recent OL incidents and activities. A major focus of MI-OL is to promote grade crossing safety presentations by trained OL presenters to various groups across the state. These presentations are made to many types of groups including student drivers in drivers training classes, truck driver schools, school bus drivers, pre-kindergarten to high school students, law enforcement groups, emergency responders, and many other types of groups and organizations across the state wishing a presentation.



For those interested in learning more about Michigan Operation Lifesaver or interested in becoming involved as a Presenter, contact OL State Coordinator Sam Crowl at (248) 823-7037 or samcrowl@comcast.net or MI-OL.org

Federal Railroad Administration reports for the first half of 2011 in Michigan show 3 fatalities in crashes, 3 killed as pedestrians at highway intersections and 2 fatal as trespassers.

Listed below are some of the recent OL activities, as well as guest speakers and award recipients.

- Grade Crossing Investigation Courses (GCC) held in Taylor, Grand Rapids and Kalamazoo
- Rail Safety for Emergency Responders (RSER) seminar held in Kalamazoo and Grand Rapids
- Assisted with an Officer on the Train (OOTT) from Pontiac to Ann Arbor and from Grand Rapids to New Buffalo

(Continued on page 6)

MOVING MICHIGAN

Escanaba & Lake Superior Railroad Company

Headquarters: Wells, MI, (Green Bay, WI office)

Employees: 88

System Miles: 347

Miles Operated: 235

Michigan Major Commodities: pulpwood, saw logs, woodpulp, grains, fertilizers, ore

President: John Larkin/906-786-0693

Vice-President, Marketing: Thomas J. Klimek/920-435-8006

Web Site: www.elsrr.com

The journey began for the Escanaba & Lake Superior Railroad Company (E&LS) in 1898 when it started operations in the Upper Peninsula of Michigan and Northeastern Wisconsin. Over the past century, it has undergone significant transformation ultimately redefining its railroad profile and business model. Today, the E&LS is a leader in forest products transportation, rail car storage, and contract rail car repair services.

In October 1978, John Larkin purchased the 63.5-mile E&LS from Escanaba, MI to Channing, MI from Hanna Mining. Through his leadership and vision, it expanded to 347 miles by acquiring primarily Milwaukee Road lines that became available as a result of bankruptcy proceedings. Today, the E&LS reaches from Lake Superior to Lake Michigan, interchanging freight traffic with Canadian National at points in Michigan and Wisconsin. Under Larkin's ownership during these nearly 33 years of operation, the E&LS survived the closure of a major mine in the early 1980's and its largest paper customer in 2009. Throughout these distressed economic times impacting its freight business, the E&LS survived with tenacity and strong leadership that focused on aggressive cost saving measures, innovative service delivery, and aggressive growth in contract rail car repair and rail car storage business.

Forest products comprise over 80% of the freight moved over the E&LS system. The commodities include pulpwood logs, saw logs, and woodpulp. In Michigan and Wisconsin, the E&LS serves NewPage Paper, Louisiana-Pacific Corporation, Kimberly-Clark Corporation, Thilmany Paper, Wausau Paper, and Domtar Paper. As part of this business, the E&LS also works closely with many independent loggers, supplying them with cars for moving pulpwood that is consumed by mills for the production of not only paper but oriented strand board (OSB) as well. Other commodities moved over the railroad include grains, fertilizers, ore, aggregates, propane, canned goods, scrap metal, and chemicals. Steel and pipe shipments are expanding rapidly as the E&LS supports Marinette-Marine Corporation in their long term building of U.S. Navy battleships in Marinette, WI. For 2012, over 35 miles of main line in WI will be upgraded, thanks to the ongoing collaboration of the E&LS and the Wisconsin Department of Transportation. The E&LS will also



Escanaba & Lake Superior Railroad moving a unit train of pulpwood over the Menominee River at the Michigan-Wisconsin border.

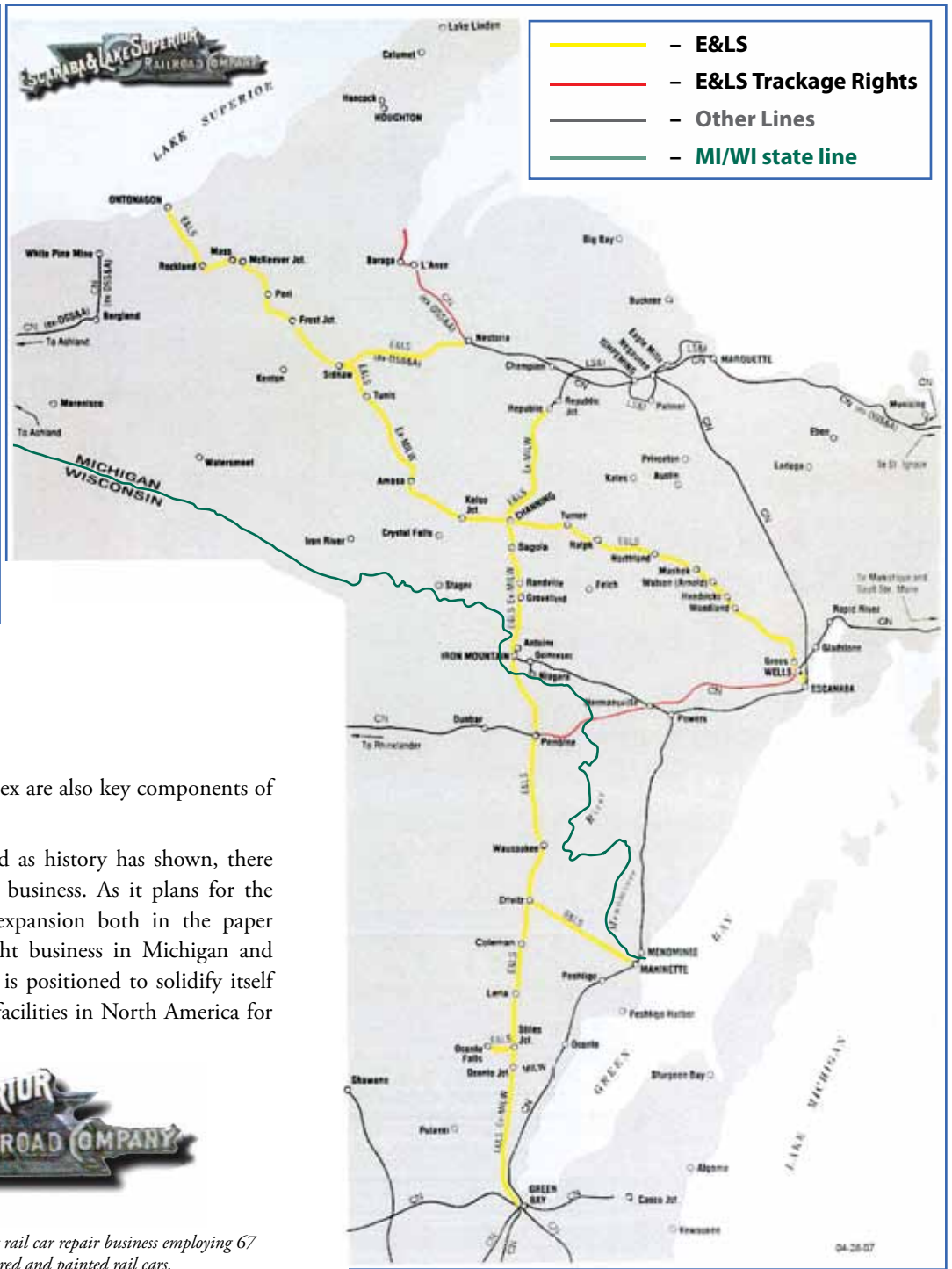
be adding more rail cars for the transportation of pulpwood and logs to its paper mill customers next year.

For the past ten years, the E&LS has been storing rail cars on several key branch lines in Michigan and Wisconsin. Over 5,000 rail cars have been stored during peak times in this decade. The E&LS has capacity for over 7,000 storage cars on 4 branch lines. In conjunction with its contract rail car repair and paint facility in Escanaba, the storage business has significantly evolved from storage only to cars from storage being consistently moved to Escanaba for repair and paint.

On May 20, 2011, the E&LS marked its 20th anniversary in the contract car repair business with an open house and facility tour for state and local officials, plus supply chain partners at the Escanaba "Shop". When the business began in 1991, six employees were engaged in repairing E&LS cars and equipment in a former crane manufacturing building of 52,000 sq. ft., equipped with 2, 50-ton overhead cranes and 2 inside tracks with space to accommodate 14 rail cars. Today, the Shop has:

- Grown to 67 jobs over 2 shifts with nearly 25% of its work force being military veterans
- Payroll of over \$1.5M, and over \$1.2M spent with suppliers annually
- Since 2010, repaired and painted over 2,800 rail cars for the 8 largest private car owners in North America with 2 projects already set for the 1st quarter of 2012
- Equipped and ramped up for the 4th quarter to apply lining for covered hopper cars that creates an entirely new contract service

In 2012, the E&LS is planning for a \$3.8M expansion of the Shop including a 26,000 sq. ft. building expansion, a new rail car wash system, and the use of renewable energy resources for heat and power. Building new storage tracks for staging cars slated for repair, and the upgrade of



existing rail tracks within the Shop complex are also key components of the expansion plan.

The journey continues for the E&LS and as history has shown, there will always be challenges in the railroad business. As it plans for the future, the E&LS is working towards expansion both in the paper and mining areas to strengthen its freight business in Michigan and Wisconsin. In addition, the E&LS Shop is positioned to solidify itself as one of the top contract rail car repair facilities in North America for 2012 and beyond.



Escanaba & Lake Superior Railroad operates a contract rail car repair business employing 67 individuals. Below are before and after pictures of repaired and painted rail cars.



Before



After

Michigan Upgrades Rail Line For Accelerated Amtrak Service

By: Janet Foran, Rail Spokesperson, Michigan Department of Transportation

Michigan is a big step closer to faster passenger train service between Detroit and Chicago, thanks to the infusion of federal dollars and much work on the part of the state, host railroads, and local communities.

The U.S. Department of Transportation designated the Chicago Hub (Chicago-Detroit/Pontiac) High-Speed Rail Corridor back on Oct. 15, 1992, making the route eligible for federal grants. This corridor is home to Amtrak's *Wolverine* service, currently operating at speeds up to 95 mph on their ownership between Kalamazoo and Porter, Indiana (nearly 100 miles). This segment of the corridor will be operating at speeds up to 110 mph later this year. Most Amtrak routes operating on tracks owned by freight railroads operate at a top speed of 79 mph, a limit set by federal regulations that require improved signal systems for 80 mph or faster.

When all 281 miles between Detroit and Chicago can handle accelerated service, travel time between the two cities will drop from six hours to less than four.

Last year, the Michigan Department of Transportation (MDOT) received a \$150 million grant from the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail Program for acquisition of 135 miles of this corridor between Kalamazoo and Dearborn from Norfolk Southern. Negotiations are currently under way.

This year, MDOT was selected for \$196.5 million for infrastructure improvements that will include track rehabilitation, a new state-of-the-art signal system and train control technology along the corridor, eventually bringing passenger speeds up to 110 mph along most of this entire corridor.

MDOT also received \$3.2 million to complete a planning study to expand existing services and frequencies on the *Wolverine* service route.

In addition, Michigan will benefit from a \$2.8 million grant to complete preliminary engineering and environmental work for a new intermodal station in Ann Arbor. This new station will serve intercity passenger rail and bus passengers, city and university transit users.

Work has already begun on renovating the Battle Creek station, and funds to relocate the Dearborn station were just announced in August. The Dearborn station will serve as a gateway to The Henry Ford. In the future, it could serve as a station on the planned Ann Arbor-Detroit commuter rail service. Amtrak will begin work to preserve the historic Jackson station next spring. MDOT continues to work with the city of Troy and FRA to secure funding to move the existing platform stop in Birmingham to a new station location in Troy.

The new Pontiac Transportation Center, serving Amtrak and Greyhound, opened in August.

Michigan also was selected as part of a Midwest Next Generation Equipment Procurement to receive funding for new intercity passenger rail coaches for all three Michigan services (*Wolverine*, *Blue Water*, and *Pere Marquette*). This includes modern locomotives for



Norfolk Southern track crews replacing ties, smoothing the track and improving grade crossings between Ypsilanti and Kalamazoo.

accelerated speeds on the *Wolverine* and *Blue Water* services.

All these steps to bring updated, modern accessible facilities to cities along the *Wolverine* line will greatly enhance the travel experience for passengers.

Modernizing the stations and rail travel in general will help attract small business development, increase job growth, and enhance the livelihood of communities and business. The cities will reap the benefits of this investment for many years.

The time is right for passenger rail service. With gas prices reaching record levels, people are looking for alternative travel methods. Before Norfolk Southern was forced to issue slow speeds between Ypsilanti and Dearborn this summer, the *Wolverine* service line was experiencing record ridership numbers. (MDOT has since begun a \$4.2 million maintenance contract that is expected to be finished in mid-September.)

Accelerated rail is an important component of a 21st century transportation system. It will move Michigan toward a more competitive edge, providing jobs for American workers building trains and rails, and when it is completed, by promoting tourism and commerce, and making travel more affordable and convenient and reducing congestion on the state's highways.

Amtrak's Detroit to Chicago high speed rail passenger corridor. Amtrak owns that portion from Kalamazoo to Porter, Indiana. The Michigan Department of Transportation is currently negotiating with the Norfolk Southern Railroad to acquire the track from Dearborn to Kalamazoo.



- Attended and presented OL materials at the annual Safety Summit at Michigan State University
- Made a special presentation to the West Michigan Crime Prevention Association (WMCPA)
- Participated in Operation Lifesaver International Rail Safety Awareness Day in several news organizations
- Launched the new e-learning program for Truck Drivers as part OLI's new advanced social networking program

Special awards were made at the last two quarterly OL meetings to two Presenters for outstanding achievement:

- Peter Probst, of Lapeer, an EMT, disc jockey and technical guru, a presenter for two years
- Bill Husband, of Mason, is retired from Wyeth Labs and a presenter for 10 years

Recent guest speakers at the last two quarterly OL meetings:

- Ken Gilsdorf, Supervisor, Community Affairs & Safety-CSX, Walbridge, OH



Peter Probst, an emergency medical technician from Lapeer, MI, receiving outstanding presenter award from Sam Crowl, Michigan Operation Lifesaver State Coordinator. (Photo by Al Kolpack)

- Steve Mince, Director of Public Works, Durand, MI
- Jewell Pickett, Safety Supervisor-Amtrak, Chicago, IL
- George Tolliver, Special Agent, CN Police Dept., Lake Orion, MI
- Jerry Clayton, Sheriff, Washtenaw County, MI
- Marc Higginbotham, Norfolk Southern Railroad, Troy, MI



Bill Husband, retiree from Wyeth Labs in Mason, MI and ten year presenter, receiving outstanding presenter award from Sam Crowl, Michigan Operation Lifesaver State Coordinator. (Photo by Karey Miller)

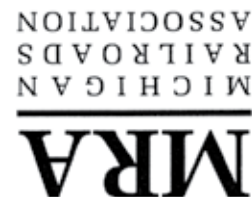
- John Reiser, Asst. Prosecuting Attorney, Washtenaw County, MI
- Robert Grogran, Road Foreman-Amtrak, Pontiac, MI
- Rahn Stokes, retired yardmaster, Norfolk Southern Railroad

Michigan Rail Update is a publication of Michigan Railroads Association, 120 N. Washington Square, Suite 601, Lansing, Michigan 48933. President: Robert J. Chaprka. Phone (517) 482-9413. Members of the Michigan Railroads Association are Adrian & Blissfield Railroad, Ann Arbor Railroad, Charlotte Southern Railroad, CN Railroad, Consolidated Rail Corp. (Conrail), CP Rail System, CSX Transportation, Detroit Connecting Railroad, Escanaba & Lake Superior Railroad Co., Grand Elk Railroad, Grand Rapids Eastern Railroad Co., Great Lakes Central Railroad, Huron & Eastern Railway Co., Jackson & Lansing Railroad, Lake State Railway, Lake Superior & Ishpeming Railroad Co., Lapeer Industrial Railroad, Marquette Rail, Michigan Shore Railroad Co., Mid-Michigan Railroad Co., Norfolk Southern Corp, Saginaw Bay Southern Railroad.

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