

Michigan RAIL UPDATE



A publication of the Michigan Railroads Association

SPRING 2011

The Economic Impact of America's Freight Railroads

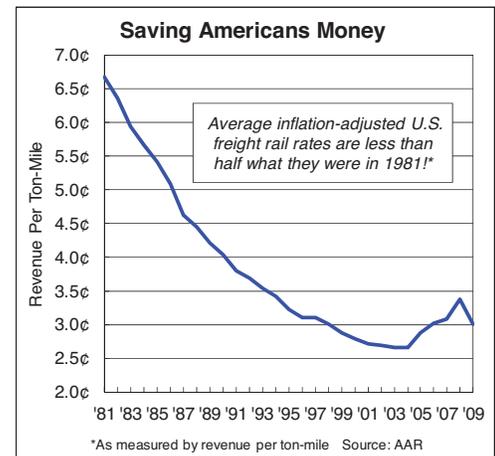
From the food on our tables to the cars we drive to the shoes on our children's feet, freight railroads carry the things America depends on. America's railroads account for 43 percent of intercity freight volume — more than any other mode of transportation — and provide the most efficient and affordable freight service in the world. Every year, America's freight railroads save consumers billions of dollars while reducing energy consumption and pollution, lowering greenhouse gas emissions, cutting highway gridlock, and reducing the high costs of highway construction and maintenance. In addition, America's freight railroads generate nearly \$265 billion in total annual economic activity and sustain 1.2 million jobs, including around 175,000 well-paying jobs in the freight rail industry itself.

Freight Railroads Mean More Jobs and a Stronger Economy

By linking businesses to each other here and abroad, freight railroads have played a crucial role in America's economic development for 180 years. They remain critical to our economy today:

- The approximately 175,000 freight railroad employees are among America's most highly compensated workers. According to U.S. government data, in 2009 the average full-time rail industry employee earned wages of \$81,563 and fringe benefits of \$25,522, for total average compensation of \$107,085. By contrast, the average wage per full-time employee in the United States in 2009 was \$51,888 (just 64 percent of the comparable rail figure) and average total compensation was \$64,552 (just 60 percent of the rail figure).
- In addition to their own employees, freight railroads sustain more than 1 million additional jobs at firms that provide goods and services to railroads or that are recipients of spending by the employees of railroads and their suppliers. Millions of others work in industries that are more competitive in the global economy thanks to freight railroads' affordability and productivity. Every job in day-to-day freight rail operations sustains another 4.5 jobs elsewhere in the economy.
- America's freight railroads generate nearly \$265 billion in total economic activity each year including direct, indirect, and induced effects, according to a U.S. Department of Commerce model of the U.S. economy.
- Rail industry employees are covered by the Railroad Retirement System, which is funded by railroads and their employees. In fiscal year 2009, approximately

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Freight Railroads Provide Huge Public Benefits



From the President
Robert Chaprnka

In addition to their role as an economic engine, freight railroads provide substantial public benefits in less pavement damage, less highway congestion, fuel efficiency, less greenhouse gases and pollution. Consider:

- **Less pavement damage** – Every ton of freight moved by a train is a ton of freight that doesn't have to move on the highway saving millions of dollars in pavement damage. It is estimated that the State of Michigan saves approximately \$266

million dollars each year in pavement damage due to freight that is moved off the highway and on to rail.

- **Less highway congestion** – Highway gridlock costs the U.S. economy \$115 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

(Continued on page 2)

590,000 beneficiaries received \$10.5 billion in benefits from the Railroad Retirement System.

- Railroads account for approximately one third of all U.S. exports.

Freight Railroads Save America Money

Railroads help their customers control their prices, saving them (and, ultimately, consumers) billions of dollars each year, enhancing the global competitiveness of U.S. goods, and improving our standard of living.

In fact, average U.S. freight rail rates (measured by inflation-adjusted revenue per ton-mile) were 55 percent lower in 2009 than in 1981. That means the average rail shipper can move twice as much freight today for the same price it paid nearly 30 years ago.

A few years ago, the American Association of State Highway and Transportation Officials (AASHTO) estimated that if all freight rail traffic were shifted to trucks, rail shippers would have to pay an additional \$69 billion per year. That figure is almost certainly much higher today.

Moving the Things We Use Every Day

From one end of the country to the other, America's freight railroads transport a huge spectrum of commodities, including the following:

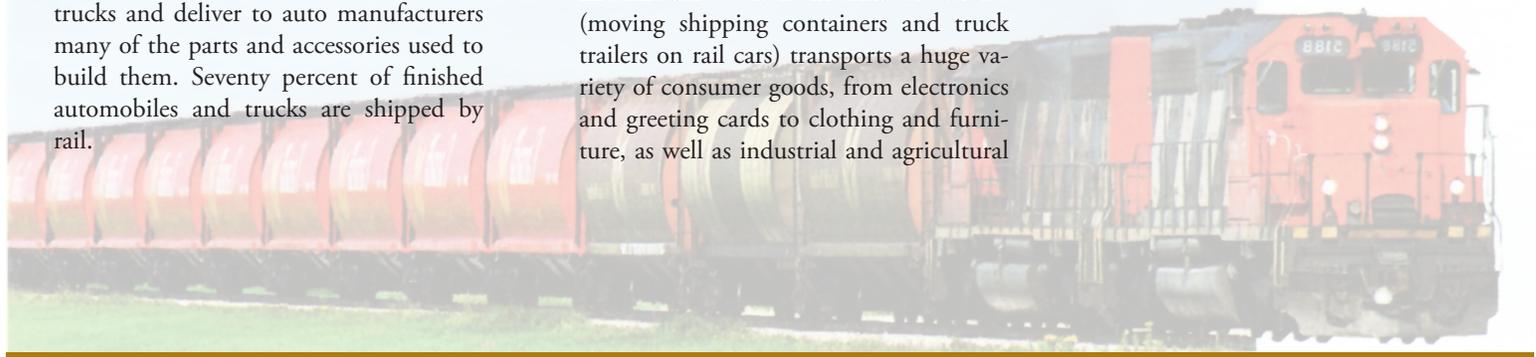
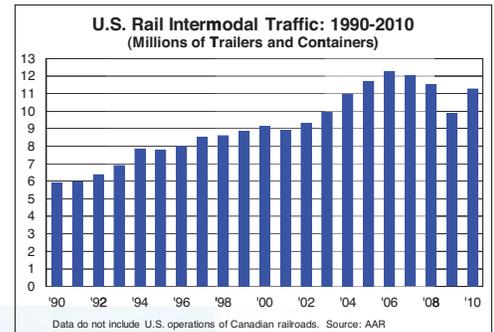
- **Motor Vehicles** – Each year, railroads deliver to dealers millions of new cars and trucks and deliver to auto manufacturers many of the parts and accessories used to build them. Seventy percent of finished automobiles and trucks are shipped by rail.

Seventy percent of finished automobiles and trucks are shipped by rail.

- **Agricultural and Food Products** – Each year, railroads haul 1.6 million to 1.7 million carloads of wheat, corn, soybeans, and other agricultural products, plus another 1.5 million carloads of animal feed, beer, birdseed, canned produce, corn syrup, flour, french fries, frozen chickens, sugar, wine, and countless other food products. If it's on your table or in your pantry, railroads probably had a hand in getting it there.
- **Chemicals** – The 2 million carloads of chemicals that America's railroads carry in a typical year help clean our water, fertilize our farms, package our food, build our cars and homes, protect our health, and enhance our well-being in thousands of other ways.
- **Coal** – Nearly half of America's electricity is produced from coal, and railroads haul 70 percent of America's coal. The electricity produced from rail-delivered coal is enough to meet the power needs of every home in America. By helping to keep coal-based electricity affordable, railroads reduce our dependence on imported energy.
- **Intermodal** – Rail intermodal service (moving shipping containers and truck trailers on rail cars) transports a huge variety of consumer goods, from electronics and greeting cards to clothing and furniture, as well as industrial and agricultural

products. Around 60 percent of rail intermodal consists of imports or exports, reflecting the vital role railroads play in international trade.

- **Paper and Lumber** – In a typical year, America's freight railroads carry more than a million carloads of lumber and paper products — including wood to build our homes, newsprint and magazine paper, and cardboard for packaging. Railroads also haul tens of thousands of carloads of recycled paper and cardboard each year.
- Railroads also carry millions of carloads of raw materials and industrial products that are critical to our way of life, including metallic ores (such as iron ore and bauxite for aluminum), steel and other metal products, petroleum, crushed stone and gravel, cement, scrap metal for recycling, and much more.



means railroads reduce highway gridlock, the costs of maintaining existing highways, and the pressure to build costly new highways. That's especially important now when government spending is under such severe pressure.

- **Fuel efficiency** – On average, railroads are four times more fuel efficient than trucks. In 2009, U.S. railroads moved a ton of freight an average of 480 miles per gallon of fuel.
- **Less greenhouse gases** – Because greenhouse gas emissions are directly related to fuel consumption, moving freight by rail instead of truck reduces greenhouse gas emissions by 75 percent, on average.

- **Reduced pollution** – Moving freight by rail rather than truck significantly reduces emissions, and that means cleaner air for all of us. In March 2008, the EPA issued stringent new locomotive emissions standards that will cut rail emissions by up to 90 percent.

A healthy rail system not only provides benefits to shippers looking for competitive transportation rates, but also provides substantial public benefits in less highway damage, congestion, and pollution. State and federal policy makers need to remember this as they make decisions impacting the railroad industry.

MOVING MICHIGAN

ADRIAN & BLISSFIELD RAIL ROAD GROUP

Michigan Headquarters:

Westland, Michigan

Michigan Employees:

September 30, 2010 – 28
January 31, 2011 – 52

Michigan Track Miles:

- Combined: 74.5 miles (freight)
- Adrian & Blissfield Rail Road – 20 miles
 - Charlotte Southern Railroad – 3.5 miles
 - Detroit Connecting Railroad – 2.5 miles
 - Jackson & Lansing Railroad – 47 miles
 - Lapeer Industrial – 1.5 miles
 - The Old Road Dinner Train – Blissfield
 - The Old Road Dinner Train – Charlotte

Michigan Major Commodities:

Grain, Ethanol, paper products, plastics/pellets, steel (bar, coil, plates), scrap metal, ceramics, heavy machinery

President & CEO:

Mark W. Dobronski

Industrial Development:

Brenda Rice (734) 641-2300 or (734) 358-1250

The Adrian & Blissfield Rail Road Group includes five freight railroads and two dinner trains. The five freight railroads are the Adrian & Blissfield Rail Road Company, the Charlotte Southern Railroad Company, the Detroit Connecting Railroad Company, the Jackson & Lansing Railroad Company, and the Lapeer Industrial Railroad Company. The two dinner excursion trains are The Old Road Dinner Train – Blissfield, and The Old Road Dinner Train – Charlotte.

As their names indicate, these railroads service the cities and counties within which they reside: Adrian and Blissfield in Lenawee County; Charlotte in Eaton County; Detroit in the Eastern Market District of Wayne County; Jackson and Lansing in Jackson and Ingham Counties; and Lapeer in Lapeer County.

These railroads have a diverse collection of industrial customers that reduces the impact of seasonal commodity ebb-and-flow. Their cus-

tomers include: an ethanol manufacturer, grain elevators, fresh produce wholesalers, paper products (cardboard container) manufacturer, steel (bar, coil, plate) processors and wholesalers, as well as processors of scrap metal, plastics and plastic pellets, ceramics, and fertilizer. These customers are located across all the railroads, not just on an individual railroad, which also minimizes seasonal and economic volatility.

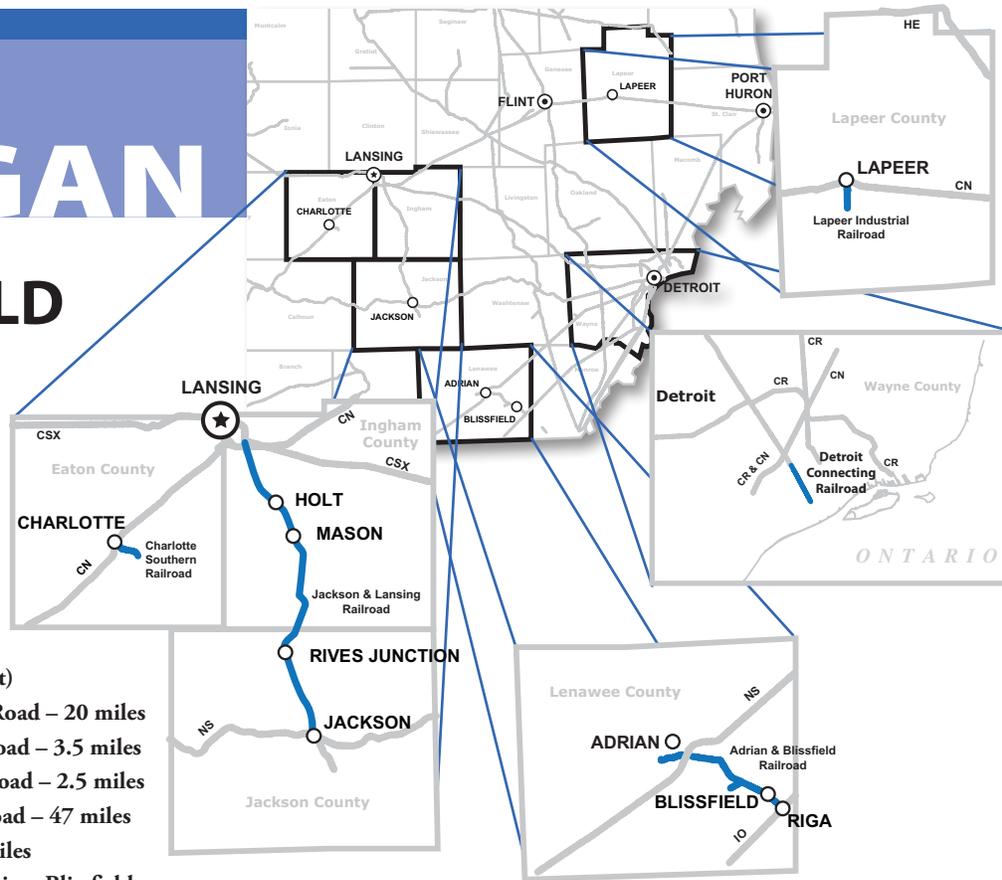
The Adrian & Blissfield Rail Road Company was formed in 1991 to operate the Lenawee County lines which were owned by the State of Michigan at that time. Eventually, the



Adrian & Blissfield Rail Road hauling ethanol from Green Plains Ethanol in Riga, Michigan

Adrian & Blissfield Rail Road Company bought the railroad from the state in the first (and so far only) divestiture of railroad lines (20 miles) by the State of Michigan, which had purchased them from the Penn Central estate and Conrail when Conrail had no further interest in these lines.

In 1999 and 2000, the Adrian & Blissfield Rail Road Company purchased three short spurs from Grand Trunk Western Railway, to



preserve rail freight service on three light-density lines:

- Charlotte Southern Railroad Company in Charlotte, Michigan (3.5 miles)
- Detroit Connecting Railroad Company in Detroit Eastern Market (2.5 miles)
- Lapeer Industrial Railroad Company in Lapeer, Michigan (1.5 miles).

In October 2010, the Adrian & Blissfield Railroad Company acquired 47 miles of rail formerly operated by Norfolk Southern. The newly acquired line became known as the Jackson & Lansing Railroad Company. This transition from NS to Jackson & Lansing Railroad has brought daily service to existing customers according to their schedules and their shipping and/or receiving needs. It has also provided former rail customers along the line the option of shipping by rail again.

With such a diverse customer base, the Adrian & Blissfield Rail Road Group also provides logistics management. Not only can the Adrian & Blissfield Rail Road Group provide cars to suit a customer's needs, but because the Adrian & Blissfield Rail Road Group also connects to all three eastern US Class 1 railroads (NS in Jackson, Michigan; CN and CSX in Lansing, Michigan), competition among the three Class 1s for haulage of our local industries' products results in lower overall transportation expense for our customers. These interchanges provide existing rail customers expanded options. Additionally, each railroad has an assigned superintendent who is able to



Jackson & Lansing Railroad pulling steel coil cars from RSDC in Holt, Michigan. Photo – Byron Babbish

Detroit Connecting Railroad hauling waste products from Environmental Quality (EQ) in Detroit, Michigan. Photo – Jack Watts



interact personally with the customers on that line, as well as provide local and immediate customer service.

Of historical significance, the Adrian & Blissfield Rail Road Company was originally built as the Erie & Kalamazoo Rail Road, beginning construction in 1835 as the first railroad built west of the Allegheny Mountains (prior to Michigan statehood, while Michigan was still a territory). And, in 1836, there were only 200 miles of railroad in the entire United States, located primarily in New York and South Carolina.

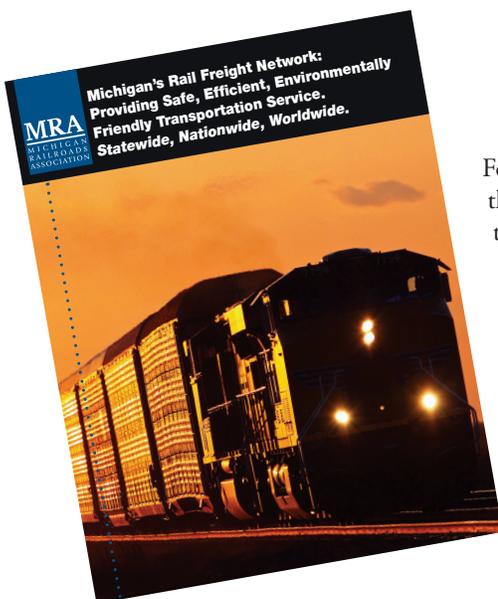
The second railroad built in Lenawee County incorporated the first railroad junction in the Northwest Territory. That line was known as the Palmyra & Jacksonburg. The junction, currently the center of the Adrian & Blissfield,

is today known as Lenawee Junction, and Jacksonburg is currently known as Jackson, Michigan.

Prior to the Civil War, today's Adrian & Blissfield was part of the only railroad link between New York City and Chicago, running from New York City through Albany and Buffalo, New York, and Cleveland and Toledo, Ohio, then up through Michigan to Adrian, then Hillsdale, Elkhart (Indiana) and on to Chicago.

After the Civil War, the railroad completed a line across northern Ohio and Indiana connecting Toledo and Elkhart, without going up into Michigan. The new railroad was known as the "Air Line", the old line became known as "The Old Road".

New MRA Economic Development Brochure Available



For over 18 years the Michigan Railroads Association (MRA) has provided a full color brochure that opens to a map showing all of Michigan's rail lines and contact people for every railroad in the state. The MRA has recently released its updated version. MRA President Robert Chaprnka believes the piece is an important component in the overall marketing effort of Michigan's railroads.

"This brochure effectively illustrates the importance of rail as a freight transportation mode in Michigan," says Chaprnka. "It illustrates that rail can serve small and large shippers alike, providing even the smallest communities rail service to virtually anywhere on the continent."

For a free copy or more information
Call the MRA at (517) 482-9413 or send email request to
mra@michiganrailroadsassociation.com

New House and Senate Transportation Committees Selected

House Transportation Committee

Rep. Paul Opsommer (R-DeWitt) Chair
Rep. Ben Glardon (R-Owosso) VChair
Rep. Douglas Geiss (D-Taylor) Minority VChair
Rep. Barb Byrum (D-Onondaga)
Rep. Kevin Daley (R-Lum)
Rep. Matt Huuki (R-Atlantic Mine)
Rep. Bradford Jacobsen (R-Oxford)
Rep. Lesia Liss (D-Warren)
Rep. Paul Muxlow (R-Brown City)
Rep. David Nathan (D-Detroit)
Rep. Rick Olson (R-York Twp.)
Rep. Mark Ouimet (R-Scio Twp.)
Rep. Roy Schmidt (D-Grand Rapids)
Rep. Wayne Schmidt (R-Traverse City)
Rep. Charles Smiley (D-Burton)
Rep. Pat Somerville (R-New Boston)
Rep. Alberta Tinsley Talabi (D-Detroit)

House Transportation Appropriations Subcommittee

Rep. David Agema (R-Grandville) Chair
Rep. Ken Goike (R-Ray Twp.) VChair
Rep. Brandon Dillon (D-Grand Rapids) Minority VChair
Rep. Nancy Jenkins (R-Clayton)
Rep. Richard LeBlanc (D-Westland)
Rep. Phil Potvin (R-Cadillac)

Senate Transportation Committee

Sen. Tom Casperson (R-Escanaba) Chair
Sen. Mike Kowall (R-White Lake Twp.) VChair
Sen. John Gleason (D-Flushing) Minority VChair
Sen. Jack Brandenburg (R-Harrison Twp.)
Sen. Morris Hood III (D-Detroit)
Sen. Phil Pavlov (R-St. Clair)

Senate Transportation Appropriations Subcommittee

Sen. John Pappageorge (R-Troy) Chair
Sen. Patrick Colbeck (R-Canton Twp.) VChair
Sen. Glenn Anderson (R-Westland) Minority VChair

Michigan Operation Lifesaver News

Michigan Operation Lifesaver is a volunteer based statewide organization, part of a national organization, established to reduce and eliminate train/vehicle grade crossing crashes and trespasser incidents around railroad tracks.



MI-OL meets quarterly to discuss and plan its educational, engineering and enforcement programming as well as review recent OL activities. A major focus of MI-OL is to facilitate grade crossing safety presentations by trained OL volunteer presenters to various groups across the state.

These presentations are made to groups such as driver training classes, truck driver schools, school bus drivers, pre-kindergarten to high school students, law enforcement, emergency responders and any other group or organization wishing a presentation.

Federal Railroad Administration reports show an improvement in Michigan train/vehicle fatalities in 2010 of 5 fatalities down from 12 in 2009. Trespasser fatalities were one from 8 in 2009 to 9 in 2010.

For those interested in learning more about Michigan Operation Lifesaver or interested in becoming involved with the railroad safety organization Michigan Operation Lifesaver, contact Michigan OL State Coordinator Sam Crowl at (248) 823-7037 or samcrowl@comcast.net or visit www.mi-ol.com



Bruce Quinn, engineer/conductor for the Coopersville and Marne Railroad, receiving outstanding presenter award from Sam Crowl, Michigan Operation Lifesaver State Coordinator. (Photo: Al Kolpack)



Robert Monfortin, retired Grand Trunk Western Railroad employee, receiving outstanding presenter award from Sam Crowl, Michigan Operation Lifesaver State Coordinator. (Photo: Bruce Quinn)

Listed below are recent OL activities, as well as guest speakers and awards made at the last two OL meetings:

- ✓ 33 new Presenters were trained to make OL presentations in 2010 in classes held in Durand, Grand Rapids and Dearborn.
- ✓ Special awards were made to two presenters for outstanding achievements:
 - Bruce Quinn of Grand Rapids, Engineer/Conductor for the Coopersville and Marne Railroad, Grand Rapids
 - Robert Monfortin, a retired Grand Trunk Western Railroad employee, Brighton, MI

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- ✓ Recent guest speakers at the last two Quarterly meetings:
 - Otto Sonefeld of Saginaw, a Board member of OLI, OL's parent in Washington, D.C.
 - Louis Young of Detroit, a Norfolk Southern Conductor
 - H.R. 'Skip' Elliott of Jacksonville, FL a vice president of CSX
 - David Arnovitz of Melvindale, a Superintendent for Norfolk Southern
 - Tammy Wagner of Chicago, IL, a Regional Manager for the Federal Railroad Administration
 - Ken Gilsdorf of Toledo, OH, from CSX Public Affairs
 - Ben Fennell of Atlanta, GA, Vice President of Transportation for Norfolk Southern
 - Bob Grogan from Pontiac, road foreman for Amtrak
 - Derrick Mason from Atlanta, GA, Manager of Grade Crossing Safety for Norfolk Southern

- ✓ Officer on the train programs were run on Saginaw Bay Southern Railroad between Bay City and Saginaw, on Amtrak between Pontiac and Ann Arbor, and on Great Lakes Central Railroad between Owosso and Ann Arbor. These officer on the train exercises are conducted where a police officer on a locomotive radios grade crossing and trespasser violations to police chase cars near grade crossings. More exercises are being planned during 2011.
- ✓ Rail Safety for Emergency Responders classes were held in Owosso, Grand Rapids, Kalamazoo, Ann Arbor and Flint.
- ✓ Grade Crossing Crash Investigation courses were made to groups in Grand Blanc, Canton and Taylor to teach law enforcement about handling railroad incidents and violations.
- ✓ Michigan Operation Lifesaver State Coordinator Sam Crawl and Assistant State Coordinator David Cornelius were guest speakers before 200 Officers at the Michigan Chiefs of Police Convention in Grand Rapids in February

The next quarterly meeting of Michigan Operation Lifesaver will be held on Friday May 6, 2011 at the Durand Union Station at 9:30 a.m. The OL organization is open to all interested in railroad safety. Contact Sam A. Crawl, Michigan OL State Coordinator at 248-823-7037 or sam-crawl@comcast.net to be placed on the OL meeting notification list.

Michigan Rail Update is a publication of Michigan Railroads Association, 120 N. Washington Square, Suite 601, Lansing, Michigan 48933. President: Robert J. Chapman. 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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