

Photo Courtesy of Kyle Korienek

FALL 2020 MRA RAIL UPDATE

A publication of the
Michigan Railroads Association

WHY THE USMCA WILL BENEFIT FREIGHT RAILROADS & THEIR CUSTOMERS

From the car you drive to the food you eat, domestic and international trade helps make American life possible.

This trade, which happens across North America, depends on manufacturing and services, transporting goods to market and then selling them via various physical and digital retail means. American businesses and major rail shippers – including automobile makers, energy producers, agricultural growers and even beer makers – need the certainty and benefits of tariff-free trade across North America to keep delivering for the American people.

With the U.S.-Mexico-Canada Agreement (USMCA) now law governing trade between the United States, Canada and Mexico, freight railroads will continue their work to keep supply chains moving, fuel economic recovery from the coronavirus pandemic and execute a vision toward the future.

Freight rail plays a fundamental role in trade.

A staggering 42% of all rail traffic is connected to international trade, much of which occurs across Canada, Mexico and the United States. Because of this connection, capital intensive railroads – which privately invest \$26 billion annually to maintain and modernize their



140,000-mile network – have focused part of their investments towards some of the busiest regions for cross-border trade.

U.S. trade with Mexico and Canada benefits the nation in many ways.

As outlined by a trade coalition of U.S. companies and associations, U.S. trade with Mexico and Canada:

- **Supports millions of jobs:** Trade with Canada and Mexico supports 11 million American jobs in every state in the Union and 49 U.S. states count Canada or Mexico as one of their top three merchandise export markets.
- **Drives U.S. export growth:** U.S. goods exports to Canada and Mexico have expanded far more since the 2007-2009 recession than U.S. exports to any other country in the world, accounting for about 40% of the growth in overall U.S. goods exports in dollar terms.
- **Quadrupled in the past 25 years:** Trade with Canada and Mexico reached nearly \$1.3 trillion in 2017, and the two countries buy more than one-third of U.S. merchandise exports.

CONTINUED ON PAGE 2 ►



Jon Cool, *President*
@MI_FreightRail

FROM THE PRESIDENT

Rail Safety Week (Sept. 21-27) was celebrated virtually this year due to Covid19 concerns. We want to thank Operation Lifesaver's MI Director, Sam Crowl, and law enforcement

agencies across our state for helping to spread rail safety messaging.

There has been quite a bit of progress on the Local Grade Separation Program legislation in

Lansing. Identical bills that would create a new 80/20 cost-share competitive grant program managed by MDOT have been nearly unanimously approved by both the House and Senate.

We are very encouraged that the legislature has taken such a strong supportive position to bring a solution to this longstanding public infrastructure issue. Thank you to all of the stakeholders who have been a part of this effort that will help improve some of our state's busiest crossings.

CONTINUED ON PAGE 2 ►

IN THIS ISSUE

Operation Lifesaver Update.....	2
Moving Michigan.....	3
Local Grade Crossing Surface Program.....	4
Rail During COVID-19.....	5
Updated MRA Website.....	6

- **Is vital for U.S. manufacturers:** U.S.-manufactured goods exported to Canada and Mexico support the jobs of more than two million men and women at more than 43,000 manufacturing firms across the United States. Most U.S. manufacturing sectors (38 out of 42) and most states (46 out of 50) count Canada or Mexico as their first- or second-largest foreign purchasers.
- **Is essential for farmers and ranchers:** U.S. agricultural exports to Canada and Mexico quadrupled from \$8.9 billion in 1993 to \$39 billion in 2017 and the two countries are top markets for U.S. grains, dairy products, meats, fresh fruits and vegetables. Nearly one-third of U.S. agricultural exports went to our North American neighbors in 2017.



50,000 rail jobs, worth over \$5.5 billion in annual wages and benefits, depend directly on international trade

The USMCA provided a much-needed update to NAFTA and modernized North American trade.

The North American Free Trade Agreement (NAFTA) made the trade that freight rail supports possible. Passed in 1993, NAFTA has boosted U.S. manufacturing, opened new markets for farmers and positively transformed supply chains. Yet that agreement needed to be updated, which leaders from United States, Canada and Mexico did through the USMCA.

“Today, much of CN’s customer service involves trans-border trade. CN has invested close to \$20 million dollars in the Ferndale Intermodal Yard over the past five years and continues to invest in expanding the Ferndale Intermodal Yard’s footprint and promote safety, security, and environmental well-being. NAFTA and the new USMCA agreement have laid the groundwork for these cross-border investments in Michigan and others relevant to the auto industry, such as the current expansion of the Ferndale Intermodal Yard and the Flint Auto Compound.”

CN’s David Woodruff, Assistant Vice President and Head of U.S. Public & Government Affairs.

MICHIGAN OPERATION LIFESAVER UPDATE

Crashes in Michigan have declined over year-to-date for the period of January to July. Collisions are down from 24 in 2019 to 20 for 2020. However, trespasser incidents are up from two to seven for the same period. Nationally crashes are down by 19% over the YTD and trespasser incidents are down 4%.

OLI National (oli.org) is promoting the results of its 47 year existence that crashes are down from over 12,000 in OLI’s first year (1972), to about 2,200 in 2019, an 82% improvement. In Michigan, there were as many as 650 crashes and up to 40 fatalities a year in the 1970’s. In 2018, Michigan recorded its first year with no crash related fatalities.

MI Operation Lifesaver has been utilizing Zoom meetings to communicate rail safety. Some of the events involving MI-OL volunteers recently include:

- Two classes were held for new Operation Lifesaver Authorized Volunteers with eight new OLAVs now able to make presentations.
- MI-OL applied for and received Federal Railroad Administration (FRA) financial grants for over \$8,000 to be used for radio and cell phone banner ads.
- New ‘See Tracks - Think Train’ stencils from



OLAV Louis deKoster teaches rail safety at a truck driver training class. Photo Credit: Shauna Peltin.

the CN Railway have been used to paint our message on sidewalks near schools and other high foot traffic areas.

- In the Upper Peninsula, OLAV Louis deKoster has continued to make small in-person presentations to truck driver classes and others.
- Suicide prevention placards have been made with durable material and posted at areas where intentional acts have occurred in the past.
- PSA posters have been mailed to most of the state’s truck driver schools promoting the ‘Blue sign’ or ‘Emergency Notification System’ (ENS).



Sam Crowl, OL State Director, painting sidewalk safety messaging in metro Detroit. Photo Credit: Curtis Stewart.

For more information about Operation Lifesaver and its many programs and happenings - please visit www.mi-ol.org. Contact Sam Crowl, State Coordinator, at: samcrowl@comcast.net or 248-823-7037.

▶ CONTINUED FROM PAGE 1: FROM THE PRESIDENT

Thank you, also, to all of the legislators who have worked on this legislation. We truly appreciate the collaboration.

We are hopeful that Local Grade Separation legislation will reach the Governor’s desk by the end of the year.

The Local Surface Crossing Program is now

in its 5th year and, by all accounts, has been a successful policy decision that helps local governments partner with railroads to maintain the surface condition at local crossings. (Not state routes).

Please see the information contained in this newsletter for more details and call Kris Foondle at MDOT with specific questions.

The MRA has updated its website with some new information. Browse over to michiganrailroadsassociation.com to see new emergency, economic development and permitting information. Railroad contacts have also been updated on the site. Take a look and let us know what you think.

MOVING MICHIGAN

FEATURING



INDIANA NORTHEASTERN RAILROAD COMPANY



IN 2185 with a loaded grain train. Photo Credit: Troy Strane.

In proximity of where Michigan, Indiana and Ohio borders all come together lies a shortline railroad operation that serves this tri-state area. Indiana Northeastern Railroad stretches nearly 106 miles in length with its mainline resembling a "Z" on the map as it originates with interchange partner Norfolk Southern at Montpelier, Ohio, and terminates to the northwest in Coldwater, Michigan. Branches from the main allow the railroad to reach Litchfield, Michigan, and the railroad's owners in South Milford, Indiana.

Indiana Northeastern Railroad began operations in 1992, evolving from its initial operation, the Pigeon River Railroad, through the purchase and acquisition of several lines formerly operated by the Hillsdale County Railroad. The lines include routes once belonging to the New York Central in Michigan, and the Wabash in Indiana and Ohio.

Indiana Northeastern Railroad's owners are also in the grain business. Prior to 1992, N&W proposed abandonments of the Wabash line, forcing the owners of South Milford Grain into the railroad business as a way of retaining rail service to their mill. A locomotive and track purchase kick-started the Pigeon River Railroad and allowed for an interchange of traffic with Hillsdale County Railroad at Ashley, Indiana.

An opportunity for further expansion presented itself when the financially troubled Hillsdale County Railroad was eventually forced to sell its operation. The deferred maintenance and debts left behind a crumbling rail infrastructure and South Milford Grain determined it to be in their

best interest to become the owner of the entire rail network and reorganized the new railroad into the Indiana Northeastern.

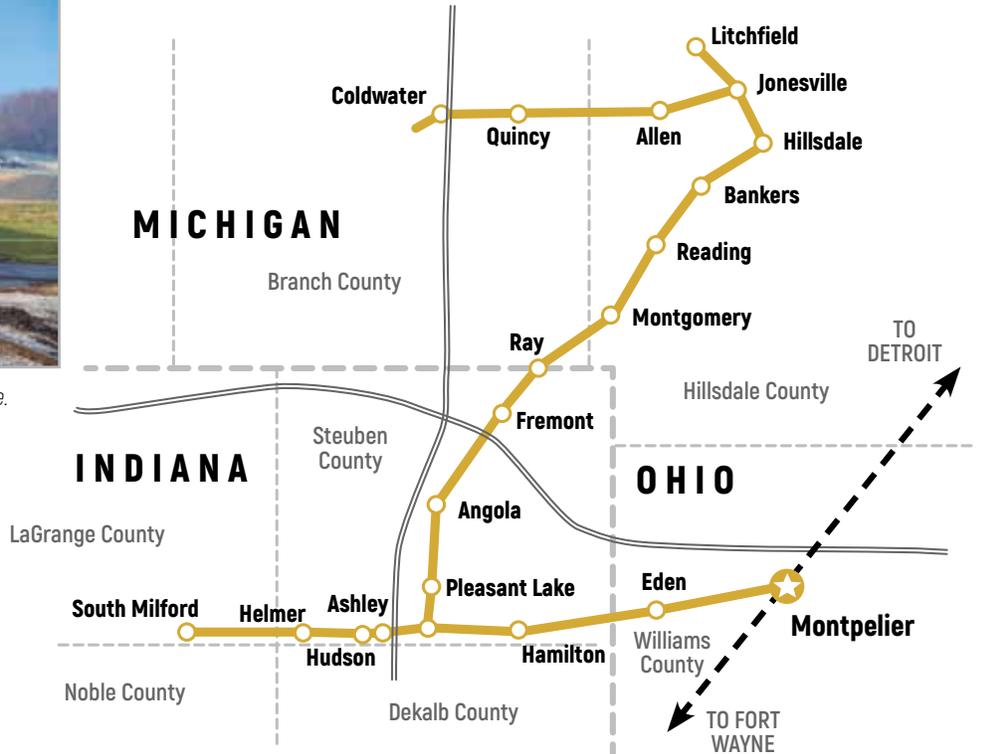
Improved management of assets and resources was the focus for much of the first decade. At the outset, it was difficult to get a train across the railroad without a derailment enroute. Slowly but steadily, through private funding and with available state and federal grants, the railroad was upgraded and transformed into a viable transportation network capable of handling even the most demanding of rail customers and their needs.

A good segment of traffic handled by the IN is agriculture related. This includes three large grain facilities online capable of loading out unit grain trains. As those unit trains have grown in length and weights, IN has kept up with the needed support infrastructure and in 2012, upgraded

all its mainline to rail capable of handling 286,000 lb. car loadings.

Indiana Northeastern and its grain facilities are also capable of faster car loading and participate in an express-load program with Norfolk

CONTINUED ON PAGE 4 ▶



IN 3084 is spotting grain empties. Photo Credit: Troy Strane.

MOVING MICHIGAN

FEATURING



▶ CONTINUED FROM PAGE 3



IN 2185 leads a loaded grain train.
Photo Credit: Troy Strane.

Southern. These trains are usually supplied with dedicated NS power that the IN uses to turn these trains in as little as 36 hours. Agriculture fertilizers are also big business on the IN and a large, new, rail-served tank facility was built just this spring at South Milford.

Diversity in traffic assures protection from industry ups and downs and Indiana Northeastern moves a variety of other products for customers including

plastic pellets, asphalt, process limestone, lumber, rendering products and scrap steel. The railroad continues efforts to grow traffic and has several transload sites for smaller offline customers with more sites planned in the future. Numerous prime, industrial locations adjacent to the IN tracks offer much potential to attract new businesses and these sites are favorably located close to state and interstate highways as well.



IN 3084 is northbound about to cross the Michigan state line.
Photo Credit: Troy Strane.

Indiana Northeastern Railroad has been fortunate to weather the COVID storm well this year and capitalized on increased storage business along with an uptick in grain movements seen this summer. Affected customers, in general, seem to be gradually returning to their regular traffic levels and hopes are for a resumption of more normal railroad business and its challenges ahead in 2021.

INRR	
ROUTE MILES 105	COMMODITIES AGRICULTURAL PLASTIC PELLETS ASPHALT PROCESS LIMESTONE LUMBER RENDERING PRODUCTS & SCRAP STEEL
EMPLOYEES 16	
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LOCAL GRADE CROSSING SURFACE PROGRAM

MDOT provides funding assistance for highway-railroad grade crossing surface improvements on local roads. After many years of discussions in Lansing, the program was approved by the legislature and signed into law by the governor at the end of 2015.

By all accounts, the surface program has been well-received by local road agencies and local governments and MDOT has done an exceptional job administering the program.

This annual program offers 60% funding for eligible projects, with railroads responsible for the remaining 40% of costs. Projects are selected in compliance with criteria established by state law.

Road agencies are the only eligible applicants, so railroads must coordinate their efforts directly with their road agency partners. All applications must include a detailed estimate from the railroad, a commitment from the railroad to fund the required 40% match, and certification that an approved traffic control plan is in place.



Surface Crossing work in progress on the CN line in Manistique.



Completed surface work in Manistique.
Photo Credits: Jan Nagy.

Should you have any questions regarding this program, please contact Kris Foondle at the MDOT Office of Rail:
Kris Foondle, *Local Grade Crossing Program Manager*,
FoondleK@Michigan.gov, 734-657-1626.

HOW THE AUTO INDUSTRY REVVED BACK TO LIFE AFTER EPIC DECLINE DUE TO COVID-19 PANDEMIC

America's love affair with the automobile was temporarily put on hold in March and April this year when much of the North American economy shut down during the early stages of the coronavirus pandemic.

Consumer demand fell off a cliff and dozens of auto assembly plants closed – only to rev up like a muscle car in June when lockdown restrictions eased in some parts of the U.S., Canada and Mexico, and new auto plant production and safety processes were implemented. New vehicles gradually began rolling off the assembly lines once again.

COVID-19 HITS HARD

It's hard to imagine how bad it was for the auto industry in those initial weeks of the pandemic.

Sales plunged 46% in April 2020 from April 2019. This collapse in demand was even more jarring considering it came after the best five-year period in history for North American auto sales. As demand evaporated, auto manufacturing plants fell like dominoes, resulting in the closure of some 68 North American assembly plants by April. North American auto production plummeted: in the U.S. alone, production fell from an annual rate of 11.4 million vehicles in February to an annual rate of just 0.1 million in April.

However, after putting in place facilities and processes that safeguarded workers against COVID-19, auto plants began reopening in mid-May, and by early August, only a handful remained closed.

"Because of the reopening of automotive plants, North American rail carloads of autos and auto parts rose from around 2,700 per week in April and early May to more than 21,000 per week by the end of June and more than 25,000 per week by August," said John Gray, AAR's Policy and Economics Chief.

COMING BACK ONLINE

How was an industry so integral to the U.S. economy able to rev up so quickly, coming back online and putting thousands of people back to work? Freight railroads are a big and indispensable part of the answer.

North America's freight railroads helped provide the means and the power for auto facilities to get back to business. Not only did they transport the auto parts and other materials to and between the assembly plants, they also delivered finished vehicles from the plants to distribution centers across all three nations and to ports for export around the world.

That successful resuscitation of the auto industry without missing a beat and getting vehicles to where they are needed to meet anticipated consumer demand across the country could only occur because of rail's customer-first approach,

Auto plants typically shut down for about two weeks in July each year to re-tool their plants to make new model year vehicles and for heavy maintenance. These operational pauses and subsequent ramp-ups served as "dry runs" (albeit far less intense) for what happened this year, providing valuable lessons to both railroads and automakers.

Ongoing strategic investments in recent years in infrastructure, equipment and technology have given freight railroads the ability and flexibility to meet automakers' needs and set the stage for railroads' agile response to changing market conditions during the pandemic. For example, railroads' recent investments in new, multi-level autoracks – specialized rail cars used to transport finished vehicles – enable automakers to ship more vehicles at once and help ensure railroads have enough equipment to stage in strategic locations to meet the increased demand they knew was coming once plants reopened.

The result of all this deep coordination and focus on operational efficiency has been on-time transportation of finished vehicles from factories to markets, even in the throes of the worst pandemic to hit the U.S. in a century. Railroads provide

premium service to automakers during normal times and they have been able to maintain this same standard during the complexities of emerging from the pandemic.

The collaborative relationship between the auto and railroad industries pays dividends well beyond the two sectors. Railroads move the raw materials and finished goods that automakers and their suppliers need – including steel, copper, plastics and materials for manufacturing glass – supporting hundreds of thousands of North American jobs across many industries. By helping get auto plants back online, freight railroads created a ripple effect by supporting recovery through the entire economy.

The pandemic has put that essential relationship to the test. And automakers – and railroads – have succeeded.

Source: AAR

HOW DO TRAINS HELP MAKE CAR?

From door frames to seat belts, auto manufacturers use hundreds of thousands of individual parts to build an automobile. Not only do freight railroads haul the raw materials used to manufacture auto parts, they also transport nearly 75% of America's new cars and light trucks. Whether it's petroleum products for plastics or the finished vehicle, your car's horsepower is made possible by the iron horses that ride America's rails.

<p style="text-align: center; margin: 0;">ALUMINUM</p> <p style="font-size: small; margin: 0;">This metal is critical for electrical wiring, head lamps, wheels, the transmission, engine parts and air conditioner condenser and pipes.</p>	<p style="text-align: center; margin: 0;">STEEL</p> <p style="font-size: small; margin: 0;">An average car contains 2,400 pounds of steel, which is used in car frames, door panels, support beams, exhaust pipes and mufflers.</p>	<p style="text-align: center; margin: 0;">RUBBER</p> <p style="font-size: small; margin: 0;">Like plastic, rubber is durable and flexible and is used to create engine mounts, seat belts, wiper blades and hose seals.</p>
<p style="text-align: center; margin: 0;">FIBERGLASS</p> <p style="font-size: small; margin: 0;">Made from small thin strands of glass, fiberglass is fireproof and is found in front bumpers, doors, the roof, wheels and casings.</p>	<p style="text-align: center; margin: 0;">PLASTIC</p> <p style="font-size: small; margin: 0;">Making up almost 50% of total parts in one car, the plastics used in cars are petroleum by-products (gas and oil) and are found in the dashboard, door handles, air vents and interior.</p>	<p style="text-align: center; margin: 0;">COPPER</p> <p style="font-size: small; margin: 0;">Mostly used in car wiring and electronic parts, copper is in the radio, charging points and starter.</p>
		
<p style="margin: 0;">SAND</p> <p style="font-size: small; margin: 0;">Used to create the glass for navigation screens, back-up cameras, mirrors and windshields.</p>		



ASSOCIATION OF AMERICAN RAILROADS

AAR.org

its vast operational expertise and ongoing investments in its own critical infrastructure.

During the pandemic, collaboration between the auto industry and the freight rail industry has been essential. From one iconic American industry to another, freight railroads have a long history of partnering with automakers and are experts at efficiently moving whatever vehicles drivers want.

Customer communication is a hallmark of all railroad operations and it was especially important as automakers ramped up production so that potential problems could be addressed early on and efforts could be coordinated.

STRATEGIC INVESTMENTS & CLOSE COORDINATION PAYS OFF

Freight railroads knew ahead of time how to respond effectively to the waxing and waning of automobile demand.

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VISIT THE UPDATED MRA WEB SITE!

michiganrailroadsassociation.com



WHO WE ARE | WHAT WE DO | WHO WE SERVE | RESOURCES



MICHIGAN RAIL SYSTEM MAP | FEDP | SURFACE PROGRAM | 2020 MRA ECONOMIC BROCHURE