

House Transportation Committee

Presented to:

March 12, 2019



Presented by:

John A. Rickoff
President & CEO
Lake State Railway Company
Michigan Railroads Association - Former
Chairman



Lake State Railway

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Freight Railroad Facts – 2017 (Association of American Railroads)

- United States
 - Created almost \$219.5 billion in economic activity
 - Generated nearly \$26 billion in tax revenue
 - Total Track Miles – 140,000 in 48 States
 - Generated nearly \$71 billion in total wages (including benefits)
 - Supports about 1.1 million jobs nationwide
 - Deregulation (Staggers Rail Act)
 - Increased Rail Productivity by over 140%
 - \$660 billion in Infrastructure & Equipment spending (1980-2017)
 - 79% Decrease in train accidents
- Michigan
 - Most miles operated by Short Lines of any State in the U.S.
 - 28 Freight Railroads
 - 4 Class I Railroads operate in the State
 - Total Track Miles – 3,417
 - Employs 3,380 People
 - Average Rail Employee Wage - \$121,100
 - MI Railroads handled nearly 84.7 million Tons of Freight
 - Equivalent of approximately 4.7 million additional trucks
 - Over 1.25 Million Carloads Originated or Terminated in MI



Short Line & Regional Railroads Economic & Environmental Impact

- Connect small businesses to larger markets & consumers nationwide
- Help protect Highway and Road Infrastructure
- Operate and maintain infrastructure with private investments
 - Helps save billions of dollars for taxpayers
 - 1 train carries as much as several hundred trucks
 - Help ease the burden of overcrowded highways
- Supply high paying industry jobs and retirement benefits
 - Ripple effect supporting jobs outside the industry
- Four times more fuel efficient than trucks
 - Reduce greenhouse gas emissions by an average of 75%
- Cost efficient way of moving freight keeping consumer prices down

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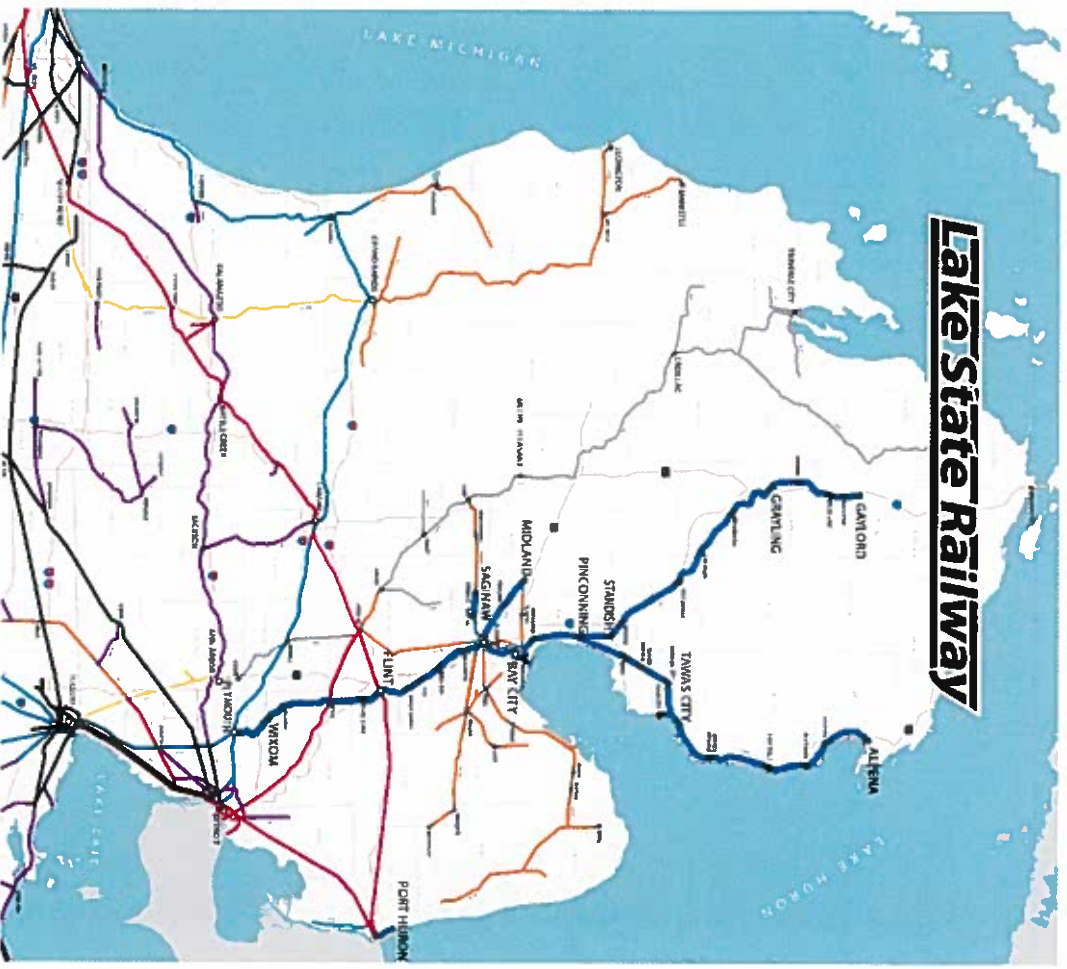
- Privately Owned
- Celebrating over 27 Years of Service
- 295 Mile System (soon to be 350)
- Serving Saginaw, Midland, Bay City, Grayling, Gaylord, West Branch, Alpena, Port Huron
 - Soon Flint to Plymouth
 - 90 Employees (soon to be 113)

N. American Freight Network Connection

- CSXT – Flint, MI (adding Plymouth soon)
- Huron & Eastern Railroad
 - Saginaw
 - Bay City
- Mid Michigan Railroad - Paines



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Customers Served in 2017

- ADM
- Andersons
- A & L Iron & Metal
- Bit-Mat
- Brink Farms
- Cabot
- Camp Grayling
- Consumers Energy (Karn Generating Station)
- Crop Production Services
- Dow Corning (Dow)
- Dow Chemical
- Freeland Bean & Grain
- Gavilon Grain
- Georgia Pacific
- Great Lakes Grain
- Heritage Environmental
- Ittner Bean & Grain
- Kiro Energy
- Lafarge Holcim
- LC Materials
- Michigan Sugar/Midwest Agri
- Michigan Wood Pellet
- Nexteer
- Northern Energy
- Oldcastle – 4D
- OmniSource
- Panel Processing
- Port Fisher
- Quality Liquid Feeds
- Rifkin Scrap Iron & Metal
- Standish Milling
- Stella Jones
- Saginaw Bay Fertilizer
- Star of the West
- S.C. Johnson
- Specification Stone Products (Edward C. Levy)
- Straits Wood Treating
- S & S Wood Products
- Trinseo
- Tri-State Forest Products
- Turner Bean & Grain
- Vantage Plastics
- Vestas
- Wabash Power Equipment
- Weyerhaeuser Co.



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Growth – Reinvesting Into Michigan!

Customers Added or Expanded since 2017

- 2018 – 2019
 - Huron Subdivision
 - Chippewa Farm Supply
 - Grayling
 - ARAUCO – largest particle board plant in North America
 - Georgia Pacific – major expansion
 - Camp Grayling – major expansion
 - Hydro-Lake – loading untreated poles
 - Weyerhaeuser – loading logs
 - Gaylord
 - Precision Forestry - Transload
 - Saginaw Area
 - Great Lakes Grain
 - Durabond
 - Bay City
 - Bit-Mat – new customer
 - Kirros Energy – new customer
 - SC Johnson – major expansion
 - Port Huron
 - Dunn Paper
 - Domtar Paper
 - CDW Logistics



51% Growth
Since 2013*

* originating/terminating non-coal carloads

Acquisition of CSX Rail Line to Plymouth



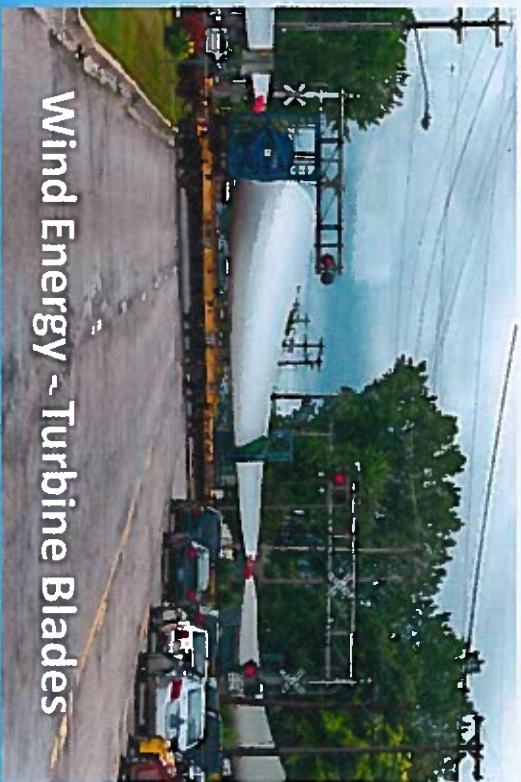
- Addition of 55 Miles of Track
 - Transforming LSRC from Short Line to Regional Railroad
- 8 Additions to LSRC customer base
 - American Spiralweld
 - Barrette Outdoor Living
 - Clean Harbors Environmental Services
 - Delta Tube & Fabricating
 - DTE Electric
 - Korex Corp.
 - Lockhart Chemical
 - Michigan Paving & Materials
- Expecting to add additional customers

Products Handled

- Grain (corn, soy beans & wheat)
- Coal
- Lumber/Forest Products
- Chemicals
- Fertilizer
- Cement
- Aggregates
- Sugar
- Flour
- Scrap Metal
- Paper
- LPG
- Plastics
- Military Equipment

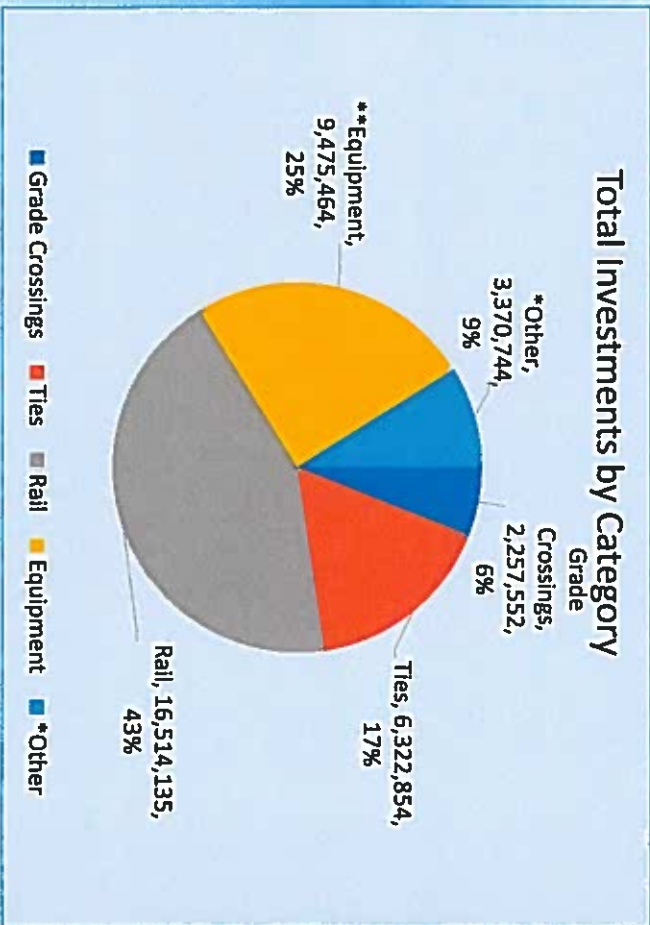
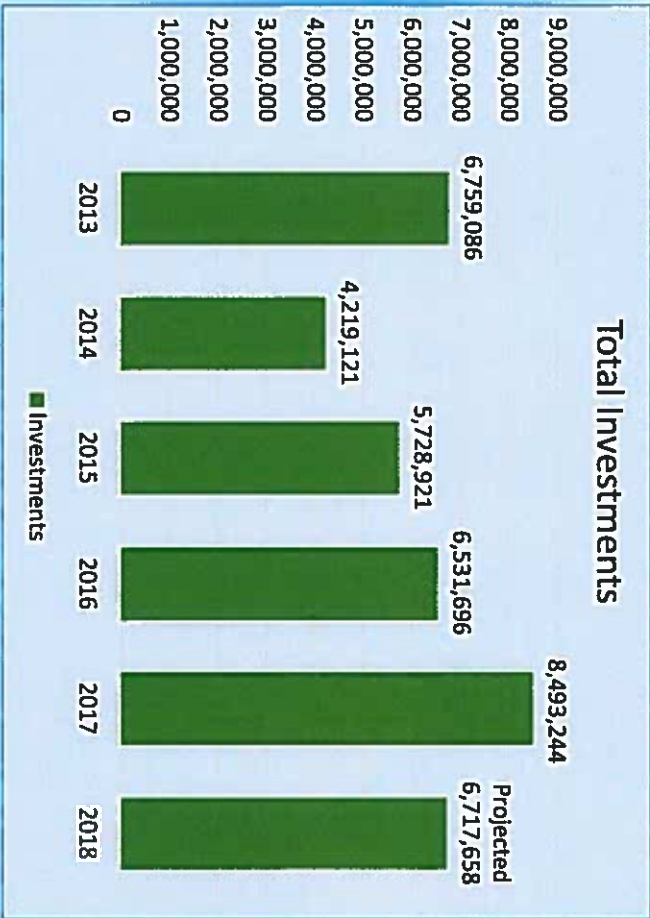


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Investments

2013 – 2018



Based on total investment of \$37,545,271
 *Includes bridges, ballast, surfacing, bolt tightening, anchoring and misc.
 **Locomotives, railcars, vehicles, track equipment



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Safety

- First & Foremost
- ASLRRRA Safety Institute Audit
 - Follow-up Survey Completed in 2018
 - Hazmat Training
- Safety and Health Committee
- Participate in Operation Life Saver activities
- Co-training with local first responders
- On-site dedicated training facility
- Annual Rail Defect Testing
- Annual Geometry Testing
- GPS Tracking
- Computer Aided Dispatch

Challenges

- Expanding Rules & Regulations
- Class I Railroad Changes
- Truck Weights
- Ever-changing Market Conditions
- Infrastructure Upgrading
- State Funding?
- Truck Platooning?



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Closing

- Bright Future
- Funding – A Key part of Success
 - Freight Economic Development Program - FEDP
 - Surface Crossing Program
 - Michigan Rail Loan Assistance Program – MiRLAP
 - 45G– Tax Credit



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