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Ticket information can be found at www.amtrak.com or call 1-800-USA-RAIL

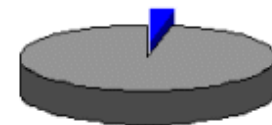


For more information go to www.iowarail.com

Did you know...

Twenty railroad companies operate 4,057 miles of track in Iowa.

Rail in Iowa accounts for only 3 percent of Iowa's 130,000-mile transportation system



Rail carries 37 percent of Iowa's freight.



Additional Iowa rail transportation facts can be found at <http://www.dot.state.ia.us/>

Newsletter Feedback: E-mail [rail.newsletter @dot.iowa.gov](mailto:rail.newsletter@dot.iowa.gov)

Feature Articles

The Bottom Line

Gone are the days when much of what we use in our daily life was grown or produced within a few miles of home. On any given day you may use products that originated in distant corners of the world. With this shift, demand for freight transportation services has steadily grown. Domestic freight is anticipated to increase 57 percent by 2020 and import/export freight by nearly 100 percent---a total increase of 9.3 *billion* tons.

How will the nation's transportation system handle this vastly increased freight volume? In 2002 the American Association of State Highway and Transportation Officials published a study titled the *Freight-Rail Bottom Line Report*. It looked at the current state of the railroad industry and role that rail freight would, or could, play in the future.

Following deregulation of the railroad industry in 1980, the productivity of railroads increased and service was improved; however, revenues did not substantially increase. Shippers and consumers reaped most of the benefits associated with rate cuts, rather than railroads and their investors benefiting from increased profit margins.

Today the rail industry is stable, productive and competitive. It lacks, however, sufficient revenue to invest heavily in capital growth. As the most capital-intensive industry, railroads need five times more funding to maintain rail infrastructure and equipment than an average manufacturer needs for plant maintenance and equipment.

It is doubtful that the rail industry will be able to expand and increase capacity as quickly as needed to keep pace with the anticipated increase in freight. Freight could be forced to shift from the rail system to the highway system. This would result in higher costs to freight shippers (likely passed on to consumers in higher prices). Highway users would see increased costs in travel time, operating expense and crashes. The additional wear-and-tear on highways from increased truck traffic would compel significant investments in highway maintenance and rebuilding (separate from any highway capacity improvements)

The *Freight-Rail Bottom Line Report* concludes that relatively small public or public-private investments in the rail system could be leveraged to provide relatively large public benefits. In one scenario outlined in the report, a public or public/private investment of \$53 billion over 20 years in the railroad system would negate more than \$410 billion in increased shipper and road costs by *not* shifting freight from rail to truck.

The question posed by this report is how the public interest would be best served. With no intervention, limited rail system growth can be expected and the "share" of freight carried by rail will erode. Alternatively, limited public or public/private funding for expansion of the rail system would provide cost-effective transport to shippers, relieve pressure on the highway system and support social, economic and environmental goals.

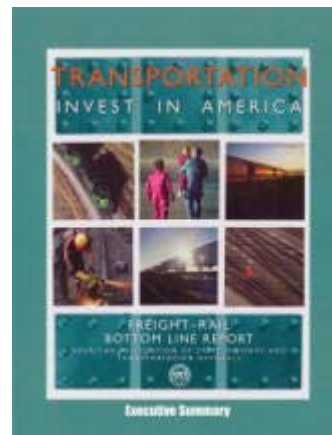
These are complex issues that have no easy answers. Yet it is clear that the volume of freight will continue to grow and that somehow, in some way, the transportation system will be called upon to transport it.

Peggy Baer
 Director, Office of Rail Transportation

Executive Summary of the Freight-Rail Bottom Line Report can be found at:

http://freight.transportation.org/doc/ex_railreport.pdf

Full text of the report (140 pages) can be found at:



<http://freight.transportation.org/doc/FreightRailReport.pdf>

The Little Community That Could

This is the story of a community in south central Iowa that took the childhood story *The Little Engine That Could* to heart. When rail service to Centerville was scheduled to cease, the community, against all odds, said, "I think I can" and bought its own railroad---the Appanoose County Community Railroad (APNC).

When Burlington Northern cut the last rail link between Centerville and the rest of the world in 1982, leaders in this rural county seat of 6,500 residents realized their dreams of business growth likely would vanish along with the railroad. Leaders also understood that the Union Carbide Corporation facility (now Curwood, Inc.), the area's largest employer, would be less financially secure without access to economical rail freight service.

Then a wild idea surfaced. Someone, somewhere wondered, "Why can't Centerville businesses have their own railroad?" Local leaders took a look at the idea and, although it seemed like a long shot, were savvy enough to realize that having a railroad was critical to the economic health of their community.

Crazy as it sounded, the idea took off. A non-profit corporation was set up. Community fund-raisers took place. Townspeople chipped in \$5, \$10 or more in tax-deductible contributions to net \$50,000. Local businesses jumped on the bandwagon and contributed \$120,000. The city pledged \$30,000 and county \$55,000. Then the two local banks loaned another \$200,000.

This was an impressive start, but not nearly enough to get the project off the ground. Local leaders actively sought additional funding. Bolstered by the strong show of local interest, the support of Union Carbide Corporation and other local businesses, they succeeded in obtaining \$1.8 million in state and federal grants and loans for the fledgling railroad.

Though the project had been neither quick nor easy, on Dec. 18, 1984, the new community-owned railroad made its first run on the 10 miles of track.

Centerville soon saw the wisdom of the decision when the Rubbermaid Corporation opened a large manufacturing plant there employing hundreds of area residents. This likely would not have happened without the ability of the APNC to bring in railcar-loads of plastic pellets.

Kevin Wiskus, plant manager at the Rubbermaid™ facility, said, "Centerville is a great place to be because it is one of those rare communities that 'gets it.' Centerville understands that you can't just wait around for good things to happen, but it takes forward thinking, hard work, investment, and, most importantly, cooperation between government, business and entire community to create a healthy environment for business and industry."



All was well with APNC until 1993 when Norfolk Southern announced plans to abandon the rail line from Albia to Moberly, Missouri, again severing Centerville from rail service. A lesser community might have called it quits by now, but with two large rail-dependent industrial plants the stakes were even higher. Centerville once again rose to the challenge and local residents, businesses and government joined together to buy an additional 25-mile section of rail line.

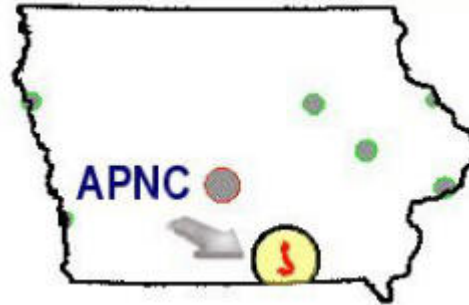
Today, the APNC continues to provide a vital link to the world for four large customers and is financially secure. The railroad employs eight full-time and two part-time employees, and operations are governed by a community board made up primarily of government and shipper representatives.

Soon APNC will have a fifth large customer. A sixth is in the planning stage. Also, a new interchange

with Iowa Chicago & Eastern (ICE) is being constructed in cooperation with ICE and other business interests to give the APNC interchanges with both Burlington Northern Santa Fe and ICE.

Appanoose County Community Railroad Profile

Miles operated	35
Locomotives	2
Ton-miles	2.4 million
Cars received and forwarded	456
Operating revenues	\$1 million
Operating expenses	\$.9 million



(2003 data)

All Aboard

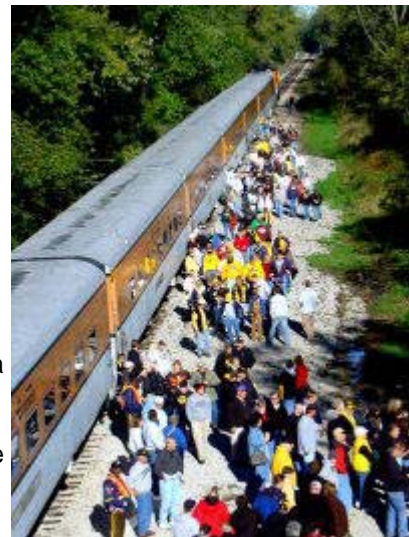
When the Iowa Hawkeyes have a home football game traffic around Kinnick Stadium in Iowa City can be a nightmare. But this past season fans had an alternative---they could jump on board the Hawkeye Express.

To provide game-goers with an alternative to the usual roadway traffic and parking congestion, the University of Iowa arranged for the Hawkeye Express train to shuttle passengers from Coralville Mall to Kinnick Stadium. With two engines and 11 cars, the diesel-powered train made its maiden trek at the first Iowa home game of the season Sept. 4, 2004. It was operated by Iowa Interstate Railroad (IAIS).

Dan Sabin, president of Iowa Northern Railway and a volunteer consultant to the University of Iowa Athletic Department, said the initial run had "a few glitches," but everything was in great working order for the big Iowa State game the following week.

It's an 8-minute trek from the loading point at IAIS at 25th Avenue to Iowa 6 in Coralville. With time for loading and unloading, officials worked out a round-trip schedule taking approximately 30 minutes, with trains running for about 2 1/2 hours before and 90 minutes after each home game.

We started early and made six round-trips before kickoff for the Iowa State game," said Sabin. "We transported about 2,000 people to the Iowa State game." Sabin added that with capacity of more than 1,100 per run, the train could handle more than 5,000 fans per game day.



The train was leased from a firm in Colorado that typically transports travelers from Denver to the Winter Park Ski Resort. Much of the décor on the train still reflects its mountain travels. Burlington Northern Santa Fe donated the movement of the equipment between Denver and Council Bluffs; and Union Pacific donated the movement back to Denver. This dramatically reduced the cost of the project.

The shuttle cost the university approximately \$150,000, including start-up construction and other one-time costs. Shuttle ticket sales were anticipated to net about \$100,000 for the season. The university never really expected this to be a profit-making venture. It was simply a way to provide a better experience for fans and alleviate parking congestion around the stadium.

"Iowa Interstate Railroad and the University of Iowa have technically agreed to operate the train again next year," said Dennis Miller, president of IAIS. "But it depends on if the train will be available."

Industry News

Change of Address

Iowa Interstate Railroad has moved its corporate headquarters from Iowa City to southwest Cedar Rapids. The railroad employs 190 people, with about 32 now working at the new location at 5900 Sixth Street SW. The move consolidated employees that were previously in separate locations. It also places their headquarters closer to some of their major customers.

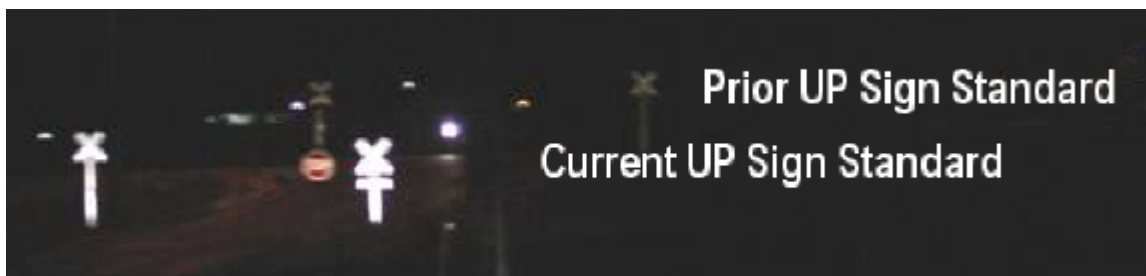
Iowa Interstate is one of the nation's oldest regional railroads, having celebrated its 20th anniversary in October 2004. The railroad operates 580 miles of track from Chicago to Omaha through the Quad Cities, Iowa City and Des Moines. Including the branch lines, Iowa Interstate operates a total of 362 miles of track in Iowa.

The railroad is now owned by Railroad Development Corporation, a railroad holding company based in Pittsburgh.

Sign Makeover

Union Pacific Railroad (UP) is nearing completion of a nationwide \$14 million-safety initiative to improve the warning signs at passive railroad crossings. Passive crossings are those without active warning devices such as lights or gates.

The UP has more than 1,000 passive, public crossings in Iowa. Each has been outfitted with new reflectorized crossbucks to replace existing signs. Additionally, each signpost now has strips of reflective material. The new sign standard adopted by UP dramatically increases the visibility of the warning signs to drivers. In addition, emergency notification signs, with contact information and the unique identifying number for each particular crossing, have been added or replaced.



"The crossbuck railroad crossing sign is probably one of the most familiar signs in America," said Richard Reynolds, UP's director of transportation and public safety. "But many people don't know what action they should take when they see the sign."

How should drivers respond to a crossbuck sign at a railroad crossing? That sign is far more than an indication of a railroad crossing. *Drivers should interpret the crossbuck as a yield sign---* slow down, watch for train traffic and be prepared to stop if a train is approaching.

Expect crossbuck signs, located at crossings throughout the state and owned by other railroad companies, to be similarly upgraded with the higher visibility signs in the coming years.

Government News

Horns A'Blowing Update

The effective date for implementation of the locomotive horn rule has been extended to April 1, 2005. The rule requires that locomotive horns be sounded as a warning to highway users at public highway/rail crossings. Until April 1, 2005, the sounding of the locomotive horns at crossings will remain subject to applicable state and local laws.

The rule also provides an opportunity, not available until now, for localities nationwide to mitigate the effects of train horn noise by establishing "quiet zones." The rule details actions communities with pre-existing "whistle bans" can take to preserve the quiet they have become accustomed to.

For additional information go to www.fra.dot.gov

Snow and Ice (and Sand and Salt)

The inevitable winter season in Iowa has arrived, and road crews are hard at work keeping Iowa's roads safe. But motor vehicle safety is not the only concern in battling winter weather. Railroads must also deal with snow removal on the tracks, and in icy conditions, must take action to maintain friction between the wheels and track.

Highway/rail crossings can present some special challenges since both the needs of the highway users and railroads must be taken into consideration. Highway crews are reminded to:

- Lift the plow blade when approaching railroad tracks to prevent damage to either the plow or track structure.
- Avoid or limit the use of abrasives at railroad crossings to prevent a build-up of sand at the crossing, which could contribute to derailments.
- Avoid the use of excessive deicing chemicals at railroad crossings, particularly where signals are present. A high concentration of chlorides can interfere with the electrical circuits that control signals.

Passenger Rail Corner

Good News, Bad News

A consortium of Midwestern states has released an updated report on the Midwest Regional Rail System (MWRRS), which confirms the viability of a plan to enhance rail passenger service throughout the Midwest, including Iowa. The proposed rail passenger network radiates from Chicago, providing service to most major Midwestern cities and other population centers through a planned feeder bus system.

The proposed system would provide a safe, reliable, comfortable, and convenient service using modern trains traveling at speeds of up to 110 mph (largely in existing rail corridors). The MWRRS is expected to carry an estimated 13.6 million passengers annually by 2025, and provide additional travel options for business and leisure travelers throughout the Midwest.



The proposed passenger rail system would mean good news for Iowans, as it would include stops in some of the state's largest cities such as Davenport, Iowa City and Des Moines; with interconnecting bus service to Waterloo, Cedar Falls, Fort Dodge, and Sioux City. The Chicago-Omaha route (including a branch to Quincy, Ill.) would run through Iowa on the current Iowa Interstate Railroad. This route would be designed for 79-mph speeds and is expected to carry nearly 1.3 million passengers.

The bad news is that the proposed implementation of the entire Midwest system carries a total capital cost of \$7.7 billion (over a 10-year period and in 2002 dollars). This amount does not account for inflation. The Chicago-Omaha route alone would require \$806 million in infrastructure improvements and train equipment. Operating subsidies for this route would also be necessary for about the first 10 years of service.

“This is an incremental and phased plan for improved passenger rail service. However it will require significant federal funding for it to be implemented,” said Iowa Department of Transportation Director Mark Wandro. “We are continuing our efforts with the other Midwest states to encourage Congressional action on passenger rail funding.”

The report was prepared by a consortium of states, including Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

For additional information go to: www.iowarail.com/pdfs/MWRRRIExecReport2004.pdf