

***Wisconsin Transportation
Network Infrastructure
Study Committee***

Wisconsin Railroad Committee

Burlington Northern Santa Fe
Canadian National
Canadian Pacific
Union Pacific

December 14, 2004

WISCONSIN FREIGHT RAILROADS AND LABOR

- 3,669 freight railroad employees in Wisconsin. Most of these employees belong to a union.
- \$228 million in annual Wisconsin wages and benefits (2002).
- Among nation's most highly-compensated workers.
Average Class 1 employee in 2002:
Wages: \$62,200
Benefits: \$23,300
Total Compensation: \$85,500
- \$136 million annually in retirement benefits to 10,800 Wisconsin retired railroad workers and family members.

Freight Railroad Traffic in Wisconsin

Tons Originated 2002		Tons Terminated 2002	
	Tons		Tons
		%	%
Nonmetallic Minerals	4,179,174	22	Coal 41,330,859 53
Pulp & Paper Products	2,669,000	14	Metallic Ores 10,550,604 13
Farm Products	2,373,429	13	Pulp & Paper Prod 5,531,560 7
Food Products	2,136,312	11	Chemicals 4,243,501 5
Glass & Stone Prod	2,095,164	11	Farm Products 4,217,449 5
All Other	5,158,563	28	All Other 12,613,042 16
Total:	18,611,642	100	Total: 78,487,015 100

FREIGHT RAILROADS ARE CRITICAL TO WISCONSIN'S ECONOMY

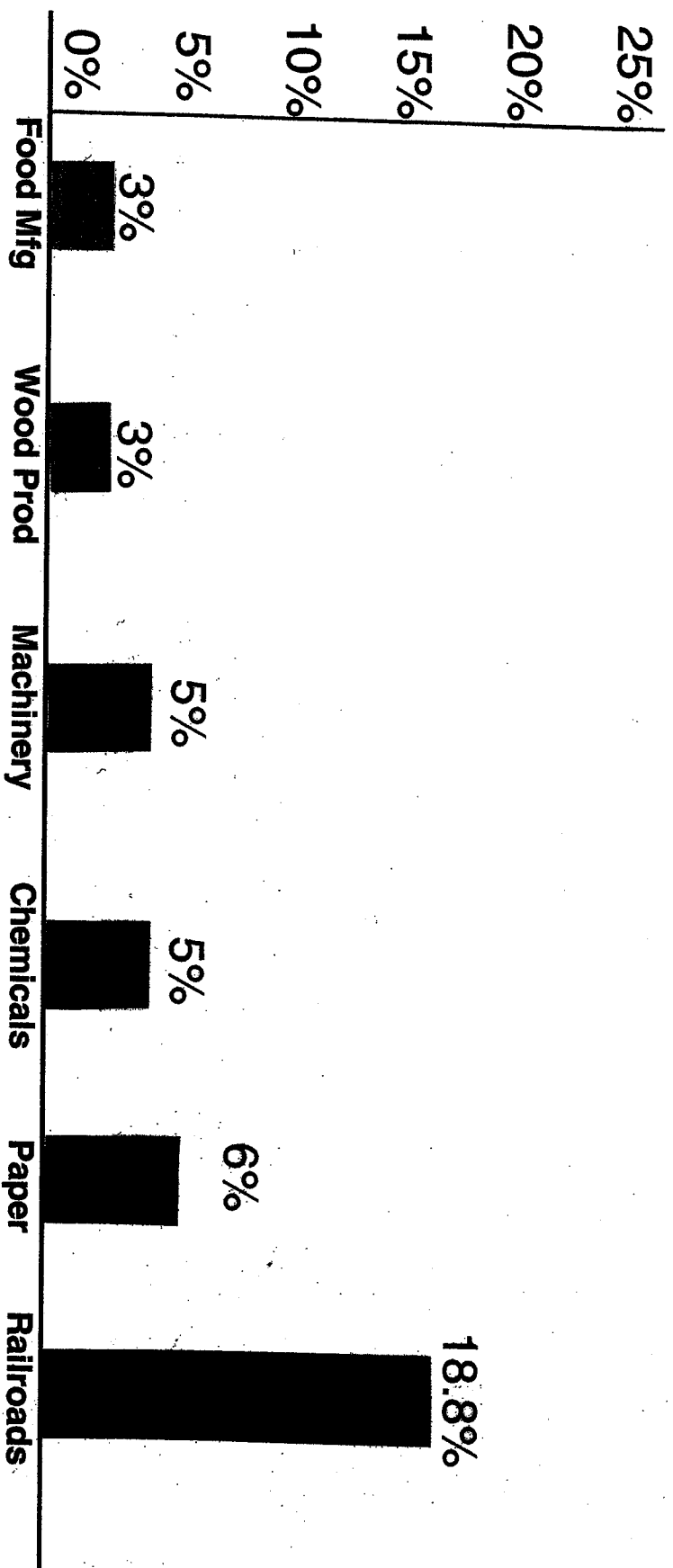
- **Indispensable link connecting markets in Wisconsin with markets in the U.S. and the world – huge global competitive advantage.**
- **Millions of dollars per year in:**
 - **Rate savings to Wisconsin business and consumers.**
 - **Taxes and purchases that support thousands of additional jobs.**
 - **Multiplier effect of employees and retirees in Wisconsin**
 - **Avoided highway construction and maintenance costs.**

TODAY'S CLASS I FREIGHT RAIL ENVIRONMENT

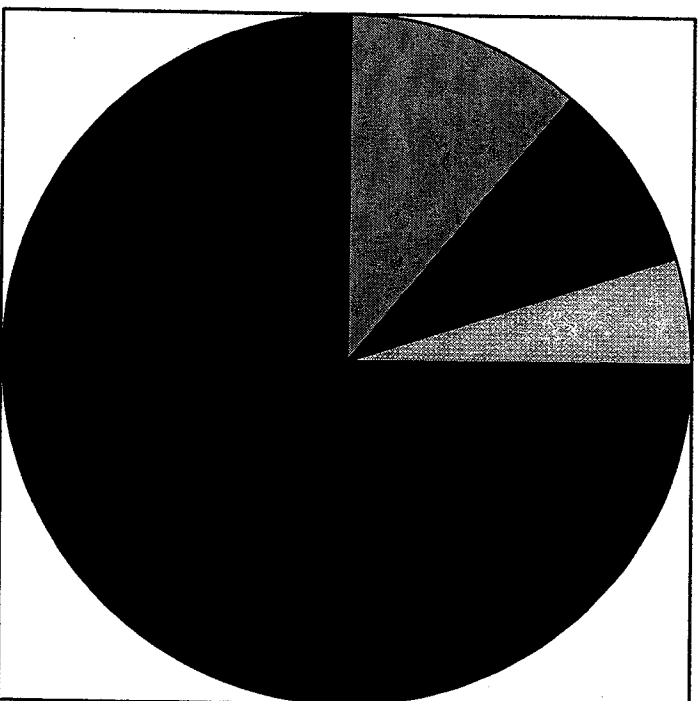
- **Vast majority privately-owned.**
- **Generally owners *and* operator.**
- **Access privately negotiated, voluntary.**
- **Essentially no government funding.**
- **Separate freight & passenger operations.**

RAILROADING IS AMERICA'S MOST CAPITAL-INTENSIVE INDUSTRY

Capital Expenditures as a % of Revenue



Rail Industry Investments

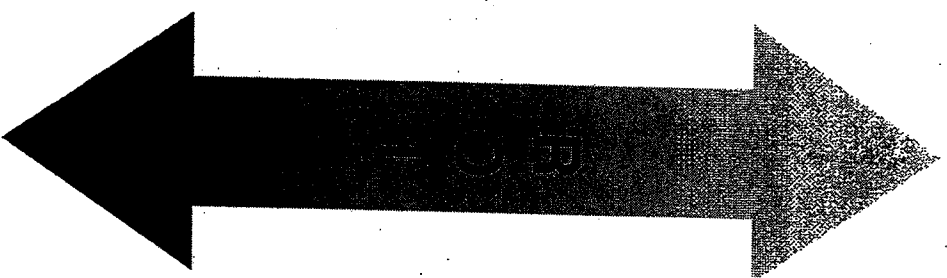


■	Track	75%
▨	Locomotives	11%
■	Freight Cars	9%
▨	Buildings, Info Systems, etc.	5%

RAILROADS DO NOT EARN THEIR COST OF CAPITAL - RETURN ON INVESTMENT IS CRUCIAL

If $ROI > \text{cost of capital}$: —→

- **Capital spending expands**
- **Stronger physical plant**
- **Faster, more reliable service**
- **Sustainability**



If $ROI < \text{cost of capital}$: —→

- **Lower capital spending**
- **Weaker physical plant**
- **Slower, less reliable service**
- **Disinvestment**

PUBLIC/PRIVATE PARTNERSHIPS NEEDED FOR SOME FREIGHT RAIL INFRASTRUCTURE IMPROVEMENTS

Freight Rail Provides Public Benefits:

- **Fuel Efficient**
- **Less Pollution**
- **Reduced Highway Congestion**
- **Safer**

PUBLIC/PRIVATE PARTNERSHIPS/INFRASTRUCTURE

- **Chicago Gateway affects Wisconsin shippers**
- **CREATE = multi-modal program of freight rail, passenger rail and highway-related capital improvement projects**
- **All partners agreed on project**
- **Federal, state and railroad funds**

RAIL SAFETY: DRAMATIC IMPROVEMENT RELATED TO INFRASTRUCTURE IMPROVEMENT

- **Accidents per million ton miles:
REDUCED: 64% since 1980
12% since 1990**
- **Injuries & illness per 100 employees:
REDUCED: 71% since 1980
57% since 1990**
- **Loss & damage as % of revenue: REDUCED**

HIGHWAY-RAIL GRADE CROSSINGS ARE A MAJOR SAFETY CONCERN

- **Highway safety issues**
- **Wisconsin establishes priorities**
- **About 6,000 in Wisconsin, some need to be closed**
- **Section 130 federal funds, Operation Lifesaver**
- **Railroads spend approximately \$5,000 annually on
signalized crossings**

RAIL SECURITY – HOMELAND SECURITY

- **Since 9/11: private sector financed freight rail program to work with Homeland Security**
- **Recognized as one of the best security programs developed by the private sector**

RAILROAD RATES HAVE DECREASED SINCE DEREGULATION IN 1980

Freight Railroads Face Significant Competition

- **Intramodal**
- **Intermodal**
- **Product**
- **Geographic**

KEY ISSUES IN WISCONSIN FACING FREIGHT RAILROADS

Railroad Taxation: 1996 Railroad Taxation Study Committee:

- **Sales & use tax on ROW materials**
- **Sales & use tax on equipment and repair**
- **Infrastructure tax incentives**
- **Intermodal tax incentives**

KEY ISSUES IN WISCONSIN FACING FREIGHT RAILROADS

Railroad Regulations:

- **Two-person crew law**
- **Obsolete railroad laws**
- **Office Commissioner Transportation**

KEY ISSUES IN WISCONSIN FACING FREIGHT RAILROADS

Signal Maintenance Fund:

- **Not increased in over 20 years**
- **Currently does not cover the public benefits**