



MEMORANDUM

To: CMAP Board

Date: December 3, 2008

From: CMAP Staff

Re: Freight Policy Paper

Please see the following policy paper for discussion under Agenda Item No. 9.0, CN Acquisition of the EJ&E.

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The Metropolitan Chicago Region's Role in Freight and the Proposed Acquisition of the Elgin, Joliet and Eastern Railway by the Canadian National Railway

December 3, 2008

As the mover of people and goods, metropolitan Chicago's multi-modal transportation system serves as our link to the global economy. Our region is the rail freight hub of North America, ranking among the top five intermodal ports in the world. Trucks make up nearly one in six of the vehicles on Illinois' urban interstates. At the same time, congestion in the Chicago area is among the worst in the U.S. Furthermore, our rail and road networks are not equipped to handle an anticipated 100-percent increase in freight traffic by the year 2030. Without a well conceived and implemented plan, the region's position in the global economy could be compromised.

The purpose of this policy brief is to lay out the available research on the impact of freight in general, and the EJ&E acquisition by the CN specifically, so that the CMAP Board can 1) review the impacts of the freight industry on northeastern Illinois; 2) consider whether it is in the region's best interest to maintain and grow this sector of the economy; and 3) determine whether the EJ&E acquisition by the CN provides more efficient movement of goods to and through the region and whether the potential regional benefits of the CN acquisition outweigh the costs.

1.1. Impacts of the Freight Industry on Northeastern Illinois

As of 2006, according to the U.S. Department of Commerce, an estimated 215,000 of the region's jobs (4.6 percent of total private sector employment) were in the transportation and warehousing sector. These jobs provide nearly \$12 billion in private sector earnings, resulting in nearly \$1 billion in personal income for our region's residents. An additional \$3.35 billion in personal income is derived from truck transportation activities, many of which rely on intermodal transfers.

The prosperity of other industry sectors -- including but not limited to manufacturing and both wholesale and retail trade -- is also closely tied to our position as a transportation and logistics center. These industries account for more than 30 percent of the region's private sector employment, resulting in nearly \$80 billion in personal income for residents of northeastern Illinois.

Metropolitan Chicago's position as the nation's freight hub also has impacts beyond direct jobs and income for our residents. According to *The Metropolis Freight Plan*:

Delivering the Goods, the railroads move \$350 billion and trucks move \$572 billion in goods to, from, or through the region each year. A report by the Federal Highways Administration (FHWA) estimates the sheer quantity of goods at over 379 million tons by truck and nearly 224 million tons by rail. An efficient freight system enables a global supply chain to provide goods at lower costs and gives Chicago-area businesses an advantage in today's globally competitive economy.

While there are economic and transportation advantages to our region's position as the freight hub of North America, there are associated costs as well. Many residents face long commutes, caused in part by truck traffic and delays at highway-rail crossings. Our businesses are negatively impacted by delays not only for their employees, but also by delays in the shipping and receiving of goods. Freight traffic shares rail lines with most of our commuter lines as well as Amtrak, causing conflicts in moving people and goods that will surely worsen if they are not addressed. The quality of our air is directly impacted by the movement of goods from, to, and through our region.

The movement of freight through our region also has direct impacts on those communities adjacent to rail lines. Additional trains result in additional noise to residents who live along the lines, safety concerns for vehicles and pedestrians, potential impacts on access to hospitals, and delays for fire and rescue vehicles. A community's property values may also be affected.

In addition to its effects on existing commuter rail service, increasing freight traffic also limits our ability to expand passenger service. If capacity on the rail lines remains constant and freight activity increases, not only are there implications for potential new routes such as the Star Line, it also affects our ability to expand service on existing routes at a time when the region is promoting public transit expansion. The increase in rail traffic could also impact the development of transit-supportive land uses that are critical to the success of our transit system.

1.2. The Impact of CN's Acquisition of the EJ&E

As stated in a previous letter to the Surface Transportation Board (STB) commenting on the draft Environmental Impact Statement (EIS), the STB's EIS process does not fully allow the CMAP Board to understand all of the impacts, both positive and negative, of this transaction on the metropolitan Chicago region. Additional analysis is required to address the regional economic, transportation, and community impacts of such an acquisition.

Recently, an economic study of the proposed acquisition was commissioned by Chicago Metropolitan 2020 and conducted by the Economic Development Research Group, Inc. (EDRG) and Carl Martland, a rail freight consultant and professor at the Massachusetts Institute of Technology. The study found that the sale would contribute \$60 million

annually to the region's Gross Regional Product and create 649 jobs. Moreover, the study found that the plan to divert freight trains to the EJ&E would ease the freight traffic gridlock in northeastern Illinois and spur an annual growth of \$267 million in the nation's Gross Domestic Product.

In terms of costs, as stated above, the adjacent communities that are negatively impacted the most have formed a coalition to voice their concerns. Called TRAC (The Regional Answer to Canadian National), the coalition issued a press release on November 24, 2008, listing their concerns with the draft EIS. To summarize, TRAC's press release questioned whether anticipated freight traffic reductions in other parts of the region would be long-lasting, and whether those benefits outweigh the negative effects on communities that will see increased freight traffic.

From a regional perspective, the proposed EJ&E acquisition can be compared to CREATE (The Chicago Region Environmental and Transportation Efficiency Program), a program that is widely supported throughout the region. The goal and objective of CREATE is to address existing rail congestion in the Chicago region and the long-term growth of rail traffic in the region and nation. By comparison, the EJ&E is currently an underutilized regional asset, and moving additional trains onto it would make the entire regional rail system more efficient.

1.3. The Role of Freight in the Region and the CMAP Board's Action

By analyzing the benefits and costs of the freight industry to the region, the Board should first consider the future role of freight in the region and then determine whether to support or oppose the proposed acquisition of the EJ&E by the CN within the larger regional context. In June 2008, the Board adopted the following statement with regard to transportation in the *GO TO 2040 Regional Vision*:

Through investments that reflect regional priorities, the region will have a broad range of integrated and seamless transportation choices that are safe, accessible, easy to navigate, affordable, and coordinated with nearby land use. Our transportation system, which is the region's link to the global economy, will give northeastern Illinois a competitive advantage over other metropolitan areas. The elements of our regional transportation system — including interstates and toll roads, arterial and local roads, public transit including paratransit, bicycle and pedestrian facilities, airports, freight and intermodal facilities, and water-based transportation options — will be maintained and strengthened through continued investment. Our region will use new technologies and other innovative means to address our transportation challenges and minimize their environmental impacts. The freight system will be improved to increase efficiency and interconnectedness, strengthening our position as a national and international center of goods movement and intermodal logistics. Through investments and policies that

support freight, our transportation system will be planned in a way that improves the movement of goods, minimizes conflict between freight and passenger transportation, and mitigates impacts on local communities.

To reach this vision, the region must consider how to improve a freight system that is vital for maintaining and improving the regional economy, while also minimizing impacts to local communities. Corresponding strategies to achieve this vision need to be developed and implemented within the context of the *GO TO 2040* Plan. Furthermore, the CMAP staff's opinion is that a more focused and detailed regional freight plan should be developed following adoption of the *GO TO 2040* Plan to fully address the complexity of the region's freight needs, identifying specific strategies to maintain and improve our freight network through both public and private investment options.

However, at this juncture, the CMAP Board may wish to revisit the question of whether it is desirable for metropolitan Chicago to remain the nation's freight hub. Should we support infrastructure investments that sustain and expand this sector of the economy, or do the costs of freight movement on our communities, transportation system, and environment outweigh the advantages? If we think that our position as a freight center has reached its limits, then we should pursue plans for changes in the national freight system that would minimize new traffic in Chicago.

If this is the case and the Board determines that the costs of additional freight on our communities and environment outweigh the economic benefits to our region, it is the opinion of the CMAP staff that we should oppose the acquisition of the EJ&E by the CN. Furthermore, as a part of the *GO TO 2040* Plan, strategies should be analyzed and implemented that would reduce rail traffic into and through the Chicago region.

Alternatively, if the Board feels that we need to maintain and improve this sector of our economy, then we need to make the most efficient use of our existing system to move freight. While rail is not always the preferred option to move goods, we must make it economically competitive wherever feasible. Rail freight uses just one-fourth the energy that it takes to move the same goods by truck -- an important measure due to the costs and environmental impacts of our limited energy supply. One intermodal train can take 280 trucks off the road, the equivalent of 1,100 automobiles. If the Chicago region seeks to maintain its stature as the national freight hub, manage congestion, and reduce our use of energy, the ability to move goods by rail is a strategy that must be pursued.

If it is the opinion of the Board that the acquisition of the EJ&E by the CN would contribute to our position as the nation's rail center and would make more efficient use of our existing rail system, then staff would recommend the endorsement of this acquisition with the inclusion of the following mitigation measures as outlined in CMAP's response to the draft Environmental Impact Statement prepared by the Surface Transportation Board:

1. CN shall agree that increases in the total rail traffic above that outlined in the Operating Plan shall be analyzed in terms of the impact on communities, other rail operations, and at-grade crossings of the highway network, and CN shall participate in appropriate mitigation measures.
2. CN shall agree that increases in the total rail traffic above that outlined in the Operating Plan shall be consistent with commuter rail operations, including any identified as the "preferred alternative" in the Southeast Service and STAR Line New Starts processes now underway.
3. The STB shall require the CN to commit to a formal mitigation plan. The mitigation shall include appropriate measures and focus on intersecting Strategic Regional Arterials (SRAs) listed in Table 6.3-1 of the Draft EIS, plus Stearns Road, IL 83/IL 60, US 14 and 119th Street in Plainfield, and additional at-grade crossings as necessary. CN shall work with CMAP and the communities to determine the impacts of mitigation strategies on the highway network in the vicinity of such mitigation. The implementation of all mitigation projects will be consistent with the planning and programming processes established in northeastern Illinois. Additional traffic mitigation shall be implemented as appropriate.
4. To demonstrate their commitment to addressing the mitigation plan, CN shall place in escrow \$150 million in a traffic impact mitigation fund to implement their share of these improvements. This figure assumes a roughly \$30 million cost for improvements at each SRA/CN intersection and a 50/50 public/CN responsibility for this mitigation. Selection and scope of mitigation projects should be determined through consultation between CN and the appropriate state, local, and regional governmental agencies. These escrowed funds shall be available for 10 years. Funds remaining after 10 years shall be returned to CN.
5. The STB shall require CN to cooperate with efforts to develop sidewalk and trail crossings and shall respond to all communications regarding such sidewalk and trail development.

To conclude, regarding freight, metropolitan Chicago has not traditionally had a champion to look out for the public interest. National discussions and decisions about the movement of goods are dominated by port cities and states, partly because our region lacked a strong voice despite being the nation's hub of truck and rail freight. The Chicago region has a tremendous amount at stake and -- like the proposed EJ&E acquisition -- the movement of freight can have a wide range of potentially positive or negative effects, including economic ones. Freight bottlenecks make it harder for commuters in cars and trains to reach their destinations

and harder for companies to get their goods into and out of our region. But if we get it right, freight traffic can serve as a major engine of economic prosperity.

CMAP was created by state law more than three years ago precisely to fill that leadership function on such regional matters. In particular, the issue of freight and goods movement is a regional one more than a State issue, and it is broader and more complex than a simple accumulation of the 283 municipal and seven county governments' individual interests. CMAP exists to take the lead on regional issues like freight, and we believe it is important for the Board to take a position on the region's role in freight and the proposed acquisition of the EJ&E.

1.4. Requested Action

Adopt a resolution to support or oppose the proposed acquisition of the EJ&E by the CN.