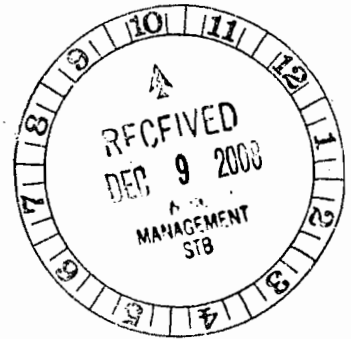




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December 8, 2008

The Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
STB Finance Docket No. 35087
395 E Street, SW.
Washington, DC 20423-0001

Dear Secretary Quinlan:

Chicago Metropolis 2020 is a nonprofit civic organization created in 1999 by The Commercial Club of Chicago to promote long-term planning, better regional cooperation, and smart investments in the Chicago region and its people.

Of our own initiative, we commissioned an independent economic benefits study of the proposed purchase of the EJ&E Railway by Canadian National. The study was conducted by the Economic Development Research Group, a Boston consulting firm using state-of-the-art tools to evaluate the economic impact of infrastructure projects, and Carl Martland, a freight consultant and senior research associate at Massachusetts Institute of Technology.

I am pleased to attach the findings of this study and respectfully request that you add it to the public record for this transaction and further that you share it directly with the members of the Surface Transportation Board and others as you see fit.

We would be delighted to answer any questions about our process or put you in direct contact with our consultants should you or your staff desire additional technical data.

We believe this transaction has the potential to be very beneficial to the residents of the Chicago region and the entire nation. We thank you for your consideration.

Sincerely,

Jim LaBelle, Vice President

Attachments



December 3, 2008

The Economic Benefits of CN's Acquisition of the EJ&E:
Enhancing the Chicago Region's Position as Freight Capital of North America

The proposed acquisition of the EJ&E Railroad by the CN Railroad will result in a \$60.1 million annual increase in the region's Gross Regional Product. It will create 649 jobs and generate new labor income of \$39.0 million. It will result in an increase in annual sales in the region of \$160.5 million. The economy of metropolitan Chicago is clearly a winner as a result of this proposed private transaction.

The acquisition will also benefit the national economy, adding \$267 million in annual Gross Domestic Product. The Chicago region will receive about 22 percent of those benefits; 78 percent will be spread to the rest of the nation.

These findings are the result of an economic study commissioned by Chicago Metropolis 2020, a business backed civic organization. The study was conducted by the Economic Development Research Group, Inc (EDRG) and Carl Martland a rail freight consultant and professor at MIT.

The study, commissioned by Chicago Metropolis 2020, involved three separate tasks:

- The first task was to translate the direct and indirect transportation consequences of transferring the EJ&E assets to the CN. This included an evaluation of the travel time changes for all freight rail traffic throughout the region. In addition we examined how the changes would affect at-grade crossing traffic delays, capacity for additional Metra service, changes in truck traffic, accidents, and changes in air pollution.
- The second task was to translate the changes in travel times and patterns for trains, trucks, and personal autos into dollar values of costs and benefits based on gains or losses of time and operating expenses.
- The final task was to aggregate these dollar costs and benefits and use them in an economic model of the region in order to calculate the net changes in jobs, sales, income, and ultimately the Gross Regional Product.

The region of our analysis included Lake and Porter counties in Indiana as well as Cook, Lake, Will, DuPage, Kane, and McHenry counties in Illinois.

The principal economic benefit from the proposed acquisition results from the increased speed and reduced wait time for all the freight rail traffic in the region. This amounts to an annual cost benefit, or gain, of \$49 million, which accrues to the railroads, the shippers, and/or the customers. In addition, as a result of shifting some truck traffic to rail, there is an annual benefit of \$17 million.

the communities along the EJ&E right of way will not experience as much train traffic as is already experienced by many existing communities in the region.

Because those communities that will experience an increase in traffic have not had an opportunity to plan for or adjust to the change, the STB should attach conditions in their approval to ensure appropriate mitigation. There is, however, no justification for attaching conditions that would make the acquisition uneconomic for the CN or for the region's economy.

3. Although the scope of this research focused on the regional economy, sufficient data were collected to analyze the effect of the acquisition on the national economy. The rest of the nation, outside of the 8 county Chicago region, would receive an increase in annual Gross Domestic product of \$207 million. This is on top of the \$60.1 million increase for the Chicago region. This finding demonstrates that the Chicago region is part of a national system of goods movement. What is done in our region either helps or harms that national system. The national economic benefits are more than three times greater than the regional benefits. This is an important finding, given current economic conditions.

Based on the substantial national economic benefits that result from the proposed acquisition, we make two additional recommendations.

- First, federal policy and funding should be altered to reflect the national integrated character of goods movement. The CREATE program, which was designed to use some federal funds to invest in improvements in the regional freight system reflects this argument. We should, as a matter of regional public policy, advocate on behalf of a federal freight policy that recognizes the Chicago region's unique role in improving the national system. The national economic benefits would justify much greater federal funding for freight improvements in the Chicago region.

If the leadership of metropolitan Chicago does not support the private investment of the CN, it will be hard to argue that the federal and state governments should support the CREATE project. The CN acquisition and CREATE have comparable purposes, to reduce rail congestion and increase rail efficiency in the Chicago region so that we can continue to enjoy the economic benefits of this industry.

- Second, we recommend that the Chicago region develop a freight authority that can act on the financial and policy issues that are attendant to our stature as a freight center. This region is a port, similar to the ports of Los Angeles, Long Beach, Seattle, New Orleans, and so on. Those other ports handle freight by ship, train and truck. We are a land-based port, handling nearly twice as much freight as any one of the other U.S. ports. Yet, we are not organized to effectively lobby federal and state governments, nor generate income from our port status in order to improve the system and mitigate some of the costs of acting as a national freight center.



FOR IMMEDIATE RELEASE
Wednesday, December 3, 2008

Contact: Jim Bray
312-332-8131

**EJ&E SALE WOULD GENERATE \$60 MILLION INCREASE IN
CHICAGO REGION'S GROSS REGIONAL PRODUCT**
NEARLY 650 NEW JOBS AND TRAFFIC CONGESTION RELIEF

CHICAGO – The Canadian National Railway's plan to divert freight trains to a suburban rail line would ease the freight traffic gridlock in northeastern Illinois and spur a growth of \$267 million in the nation's Gross Domestic Product, including more than \$60 million in the Chicago region's Gross Regional Product.

A study released by Chicago Metropolis 2020 on Wednesday projected the pending purchase of the EJ&E Railway by the CN would create 649 net new jobs in the region with total new annual salaries of \$39 million and a growth in annual sales in the region of more than \$160 million.

Chicago Metropolis 2020, a business-based civic organization, commissioned the independent economic benefits study of the EJ&E transfer, which awaits a decision by the Surface Transportation Board. The study was conducted by the Economic Development Research Group, a Boston consulting firm using state-of-the-art tools to evaluate the economic impact of infrastructure projects, and Carl Martland, a freight consultant and senior research associate at Massachusetts Institute of Technology.

The complete study is available at www.chicagometropolis2020.org.

"Some 2,800 miles of railroad track crisscross our Chicago region, and changing how those rails are used can lead to efficiencies with widespread benefits to our region's economy," said George A. Ranney, President and CEO of Chicago Metropolis 2020. "The sale of the EJ&E and new investments in rail improvements will be advantageous to the entire region and can reinforce this region's dominant role as a freight transportation center – one that doesn't have to be a bottleneck but can again be a job-creation engine for our economy.

"Buying the EJ&E is a business decision by the CN Railway to save many millions of dollars in labor and equipment costs that mount when freight trains move at a snail's pace, but our region profits, too," Ranney said. "This will increase the use of rail freight, take more trucks off our crowded highways, free up other rail lines for increased commuter travel, create jobs and increase the GRP.

"The Chicago region is an important hub where cross country trains divide, merge and move on," Ranney said. "Speeding rail traffic will reduce the cost of operating businesses, lower the cost of goods to consumers, and relieve congestion on our highways. We believed the CN plan to purchase the EJ&E would produce those kinds of benefits, and this thorough examination by outside experts explains how important it is for our region's economy.

-more-

Chicago Metropolis 2020 • 30 West Monroe Street, 18th Floor • Chicago, IL 60603-2408
312/332.2020 phone • 312/332-2626 fax • www.chicagometropolis2020.org



Final Report:

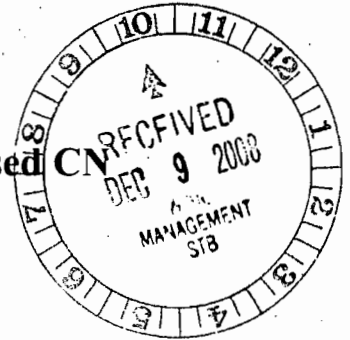
Regional Economic Benefits from CN's Acquisition of the EJ&E

Prepared for:
Chicago Metropolis 2020

Prepared by:
**Economic Development Research Group, Inc. &
Carl Martland, Rail Freight Consultant**

November 25, 2008

Analysis of Operating and Economic Impacts of Proposed CN Purchase and Operation of the EJE



September 20, 2008

Carl D. Martland
16 Post Road
Sugar Hill, NH 03586
martland@mit.edu

Introduction

This memo provides a rough estimate of the operating, service, and productivity changes that would result from CN's proposed acquisition and operation of the EJE. Since the CN application and the draft Environmental Impact Statement (EIS) provide little information concerning the benefits of the proposed operation, it has been necessary to make numerous assumptions concerning the types of traffic that will be affected, the magnitude of the impacts, and the implications for cost and service. On September 5th, Chicago Metropolitan 2020 hosted a series of meetings with railroad officials, public officials, and consultants familiar with operations within the Chicago Terminal region. I have incorporated a great deal of insight and information garnered from those meetings, but in the spirit of the meetings, I have not attributed comments or information to any individuals.

Because of the short time frame for this study, it has not been possible to conduct any extensive modeling efforts, nor has it been possible or necessary to provide extensive documentation in support of my assumptions. Instead, I have drawn upon my extensive experience studying terminal performance, including studies conducted in cooperation with UP, BNSF, CSX, NS, and CN. I have also conducted extensive research on both freight car utilization and rail freight service reliability in a long series of research projects funded by the Association of American Railroads and the Federal Railroad Administration.

While many of the assumptions and approximations in my analysis cannot be precise, I believe that they provide a reasonable picture of the types of benefits that can be expected once CN completes its planned investments in the EJE. The main conclusion is that the annual benefits are expected to be on the order of \$50 to 100 million, with at least a quarter to a third of these benefits attributable directly to rail customers within the Chicago region.

This is a draft document that summarizes what I believe are the major operating and service benefits resulting from the proposed acquisition and operation of the EJE. Information from this memo will be used to help structure inputs into an economic model that EDRG will use to estimate the economic impacts of the proposed transaction on the regional and national economies. The specific results from this memo are certainly subject to change, either as more data becomes available or as better methodologies are identified for estimating the impacts of the transactions.