

**ANN ARBOR-DETROIT REGIONAL RAIL &
NORTH-SOUTH COMMUTER RAIL (WALLY) PROJECTS
Spring 2015 Update**

The Michigan Department of Transportation (MDOT), in cooperation with the Southeast Michigan Council of Governments and the Ann Arbor Area Transportation Authority, has refurbished and leased commuter rail cars for the proposed Ann Arbor-Detroit Regional Rail and the North-South Commuter Rail (WALLY) services. MDOT entered into a contract with Great Lakes Central Railroad (GLCRR) on April 6, 2010 to refurbish and lease up to 24 commuter rail cars. This resulted in refurbishing seven cab cars and 16 coaches that MDOT planned to use on the Ann Arbor-Detroit Regional Rail and North-South Commuter Rail services in the 2014/2015 time frame. At the same time, MDOT was working in parallel to progress rail infrastructure improvements and station work that would be necessary to implement both commuter rail projects.

The commuter car refurbishment process included complete rebuilding of all wheel and wheel-frame assemblies, installation of all new seats, installation of new floor covering throughout, installation of all new exterior window panes, refurbishment of the heating, ventilation and air conditioning systems, painting the entire interior of each car, and making each car compliant with the Americans with Disabilities Act (ADA). All 23 cars were inspected a number of times during the refurbishment process including mechanical inspections by an Amtrak-certified inspector, inspections by Federal Railroad Administration (FRA) personnel to assure compliance with federal regulations, and an inspection by authorized Amtrak personnel to assure ADA compliance. All 23 cars were tested on GLCRR trackage at slower speeds, and six cars were tested at higher speeds between Pontiac and Jackson (the route where some of the cars would operate). In addition, disability advocate groups from the Ann Arbor area tested the ADA features of the refurbished car. The first car was completely refurbished in November 2011; the 23rd car was completely refurbished in March 2013. The inspections and tests on all 23 cars were completed by mid-2013.

The contract between GLCRR and MDOT required MDOT to make monthly lease payments of \$4,228 and \$3,730 for each cab and coach car respectively, 10 months after the cars were refurbished, inspected, and fully tested. This is the point in time when each car was considered to be “In Service.” These “In Service” dates ranged from October 2013 to June 2014.

As of December 31, 2014 the contract, as amended, allotted a total of \$7.6 million for refurbishment (includes installation of restrooms in two coaches), an estimated \$17,000 for operating and maintenance, and \$2.7 million for lease costs. The operating and maintenance cost includes the cost of transporting the refurbished cars to display sites. The Federal Highway Administration (FHWA) funded \$2.8 million (27%)

and the remaining funds came from the State's Comprehensive Transportation Fund in the amount of \$7.5 million (73%). The total amount expended by the end of 2014 to lease and refurbish the 23 commuter rail cars was \$10.3 million, or \$447,800 per car.

The refurbishment of the 23 commuter rail cars by GLCRR created 21 new jobs. Two-thirds of the funds spent on refurbishment occurred in Michigan, and three-fourths of the firms that did the work are based in Michigan, creating additional work for Michigan workers. Several of these firms are based in the greater Owosso area. The refurbishment work resulted in GLCRR creating a new division devoted to refurbishing existing and constructing new passenger rail cars. In the last few years, GLCRR has refurbished several private passenger rail cars and constructed two new passenger rail cars for The Henry Ford in Dearborn, Michigan.

Initially, MDOT was working with the Federal Highway Administration (FHWA) as the lead federal oversight agency to implement these services under a Categorical Exclusion environmental approval. As the projects were progressing, the federal agencies determined that the Federal Transit Administration (FTA) was the proper agency to oversee implementation of these commuter rail projects. For the Ann Arbor-Detroit Regional Rail Project, FTA determined that MDOT needed to conduct a capacity analysis and more detailed environmental work, and that no further rail infrastructure improvements or station work beyond refurbishing the commuter rail cars could progress until these two items were completed. At the same time, MDOT was working with FRA to complete FRA-funded high speed intercity passenger rail projects in this same area. FRA determined that an additional capacity analysis must be done to insure that FRA's investment in the infrastructure for intercity passenger rail service is protected and not provided for future commuter rail service. These unforeseen changes have caused significant delays to the implementation of the Ann Arbor-Detroit Regional Rail Project. For the North-South Commuter Rail Project, FTA determined that a more detailed feasibility study needed to be done as the next step toward qualifying the proposed commuter rail service for federal funding, and this study is now underway.

As it became clear that the change in federal oversight agencies and other factors would result in a significant delay to the start of commuter rail service, MDOT began working with GLCRR to seek out interim uses for the cars to offset some of the lease costs until the proposed commuter services became operational. MDOT has had success with excursions, with cars being sub-leased for two events during 2014. These sub-leases offset some of MDOT's lease costs. MDOT has installed restrooms in two of the coaches for the primary purpose of making the cars usable for longer routes, such as intercity passenger rail service, thereby expanding the possibilities for interim use.

MDOT remains optimistic that a viable, cost effective, interim use of the cars will be arranged. A number of actions are underway to increase revenues and reduce costs regarding the refurbished cars. These include the following:

- Work with Amtrak to use as many of the refurbished cars as possible, especially the two coaches with restrooms, in revenue service on Michigan's intercity passenger routes.
- Request GLCRR to aggressively promote through advertising and other means interim uses of the refurbished cars in revenue service.
- Renegotiate the terms of the current MDOT/GLCRR car refurbishment and leasing contract, including the option of contract termination.