The Economic Impact of Passenger Rail Suppliers on Midwestern States

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The Economic Impact of Passenger Rail Suppliers on Midwestern States

The Midwestern states are working together to bring faster, more frequent passenger rail service to our region. In addition to its transportation benefits, future development will bring significant economic benefits to our states, the region and the nation. To demonstrate the important role that passenger rail already plays in the economy of our Midwestern states – and to give a foreshadowing of its potential future impact – the Midwest Interstate Passenger Rail Commission (MIPRC) is providing this brief snapshot of the current impact of passenger rail suppliers to our region’s economy.

Every day, dozens of Amtrak trains traverse the Midwest. Hundreds of businesses along those routes provide necessary products and services to keep the trains running. The first part of this report looks at the economic benefit Amtrak is providing to our states’ economies through its contracts with local businesses.

We also provide two case studies, with the first demonstrating how station redevelopment not only has an impact on the local economy but also brings additional economic benefits through rail suppliers’ design and construction contracts. The example of Minnesota’s St. Paul Union Depot redevelopment – which brought more than $14.5 million in business to a variety of suppliers – illustrates how much of an economic impact new and expanded station development could have on rail suppliers in the future.

The second case study looks at the impact that the manufacturing of new bi-level passenger railcars is having on the Midwest’s economy. Through the trainset manufacturer Nippon Sharyo in Rochelle, Illinois – and companies that make up the supply chain for other components such as brakes, air conditions, lighting and seating – this project will bring significant economic benefits to many Midwestern states.

As intercity passenger rail continues to thrive, the economic impact to our states will continue to grow. MIPRC looks forward to continuing to demonstrate the many benefits that intercity passenger rail is bringing – and can bring – to our region.

Co-Chairs, MIPRC Committee on the Importance of Rail Suppliers to the Midwest’s Economy

MIPRC thanks the Michigan Department of Transportation for their development of the Amtrak supplier maps; and Amtrak, the Illinois Department of Transportation and Ramsey County Regional Railroad Authority for providing the data for this report.
The Impact of Amtrak Vendors on Midwestern States

The Midwest is a testament to the fact that people increasingly want the option to take the train, especially with more frequent and reliable service. Ridership on existing Amtrak corridor service (100-600 miles) in the Midwest has been growing rapidly. In FY 2014, ridership on the nine Midwestern corridor routes combined reached nearly 3.14 million, almost double the number of riders on those routes in FY 2004. Five-year growth (FY 2009 to FY 2014) was 27 percent.

Ridership on the eight longer-distance Amtrak routes that serve the Midwest is growing, too, with an overall increase of seven percent over the past five years, and a 20 percent increase since FY 2004. Altogether, these routes – all originating out of the nation’s largest rail hub, Chicago – have 80 station stops across the Midwest, many of them in rural communities not served by other forms of intercity transportation.

Every Midwestern state with passenger rail service benefits economically from contracts Amtrak maintains with local businesses. **During FY 2013, Amtrak had a total of 931 vendors in 11 Midwestern states** (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio and Wisconsin). **These vendor contracts resulted in an economic impact of more than $282 million**, a significant growth from prior years. During the 10-year period between FY 2003 to FY 2013, there was a 200 percent increase in the amount Amtrak expended for goods and services in those 11 states.
Illinois

Amtrak contracted with 336 vendors in Illinois, with a total economic impact of more than $108.3 million during FY 13. This represents a 154 percent increase from Amtrak’s FY03 expenditures for goods and services in Illinois. The vendors were located all across the state, but there was a large concentration in the Chicago metropolitan area.
Greater Chicago Area Inset List of Amtrak Suppliers

1. Addison
   Dierman Co
   Koncorrenco Inc
   Overhead Chicago Gear
   Schreider Lighting LLC

2. Algo
   1st Systems Inc
   HP Products Corporation
   Mawney Instrument Corp
   RailroadCo
   Sunsetco Asphalt Co Inc

3. Arlington Heights
   Hall-Adler Service Division

4. Aurora
   Lin-Lake Workshops Products

5. Batavia
   Family Dry Cleaners

6. Bedford Park
   RWS Machine Division

7. Berwyn
   Kustom Seating Unlimited Inc

8. Bensenville
   Industry Roadway Suppliers Inc
   Inco LLC
   Triangle Engineered Products Co

9. Blue Island
   Hardy Heber Landscape

10. Bridgeview
    Stevenson Services & Service LLC
    V.I. Truck Co
    North America Charter Lines

11. Briarcliff
    Midwest International

12. Broadview
    Chicago Jack Inc Inc
    Air Control Corp
    Metropolitan Elevator Co

13. Buffalo Grove
    Larry Moger Co
    Siemens Industry Inc
    Morious Unique Printing Inc

14. Burr Ridge
    Emerco
    Sepco

15. Calumet City
    DAC Plastic Assistence

16. Carol Stream
    Frontier Inc
    A&I
    Snyer
    Ricoh Americas Corporation
    Waste Management of Wisconsin
    Parttime Truck Equipment Co
    West View Traction
    A&I Mobility

17. Carpenterdale
    OE Controls

18. Cary
    Ross & White Co

19. Chicago
    Kalky Steel Metals Inc
    Esmaralda Machine Inc
    SAC Electrode Co
    Carrier Transfer Co
    Nalco Co
    Afina Middletown Dcp
    Hw-Ashka
    John Deere Co & Nell Sales
    Snapco
    Aon Industrial
    Alnds S Sas
    Moller Tile Inc
    United Healthcare Inc

20. Chicago Heights
    Akro Spring Industries Inc

21. Cicero
    Porcel Gekkane

22. Coal
    Holland LP

23. Des Plaines
    Parkway Metal Products Inc
    A1 Security Bag Co
    Lacp Inc

24. Darien
    Columns Group
    Service Products Inc
    Keim Controls
    Jr Co

25. East Dundee
    Terry Tm Machine Corp

26. Elgin
    Marble Electric Contractors

27. Elk Grove
    Modern Track Machinery

28. Elk Grove Village
    All State Ind Inc
    Central Service Co
    Off Center
    Metro Safety Products Division

29. Franklin Park
    Burns Equipment Co
    O'Cross Oil Co Inc
    Conno Cross Inc
    Parachute Inc
    Phoenix Fire Systems Inc

30. Franklin Park
    Salfen Industries Inc
    Divine Electric Co

31. Gurnee
    Metu Enterprises Inc

32. Glenview
    Bluebird Holdings Inc

33. Glendale Heights
    B&G Industries Inc

34. Gurnee
    Valves Enterprises Inc

35. Harvey
    Olson Transportation Inc
    United Allied Financial

36. Hazel Crest
    DAC Greater Bus Company

37. Hillside
    Elnathan Laboratories Inc
    Mechanical Inc
    Wipcor Inc

38. Harris
    Western Fitter Distributing Co
    National Trademarks
    United Steel & Founders Inc

39. La Grange
    Electro Motor Diesel Inc

40. Lake Forest
    Ice Fun Corp

41. Lansing
    Paul H Gill Co
    Hiley Great Lakes Distributing

42. Lebanon
    American Concrete Restorations Inc

43. Lisle
    Vine Engineering Inc

44. Lith
    Patrick Engineering Inc
    Duall Miller Plastics Co Inc

45. Lombard
    Anderson Pump & Process

46. Marlowe
    Royal Group Ltd

47. Maywood
    American Waste Industries

48. McHenry
    Glen Products Inc

49. Medinah
    Royal Pipe & Supply
    Royal Pipe & Supply Co

50. Middletown
    Quaker Chemicals & Solvents

51. Moneka
    Eiken Inc

52. Monroe
    Tristate Manufacturing Company
    Whirlpool Corp
    Whirlpool Corporation
    Whirlpool Services Inc

53. Morton Grove
    Environmental Monitoring & Technologies

54. Mt Prospect
    Morton Sugarsco Co
    Whiteside Un Ltd

55. Naperville
    Innovation Roller Systems Inc
    Abex Inc
    Altax Train Life Services
    Cons/Kul Construction Supply Co
    Nalco Co

56. Niles
    Atlanta Elevator Equipment Co

57. North Aurora
    Belsan Outdoors Inc

58. Northlake
    Morgan Kae Group Inc
    Stilo To Service Solutions Inc

59. Oak Brook
    Doubletree Hotel Oak Brook

60. Oak Park
    Terranova

61. Oakbrook Terrace
    Ford Brothers Clay Co
    Grant Thornton LLP

62. Palatine
    Wm Granger Inc
    Mloc Industries Supply Co
    Simplex Grindel LP

63. Park Forest
    General Fabricating & Engr Co

64. Riverdale
    Abitco Foundry Products Inc

65. Rolling Meadows
    Berg Engineering & Sales Inc

66. Romeoville
    Protection One

67. Rosemont
    Ransol Lp

68. Schaumburg
    Convergent Technologies LLC
    Kato Usa Inc
    Motorola Inc
    Motorola Inside Sales
    Motorola Solutions Inc

69. Schiller Park
    Atlas Lift Truck Rental & Sales
    Enersave Corporation Life Fitness

70. South Elgin
    Chicago Equipment Repair Inc
    Enersave North America Inc
Indiana

During FY 13, there were 186 Amtrak vendors in the state of Indiana. These vendors’ contracts had a $21.4 million economic impact on the state. Amtrak’s Indiana expenditures for goods and services grew 85 percent during the 10-year period between FY03 and FY13. Similar to Illinois, Indiana’s vendors were located throughout the state, but there was a concentration in the Greater Indianapolis area.
**Iowa**

In Iowa, Amtrak maintained 18 vendor contracts during FY 13, which had a total economic impact of more than $1.1 million in Iowa during the fiscal year. That is four times greater than Amtrak’s FY 03 expenditures for goods and services ($237,199) in the state.
During FY 13, Amtrak contracted with 15 vendors in the state of Kansas. These vendors’ contracts had a $29.2 million impact on the state. Amtrak’s Kansas expenditures for goods and services grew 87 percent in the 10-year period between FY03 and FY13.
Amtrak contracted with 93 vendors in Michigan, for a total economic impact of more than $31.7 million in FY 13. That represented a $29 million increase over FY 03. A large number of vendors are located in the southeast region of the state.
Amtrak contacted with 50 vendors in the state of Minnesota, with a total economic impact of $21 million. Amtrak’s FY 13 expenditures in the state represented a nearly $19 million increase since FY 03. The vendors are located across the state, but there is a large concentration in the Twin Cities area.
Missouri

Amtrak contacted with 42 vendors in Missouri, for a total economic impact of $30.1 million during FY13. Since FY 03, Amtrak increased its Missouri expenditures by more than $28 million. The majority of vendors are located in the Kansas City and St. Louis areas.
Nebraska

In Nebraska, during the 10-year period since FY 03, Amtrak went from expending less than $100,000 annually in vendor contracts to more than $5 million. During FY13, Amtrak contracted with 14 vendors in the state, with most vendors located in Lincoln and Omaha.
During FY 13, Amtrak contracted with 15 vendors in North Dakota for a total economic impact of more than $4.6 million. The growth in economic impact since FY 03 is almost 100 fold, as Amtrak expended less than $50,000 on North Dakota vendor contracts in FY03. All but two vendors are located directly alongside the rail line that carries Amtrak’s Empire Builder service through the state.
Ohio

During FY 13, Amtrak contracted with 120 vendors in Ohio, which gave a $13.8 million boost to the state’s economy. This represents a 37% increase from Amtrak’s FY 03 expenditures for goods and services in Ohio. Cincinnati, Columbus and the Greater Cleveland area had the most vendors, but others are spread throughout the state.
Wisconsin

During FY 13, Amtrak contacted with 42 vendors in Wisconsin for a total economic impact of $15.5 million. Amtrak has more than doubled its expenditures for goods and services in the state since FY 03. Southeast Wisconsin had the greatest concentration of vendors, with others scattered along the state’s Amtrak line and throughout other parts of the state.
Case Study: St. Paul Union Depot in Minnesota

As passenger rail remains an affordable, popular option for both shorter and long-distance travel, regions with rail hubs will likely continue to make investments to modernize their stations and tracks. In May 2014, thanks to extensive renovations, Minnesota’s Union Depot in St. Paul welcomed a passenger train back to the station for the first time in 43 years. Amtrak’s *Empire Builder* service now includes a stop at Union Depot as it makes its 46 hour journey between Chicago and Oregon.

Union Depot, which started going into disrepair in the early 1970s, required millions of dollars in renovations before it became a working passenger train station again. A number of contracts were issued for various components of the project, such as construction, design, and signal and track maintenance. In addition to spurring economic growth in St. Paul and the surrounding area, the Union Depot project provided contracts for hundreds of firms from other parts of the country. According to a June 2014 study by Good Jobs First, a non-partisan group based in Washington DC, the restoration created over 660,000 hours of work for about 2,000 workers in at least 13 different trades. As part of the reconstruction project:

- BNSF Railway Co., which had a $2.3 million construction contact, subcontracted with Progress Rail and United Signal from *Wisconsin*.

- Five *Minnesota*-based suppliers – EVS Engineering, Rock on Trucks, Yaw Construction Group, Meyer Contracting, and RailWorks – were awarded more than $2.5 million in contracts.

- Union Pacific Railroad, headquartered in Omaha, *Nebraska*, received more than $3.2 million in construction and design contracts.

Officials involved in the Union Station project hope to add a second daily train to Chicago and are looking at increasing local passenger-rail services. A long-term goal to create a high-speed passenger-rail line to Chicago is also in the planning stages. These projects will require additional construction and renovation of the stations’ tracks.

*Above:* *Empire Builder* rolls into the station.

*Right:* Passengers take advantage of Union Depot’s newly renovated waiting room.

Photos courtesy of Ramsey County Regional Railroad Authority.
Case Study: Bi-Level Passenger Railcar Manufacturing

Manufacturing passenger rail equipment has economic impacts not only for the company awarded the contract, but for many other rail suppliers. In September of 2012, Nippon Sharyo based in Rochelle, Illinois was awarded a $352 million contract to assemble 130 bi-level passenger rail cars for Amtrak’s Midwest and California corridors. The Federal Railroad Administration funded the purchase of the railcars, with a requirement that 100 percent of the components be American-made.

To meet that demand, Nippon Sharyo built a $100 million addition to their existing facilities and added 90 new manufacturing jobs. The Illinois Department of Transportation ordered another 34 cars from Nippon Sharyo, for a total addition of 122 next generation railcars to the Midwestern Amtrak fleet. This will allow all existing Midwestern corridor service routes to be equipped with new railcars.

The total economic impact of this manufacturing project reaches much farther than Rochelle, Illinois. Nippon Sharyo is subcontracting with suppliers across the Midwest and the nation for many of the more than 100 components needed to build the trainsets. According to Joseph Szabo, former administrator of the Federal Railroad Administration, the Midwest has more rail suppliers than any other region. For example, for the manufacturing of these bi-level passenger rail cars:

- Mitsubishi Electric Power Products, Inc. from Grafton, Wisconsin was tasked with building auxiliary AC motors
- Kustom Seating Unlimited, Inc. and Strut & Supply, Inc. from Illinois received contracts for seating and table components
- For the train floors: Wisconsin-based GSI EXIM America, Inc. will build the composite floor panels; The RCA Rubber Company from Ohio will supply the rubber floor coverings; and Narita Mfg., Inc. from Illinois is manufacturing wiring harnesses
- Oshitani America Inc. and Fabrication Specialties, Inc. from Illinois were chosen as suppliers for the carbody insulation
- Faiveley Transport/North American Specialty Glass will be producing the train’s window gaskets at their Painesville, Ohio location
- Minnesota-based ISC Applied Systems Corp. is the provider of communication equipment such as the PA system.

Columbus Steel Castings in Ohio received a $23 million contract, the largest order in the company’s history, to build the train’s undercarriages. Joseph Haviv, Columbus Castings’ chairman, said the company’s contract with Nippon Sharyo will create approximately 80 new jobs in the company.

Conclusion

Continued development of the nation’s passenger rail system has resulted in a huge economic boost for our Midwestern states. From the hundreds of vendors annually helping to keep Amtrak service running, to suppliers producing components for new train cars, the renovation of existing stations and the building of new ones, as well as the upgrading of hundreds of miles of track, businesses from all across the region have benefited directly from expansions in passenger rail.

Many developments have been made in recent years and there is still room for growth. Whether it be adding another train from St. Paul to Chicago or continuing to increase Amtrak’s fleet of rail cars, there are plenty of opportunities for the passenger rail industry to grow, and the Midwest’s economy to grow along with it.