

# City of Lebanon, Ohio

## Economic Costs & Benefits Analysis of the Tourist Rail Operation

### Executive Summary

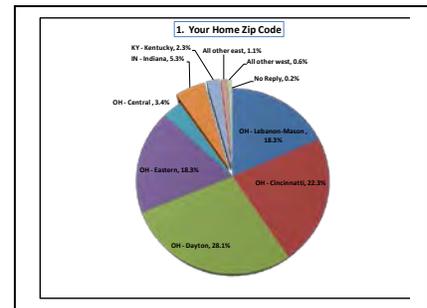
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#### The Ridership Survey

A ridership survey was conducted on the LM&M between August 2013 and December 2013. The surveys consist of a hard-copy, multiple-choice survey with single-letter responses, along with a "free form" comment area at the bottom. Questions were developed both by Stone Consulting and specific questions either added or edited by the City of Lebanon. A total of 470 surveys were collected, which based on an annual ridership of 50,000 result in a the margin of error statistically to 4.5%.

#### *Highlights from the ridership survey:*

The railroad is nearly entirely Ohio-based, with just over 90% Ohio responding zip codes – leaving 10% for neighboring states and the entire US. Over 50% of the ridership came from the prime zip code markets of Cincinnati and Dayton, and 18% came from the 450-series of zip codes in the immediate Lebanon – Mason region.



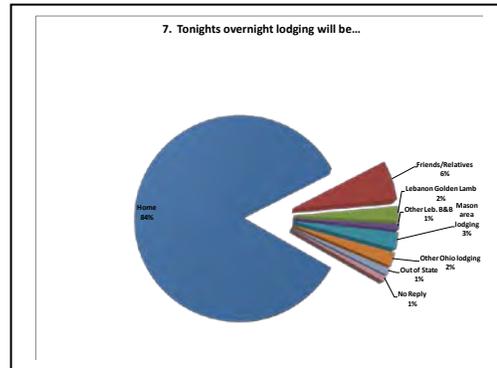
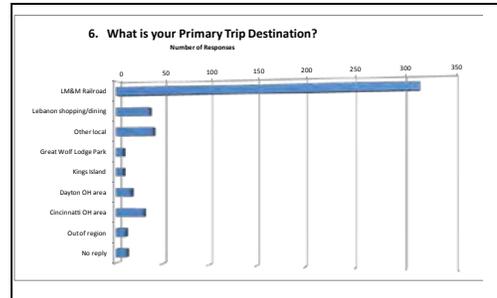
The surveyed passenger age is significantly younger than a typical excursion railroad base. This is primarily due to the younger-child programs such as Thomas, and events specials for Halloween and Christmas.

Out of 470 responses, almost 50% had never ridden the railroad before. The railroad is very effective in bringing in Ohio residents that are within a few hours driving distance.

This survey set a new high response for the effectiveness of Facebook and Internet to bring riders to the railroad. That response – with over 28% responding 'Internet / Website / Facebook' information – is the highest percentage ever seen by us.

67% of the riders came to Lebanon because of the railroad. This is critical in understanding the impact if the train were no longer there.

The vast majority of responses (84%) answered “home” as where they would be staying tonight, and another 6.4% staying with friends or relatives. For the typical economic impact analysis for a tourist railroad, this is very low and related to the Cincinnati-Dayton drive distances. This railroad is almost entirely a day-trip market. Overnight stay percentages did increase in the 4<sup>th</sup> quarter with the Christmas and date-night specials.

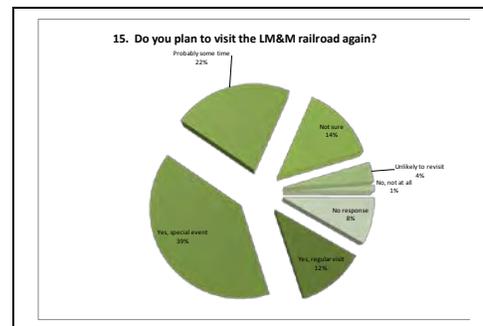


While the ‘what did you like best?’ about the railroad came back with the typical ‘like train rides in general’, the reverse question – ‘what would you like to see improved at the railroad?’ came back with a very surprising 44% saying ‘no improvements necessary’ with no other single negative issue drawing more than 10%. 79% of the responses thought that the railroad was a good value for the price paid.

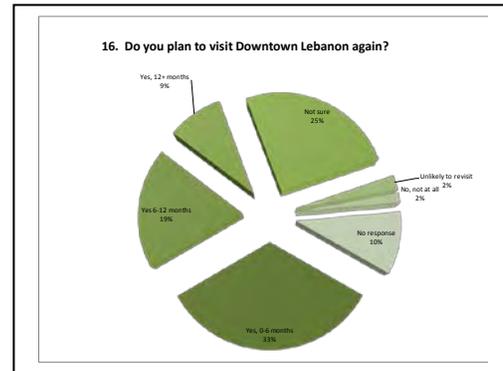
When asked ‘what else did you visit in Downtown Lebanon today?’ ‘Restaurants’ got the majority vote with over 26% of the responses. Of bigger concern was that 41% did not respond to the question.

Spending per surveyed visitor had the highest response with the answer of spending between \$50-100 (excluding train ticket) during their visit, with the distribution going down there to smaller dollar values.

When asked if they planned to visit the railroad again, LM&M managed to get a total positive response (‘Yes’...with variations on time) of 73% of all surveys. Out of the 470 surveys, only 23 responded as either ‘Unlikely to revisit’ or ‘No, not at all’.



One final question to the railroad riders may have been the most significant question of all – ‘Do you plan to visit Downtown Lebanon again?’ This has proven to be one of the most significant questions of all, when taken in the context of the other survey questions.



If the railroad is generating a significant number of new visitors to Lebanon that would otherwise not be here (Question #6) and the majority of those first-time visitors either did nothing in the downtown or limited their purchases to a restaurant (Question #12), then whether or not you will ever see these people in Lebanon again (with or without a railroad-based attraction) becomes "the" ultimate issue here. The response on this question was almost as high as revisiting the railroad - of those that responded (46 did not respond) a solid 67.7% reacted positively; only 18 surveys of 470 responded either ‘not likely’ or ‘no, not at all’, with the remainder simply responding as ‘unsure’. The potential for a return visit to downtown is relatively strong.

## Economic Impact Analysis

The standard method for determining the total economic impact a project or program will have on state and local levels is known as the RIMS II (Regional Input-Output Modeling System") multipliers. Because of the widespread and recommended use of RIMS modeling methods, comparative projects can often be compared for relative economic impacts, as a standard measurement framework has been used. RIMS II multipliers are used extensively by the federal government, most states and counties.

While the requested impact analysis necessary for the City is for a very restricted impact analysis limited to the city limits, the Ohio Rail Development Commission has already awarded grant funds to the City for tie and infrastructure maintenance based on state impacts. To assist in future grant and impact analysis activities, we performed an economic impact analysis both at the state level and one specific to Lebanon only.

### FINAL ECONOMIC IMPACT COMPARISONS

**Total Economic Impact – Comparison Summary**

TOTAL ECONOMIC IMPACT – LM&M Railroad	\$ IMPACT ON TOTAL OUTPUT	
	LEBANON ONLY	STATEWIDE - OHIO
TOTAL OPERATING BUDGET \$725,210		
PRORATED OPERATING BUDGET ( <i>Table A</i> ) (by region)	\$170,463	\$725,210
<b>TOTAL ECONOMIC IMPACT – RAILROAD OPERATION</b>	<b>\$300,083</b>	<b>\$1,486,058</b>
<b>TOTAL ECONOMIC IMPACT – RAILROAD CAPITAL BUDGET</b>	<b>\$20,178</b>	<b>\$20,178</b>
<b>TOTAL ECONOMIC IMPACT – NON-RAILROAD OPERATION (Visitors)</b>	<b>\$2,140,439</b>	<b>\$3,149,826</b>
<b>TOTALS</b>	<b>\$2,460,700</b>	<b>\$4,656,062</b>

<b>EQUIVALENT JOBS (JOB RETENTION</b>	<b>86</b>	<b>163</b>
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Fully-detailed calculations supporting the operating budget, ridership, visitor, and multiplier calculations are in the full report. The key numbers of dollar value of economic impact and employment impact that are comparable to other economic activities are above.

## Freight Potential

For a relatively short five-mile railroad, there is substantial evidence of some online freight customers that for one reason or another, no longer use rail freight service today. Many of the remaining industrial properties are within the immediate vicinity of the railroad; one site still has an accessible and connected rail siding. Some older and vacant property shows signs of previous rail sidings, and there is property open for development along the rail corridor. Lebanon's city limits extend over a substantial part of the area south of the town, and include much new industrial park area.

Stone Consulting conducted a physical survey of the railroad property during the inspection and excursion in August 2013 and again in May 2014. An inventory of sites, sidings, and customer names was developed from that data. That information was provided to Gary Landrio, currently an independent contractor for Stone Consulting as well as an independent sales agent for Norfolk Southern Railway.

After the list was generated, a subsequent tour of possible customers was conducted on September 11, 2013 with Mr. Landrio representing NS and Jennifer Wethington of the Genesee & Wyoming Railroad. None of the first interviews resulted in immediate progress, and none of the customers were aware that freight service was even possible.

While it is apparent that for whatever reason, the Lebanon branch customers have not been approached for rail freight service for some time, this would appear to be by far the best "long term" solution for the entire rail situation and ongoing investment and maintenance for the Lebanon line – using freight traffic to increase revenue, strategic value, and allow the reception of funding for freight infrastructure support.

While mentioned under track and infrastructure, the likelihood for any freight commodity movements into Lebanon being subject to higher weight limits such as 286K are relatively high due to the commodities likely to move, and the way they are efficiently moved today via rail. The discovered commodities of plastic pellets, fertilizer, and steel are more efficient to move when cars are available that can handle the fully loaded weights. It should be noted, however, that the geographic relationship between the freight rail sidings, potential customers, and existing bridge ratings leaves only one bridge at 5.9 as an actual concern with existing load ratings.



## Track and Infrastructure Assessment

As the City of Lebanon retains responsibility for track and infrastructure maintenance to allow the excursion program to continue, the condition of these assets and outlook for maintenance expenses was included in our scope of work.

The typical rail section on the line is 85-lb/yd “AS” (American Society of Civil Engineers design) with early 1900’s roll date. Rail (right photo) was rolled in 1903, and was likely the last major rail upgrade on the line. 85# rail is considered light by today’s standards, although it is not uncommon even among shortline railroads nationwide, including a surprising number with significant freight traffic still on them.



85# AS rail on LM&M – roll date 1903

For railroads that still run 85# rail, the only caution has been that in order to compensate for the relatively light rail, the tie condition must be better than average to prevent rail damage and breakage. The City has expressed significant concern about this rail, and what restrictions, if any, it places on the re-establishment of freight service on this line segment. The City is also concerned that the ‘rail is no longer made’, but that concern applies to nearly every secondary branch railroad in the United States in some manner. The primary restriction at the current time remains the potential weight rating of the 5.9 bridge. The existing 85# rail and current tie condition is not an immediate impediment toward resuming limited freight movements (considered to be under 200 cars/year) at 10mph over only four miles of track. Reopening the line for commercial freight, along with the customer willingness to actually use it, will qualify the track section for ORDC grant funds, which can be used for both tie replacement and rail upgrades over time. Rail upgrades to 115# or better can be done over time, working from west to east, with the 85# rail removed stockpiled for emergency rail replacement in the interim and/or sold for scrap to reduce the cost of the rail upgrade.

This replacement program is certainly recommended, but is a result of restarting freight activity rather than a prerequisite to do so.

## Tie and Ballast

We were surprised by the generally good condition of the roadbed structure and drainage conditions. Many light-rail lines suffer from poor drainage that collect weeds in the ballast, and greatly decrease crosstie life due to wet conditions. While the line was not weed-free, it was obvious that it was subject to regular weed treatment and brush cutting and the entire right-of-way had been cleared in recent history, as the ballast shoulder was generally visible down to the ditch line.



Typical tie and ballast condition

Our major concern, however, for current and future operations is tie condition. In order to operate passenger trains, the track must be maintained to “FRA Class 1” condition, the lowest-speed and lowest-standard that is federally enforced to move a passenger train. FRA 1 has a maximum freight train speed of 10mph and 15mph for an occupied passenger train.

The City has been in a regular practice of tie improvement and maintenance to maintain the FRA 1 passenger track class. Walking inspection of the track showed fresh tie work in a number of locations. Any additional tie upgrades to help with rail support will require careful marking as some areas of track are already in relatively good condition for ties, and other areas do need the additional tie work to qualify for the marginally higher FRA 2 tie standard.

## Bridge Issues

The railroad has five identified bridge spans over its length between Hageman’s and Lebanon; two bridges almost within the City limits (MP 1.99 and MP 2.10). The next span of note (2.5) is just west of the switchpoint at the ex-Kandrol (now VisTech) facility; the two final spans are at the west end of the railroad at 4.1 and 5.9.

The City and LM&M have properly inspected the bridges, and also rated some in 2011 with the remainder in 2013; both are to be commended as they are effectively ‘on target’ for national bridge inspection compliance and inspection deadlines. The issue is not in inspection and compliance, it is in the method the ratings were conducted and the format in which the bridge rating results are presented.

Of the five bridges, three are clearly rated as “286”, meaning that they can safely handle equipment and freight cars of the highest current commercial national standard,

286,000 lb on four axles; effectively 143 tons including the car weight. Those three bridges currently rated at 286 are 1.9, 2.5 and 4.1. Bridges 2.1 and 5.9 are not clearly rated for 286, but are rated as being safe for current passenger operations.

If the primary issue with the railroad bridges is the restrictions on freight operations, then the entire exercise clearly focuses down to Bridge 5.9, as there are effectively no current or immediately potential freight customers east of bridge 2.5. Therefore, primary focus is drawn back to the correspondence and inspection data on Bridge 5.9.

The May 2011 bridge rating report basically states it is sufficient for current passenger use but does not elaborate on the issues regarding 286K. Inspection reports indicated that ***"the helper bents were not considered during the load analysis of either structure"*** (bold and italics added by Stone).



Bridge 5.9 deteriorated shim west



Bridge 5.9

It is logical to assume that the helper bents were added by previous railroad owners specifically to address the weight bearing issues of the bridge under previous analysis, which were more than likely 263K.

This leaves the City in the position of not actually knowing whether the structure is, or isn't capable of handling 286K for freight if a full rating were done using these members.

## Operating Lease Review

The lease between the City of Lebanon and the LM&M Railroad dated Jan. 31, 2013, was reviewed by Stone Consulting personnel. The primary reason for this review was for the opportunity to review and comment on the lease document, particularly as to how it compares to other similar railroad excursion operating agreements that Stone Consulting has reviewed, authored, or revised.

It is not in any way uncommon for a public entity to be in the position to contract with a for-profit corporation to provide rail freight and excursion services. The number of publicly-owned rail lines leased or operated to for-profit entities under similar agreements is unknown, but it is measured in the hundreds.

The typical public ownership entity in these leases, however, is rarely an incorporated City. Generally, the public owning entity is a board, commission, or Authority that has similar rights and responsibilities back to a municipality, but isn't one. Nonprofits can contract with for-profit railroads to provide freight services as well.

Public or nonprofit ownership has the distinct advantage of the availability of public funds to maintain infrastructure for the public good, and to receive public grant funds that the for-profit owning railroads simply do not qualify for. So the primary commentary on the lease agreement is that it is highly unusual for an incorporated City, through elected officials and Council, to be the direct owning body of a railroad. It is far more typical for a regional, or County-based entity to control a public railroad property, and in that manner, usually an industrial development, economic development, or even historical public body.

The evolution of the agreement has resulted in a rather unusual process toward regular track maintenance that has resulted in possibly unnecessary stress for both parties to the agreement. It is much more common for the railroad operator to be responsible for their own track inspection and minimal track repairs to maintain track class and condition. While it is certainly working under the current arrangement for the City to provide all basic track maintenance, this is a detail-level task typically left to the operator rather than the owner.

While the railroad has justifiable cause to be concerned on the out-of-pocket cost for this issue, the way that it is typically addressed is for the operating railroad to have its own trained/qualified employee that is responsible for track inspections and light maintenance. No other public owning entity we have reviewed has a similar responsibility of regular track maintenance. In the majority of agreements, the operator has a defined level of track maintenance that is economically affordable by dollars, quantities of material such as ties, or a combination of both, and is expected to fully



communicate with the public owner to assist in grant procurement and long-term capital investment planning beyond that level.

A discussion with LM&M in 2014 indicated they have now reached a suitable arrangement with G&W to handle track inspection costs, as they perform one of the two required weekly inspections under their responsibility for freight trackage rights. If this arrangement is suitable to both G&W and LM&M, it would appear to be a good compromise.

If LM&M does shoulder the initial responsibility for track maintenance in the future, the demarcation line between “regular” and “Capital” maintenance needs to be carefully crafted, as it is the single most frequently contested item in such an agreement. A designated dollar/quantity value (backed up by invoices) typically serves to document the amount of track maintenance the operator has actually done in these situations.

Discussions with LM&M indicated that they do not consider the current arrangement with the City a particular problem and that track defects, when found, are handled in a prompt and efficient manner.

### **An Alternative Strategy**

Beyond the mechanics of the existing lease, railroad operations, and detail-level issues of the existing operating agreement, consideration must be made of the long-term strategy of the corridor for the best fit for Lebanon and the surrounding area.

Our analysis is relatively conclusive that the railroad does make a significant economic impact to the community in terms of dollar value and equivalent full-time jobs. The relatively high ridership of the railroad, as well as a significant operating budget, combine to make this contribution a significant number.

This still places the community in the position of questioning whether the only possibility for maintaining this economic benefit to the community is to be the owner of the railroad property. Longer term issues all focus around alternatives to ownership and maintenance that in effect, all rotate around one common issue – restoration of at least a limited amount of commercial freight traffic.

Restoration of any freight traffic immediately changes the entire function of the line for grant eligibility and ownership alternatives. The key impediments to date for both state funding and non-City ownership are the lack of any freight traffic at all on the line. It is not necessary to develop enough traffic to entirely support it; virtually any sustainable commercial freight traffic of any nature changes the potential.



The various ownership alternatives are by no means limited. In fact, the potential alternatives and outcomes immediately begin to develop in several directions at once. Initial discussions with the Warren County (OH) Port Authority (Martin Russell) indicated that as long as the Lebanon portion of the railroad only provides passenger excursion services, it is not a function or interest of the Port Authority. However, if freight services were to be redeveloped, it would be, and is considered to be an interest of both the Authority and the role of Economic Development, and ownership would be considered.

As G&W (Indiana & Ohio) already has freight trackage rights, as well as development rights for freight traffic via NS connections to the national system, the number of cars necessary to interest them in actually owning the line, instead of just operating it, is speculative at best, but is also a function of the necessary investment to maintain service. The fact that ties and bridges have been maintained, that it is effectively only four miles of track that have to be maintained for freight service, and that adjacent rail lines are already serviced to cover the fixed costs of crews and equipment, changes the equation for their analysis compared to a "stand-alone" shortline opportunity.

### **The Downside?**

Transferring ownership outside of the City has the potential drawback of loss of control of the underlying real estate corridor, and also being in the potential of having no role for preservation if any subsequent owner would decide to formally abandon the track. If an actual sale to another entity is considered, the City should craft an agreement that includes some form of buyback at the purchase price / first right of refusal if necessary. The lack of such buyback provisions has been a crucial flaw in other such agreements elsewhere at substantial cost if it is ever needed.

Transfer of ownership also would likely remove the City from the position of controlling some, if not the majority, of the lease provisions between the excursion operator and the City. Transferring ownership also incurs the inevitable risk of the new owner not acceptable to the terms and conditions necessary to continue excursion operations; specifically the now-reasonable amount for liability insurance. Disrupting these underlying provisions has the real potential of making the excursion operation nonviable as a business.

### **Other Alternatives?**

One of the more typical approaches to public-owned railroads and private operators is a periodic, if not regular, attempt to solicit alternative private excursion operators for the publicly-owned rail property. This may be due to government procurement and

licensing policy on a local or state level; dissatisfaction or termination with the current operator, concerns over safety, or simply the result of an expired contract.

It is not uncommon for a lease agreement to simply be extended, but it is also not uncommon at all for a public solicitation to be developed. This is typically done with a “Request for Proposals” rather than a price-only bid, and a formalized selection process is developed of both providing information to potential bidders and also competitively scoring the resulting proposals to arrive at a fair and public decision.

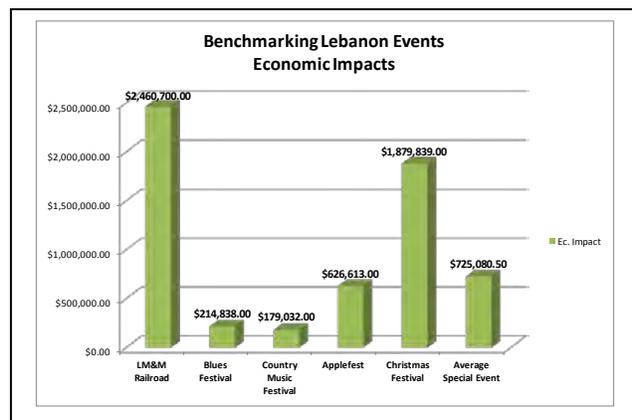
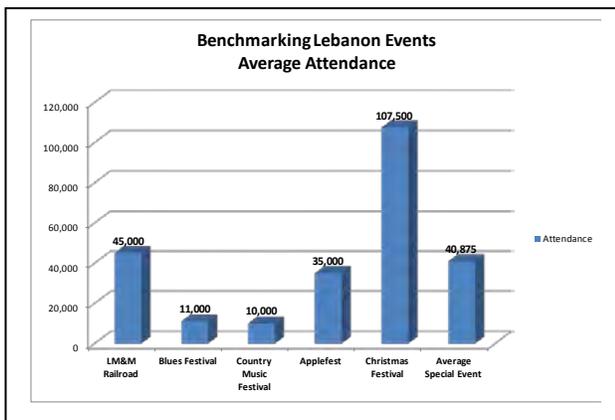
The time-honored formula for taking an existing excursion operation and making it significantly more successful, with higher ridership via special events, has already been achieved by LM&M at Lebanon. While there are issues that could be competitively resolved via an operator selection process, it is not particularly likely that the actual economic benefits to the community (operating budget plus ridership) would be markedly increased as a result of that process. LM&M already shows significantly higher ridership than comparable operations, and has a larger operating budget than most due to a primarily paid staff rather than a mix of volunteers and paid employees.

## Benchmarking the Alternatives

Considering the investment that the City makes in the railroad, combined with the staff and management attention that the railroad has historically required, one of the task elements of the report has been to review other potential alternatives to draw comparable numbers of visitors into the town instead of supporting the railroad.

Estimates for the attendance, and the resulting economic impact, are based on Lebanon estimates of attendance. Since there is no "paid admission" count equivalent to the railroad ticketing activity, the attendance figures can vary widely. Graphical summaries at the end are averages of these estimates.

All major downtown Lebanon public events are one-day affairs that are organized and staffed by volunteers from community-based organizations. Profits, where applicable, are passed on to local civic activities.



## **Benchmarking Conclusions**

While the railroad may not have the highest annual/per event attendance (the Christmas festival does), the differences in economic impact are due to not just the visitors, but to the operating budgets and payrolls involved on the railroad.

With the railroad's paid staff and operating budget offset by their own ticket prices, it generates a substantial difference in impact due to the dollars expended by the railroad. It should also be noted that the impact figures used were for the Lebanon-only version; the statewide number would be higher.

Adding additional special events is certainly a desirable goal for Lebanon, as they certainly do contribute to the economic well-being of the community. By our calculations, however, it would take approximately four additional major special events (such as Applefest) to equal the current economic impact of the railroad, even if the average attendance is at least moderately comparable.

## **Observations and Recommendations**

In the short and medium term, the calculation of economic impacts should be used not only as a tool for understanding the benefit of the railroad to the City to keep the excursion program functioning, but also as a tool to assist with applying for capital grants to improve the infrastructure for resumed freight services. To do that, on-line customers, property developers, and County economic development need to be on the team to leverage the railroad as a full development partner. Application may be made to ORDC for tie replacement programs to attempt to bring the track class up to FRA 2 for ties, particularly considering the lighter rail, and to reinforce bridge 5.9 for heavier loads when the cost and plan are finalized. The value of the railroad as an economic development tool should not be underestimated.

In the longer term, developing freight traffic can, and should, effectively remove the entire problem of both City ownership and ongoing subsidization of the railroad. If G&W is not interested, another operator may be interested in the property as a transload/industrial development site, but only if they can negotiate a relatively low haulage rate with G&W. The County Port Authority can have a role to play as well, but only if some freight services are developed on the existing line. In any case, the railroad has definite value to the region, the only question becomes if that value is equitably shared between Lebanon, Warren County, and the State of Ohio.

The success of the LM&M in working with the G&W to operate to Mason over their owned trackage is both remarkable and unusual, and should be commended. This relationship is extremely valuable to Lebanon; no other passenger operators we have

contacted have had similar success in any way with G&W-owned lines. As a large, publicly-held corporation with a great concern for liability exposure, G&W has historically prevented any passenger excursions on their directly-owned lines. That positive relationship, more than any other issue, encourages us to believe that freight traffic can be developed without necessarily making the excursion operations a casualty of the transition.

### **Observations on the Railroad Operations**

Overall, this is a very "typical" excursion railroad by national standards. The equipment and ride - a vintage 1950's freight diesel, ex-Lackawanna MU coaches, and a six-mile out-and-back ride through a pleasant, but not remarkable, countryside can be replicated in nearly any state simply with a change in vegetation. As an "average" railroad we also expected relatively "average" ridership – which in this era means that a typical annual number would be between 18,000 and 25,000 in a similar situation and market. The fact that the railroad has consistently doubled this performance is remarkable, and while there are criticisms to be made on some points of execution, the likelihood that another operator would "do better" is rather unlikely. Marketing and special events are exceptional in comparison.

The second major credit to the railroad is that while there are points of criticism and open issues, the overall viewpoint of the customer is very positive. Considering the ability of social media to hamstring an operation that does not meet customer expectations, the end results are equally commendable.

### **Relationship of the Railroad to Lebanon**

The majority of excursion railroads that we work with have an aggressive and visible relationship with their home communities, and most of this appears to be pursued by the businesses. In Lebanon, too many customers of the railroad manage to miss the downtown on the first visit, but still plan to return. While the current economic impact numbers may seem to be impressive in comparison, our final impression is that the mutual relationship between the City and the Railroad is still meeting less than half of its potential given its ridership size. There are many, many opportunities for Lebanon businesses to bring downtown customers to the railroad with little additional effort, and the railroad also must recognize that in its mission to support the downtown, it must do all it can within reason to help promote the community that effectively pays for the railroad. Whatever economic impact is present today, the potential for much more is certainly evident.

## Action Plan

During the period of this study it was made clear that the City is under considerable pressure to contain financial costs associated with railroad ownership. Costs for railroad maintenance and bridge repairs have grown over the years, and due to the fact that the City is "first line responder" to any discovered track defects, is immediately responsible to some financial degree any time a problem is discovered.

The City is also concerned about the light rail and bridge conditions, and to what level this prevents freight operations. It was evident to us that freight traffic is not being heavily solicited because of the concern over existing bridge and rail condition, yet the most likely long-term solution for removing the City from the responsibility of railroad infrastructure maintenance is to assist in creating sufficient freight traffic to make the line segment more self-sufficient, and eligible for higher grant levels from ORDC.

For the infrastructure side the immediate plan of action can be outlined as focusing on the ability to at least move freight, and that focuses squarely on resolving the bridge rating issues on Bridge 5.9. The second major infrastructure issue will be to conduct an actual track inspection to determine how many ties would be necessary to raise the track rating to FRA II for tie condition, if not operating speed.

We highly recommend that a joint committee from the railroad and the City investigate regional excursion operations that successfully implement ADA accessibility.

The implementation of some manner of on-board promotion and advertising of Lebanon businesses – whether through placards, existing business brochures, a ‘pennysaver’ type on-board magazine, or other materials – can be done this year. The use of some matter of feedback mechanism via a discount coupon or offer code can help the local merchants recognize a ‘train’ customer in their stores, and therefore the value of the railroad where it is sometimes not recognized.

Likewise, the downtown community can, and should, be including any railroad promotional brochure, etc., available to their customers at the checkout counter, or even as a bag stuffer when it’s clear that the customer is from ‘out of town’. The LM&M’s interest is equally obvious as there is adequate capacity in almost all areas to increase their ridership.

With the lease subject to renewal, one of the key issues for discussion and negotiation will be the practicality of LM&M taking on an increased role in track maintenance in exchange for a lesser payment, in a way that is equitable to both. As long as the projected maintenance costs to the railroad are in excess of the projected lease payments from the railroad, it is certainly in the City’s interest to pursue this.

The essential underlying problem of exclusive City ownership remains that the current and potential economic impact of the railroad is beyond the geographic boundary of the City itself. Additional industrial development land along the corridor, and existing parcels, are a mix of City and County accessibility. Visitor economic impacts extend well beyond the City. While Lebanon is certainly benefitting, they are the exclusive responsible party for ownership. Implementation of any resuscitated freight traffic, or even a commitment of freight traffic, can change the ownership strategy of the railroad, and the underlying financial burden to the City. While freight traffic can effectively remove much of the maintenance and capital cost burden from the City, it will not replace the economic impact that the excursion operation now has. While Lebanon is just the reverse situation, it's important not to neglect what is essentially a proven program and result of the current operation.



# City of Lebanon, Ohio

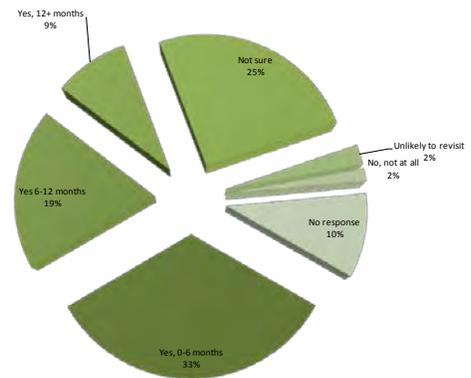
## Economic Costs & Benefits Analysis of the Tourist Rail Operation

### Final Report

### RFQ #13-1789



16. Do you plan to visit Downtown Lebanon again?



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**May 2014**

## City of Lebanon, Ohio

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**APPENDIX**

*Survey Comments*





# City of Lebanon, Ohio

## Economic Costs & Benefits Analysis of the Tourist Rail Operation

### Final Report

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#### The Ridership Survey – Results

##### Methodology

Annual ridership on the LM&M railroad has ranged from 38,000 in 2011 to roughly 50,000 in 2013. To generate a statistically sound ridership survey that can accept a 5% margin of error with 95% confidence requires a minimum sampling size of 382 for a population of 50,000. This target number of roughly 400 ridership surveys was the goal for the 2013 season. That goal number was actually exceeded.

The surveys consist of a hard-copy, multiple-choice survey with single-letter responses, along with a "free form" comment area at the bottom. We typically restrict the survey to the front and back of a single sheet of paper. The survey consists of two basis areas; establishing the demographics and source of the survey taker, and then asking various opinion questions. The third part – the comments, is basically designed to be the 'safety valve' of the process to let riders make free-form commentary on the experience, as we have discovered some significant issues during ridership surveys that were simply not anticipated during survey development.

Questions were developed both by Stone Consulting (partially based on numerous previous surveys with identical questions often in common to all excursion railroads) and specific questions either added or edited by the City of Lebanon through the initial survey process. Questions were reviewed by wording to make sure that neutral and negative options were always available, and on several questions, that multiple responses were also possible where valid.

The physical survey process was accomplished by a Wright State University business and marketing student, working as an intern for Stone Consulting, and neither a resident of the immediate area or connected with the City of Lebanon or the railroad to ensure neutrality. This intern performed the actual process of distributing, explaining, and collecting the paper documents. When passenger loads allowed easy movement through the train, the intern performed on-board survey distribution during the return



trip, with survey collection done as riders left the site. When passenger loads were too heavy to accomplish this method, intercept methods were done on passengers as they departed the site. This was particularly necessary for late-season riders.

To get an accurate survey for the railroad, it was not only necessary to achieve the “400” target total, but also necessary to recognize that the railroad offers different products which attract different customers. We began the final survey effort to include the final weeks of “Thomas the Tank Engine” in September 2013, and extended the survey period through December 22<sup>nd</sup>. This meant that a survey distribution included the two key ridership peaks of the season – a “Day out with Thomas” event, and the 4<sup>th</sup> Quarter pumpkin and Christmas specials.

A total of 470 surveys based on the ridership total decrease the margin of error statistically to 4.5%. Totals were also compared by seasonal batches and also some zip code separation tests. Total responses were examined for consistency across survey batches.

<b>LM&amp;M Survey Counts</b>		
<b>Date</b>	<b>Surveys</b>	<b>Event</b>
Friday, September 06, 2013	73	Thomas
Saturday, September 07, 2013	53	Thomas
Wednesday, October 09, 2013	22	Pumpkin
Friday, October 11, 2013	35	Pumpkin
Saturday, October 12, 2013	18	Pumpkin
Sunday, October 13, 2013	17	Pumpkin
Saturday, October 19, 2013	23	Pumpkin
Friday, October 25, 2013	25	
Saturday, October 26, 2013	18	Pumpkin
Friday, November 08, 2013	26	
Saturday, November 09, 2013	24	
Saturday, November 30, 2013	28	North Pole
Sunday, December 01, 2013	26	North Pole
Saturday, December 14, 2013	22	North Pole
Sunday, December 15, 2013	5	North Pole
Saturday, December 21, 2013	26	North Pole
Sunday, December 22, 2013	29	North Pole

**470**



Completed surveys were forwarded to Stone Consulting for data entry into their software. Surveys are entered into a screen-entry database program that produces a readable text character file, and that readable character file is consolidated and totaled on a system written by Stone Consulting that allows data separation and analysis by single field selection responses or multiple field responses. Within statistical limits, this allows queries of the survey responses to check statistical results by groups, and also to see what correlations might be present. In this survey, it was particularly important to analyze results by offering, as the demographics and behavior between late September (Thomas) and later events proved to be different in visitor spending. It was also important to analyze the visitor spending average of non-local zip code responses rather than necessarily adding them into the totals to see what true visitor spending trends really were.

Throughout the survey results commentary below, we wanted to highlight two basic issues that emerged during the survey process: First, the LM&M is not a 'typical' excursion railroad in the ridership it attracts or its impacts as compared to other railroads we have seen; and second that the railroad had some notable seasonal variation in responses that means the community needs to be better-tuned to the railroad to take advantage of the visitors that it does bring.



## Survey Form



**2013 Railroad Ridership Survey**

Today's Date: \_\_\_/\_\_\_/\_\_\_

*The City of Lebanon and the LM&M Railroad thanks you for your visit and values your opinion and ideas. We want to make this a better visitor experience with your help. We need to know more about you and how you found us, how well we did, and what you would like to see us do!*

**Instructions:**

Please pick a letter that best answers the question and write it in the box at right.  
Please select more than one answer if appropriate.

1. Your home Zip code, first five digits only:
  
2. Your age:
 

A. Under 18	D. 50-64	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. 18-34	E. 65-or older	
C. 35-49		
  
3. How many times have you visited the LM&M Railroad before?
 

A. Never before	C. 2-5 times	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Once before	D. More than 5 times	
  
4. I learned about the LM&M Railway from:
 

A. Friend or acquaintance	F. Internet / website / Facebook information	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Warren Co Ohio Tourism Pkg.	G. Kings Island/Wolf Lodge pkg	
C. Ohio Tourism Pkg.	H. Brochure / rack card (at _____)	
D. Newspaper _____	I. Tourist Train guidebook	
E. Radio Station _____	J. Other _____	
  
5. Who else is traveling with you today? (if alone, leave blank)
 

A. Friend or acquaintance	E. Children 12-18 years old	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Spouse	F. Other relatives	
C. Children 0-5 years	G. Tour group	
D. Children 6-11 years	H. Other _____	
  
6. What is your primary trip destination?
 

A. LM&M Railroad	E. Other local attraction (Which one? _____)	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Lebanon shopping/dining	F. Dayton OH area	
C. Great Wolf Lodge waterpark	G. Cincinnati OH area	
D. Kings Island amusement park	H. Out of region	
  
7. Tonight's overnight lodging will be:
 

A. Home	E. Other Lebanon B&B	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Friends/Relatives	F. Mason area	
C. Lebanon Golden Lamb	G. Other Ohio lodging	
D. Lebanon Shaker Inn	H. Out of state	
  
8. What is your primary reason for visiting the LM&M Railroad?
 

A. Train ride "fun" activity/event	D. Local history interest	<input style="width: 40px; height: 20px; border: 1px solid black;" type="text"/>
B. Educational trip	E. Convenient to other destinations	
C. Railfan / rail enthusiast	F. Other	

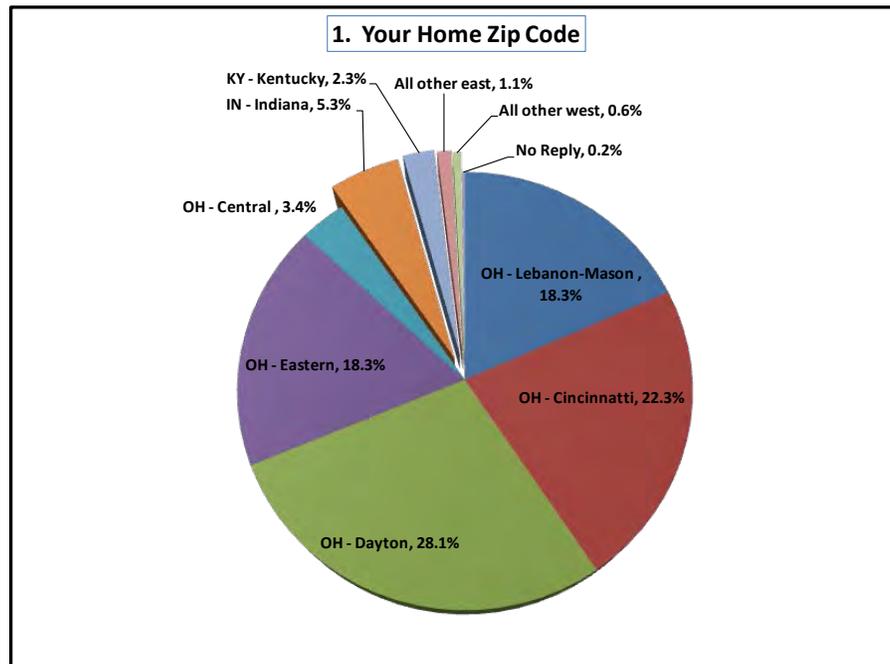
PLEASE TURN PAGE OVER - MORE QUESTIONS ON BACK

9. What did you like best about the LM&M Railroad?  
 A. Train ride itself                      D. Other (see comments below)  
 B. Old train equipment                      E. Liked it in general  
 C. Special event theme                      F. None - no positive issues
- 
10. What would you most like to see improved at the Railroad?  
 A. Activity too short - make longer      E. Equipment condition  
 B. Activity too long - make shorter      F. Facilities/visitor services  
 C. Add new equipment/trains              G. No improvements necessary  
 D. Museum type display building      H. Other (see comments below)
- 
11. Do you think the train ride was a good value for the price paid?  
 A. Yes    B. No
- 
12. What else did you visit in Downtown Lebanon today?  
 (list any that apply)  
 A. Downtown restaurants                  D. Museum  
 B. Antique stores                              E. Library  
 C. Other retail shops                          F. Other (see comments)
- 
13. What would you like to see in Downtown Lebanon to enhance your visit here?  
 (list any that apply)  
 A. More varied retail                          D. Additional lodging available  
 B. Stores open after train trip              E. Downtown shuttle from station  
 C. Stores open before train trip              F. Other (see comments)
- 
14. Your approximate spending (except for the train ticket) in the Downtown Lebanon area today will be:  
 A. Less than \$5                                  D. \$50-\$99  
 B. \$5-\$19    E. \$100-\$199  
 C. \$20-\$49    F. \$200 - above
- 
15. Do you plan to visit the LM&M Railroad again?  
 A. Yes, regular visit                              D. Not sure  
 B. Yes, special event                              E. Unlikely to visit again  
 C. Probably, at some future time              F. No, not at all
- 
16. Do you plan to visit Downtown Lebanon again?  
 A. Yes, 0-6 months                                  D. Not sure  
 B. Yes, 6-12 months                                  E. Unlikely to visit again  
 C. Yes, 12+ months                                  F. No, not at all
- 
17. Other notes or remarks on LM&M Railroad/Downtown Lebanon:
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

lmmsr2



## Response to Questions



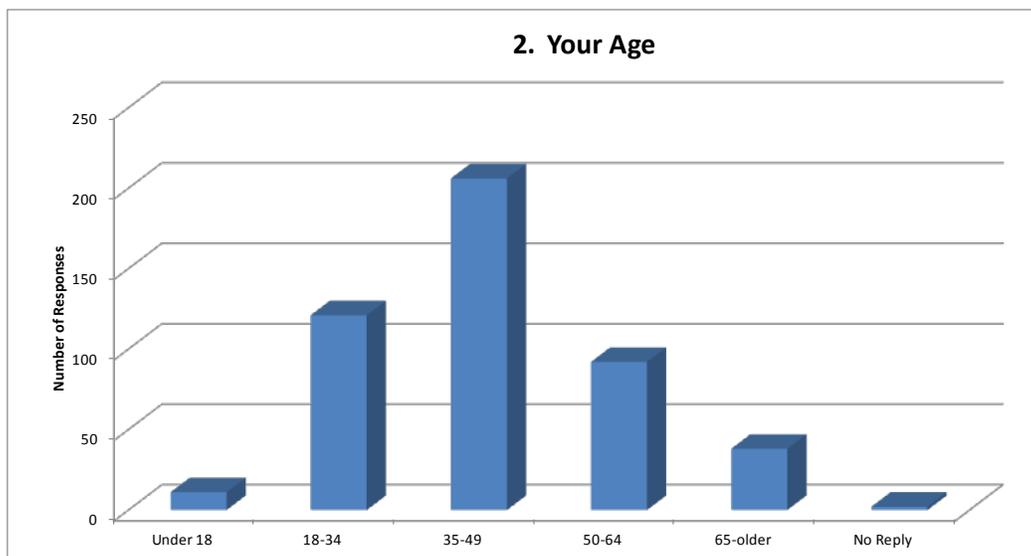
### 1). Zip Code Analysis

Riders were asked to record their home zip code in an effort to determine where visitors originate. This was validated against the national zip code database and stratified by the first three digits so that larger regions and metro areas could be identified easily. These three-digit markets were totaled as separate areas for comparison.

While most excursion railroads have a definitive regional market, and then a secondary national one based on pass thru tourism flows to other destinations, the LM&M is different. Unlike any excursion railroad previously measured, the LM&M is profoundly local market and day-trip in nature. Not surprisingly, this is completely in line with the advertising and programming, essentially a day-trip special-event experience rather than a true destination-style scenic railroad.

The numbers are relatively consistent, and for us at least, rather astounding. Taken in whole, the railroad is nearly entirely Ohio-based, with just over 90% Ohio-responding zip codes – leaving 10% for neighboring states and the entire US. Over 50% of the ridership came from the prime zip code markets of Cincinnati and Dayton, and 18% came from the 450-series of zip codes in the immediate Lebanon – Mason region. Out-of-state riders when surveyed were only 9.4% of the ridership. In comparison, a ‘destination’ excursion railroad like the Western Maryland Scenic Railroad in Cumberland MD drew 58% out-of-state riders in 2005.

If economic impact for Lebanon were solely based on lodging and overnights stays, this would be a relatively catastrophic finding. Question #7 addresses the overnight stay locations, and it corresponds to this overwhelmingly local/regional market. What it does mean for Lebanon is that it is an accessible and repeat market for shoppers in the region – and for the local stores – and that’s equally unusual. While a typical tourist railroad has a 50% mix of local/regional special events and a 50% distant market (if not more), the ability to get a second visit from a customer is realistically rather remote. Here, for retail sales typically seen in Lebanon, it is actually a positive. The great majority of the customers that the railroad attracts into Lebanon are apparently close enough for a return visit – not a typical situation. The marketing focus on close-in riders for special events defines how the community can effectively work with the railroad.

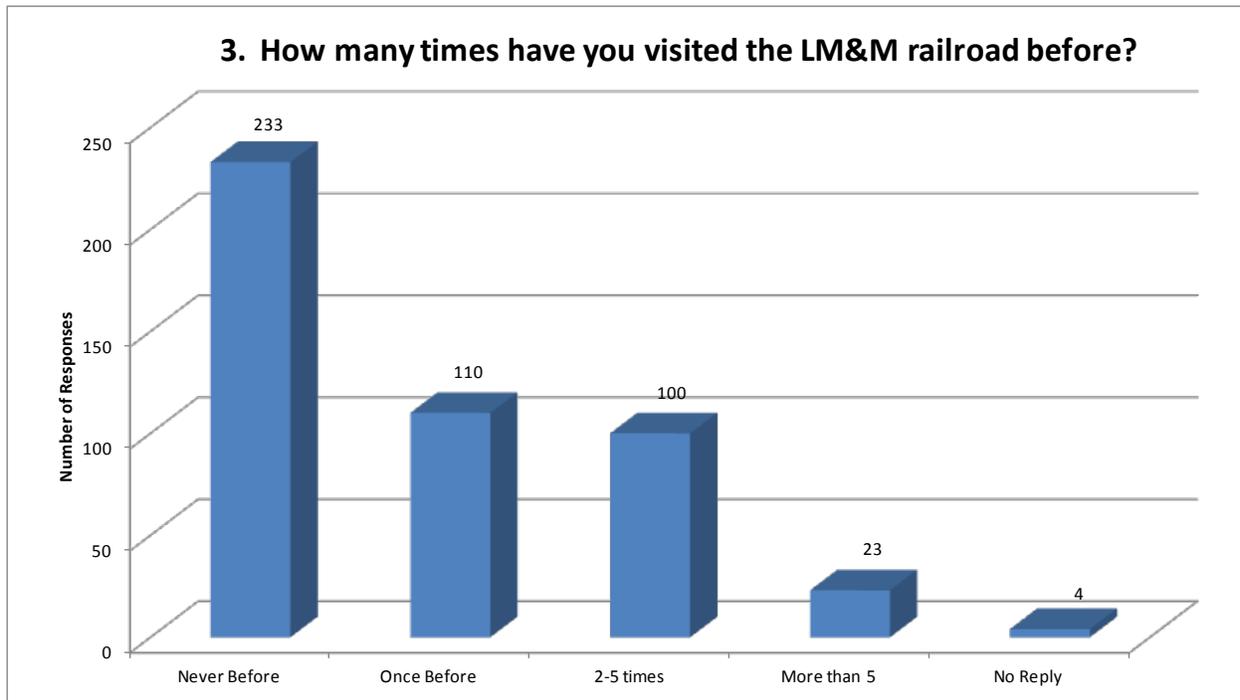


## 2). Your Age?

Survey responders could make one choice. While there are preconceptions that train riders come for either nostalgia or to relive personal history, that is not particularly true for the LM&M. Because of the child-based special events, the surveyed passenger age is significantly younger than a typical excursion railroad base. Early-season Thomas and fall riders were 71% under 60, and late season riders were 80% under 50 with Christmas events. This is effectively the age of the parents bringing the children to the events, mixed with some adult entertainment events. It is very much not a retirement-age crowd.

This may or may not mix well with the prime target markets for the majority of the retail outlets and services in Lebanon. The ‘younger families with children’ will have specific interests in shopping that older adults without children do not necessarily share.

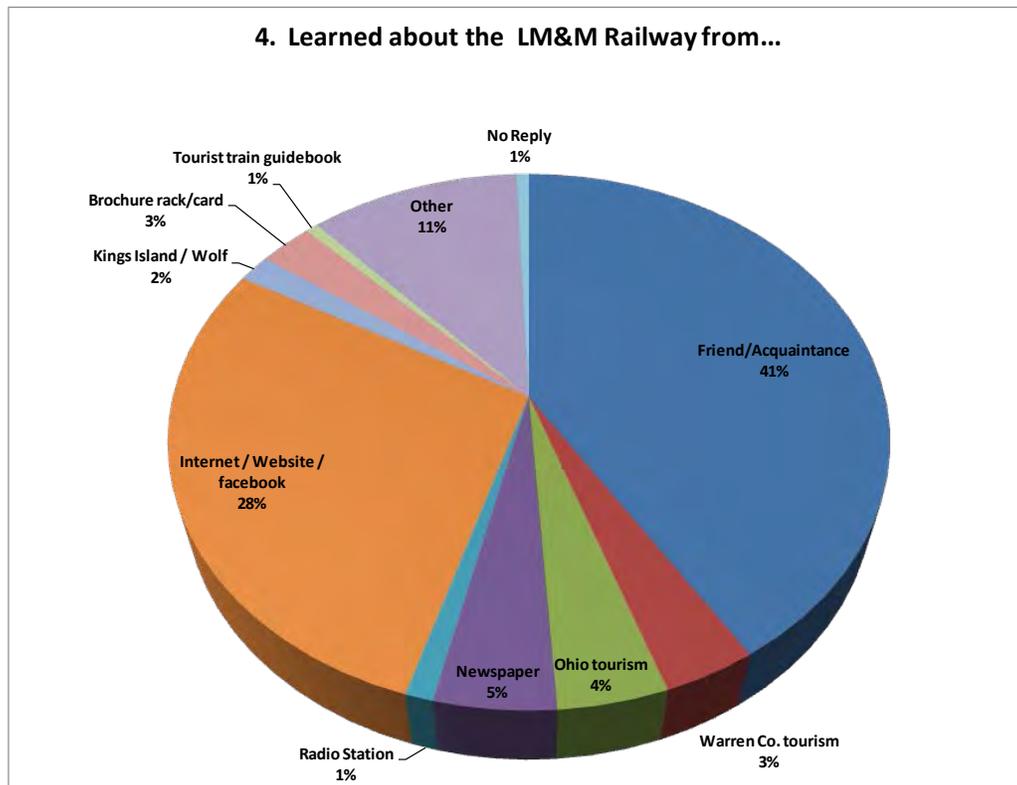
Businesses that wish to attract the railroad crowd need to adjust their offerings and opportunities to this age group, when they realize it is there in large numbers.



### 3). How many times have you visited the LM&M railroad before?

It's not unusual at all for an excursion railroad to have this response relatively high; the first 'train ride' experience for most riders is typical. Out of 470 responses, almost 50% had never ridden the railroad before. This is a high percentage; it also corresponds to the linkage with younger parents looking for a new activity. Combined with high responses on what the primary destination on Question #6 and the plan to revisit Lebanon on Question #16, it paints a consistent image for recognizing the railroad for the first-visit generator to Lebanon that it really is.

The effectiveness of the railroad in bringing in regional Ohio residents into the town is very high; this is in distinct contrast to the typical excursion railroad that gets either one lifetime visit or one visit per year, and draws from a much farther distance. While the economic impact from that kind of visitor is significant on lodging/overnight stay, it rarely generates repeat retail if NOT paired with a railroad activity. Lebanon is definitely different; this combination is far better for generating a repeat, non-railroad visit.



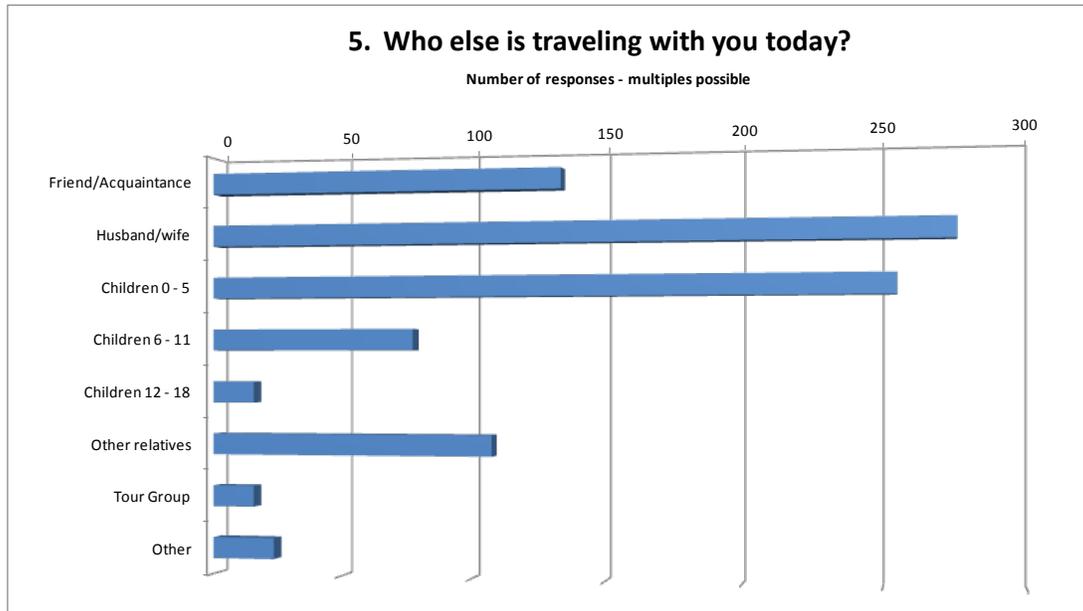
**4). I learned about the LM&M Railway from..... (one response)**

Most excursion railroads take a great deal of pride in their marketing, and it's not uncommon to have a range of expenditures for direct marketing expense exceeding \$1.00 per rider or significantly more. The effectiveness of that paid marketing effort is always a key issue, so survey feedback is critical not only for the community but also for the railroad in determining their marketing success.

Despite paid marketing efforts success, it's not uncommon for excursion railroad riders to typically respond to this question with 40% or more via 'word of mouth'. While the paid marketing effort gets the majority of attention, the railroad's own customers still are the largest single source of information. For the LM&M, it's even a bit higher – possibly due to the rise and effectiveness of social media and Facebook – to 41% overall and 45% for the later fall/Christmas season. That's not necessarily untypical.

And while the 'Internet/Facebook' effectiveness of promotion has been growing steadily for all excursion operations, this survey set a new high standard for that response – with over 28% responding 'Internet / Website / Facebook' information. The railroad's Facebook presence is particularly strong, fits the target market demographics well, is regularly responded to, and is a prime example of how it should be done for this kind of event-based operation. Facebook postings are frequent, responded to, and obviously monitored well.

Interestingly enough, no single paid-media response of any kind drew even 5%. The ‘Other’ responses (52) at 11% varied wildly from a significant number of ‘live here’, to a nice response from a ‘mystery tour’ group that showed up in the fall. But the direct marketing of the railroad is almost entirely regional, and that shows in these responses.



### 5). Who else is traveling with you today?

As opposed to the person actually filling out the survey, who else is in the travel group? While the survey responder demographics usually fall to the decision maker, there are almost always other people in a group that didn’t fill out a survey themselves. In particular, smaller children that are a target market do not get represented without this kind of question. This question could have multiple responses so the totals are always more than the survey counts, but it helps establish the demographics of the entire population, not just the survey-takers themselves.

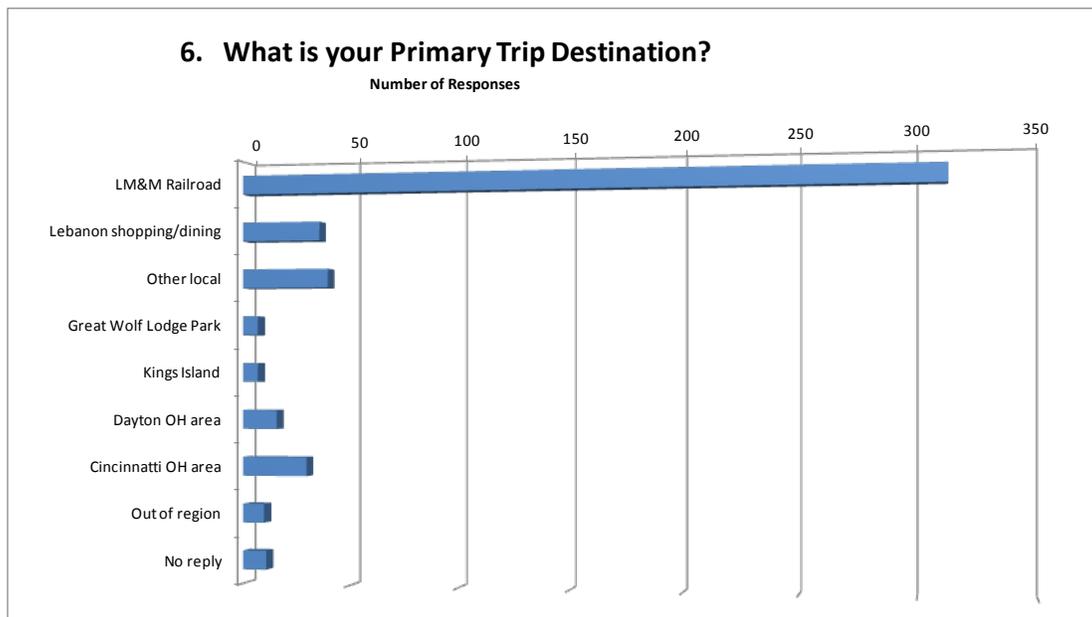
Toward that, the railroad is overwhelmingly a young-family event; which shouldn’t be surprising when the primary events are Thomas, PBS-type characters, Halloween, and Christmas. 28% had spouses present and 54% had children 0-5 years of age; 16% had children 5-11 years of age, and there definitely was a noticeably older group of children at Christmas as compared to Thomas, which validates a rather obvious difference in the program.

The surprise, if any, is that the older-adult, retiree, excursion traveler usually found on excursion railroads across the US really isn’t here in a majority. Most excursion railroads have a mix of riders with about 40% special events and 60% conventional excursions with that older demographic. That typical split here with the younger

special-event demographic was particularly noticeable in this question when ‘Other relatives’ were only 23% and the 65-up age responders were only 8%.

The reason that this impacts Lebanon is that a more ‘typical’ age demographic (45-60) responds to our surveys with the #1 ‘Other’ activity as shopping – and the number one shopping destination is often antiques. Stone Consulting has worked with previous new-start excursion railroads where a proximity to strong antique retail store centers has been a leading indicator to sustained success. There certainly appears to be a convergence on that market to an excursion-train experience in our other surveys where asking ‘What other activities do you enjoy?’ to existing riders. In Lebanon, that market convergence is not readily apparent, at least during this survey period, and that is one of the outstanding issues toward economic impact and what we expected to see, and didn’t.

Passengers traveling with such young children focus on them entirely, making it far more difficult to make a spontaneous decision for downtown shopping with small children in tow. Food, however, is of paramount importance and makes it far easier to draw the first-time rider downtown with proper information. A return visit to Lebanon for the decision-maker depends on information, and whether the information about what’s available in the community to justify a return visit is provided during this first visit.



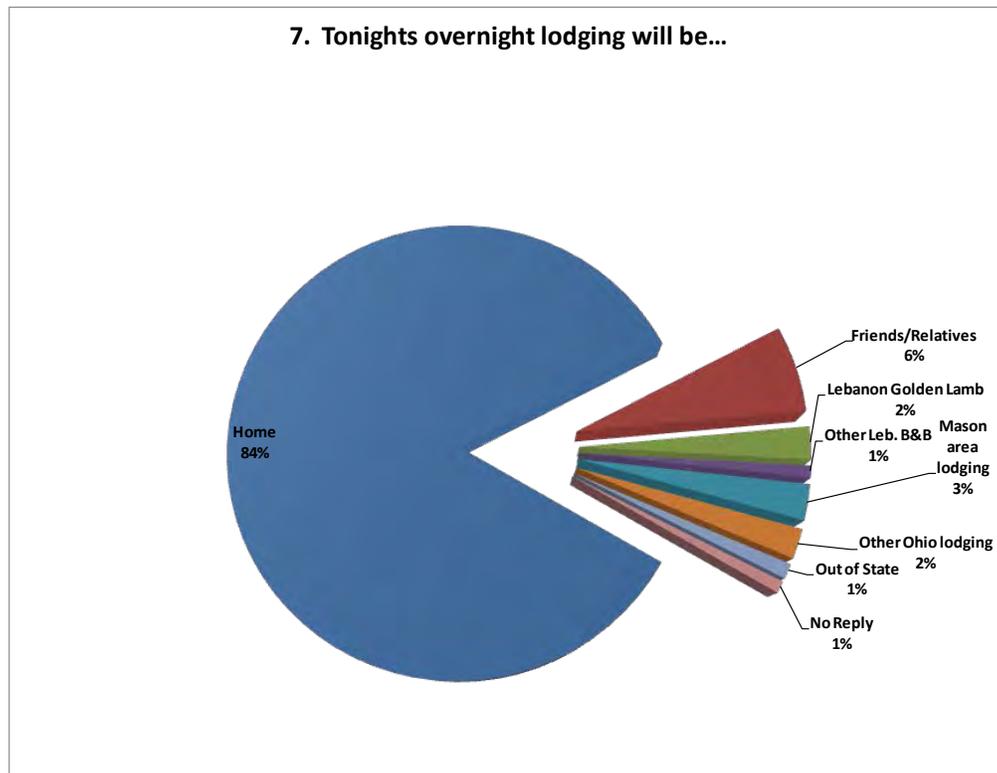
## **6.) What is your primary trip destination?**

This question attempts to answer the usual ‘chicken and egg’ debate of whether people come to Lebanon and find the train there, or come for the train and then find Lebanon. Many communities and related attractions believe that they already provide sufficient reason for coming that the train riders would come without the train; and/or that the train is even a distraction from time that visitors could otherwise be shopping. This question attempts to clarify that public impression.

The overwhelming survey response that the primary destination was the railroad (67%) – not the downtown Lebanon shopping (7.7%) or other local destination attractions (8.5%), should be sufficient to identify the railroad as the primary reason for the train riders coming here. This is critical in understanding the impact if the train were no longer there; this means these visitors simply are not coming at all. Simply put, the visitors come for the train and discover the town in the process.

This is not unusual by any respect; of all tourist railroads surveyed since 1992, only two have had survey responses where the ‘railroad vs. the destination area’ even tied in survey responses, and both of those were exceptionally strong tourism markets that did not necessarily coincide with the presence of an excursion railroad; the Virginia and Truckee in Virginia City NV, and the Gettysburg Railroad in Gettysburg PA. At those locations it could truly be argued if the railroad was originating visitors or benefitting from the ones that had already made the decision to come anyway.

For Lebanon, this is a reminder that this is a population of visitors coming for the train that have generally never been here before, have no idea what Lebanon has to offer as a destination, and are totally under the control of whatever information can be provided to them on this first visit. That perspective cannot be underlined enough, as the effectiveness of the community in understanding that situation governs nearly all aspects of maximizing the economic impact potential and addressing problems that exist.



### 7). Tonight's overnight lodging will be....

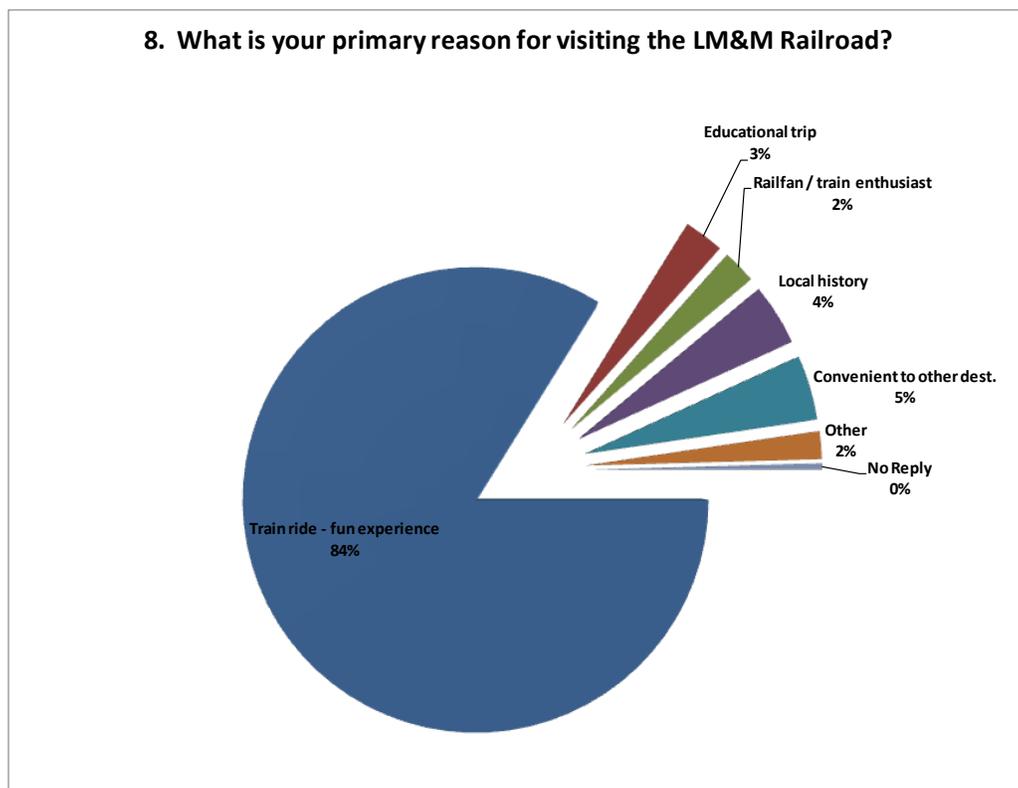
For most economic impact analysis exercises, this is one of the most critical questions of all. The dollars spent by visitors in a community or a region expand exponentially if the trip develops into an overnight stay. As bed taxes are often levied that pay for community tourism development, those overnight stays translate directly into more funding for tourism promotion. So, this has evolved into a very standard question on our surveys that are often commissioned by those tourism agencies.

After the Question #1 responses on zip codes (overwhelmingly in the day-trip range), it wasn't surprising that the vast majority of responses (84%) answered 'home' as where they would be staying tonight, and another 6.4% staying with friends or relatives. For the typical economic impact analysis for a tourist railroad, this is a near-crisis response, as the major economic impact target is developing that overnight stay.

But within Lebanon, the only two local lodging choices available within the economic impact study area are the Golden Lamb hotel and the Shaker Inn, both of which are considered to be 'downtown' in nature. The Golden Lamb did result in 11 specific survey responses out of the 400, which while not necessarily significant as a majority response, becomes a lot more significant in terms of impact on the larger ridership population in total to determine economic impact from local overnight stays against total ridership.

Separating the survey responses seasonally also indicated that the later-season (post-October) activities such as the Christmas trains resulted in a small, but noticeably larger overnight stay percentage increase. This is not unusual, as Christmas-season railroad activities with lights and special events are often run later in the day, which greatly increases the likelihood of a stay over. This statistic was also verified directly with the Golden Lamb and our conclusion was verified.

As Lebanon’s primary benefit remains retail rather than overnight lodging, this isn’t as critical as it otherwise might be, but for comparison, the same 2005 Western Maryland Scenic Railroad survey of riders indicated a stayover rate of nearly 60% - the result of marketing to distant metro areas, trip duration, and timing.



### 8). What is your primary reason for visiting the LM&M Railroad?

While a community may idealize that their local excursion railroad is deeply rooted in local history, or that the majority of the individuals interested in it are train enthusiasts, the truth of the matter is that for the vast majority of visitors, the train is just something different and fun to do. That’s certainly true here, where 84% responded that it was a ‘train ride “fun” activity/event’. The only competition to that response was a 12% response for late-season riders that it was convenient to other destinations.

No other response of history or education came to double digits, and the ‘Railfan/Rail enthusiast’ response only gathered 2.3%. That’s important to measure because there’s a persistent public impression that rail enthusiasts make a substantial part of the market when the reality is that they do not. No excursion railroad in the US that we have surveyed has ever recorded above 5% that identify themselves as “rail enthusiasts”.

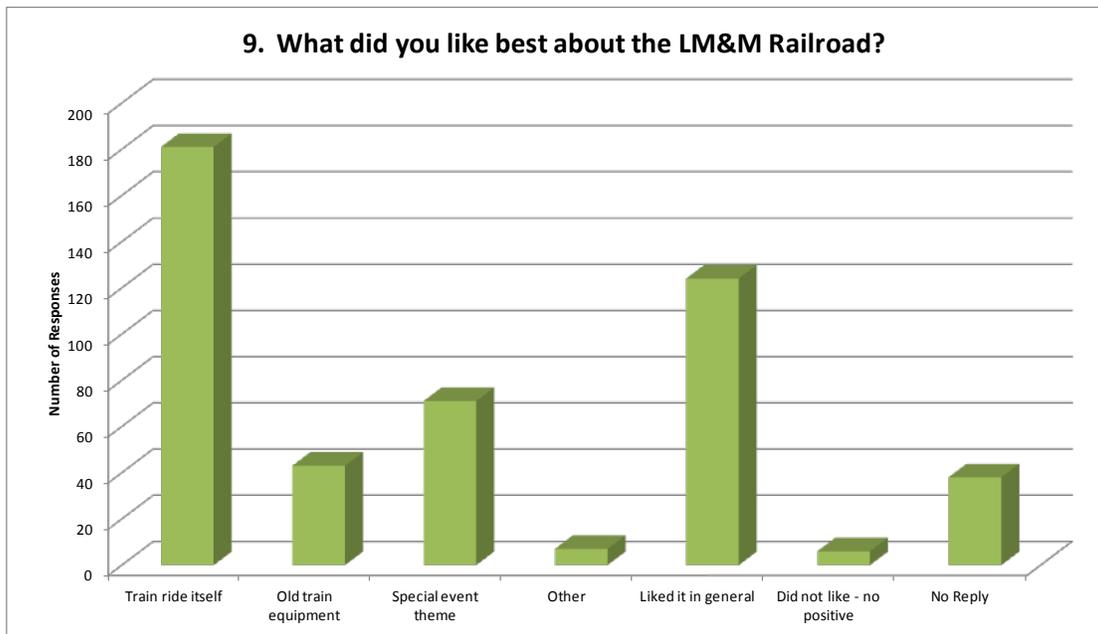
So while certain individuals may passionately defend their viewpoint, the market regards the railroad as another family entertainment venue. That’s important to remember for the community when they are serving as hosts – people are simply here for a fun experience.

A unique contributing factor to this response is that this geographic region of Ohio is very poorly served by commercial passenger rail. Amtrak’s *Lake Shore Limited* and *Capitol Limited* are routed Chicago-Cleveland and east, and while the *Cardinal* is routed through Cincinnati, it is scheduled between 1 and 3AM in both directions.<sup>1</sup> This means that for the target markets of the LM&M (Cincinnati – Dayton) any daylight train ride is a novelty. This is not necessarily a typical response nationally, but highly sensitive to geography, proximity to commuter train or other tourist railroads, etc. Central and southwest Ohio have relatively few opportunities to ride a train, period. This is completely different in a market like Chicago, where hundreds of commuter train departures make a first train ride a completely different situation.

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<sup>1</sup> Amtrak schedule posted 1/14/2014: <http://www.amtrak.com/ccurl/213/805/Cardinal-Hoosier-State-Schedule-011314.pdf>



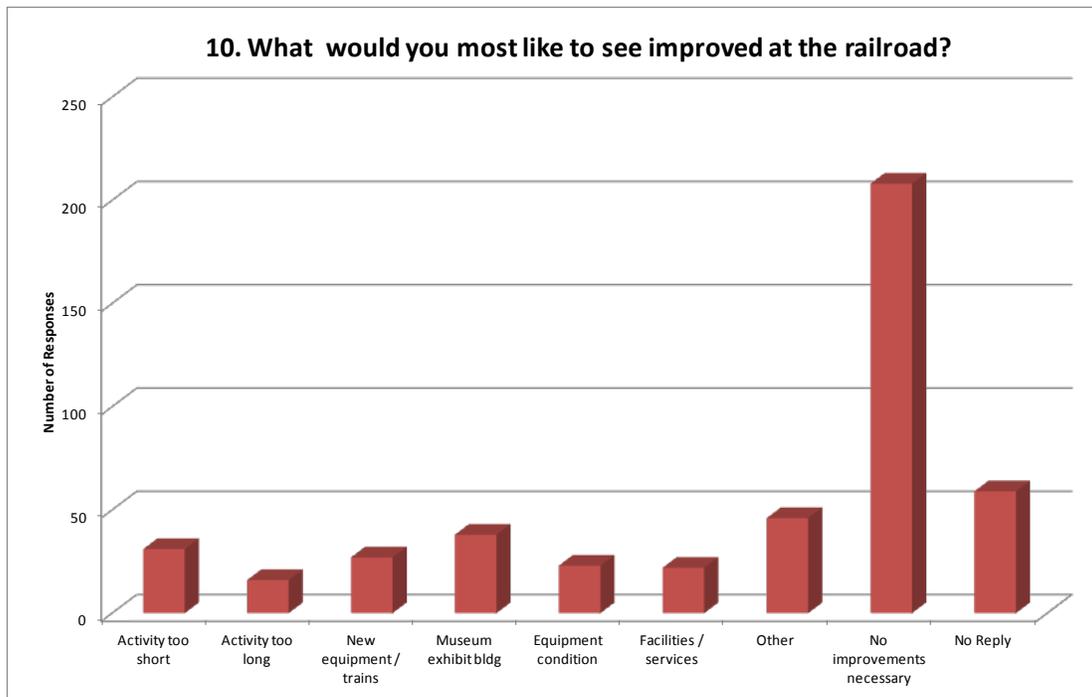


### 9) What did you like best about the LM&M Railroad?

While this is nearly redundant with Question #8, it also discloses that there's simply a general interest in simply riding the train, with 'train ride itself' getting the majority at 38.5%, 'liked it in general' at 26.4%, and 'special events theme' at 15%. The special events theme response is higher than typical, and it was noticeably higher for the summer/Thomas season than later in the year.

'Old train equipment' only managed a double-digit response, so there was at least some acknowledgement of the reality and actual history of the equipment from the rider's eyes – this was a positive response to what can sometimes be a negative issue.

Special events themes solidly responded with 15%. That combination of the train ride novelty within Ohio with a special event hits a solid chord with this regional market – explaining the overall relatively high ridership for an otherwise middle-range population area.



### 10). What would you most like to see improved at the Railroad?

One of the hazards of being a consulting firm is the tendency to hone-in on specific comparative issues and observations that would appear to be negatives to the public and immediately recommend changes. The test of those theories, however, is to see if the ridership in general has similar reactions. We've learned to simply ask first.

In some surveys, the immediate responses to such seemingly obvious issues are overwhelming, as on the Western Maryland where over 50% of the ridership indicated that the 'ride was too long'; the railroad responded with many special events within a two-hour elapsed timeframe to better serve that market.

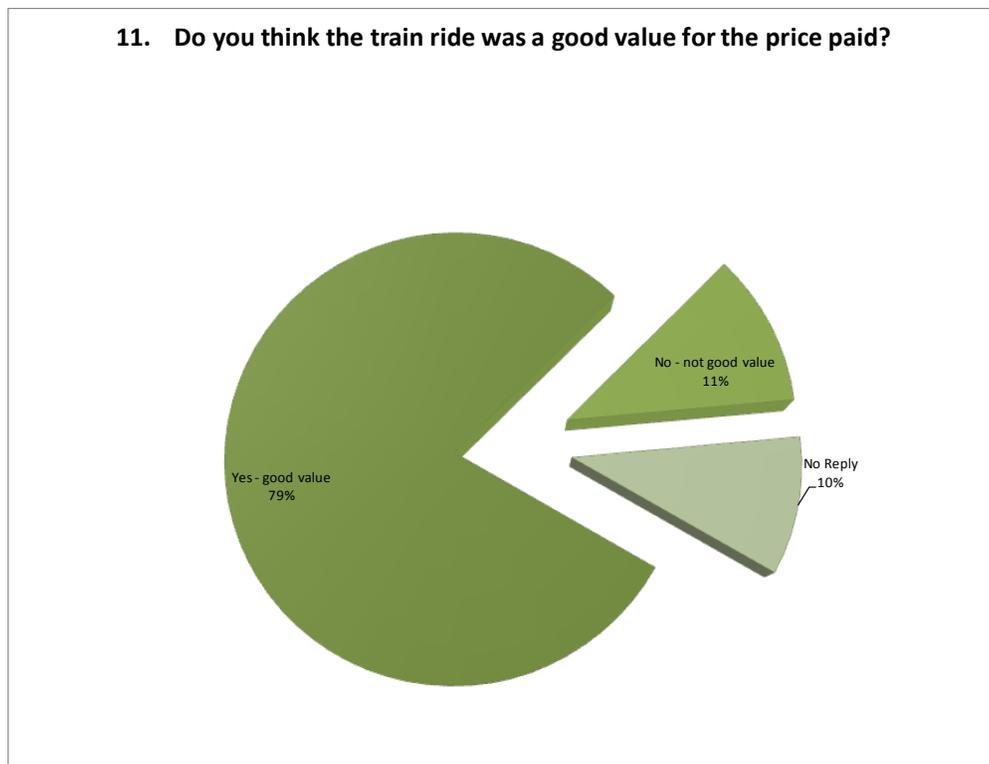
In the case of the LM&M, while there were responses all across the board on the available answers, none of the consultant-suggested responses even drew 10% of the survey totals and 44% said that no improvements were necessary at all. All told that is a rather astounding response and not typical at all compared to most surveys. 'Other' issues led the survey response, necessitating looking at the individual written comment responses to see what was actually concerning the riders of the LM&M.

During the earlier season to Oct. 22<sup>nd</sup>, 'Other' drew over 12%. Comments that were complaints seemed to hone in on two very specific seasonal issues – lack of heat on board the cars, and the quality of food at the Mason restaurant for a special event. The heat issue in particular seemed to be the most common response and drew some emphatic comments. The dissatisfaction with the food, if not a well-known issue,

should be researched further with LM&M management as this was similarly recorded in the written comments.

During the later (Halloween and Christmas) season the ‘no improvements necessary’ rose to a remarkable 58.6% response rate – this is a rather satisfied group for this event time.

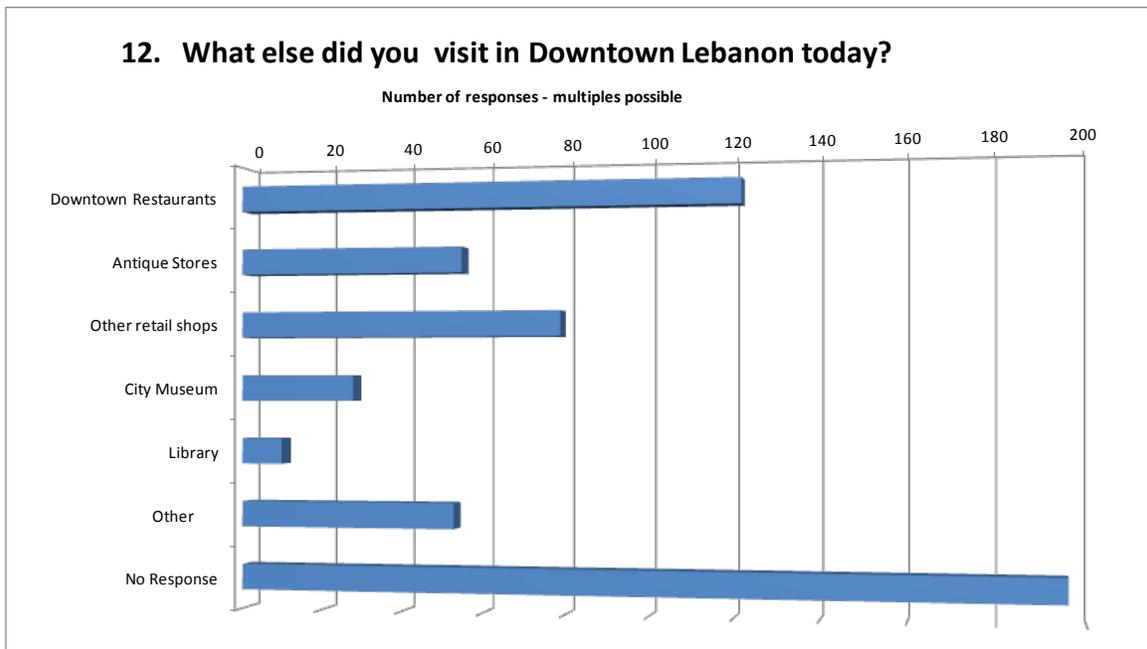
There was a solid response to the ‘museum exhibit building’ selection of 8%; some validation of our impression that there was very little available anywhere around the railroad to indicate what the town or railroad looked like in the historical period. The absence of such displays near an excursion railroad is unusual in our opinion and it is shared by at least some of the riders.



**11). Do you think the train ride was a good value for the price paid?**

This is one of the more-blunt questions ever asked on a ridership survey, and requested on the survey by the city – along with an equally blunt choice – yes or no.

Overall, 79% rated it as a good value, 10% did not respond, and 11% said no. The ‘good value’ numbers were actually higher later in the year than earlier, and crested at 88.6% later in the season for non-local zip codes. While that’s a pretty solid favorable rating for the project, it still discloses that there are some concerns about value in the excursion. It’s not unanimous.

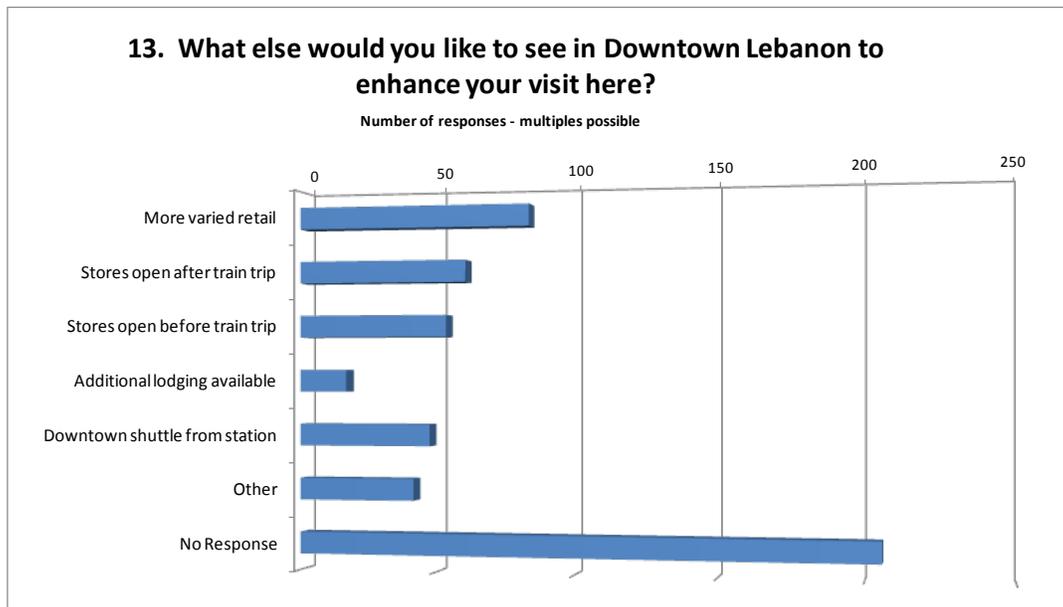


**12). What else did you visit in Downtown Lebanon today?**

This question allowed multiple responses rather than a single response, and allowed responses for downtown restaurants, antique stores, other retail shops, the museum, library, and Other. The ‘Other’ was left to make sure the survey wasn’t missing something obvious; it managed to get 8.9% overall.

‘Restaurants’ won easily with 26% responding positively and very much contributing to the downtown and economic impacts, as you don’t really window-shop at a restaurant. ‘Other retail’ came in second with a consistent 16.8% across the season, and ‘Antique Stores’ came in third at 11%. But the big concern is that 41% did not respond at all – effectively answering that they did not visit anything at all downtown during this trip. That’s a big issue in economic impact for Lebanon.

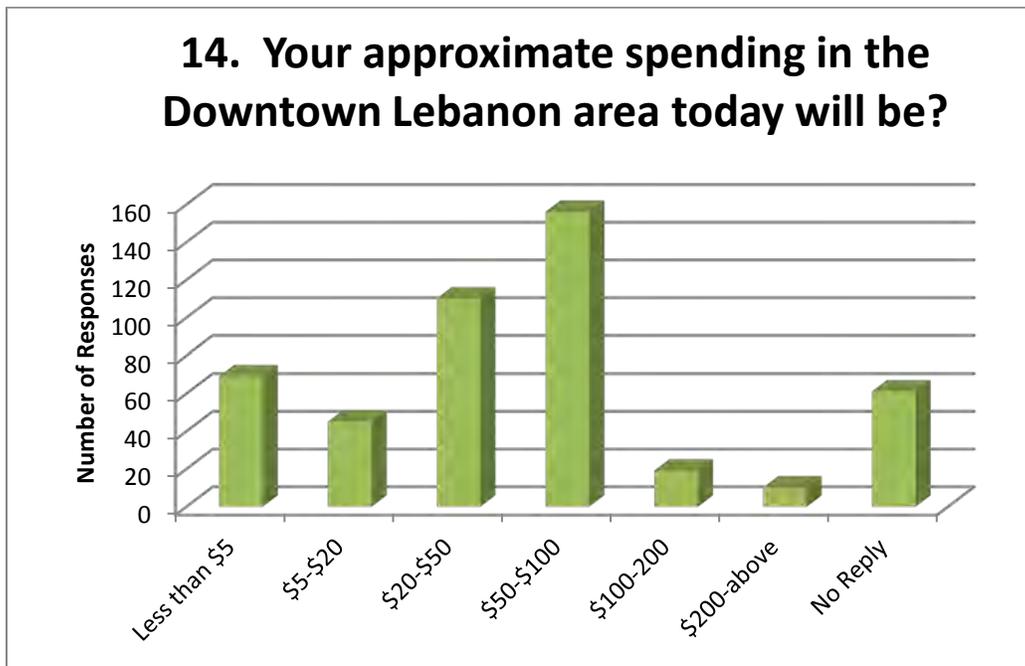
Our conclusions from this are very much concerned that the ‘first visit’ riders are not making an effective connection to downtown, even if the impressions of downtown, and the railroad, are actually rather favorable. In this case, the economic impacts are not necessarily harvested on this first trip into town, as subsequent questions would indicate that a return visit may be much more likely at a later date.



**13). What would you like to see in Downtown Lebanon to enhance your visit here?**

This was another multiple-response question that allowed responses of more retail, stores open after train trip, before train trip, additional lodging, downtown shuttle, and other (encouraging free-form comments).

This question was deliberately designed to encourage commentary on what was missing. Our personal observations on the weekend traffic and business hours did get responses: 11.5% responded that they wanted stores open before the train trip and 13% after. That's a significant number of people in the downtown that the railroad delivered to the town only to find closed doors. 'Other' only managed to yield 8.9%; 17.9% wanted to see more varied retail. Perhaps the most telling indicator was a no-response rate of 43.8% that basically corresponded with the 'no response' on Question #12. That can be interpreted either as to "nothing was missing", or that "they didn't look".



**14). Your approximate spending (except for the train ticket) in the Downtown Lebanon area today will be:**

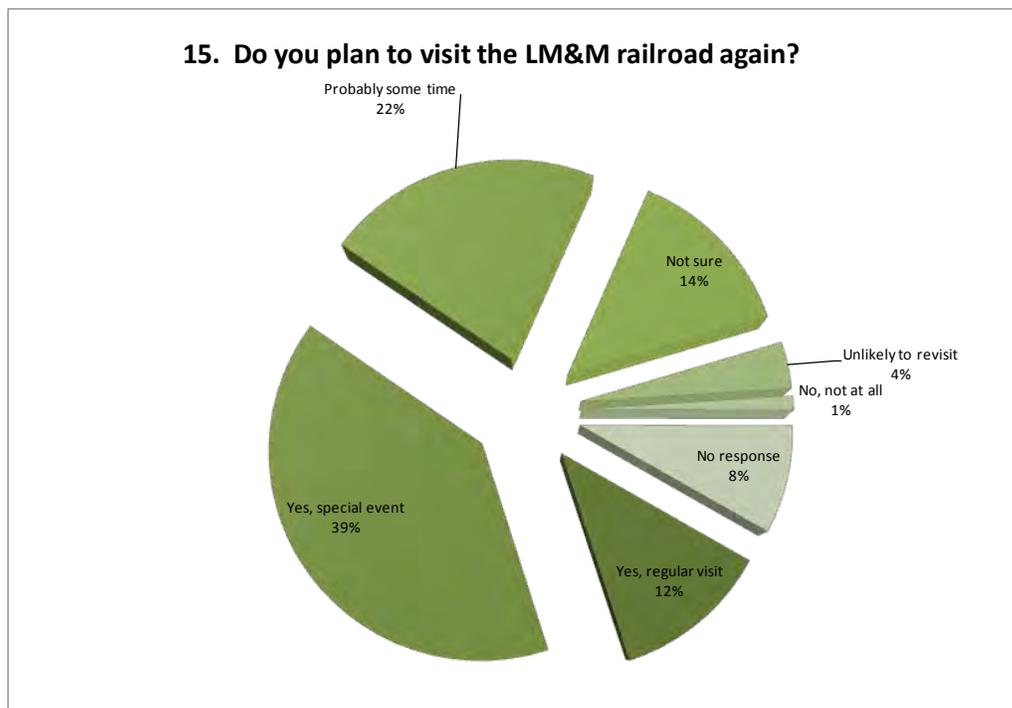
This is a single-answer response that bracketed in the less than \$5, \$5-19, \$20-49, \$50,99, \$100-199, and higher brackets. This response is relatively key to seeing how the actual visitor spending *as perceived by the visitor* lines up with typical visitor patterns used for economic impacts. When these responses are available, we prefer to use these for economic impact analysis rather than visitor standards, as they are a more precise indicator of actual behavior of a population.

The key factor in this response should be, and is, on whether the visitor is eating, purchasing, and possibly staying in the downtown area.

This response had a big seasonality difference between the late-summer season and the fall-winter-season, effectively indicating that the 4<sup>th</sup> quarter visitors were possibly spending, on the average, double what the early season visitors were. This also corresponded with the overnight stays, restaurant behavior, etc. The reason for that difference is often fairly obvious – any special event that operates later in the day such as Christmas specials, dinner operations, and later pumpkin trains puts the visitor back into downtown at a later hour, creating more spending in the immediate downtown area for food and lodging. While this isn't a tremendous factor in Lebanon, other tourist railroads operating later-evening Christmas specials have proven a tremendous economic impact by building overnight stays. The understanding of this factor can greatly be leveraged by the community, particularly when the impression is that a

tourist railroad tends to be a summer, peak-season enterprise when the reality is that in today's world, the 4<sup>th</sup> quarter now typically produces the most revenue and passengers.

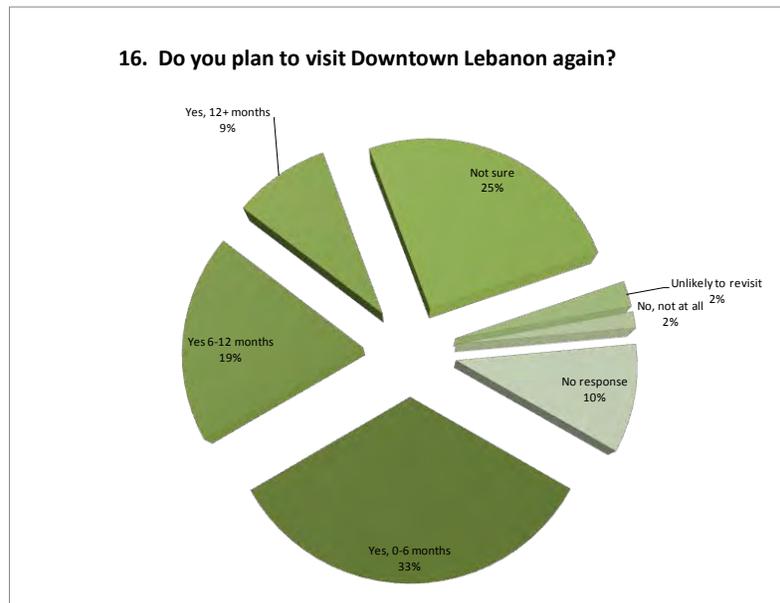
Overall, the per-visitor spending in Lebanon is still less than the average railroad. That's primarily due to the survey focus purely on the downtown area, and also on the high percentages of day-trip visitors rather than overnight stays. Even so, the "bump" that was present on overnight stays in the 4<sup>th</sup> quarter made a significant difference in the economic impact calculations. Minor adjustments in the events offered and the schedules can still have major impacts on the community.



### 15.) Do you plan to visit the LM&M Railroad again?

This was a single-response question that ranged the answers from 'yes, a regular visit', to 'no, not at all'. This is a rather standard question on our surveys over the years and is a reasonably consistent indicator of visitor satisfaction, even if it is not a completely solid indicator or likelihood of return.

LM&M managed to get a total positive response ('Yes'...with variations on time) of 73% of all surveys; if the "no responses" are removed from the totals the positives are just short of 80%. Out of the 470 surveys, only 23 responded as either 'Unlikely to revisit' or 'No, not at all'. While there are many outstanding issues and questions on the railroad benefits and impacts, one issue that seems to be solidly answered is that the visitor experience to the railroad itself is positive, and creates the atmosphere for a return visit.



### 16). Do you plan to visit Downtown Lebanon again?

This was another City-requested question, and at the time, we were unsure what made this different from some of the other questions already on the survey. In retrospect, this has proven to be one of the most significant questions of all, when taken in the context of the other survey questions.

If the railroad is generating a significant number of new visitors to Lebanon that would otherwise not be here (Question #6) and the majority of those first-time visitors either did nothing in the downtown or limited their purchases to a restaurant (Question #12), then whether or not you will ever see these people in Lebanon again (with or without a railroad-based attraction) becomes 'the' ultimate issue here.

The response on this question was almost as high as revisiting the railroad - of those that responded (46 did not respond) a solid 67.7% reacted positively; only 18 surveys of 470 responded either 'not likely' or no, not at all', with the remainder simply responding as 'unsure'. The potential for a return visit to downtown is relatively strong.

The problem, of course, with this conclusion is that it's very difficult to quantify, much less identify, those returning visitors that first discovered downtown Lebanon because of an initial railroad-based visit. They won't necessarily be identified as a railroad visitor, and may not ride the railroad. They may come without children, and bring along other family members. They may blend into the crowd entirely. They may come prepared this time, knowing what is here. Friendly retailers may develop their own opinions by talking to customers, but it's anecdotal evidence based on individual experiences.

## Interpretation of the Survey Results

While opinions based on these reports can vary, several consistent themes came through on the survey that we feel are reasonably conclusive. These are opinions only, but opinions based on survey results mixed with observations on the LM&M compared to other surveys and excursion railroad operations.

- 1) The target market area is extraordinarily local and regional by the zip code analysis. That is a two-edged sword for Lebanon, it means the economic impacts from overnight stays are much smaller than average, but it also means that the potential for return visits to the downtown retail area from regional visitors is high. That's unusual for excursion railroads overall as most are a 'one visit and done' experience. Our interpretation of the survey results is that while the railroad isn't as effective as it could be on generating downtown activity on the first visit, it is creating new visitors for return visits more focused on the downtown than the railroad.
- 2) The satisfaction levels from the visitor experience are relatively high. While certain issues may be debated by both the railroad and the community, to the outside world this is a 'good thing to do' from the visitors standpoint. The heavy reliance on Facebook and personal recommendations only works when the results of the visitor experience as communicated either online or personally are good. While there are definitely items to criticize, the ridership in general is relatively satisfied with the experience as a whole, and it's a positive reflection on Lebanon.
- 3) Demographics for the railroad, because of the children-based special events, are much younger than average train riders. This difference in the train demographics can be at odds with much of the Lebanon retail establishments (antiques, boutique-style retail) that one would normally think train riders would be interested in. Publishing this demographic information from this survey can help the local businesses adapt their offerings to the market that comes to the railroad. That 'may' correct itself on that planned return visit when the children are left at home for more intense shopping downtown by the parents at a later date.
- 4) The LM&M riders, and the community, are doing a relatively poor job of "connecting" with each other on the first visit; that's very evident with the 40-45% 'no responses' on downtown activity or recommended changes. While the visitor may like the community and the experience, they are arriving with no particular mission to combine a downtown visit with the railroad visit (except for food) and to gain a general impression of the available things to see and do. This



is partly a geographic problem as it's entirely possible to come into town, park at the depot area, and exit again to the south without ever having driven through downtown. Attacking this problem must be done by both parties as it is mutually beneficial to both.

- 5) Most excursion railroads would be delighted with the survey return statistics, along with what would be considered to be a very healthy total ridership statistic from the market. Nationally, the median ridership for excursion railroads is much lower; closer to the 25,000 range, with some dipping into the 10,000 and under group. Significant destination steam tourist railroads such as the Texas State Railroad do not have significantly higher ridership than the LM&M.

### **Tabular Survey Results**

As the surveys progressed, batches of surveys were separated by date. A second stratification to better clarify 'local' vs. 'non-local' riders to understand spending levels was also conducted. This is a summary table of all the survey results across these various stratifications – most are fairly consistent by dates and location, but as graphs were only prepared on the totals, the individual breakouts may address some concerns or issues present during the survey process.

**Lebanon OH Customer Survey Results**

	Totals		Early Season		Late Season		Late Season	
			to Oct 26	Nov 6-Dec 31	Non-450 zips			
<b>1. Your Home Zip Code</b>	470	100.0%	284	100.0%	186	100.0%	167	100.0%
OH - Lebanon-Mason	86	18.3%	67	23.6%	19	10.2%	0	0.0%
OH - Cincinnati	105	22.3%	69	24.3%	36	19.4%	36	21.6%
OH - Dayton	132	28.1%	67	23.6%	65	34.9%	65	38.9%
OH - Eastern	86	18.3%	31	10.9%	55	29.6%	55	32.9%
OH - Central	16	3.4%	10	3.5%	6	3.2%	6	3.6%
IN - Indiana	25	5.3%	20	7.0%	5	2.7%	5	3.0%
KY - Kentucky	11	2.3%	11	3.9%	0	0.0%	0	0.0%
All other east	5	1.1%	5	1.8%	0	0.0%	0	0.0%
All other west	3	0.6%	3	1.1%	0	0.0%	0	0.0%
No Reply	1	0.2%	1	0.4%	0	0.0%	0	0.0%
<b>2. Your Age</b>	470	100.0%	284	100.0%	186		167	100.0%
Under 18	11	2.3%	2	0.7%	9	4.8%	7	4.2%
18-34	121	25.7%	90	31.7%	31	16.7%	28	16.8%
35-49	206	43.8%	96	33.8%	110	59.1%	103	61.7%
50-64	92	19.6%	61	21.5%	31	16.7%	27	16.2%
65-older	38	8.1%	33	11.6%	5	2.7%	2	1.2%
No Reply	2	0.4%	2	0.7%	0	0.0%	0	0.0%
<b>3. Have you ridden before?</b>	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Never Before	233	49.6%	166	58.5%	67	36.0%	62	37.1%
Once Before	110	23.4%	37	13.0%	73	39.2%	67	40.1%
2-5 times	100	21.3%	62	21.8%	38	20.4%	32	19.2%
More than 5	23	4.9%	17	6.0%	6	3.2%	4	2.4%
No Reply	4	0.9%	2	0.7%	2	1.1%	2	1.2%
<b>4. Learned about RR from....</b>	470	100.0%	284	100.0%	186		167	100.0%
Friend/Acquaintance	193	41.1%	109	38.4%	84	45.2%	75	44.9%
Warren Co. tourism	17	3.6%	3	1.1%	14	7.5%	14	8.4%
Ohio tourism	20	4.3%	3	1.1%	17	9.1%	16	9.6%
Newspaper	22	4.7%	7	2.5%	15	8.1%	14	8.4%
Radio Station	5	1.1%	4	1.4%	1	0.5%	0	0.0%
Internet / Website / facebook	134	28.5%	99	34.9%	35	18.8%	31	18.6%
Kings Island / Wolf	8	1.7%	0	0.0%	8	4.3%	8	4.8%
Brochure rack/card	13	2.8%	9	3.2%	4	2.2%	3	1.8%
Tourist train guidebook	3	0.6%	0	0.0%	3	1.6%	2	1.2%
Other	52	11.1%	48	16.9%	4	2.2%	3	1.8%
No Reply	3	0.6%	2	0.7%	1	0.5%	1	0.6%

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	Totals		Early Season to Oct 26		Late Season Nov 6-Dec 31		Late Season Non-450 zips	
Who else is with you today?	907		543		364		338	
Friend/Acquaintance	134	28.5%	69	24.3%	65	34.9%	58	34.7%
Husband/wife	276	58.7%	158	55.6%	118	63.4%	108	64.7%
Children 0 - 5	255	54.3%	175	61.6%	80	43.0%	79	47.3%
Children 6 - 11	78	16.6%	35	12.3%	43	23.1%	41	24.6%
Children 12 - 18	16	3.4%	9	3.2%	7	3.8%	5	3.0%
Other relatives	108	23.0%	65	22.9%	43	23.1%	41	24.6%
Tour Group	16	3.4%	14	4.9%	2	1.1%	1	0.6%
Other	24	5.1%	18	6.3%	6	3.2%	5	3.0%
No Reply	0	0.0%	0	0.0%	0	0.0%	0	0.0%
6. Primary trip destination?	470	100.0%	284	100.0%	186	100.0%	167	100.0%
LM&M Railroad	313	66.6%	207	72.9%	106	57.0%	98	58.7%
Lebanon shopping/dining	36	7.7%	12	4.2%	24	12.9%	21	12.6%
Other local	40	8.5%	33	11.6%	7	3.8%	6	3.6%
Great Wolf Lodge Park	7	1.5%	0	0.0%	7	3.8%	6	3.6%
Kings Island	7	1.5%	0	0.0%	7	3.8%	6	3.6%
Dayton OH area	16	3.4%	5	1.8%	11	5.9%	11	6.6%
Cincinnati OH area	30	6.4%	15	5.3%	15	8.1%	11	6.6%
Out of region	10	2.1%	3	1.1%	7	3.8%	6	3.6%
No reply	11	2.3%	9	3.2%	2	1.1%	2	1.2%
7. Tonights Lodging	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Home	395	84.0%	249	87.7%	146	78.5%	132	79.0%
Friends/Relatives	29	6.2%	11	3.9%	18	9.7%	17	10.2%
Lebanon Golden Lamb	11	2.3%	1	0.4%	10	5.4%	9	5.4%
Other Leb. B&B	4	0.9%	3	1.1%	1	0.5%	0	0.0%
Mason area lodging	12	2.6%	8	2.8%	4	2.2%	2	1.2%
Other Ohio lodging	10	2.1%	5	1.8%	5	2.7%	5	3.0%
Out of State	5	1.1%	4	1.4%	1	0.5%	1	0.6%
No Reply	4	0.9%	3	1.1%	1	0.5%	1	0.6%
8. Primary Reason	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Train ride - fun experience	394	83.8%	269	94.7%	125	67.2%	114	68.3%
Educational trip	13	2.8%	3	1.1%	10	5.4%	9	5.4%
Railfan / train enthusiast	11	2.3%	2	0.7%	9	4.8%	6	3.6%
Local history	20	4.3%	1	0.4%	19	10.2%	16	9.6%
Convenient to other dest.	21	4.5%	0	0.0%	21	11.3%	20	12.0%
Other	9	1.9%	8	2.8%	1	0.5%	1	0.6%
No Reply	2	0.4%	1	0.4%	1	0.5%	1	0.6%
9. What did you like best?	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Train ride itself	181	38.5%	116	40.8%	65	34.9%	57	34.1%
Old train equipment	43	9.1%	21	7.4%	22	11.8%	22	13.2%
Special event theme	71	15.1%	47	16.5%	24	12.9%	19	11.4%
Other	7	1.5%	4	1.4%	3	1.6%	3	1.8%
Liked it in general	124	26.4%	60	21.1%	64	34.4%	60	35.9%
Did not like - no positive	6	1.3%	3	1.1%	3	1.6%	2	1.2%
No Reply	38	8.1%	33	11.6%	5	2.7%	4	2.4%

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	Totals		Early Season		Late Season		Late Season	
			to Oct 26		Nov 6-Dec 31		Non-450 zips	
10. What needs improved?	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Activity too short	31	6.6%	23	8.1%	8	4.3%	7	4.2%
Activity too long	16	3.4%	7	2.5%	9	4.8%	8	4.8%
New equipment / trains	27	5.7%	14	4.9%	13	7.0%	11	6.6%
Museum exhibit bldg	38	8.1%	28	9.9%	10	5.4%	10	6.0%
Equipment condition	23	4.9%	13	4.6%	10	5.4%	9	5.4%
Facilities / services	22	4.7%	15	5.3%	7	3.8%	6	3.6%
Other	46	9.8%	34	12.0%	12	6.5%	9	5.4%
No improvements necessary	208	44.3%	99	34.9%	109	58.6%	100	59.9%
No Reply	59	12.6%	51	18.0%	8	4.3%	7	4.2%
11. Good value for the \$\$?	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Yes - good value	372	79.1%	210	73.9%	162	87.1%	148	88.6%
No - not good value	52	11.1%	34	12.0%	18	9.7%	14	8.4%
No Reply	46	9.8%	40	14.1%	6	3.2%	5	3.0%
12. What else did you do in Lebanon?	543		337		206		186	
Downtown Restaurants	122	26.0%	76	26.8%	46	24.7%	42	25.1%
Antique Stores	55	11.7%	34	12.0%	21	11.3%	20	12.0%
Other retail shops	79	16.8%	48	16.9%	31	16.7%	27	16.2%
City Museum	28	6.0%	12	4.2%	16	8.6%	14	8.4%
Library	10	2.1%	3	1.1%	7	3.8%	7	4.2%
Other	53	11.3%	48	16.9%	5	2.7%	5	3.0%
No Response	196	41.7%	116	40.8%	80	43.0%	71	42.5%
13. What else would you like to see in downtown Lebanon?	512		312		200		181	
More varied retail	84	17.9%	41	14.4%	43	23.1%	38	22.8%
Stores open after train trip	61	13.0%	40	14.1%	21	11.3%	20	12.0%
Stores open before train trip	54	11.5%	36	12.7%	18	9.7%	15	9.0%
Additional lodging available	17	3.6%	8	2.8%	9	4.8%	9	5.4%
Downtown shuttle from station	48	10.2%	25	8.8%	23	12.4%	19	11.4%
Other	42	8.9%	35	12.3%	7	3.8%	6	3.6%
No Response	206	43.8%	127	44.7%	79	42.5%	74	44.3%
14. Approx. Spending Today	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Less than \$5	69	14.7%	58	20.4%	11	5.9%	9	5.4%
\$5-\$20	45	9.6%	34	12.0%	11	5.9%	10	6.0%
\$20-\$50	110	23.4%	69	24.3%	41	22.0%	37	22.2%
\$50-\$100	156	33.2%	56	19.7%	100	53.8%	94	56.3%
\$100-200	19	4.0%	11	3.9%	8	4.3%	7	4.2%
\$200-above	10	2.1%	6	2.1%	4	2.2%	3	1.8%
No Reply	61	13.0%	50	17.6%	11	5.9%	7	4.2%

	Totals		Early Season to Oct 26		Late Season Nov 6-Dec 31		Late Season Non-450 zips	
	15. Do you plan to visit RR again	470	100.0%	284	100.0%	186	100.0%	167
Yes, regular visit	55	11.7%	41	14.4%	14	7.5%	12	7.2%
Yes, special event	186	39.6%	104	36.6%	82	44.1%	79	47.3%
Probably some time	103	21.9%	62	21.8%	41	22.0%	34	20.4%
Not sure	65	13.8%	27	9.5%	38	20.4%	33	19.8%
Unlikely to revisit	17	3.6%	11	3.9%	6	3.2%	6	3.6%
No, not at all	5	1.1%	5	1.8%	0	0.0%	0	0.0%
No response	39	8.3%	34	12.0%	5	2.7%	3	1.8%
16. Do you plan to visit Lebanon	470	100.0%	284	100.0%	186	100.0%	167	100.0%
Yes, 0-6 months	156	33.2%	109	38.4%	47	25.3%	43	25.7%
Yes 6-12 months	89	18.9%	38	13.4%	51	27.4%	49	29.3%
Yes, 12+ months	42	8.9%	26	9.2%	16	8.6%	14	8.4%
Not sure	119	25.3%	62	21.8%	57	30.6%	50	29.9%
Unlikely to revisit	11	2.3%	6	2.1%	5	2.7%	4	2.4%
No, not at all	7	1.5%	6	2.1%	1	0.5%	1	0.6%
No response	46	9.8%	37	13.0%	9	4.8%	6	3.6%

## Survey Comments

One of the "standard features" on our ridership and interest surveys has been some open space at the bottom of the survey to allow the survey taker to make free-form comments about the survey, the activity, the community, or clarify some other response they made. No names are taken on the surveys.

These survey comments are separately collected and indexed back to survey sheets. Not all surveys have comments. Comments, when offered, are entered 'verbatim' to the extent that they are actually readable on the form.

In such a free-form environment, anything can and will be said; sometimes enlightening and sometimes irrelevant. Where we do find value in this exercise is looking for repeated comments about specific situations, criticisms, or issues that the survey and consulting team didn't even know existed.

While the comments were certainly unscripted, and expectedly widespread, a number of comments seemed to focus on two particular issues:

- 1) "Date Night" special to the Brazenhead in Mason was specifically criticized for food, service, and other issues; this was not an anticipated survey response but certainly seemed to elicit an unexpected number of comments for a relatively low-ridership event. If these issues and comments are not already known by the management of both the restaurant and the railroad, this may require additional investigation.

- 2) The lack of heat on the late October pumpkin trains got many comments; this seemed to be a particularly sensitive issue to the riders that was not being addressed by the railroad.

And for the good news...

There are actually many positive comments about the railroad, and some specific comments on the relationship of the railroad to the City. “Love the City” pretty well sums it up (#40) and “Nice Place, thanks! (#96). The overall goal of the project for the City was basically expressed best by #155: “I think the train is an important part of the charm of Lebanon. It is what makes Lebanon special and unique. Many friends and relative have visited to ride the train. We are big fans of the train and the City of Lebanon”.



## **Economic Impact Analysis**

### **Economic Impact Modeling**

Input-output analysis is a key component of most regional economic modeling of the employment, output, and income impacts of transportation infrastructure investments. Input-output analysis quantifies the multiple economic effects resulting from a change in the final demand for a specific product or service. For example, a person being paid to work on a transportation project will spend some of those wages to buy goods and services. The money he or she spends shows up as sales and wages to other parties, who spend the money elsewhere, and so on. This chain of effects, known as the "multiplier," captures the distributive effects of transportation capital spending and operating benefits across a broad range of industries. Typically, the input-output multipliers are driven by the initial, direct benefits and costs of the project as determined during engineering and/or feasibility analysis. In this analysis, this is an operating entity over several years, and input numbers are developed from actual expenditures, budgets, and attendance.

The simplest regional economic models are direct applications of input-output models. These applications are "static" in the sense that they provide an all-at-once view of economic effects, without a time component that is necessary for understanding when the effects will be realized. More sophisticated applications of regional economic models supplement input-output relationships with simulation techniques to forecast the year-to-year effects of projects on economic and demographic patterns. The most complex EIA models are those that integrate travel demand models, land use models, dynamic simulation economic models, and input-output models.

### **RIMS II Economic Analysis Methods**

The standard method for determining the total economic impact a project or program will have on state and local levels is known as the RIMS II (Regional Input-Output Modeling System") multipliers. The original RIMS method for estimating impacts was developed in the mid-1970s by the U.S. Department of Commerce's Bureau of Economic Analysis. It has since been updated and refined and is now known as RIMS II.

RIMS II is based on an accounting framework called an I-O table. For each industry, an I-O table shows the distribution of the inputs purchased and the outputs sold. A typical I-O table in RIMS II is derived mainly from two data sources: US Bureau of Economic Analysis (BEA) national I-O table, which shows the input and output structure of nearly 500 U.S. industries, and BEA's regional economic accounts, which are used to adjust the national I-O table in order to reflect a region's industrial structure and trading patterns.



Using RIMS II for impact analyses has several advantages. RIMS II multipliers can be estimated for any region composed of one or more counties and for any industry or group of industries in the national I-O table. The cost of estimating regional multipliers is relatively low because of the accessibility of the main data sources for RIMS II. According to empirical tests, the estimates based on RIMS II are similar in magnitude to the estimates based on relatively expensive surveys.

To effectively use the multipliers for impact analysis, geographically and industrially detailed information is entered for the initial direct changes in output, earnings, or employment that are associated with the project or program under study. The multipliers can then be used to estimate the total impact of the project or program on regional output, earnings, or employment

Because of the widespread and recommended use of RIMS modeling methods, comparative projects can often be compared for relative economic impacts, as a standard measurement framework has been used. RIMS II multipliers are used extensively by the federal government, most states and counties.

### **The Lebanon Impact Analysis**

While the requested impact analysis necessary for the City is for a very restricted impact analysis limited to the city limits, the Ohio Rail Development Commission has already awarded grant funds to the City for tie and infrastructure maintenance based on state impacts. To assist in future grant and impact analysis activities, we performed an economic impact analysis both at the state level and one specific to Lebanon only. These efforts share much of the same data with somewhat different goals; one being the impact of the operation at a wider state level and the second a Lebanon-only impact as per the original task directive.

In order to establish the LM&M's economic impact on the city of Lebanon, the County of Warren and the State of Ohio it was necessary to establish certain specific baseline data. We used three basic building blocks:

- Lebanon, Mason & Monroe Railroad's operating budget (the year 2012 was selected since it was the most recent complete fiscal year available). This data is a consistent input, but only a portion of the operating budget is used for the Lebanon analysis.
- The results of the consumer survey conducted by on-the-ground and "in the train" ridership survey study conducted during the summer and winter of 2013.
- The "official" monthly ridership figures that LM&M reported to the Federal Railroad Administration, adjusted for only the LM&M per their advice.

Section One of the report covers the railroad's economic impact statewide and for Lebanon; the difference being in the allocation of the operating budget based upon the activity. The LM&M's total budget breakdown is reflected in Section One Table S-A. It shows all expenditures during Fiscal 2012. In addition, we added in that portion of the City's contract for rail inspection and maintenance that we could clearly establish as being expended in the City of Lebanon – Table S-B. The firm which holds the contract for the work is not located in the State of Ohio and, therefore, the bulk of the contract dollars were excluded. In that analysis, there is no particular difference between “Lebanon”, and “Statewide”; the same number is used for both.

Non-rail activities for visitors were calculated and added. These are the dollars expended by visitors to the LM&M Railroad (other than related to the ride) during the course of their stay in the community

The sum of all activities with multipliers is shown in Table S-C. This is at the statewide level; somewhat higher due to overnight stays outside of Lebanon.

Section Two covers only those dollars expended within the City of Lebanon. Again, we used the same basic tools as were used in Section One. Table L-A is the entire LM&M Railroad's operating expenditures (same as Table S-A).

Building on the results of Section One, or rather subtracting from them, we worked with LM&M to extract all expenditures that involved Lebanon City commercial firms and individuals (19 Lebanon residents received full and/or part-time wages). That portion of the total budget is identified in Table L-B.

The Survey Results – in regard to place of residence, reason for visit, spending habits, lodging, etc. -- were weighted by season and percentage of totals. Strictly for category identification the last four months of the year, September through December, were classified as “winter traffic”. The rest was classified as “summer traffic” (for example – the total seasonal traffic is multiplied by the percentage of responses to a specific question. Where applicable, that result is divided then by 3.1 (the estimated group size) to provide spending patterns, etc.). In developing hotel room nights – the results are divided by 3.1 (group size) to determine room nights.

### **NON-RAIL (VISITOR) ACTIVITIES – STATEWIDE AND LEBANON**

In developing the most accurate picture of the non-rail economic impact on the City of Lebanon we were compelled to separate city residents from “visitors” and late season travelers from summer-early fall travelers in addition to our normal separations – day-trip parties and overnight parties. To do so we relied heavily upon the survey of ridership conducted over the course of 2013. While the survey was conducted in 2013 and we applied it to ridership figures for 2012, we are confident the results are within acceptable



margin of error. Our more than 25 years of experience has shown that travelers' demographics do not change dramatically from year to year.

All data was adjusted for seasonal changes as reflected in the survey.

We are using the current standard "family unit" representing 3.1 individuals (two adults, 1.1 child). Survey results supported that standard. Overnight traveler estimates are based on data drawn directly from the survey, seasonally adjusted. It should be noted that all Lebanon resident traffic quite obviously was treated as "day-trip parties" despite the fact that a small percentage had used the LM&M excursion as an excuse for a day or two away from home.



## IMPACT OF LM&M RAILROAD OPERATING BUDGET

### SECTION ONE – EXPENSES AND IMPACTS

**Table S-A**

Category of Expenditure	Direct Expenditures	Output Multiplier a/	Impact on Total Output b/
<b>EXPENDITURES</b>			
Wages	172,385	1.3559	\$233,737
Payroll Overhead	37,000	0	0
Equipment Rental	25,500	2.4477	\$62,416
Fuel	44,800	2.3407	\$104,863
Purchases parts/pieces	12,000	2.4477	\$29,372
Maintenance – Rolling Stock	8,000	2.4658	\$19,726
Gift Shop Supplies	5,700	1.9672	\$11,213
Lebanon per Tkt Fee	10,900	?0	0
Insurance	38,600	2.4624	\$95,049
Office Expense	9,700	2.1700	\$21,049
Depreciation	29,900	0	0
Advertising	54,000	1.1700	\$117,180
Special Operations			
Labor	68,750	2.2029	\$151,449
Entertainment	23,700	2.2029	\$52,209
Fees	58,500	2.1700	\$126,945
Ticketing Costs	35,000	2.1700	\$75,950
Auto/Travel	1,300	2.3418	\$3,044
Cleaning/Portolets	9,600	2.1700	\$20,832
Facility Cost/Rental	20,800	1.2680	\$26,374

Property Tax	2,100	1	\$2,100
Taxes/Licenses & Credit Card Fees	9,275	2.2424	\$20,798
Prof. Fees (track, bridge inspection)	27,100	2.1700	58,807
Telephone/Internet	6,500	1.7647	\$11,471
Utilities	4,400	1.9781	\$8,704
Miscellaneous Activities	9,700	2.4107	\$23,384
<b>TOTAL</b>	<b>\$725,210</b>		<b>\$1,276,673</b>

*Expenditures supplied by LM&M Railroad*

- a/ Each entry represents the total dollar change in output from all industries for each dollar of output delivered to final demand.
- b/ Sum – direct expenditure multiplied by Output Multiplier.

**IMPACT OF LM&M RAIL OPERATION**  
**SECTION ONE - OUTPUT – CAPITAL BUDGET EXPENSES**

**Table S-B**

Category of Expenditure	Direct Expenditures	Output Multiplier a/	Impact on Total Output b/
<b>EXPENDITURES</b>			
Contract Services – Rail Inspection & Rail Tie Replacement	\$84,100	0	All monies exported out of city
Tie Repair/Restoration Operation Tie in City 4 nights per /4 weeks			
Accommodations – 4 nights for 4 weeks	\$3,600	2.0424	\$7,353
Meals <sup>b</sup>	\$2,880	2.2885	\$6,591
Purchase/Repair Miscellaneous Tools	\$1,500	2.2279	\$3,342
Miscellaneous Items	\$1,200	2.4107	\$2,893
<b>TOTAL</b>	<b>\$9,180</b>		<b>\$20,178</b>

a/ Each entry represents the total dollar change in output from all industries for each dollar of output delivered to final demand.

b/ Estimated at \$30 person per day

**Estimated non-rail related tourism expenditures by visitors (Statewide impact level):**

**Lebanon City Residents** *(Same in both analysis)*

Day Trip Parties – Spring-Summer	1,688 (\$82.50/per party/day <sup>c</sup> )	\$137,615
Day-Trip Parties – Winter	535 (\$82.50/per party/day)	\$44,177

**Non-Local Travelers**

Day-Trip Parties – Summer/Early Fall	4,260 (\$82.50/per party/day)	\$351,423
Day-Trip Parties – Winter	3,314 (\$82.50/per party/day)	\$273,421
Overnight Parties–Summer/Early Fall	194 room nights (\$313/party/day)	\$60,780
Overnight Parties – Winter	788 room nights (\$313/party/day)	\$246,582

**Non-Local Travelers Staying Elsewhere in State**

Overnight Parties -- Summer	946 room nights (\$313/party/day)	\$296,098
Overnight Parties -- Winter	613 room nights (\$313/party/day)	\$191,869

**Total Estimated Economic Impact -- Visitors**

\$1,602,965    x    1.9650multiplier                    **\$3,149,826**

**TOTAL ECONOMIC IMPACT - STATEWIDE – LM&M Railroad**

**Table S-C – Statewide Final Impacts**

	<b>\$ IMPACT ON TOTAL OUTPUT</b>	<b>INCREMENTAL JOB RETENTION <sup>a, b</sup></b>
OPERATING BUDGET ( <i>Table A</i> )	<b>\$1,276,6673</b>	
WAGES AND PAYROLL ( <i>Table A</i> )	<b>\$172,385</b>	
PAYROLL TAXES & OVERHEAD	<b>37,000</b>	
<b>TOTAL ECONOMIC IMPACT – RAILROAD OPERATION</b>	<b>\$1,486,058</b>	
<b>TOTAL ECONOMIC IMPACT – RAILROAD CAPITAL BUDGET</b>	<b>\$20,178</b>	
<b>TOTAL ECONOMIC IMPACT – NON-RAILROAD OPERATION</b>	<b>\$3,149,826</b>	
<b>TOTALS</b>	<b>\$4,656,062</b>	<b>163</b>

a/ Equivalent full-year jobs.

b/ Projection of jobs supported is based on the RIMS II models for the State of Ohio. The actual number of jobs supported may be higher, but the numbers shown here are equivalent of full-time employment. Job creation for the railroad operation does not necessarily mean employment with the railroad, but rather employment with those firms servicing and selling goods and services to the railroad operation.

Regional Input-Output Modeling System (RIMS II)



**SECTION TWO**

**IMPACT OF LM&M RAILROAD OPERATING BUDGET  
ON LEBANON, OHIO, BUSINESS OUTPUT – EXPENSES**

**Table L-A Operating Budget**

Category of Expenditure	Direct Expenditures	Output Multiplier a/	Impact on Total Output b/
<b>EXPENDITURES</b>			
Wages	172,385	1.3559	\$233,737
Payroll Overhead	37,000	0	0
Equipment Rental	25,500	2.4477	\$62,416
Fuel	44,800	2.3407	\$104,863
Purchases parts/pieces	12,000	2.4477	\$29,372
Maintenance – Rolling Stock	8,000	2.4658	\$19,726
Gift Shop Supplies	5,700	1.9672	\$11,213
Lebanon per Tkt Fee	10,900	?0	0
Insurance	38,600	2.4624	\$95,049
Office Expense	9,700	2.1700	\$21,049
Depreciation	29,900	0	0
Advertising	54,000	1.1700	\$117,180
Special Operations			
Labor	68,750	2.2029	\$151,449
Entertainment	23,700	2.2029	\$52,209
Fees	58,500	2.1700	\$126,945
Ticketing Costs	35,000	2.1700	\$75,950
Auto/Travel	1,300	2.3418	\$3,044
Cleaning/Portolets	9,600	2.1700	\$20,832

Facility Cost/Rental	20,800	1.2680	\$26,374
Property Tax	2,100	1	\$2,100
Taxes/Licenses & Credit Card Fees	9,275	2.2424	\$20,798
Prof. Fees (track, bridge inspection)	27,100	2.1700	58,807
Telephone/Internet	6,500	1.7647	\$11,471
Utilities	4,400	1.9781	\$8,704
Miscellaneous Activities	9,700	2.4107	\$23,384
<b>TOTAL</b>	<b>\$725,210</b>		<b>\$1,276,673</b>

*Expenditures supplied by LM&M Railroad*

- a/ Each entry represents the total dollar change in output from all industries for each dollar of output delivered to final demand.
- b/ Sum – direct expenditure multiplied by Output Multiplier.

**PORTION OF BUDGET EXPENDED EXCLUSIVELY IN CITY OF LEBANON**

**Table L-B Lebanon-only Portion of Operating Budget**

Category of Expenditure	Direct Expenditures	Output Multiplier a/	Impact on Total Output b/
<b>EXPENDITURES</b>			
Portion of above budget expended in City of Lebanon exclusively <sup>(1)</sup>	\$170,463	1.7604	\$300,083
<b>TOTAL</b>	<b>\$170,463</b>		<b>\$300,083</b>

a/ – Average multiplier of Table A

b/ Sum – direct expenditure multiplied by Output Multiplier.

1/ – Direct Expenditures includes \$74,371 on wages paid to 19 LM&M employees who reside in Lebanon.

## IMPACT OF LM&M RAIL OPERATION ON CITY BUSINESSES OUTPUT – CAPITAL BUDGET EXPENSES

**Table L-C Lebanon-only portion of Capital Budget Expenses**

Category of Expenditure	Direct Expenditures	Output Multiplier a/	Impact on Total Output b/
<b>EXPENDITURES</b>			
Contract Services – Rail Inspection & Rail Tie Replacement	\$84,100	0	All monies exported out of city
Tie Repair/Restoration Operation Tie in City 4 nights per /4 weeks			
Accommodations – 4 nights for 4 weeks	\$3,600	2.0424	\$7,353
Meals <sup>b</sup>	\$2,880	2.2885	\$6,591
Purchase/Repair Miscellaneous Tools	\$1,500	2.2279	\$3,342
Miscellaneous Items	\$1,200	2.4107	\$2,893
<b>TOTAL</b>	<b>\$9,180</b>		<b>\$20,178</b>

a/ Each entry represents the total dollar change in output from all industries for each dollar of output delivered to final demand.

b/ Estimated at \$30/person per day

**Estimated non-rail related tourism expenditures by visitors (City of Lebanon impact level):**

**Lebanon City Residents (same in both analysis)**

Day Trip Parties – Spring-Summer	1,688 (\$82.50/per party/day <sup>c</sup> )	\$137,615
Day-Trip Parties – Winter	535 (\$82.50/per party/day)	\$44,177

**Non-Local Travelers**

Day-Trip Parties – Spring-Summer	5,337 (\$82.50/per party/day)	\$440,337
Day-Trip Parties – Winter	4,461 (\$82.50/per party/day)	\$368,003
Overnight Parties – Summer	63 room nights (\$313/party/day)	\$19,606 <sup>a</sup>
Overnight Parties – Winter	254 room nights (\$313/party/day)	\$79,543 <sup>a</sup>

**Total Estimated Economic Impact -- Visitors**

$$\$1,089,282 \quad \times \quad 1.9650 \text{ multiplier} \quad \quad \quad \mathbf{\$2,140,439}$$

a – Overnight parties are established by taking the total number of travelers during that particular time and dividing by 3.1 (model party size) and multiplying by the percentage of respondents who indicated they had overnights as a result of the rail excursion.

c – Estimated daily expenditures based on data developed by the American Automobile Association and the U.S. Travel Association and adjusted annually for inflationary trends.

## TOTAL ECONOMIC IMPACT -- SUMMARY

### TOTAL ECONOMIC IMPACT – LM&M Railroad – LEBANON ONLY

Table D

	\$ IMPACT ON TOTAL OUTPUT	INCREMENTAL JOB RETENTION & SUPPORT <sup>a, b</sup>
<b>TOTAL ECONOMIC IMPACT – RAILROAD OPERATION</b> <i>(Table L-B)</i>	<b>\$300,083</b>	
<b>TOTAL ECONOMIC IMPACT – RAILROAD CAPITAL BUDGET</b> <i>(Table L-C)</i>	<b>\$20,178</b>	
<b>TOTAL ECONOMIC IMPACT – NON-RAILROAD OPERATION</b>	<b>\$2,140,439</b>	
<b>TOTALS</b>	<b>\$2,460,700</b>	<b>86</b>

a/ Equivalent full-year jobs.

b/ Projection of jobs retained and/or supported is based on the RIMS II models for the State of Ohio. The actual number of jobs supported may be higher, but the numbers shown here are equivalent of full-time employment.



**LEBANON FIRMS/INDIVIDUALS TO WHICH THE LM&M RAILROAD  
HAS WRITTEN AT LEAST ONE CHECK IN CALENDAR 2013**

19 Employees reside in City of Lebanon  
A-1/Marathon Gas (Monroe & Columbus Ave.  
Ace Hardware  
Advance Auto Parts  
Arrow Springs  
Auto Zone  
Brant's Hardware  
Brown's Plumbing  
Big Lots  
BP-Gas  
Case Towing  
Chocolate Factory  
City of Lebanon  
Collett Propane  
Colwell & Son Construction  
Creech's Lawn & Garden  
Dollar Tree  
Dorn's Business Solution  
Double Dip Ice Cream  
Family Dollar  
Fed Ex  
Fifth Third  
Golden Lamb  
Historic Downtown Lebanon  
Home Depot  
Katie's Hallmark  
Koi Auto Parts  
Kroger  
LaRosa's Pizzeria  
LCNB  
Lebanon Animal Hospital  
Lebanon Chamber of Commerce  
Lebanon Electric Company  
Lebanon High School After Prom  
Lebanon High School – Lebanon Band Parent's  
Association  
Lebanon Theater Company  
Lebanon Utilities & Taxes  
Marathon Gas Station – Certified (B'way)  
Minuteman Press

Peddler's Mall  
Pink Hippo  
Radio Shack  
Rural King  
Rent 2 Own  
Olde 2 New Consignment  
Sam Smith & Son Glass  
Shell Station/IGA Express  
Southwest Golf Ranch  
Speedway  
Stengel's Catering LLC  
The Enchanted Village  
Trupoint  
UPS  
USPS – Post Office  
Village Ice Cream Parlor  
Walmart  
Food/Restaurants – Wendy's, KFC, Burger King,  
Domino's, Frisch's, Doc's Place,  
Subway, Seeger's, Skyline, Little  
Ceaser's Buffalo Wild Wings, Breakfast  
Club, etc.

**MASON**

Al's Heating & Cooling  
Al Schappacher  
Brazenhead Irish Pub  
Butch Schappacher  
Kirkwood Inn  
Mason Historical Society (Rods & Rails 2013  
event  
Suburban Oil

**SOUTH LEBANON**

Kohl's, Lowe's Target, NAPA



### FINAL ECONOMIC IMPACT COMPARISONS

**Total Economic Impact – Comparison Summary**

TOTAL ECONOMIC IMPACT – LM&M Railroad	\$ IMPACT ON TOTAL OUTPUT	
	LEBANON ONLY	STATEWIDE - OHIO
TOTAL OPERATING BUDGET \$725,210		
PRORATED OPERATING BUDGET ( <i>Table A</i> ) (by region)	\$170,463	\$725,210
<b>TOTAL ECONOMIC IMPACT – RAILROAD OPERATION</b>	<b>\$300,083</b>	<b>\$1,486,058</b>
<b>TOTAL ECONOMIC IMPACT – RAILROAD CAPITAL BUDGET</b>	<b>\$20,178</b>	<b>\$20,178</b>
<b>TOTAL ECONOMIC IMPACT – NON-RAILROAD OPERATION (Visitors)</b>	<b>\$2,140,439</b>	<b>\$3,149,826</b>
<b>TOTALS</b>	<b>\$2,460,700</b>	<b>\$4,656,062</b>

<b>EQUIVALENT JOBS (JOB RETENTION</b>	<b>86</b>	<b>163</b>
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Railroad projects, in general, often have relatively high economic impacts due to three major components that other tourism projects may lack. First, they are expensive to operate; meaning there is usually a substantial operational budget purchasing labor, goods, and material – and that operating budget is paid for by the customer's ticket with the spending back to the region. The second major component is usually a relatively high level of capital spending to maintain the property that may or may not be internally funded, but the spending for the capital project typically results in contractor activity locally – particularly true in Lebanon. Finally, nearly all tourism-based activities produce visitor impacts of varying degrees based on visitation; one difference of the railroad is that the ticket-revenue system generates relatively ‘real numbers’ compared to visitor estimates at festivals, parades, etc.

## Freight Potential

The only reason that the railroad survived between 1953 and 1976 from Mason to Lebanon was the presence of a limited amount of online freight traffic. While that freight traffic was not sufficient to keep the line from being identified in the USRA Final System Plan for Conrail as non-sustaining, it did manage to at least preserve the line long enough for it to be purchased by Lebanon. At that point in time, the ‘assumption’ for inclusion into the USRA Final System Plan in 1975 was that a branch line had to produce more than 100 carloads per mile, per year<sup>2</sup>.

For a relatively short five-mile railroad, there is substantial evidence of some online freight customers that for one reason or another, no longer use rail freight service today. Many of the remaining industrial properties are within the immediate vicinity of the railroad; one site still has an accessible and connected rail siding. Some older and vacant property shows signs of previous rail sidings, and there is property open for development along the rail corridor. Lebanon’s city limits extend over a substantial part of the area south of the town, and include much new industrial park area, as well as the industrially-zoned corridor on the southwest side primarily to the north of the railroad.

There are no current freight movements of any kind over the line, and there seemed to be at least some confusion over who would be responsible to move the freight if it would actually be requested by a customer. The railroad was purchased by the City of Lebanon, and while the excursion operator has a contract, no provision within that contract assigns any freight responsibility to them. The freight operator for the Mason end of the railroad, Indiana and Ohio, is now a Genesee and Wyoming (G&W) railroad property. G&W handles freight movements on a weekly/irregular basis to Mason, maintains the track, and also allows the LM&M railroad to serve Mason with excursions through an unusual agreement that is perhaps unique to the LM&M, as the G&W is historically anti-passenger in any way.

G&W, at least, assumes that if there were freight to be moved, they would move it; however the apparent lack of any operating agreement or contractual authority with the City of Lebanon was a surprise. The rapid changes from I&O local management to Railtex and then G&W have certainly left this as a low-priority issue within G&W, and for the current time, a similarly low-priority issue for Lebanon. Our investigation has concluded that G&W certainly assumes they have the right to move any freight traffic that would appear and that assumption remains consistent within this report.

Most publicly-owned rail spurs (whether they be City, County, or regionally owned) depend purely upon on-line freight movement to justify their existence. Excursion operations, when conducted, are usually done more for local economic benefits and public relations and not for the purpose of justifying economic ownership of the railroad. While there are major exceptions to that rule for destination excursion railroads such as the Cumbres & Toltec (64 miles jointly owned through a bi-state

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<sup>2</sup> <http://www.gao.gov/assets/130/126582.pdf>



commission of Colorado and New Mexico), the more common arrangement is found in New York State where the various Industrial Development Agencies own most of the shortline trackage, and contract with shortline freight companies to maintain rail service and perform normalized track maintenance activities. The primary justification for public railroad ownership then becomes twofold; one to remove any tax burden from rail operations, and second to serve as a funding source for major capital repair and upgrade programs necessary. The primary concern and justification becomes stabilizing and growing industrial employment that needs and expects rail services.

The complete absence of freight traffic on the railroad, given the geographic location, proximity to the NS main line, existing local shortline service, existing sidings, sites and buildings, and developable property was a surprise to us. Shortline railroads have been formed from scratch with less, and with some good luck and hard work, have managed to be self-sustaining. One of the best features of the City-owned track is that it is only five miles long; the shorter the railroad with the most potential traffic is an excellent indicator of success as track maintenance is a primary concern for any railroad owner.

Randall Gustafson of Stone Consulting conducted a physical survey of the railroad property during the inspection and excursion in August 2013 and again in May 2014. This included documenting buildings, locations, remaining sidings, switches, and likely ownership. This was further investigated by aerial photography and measurements from Google Earth (2013 photos), zoning maps, local news stories, and interviews with the City. An inventory of sites, sidings, and customer names was developed from that data. Mr. Gustafson also visited Mason as a comparative exercise to see conditions on the line segment that did have active freight traffic.

That information was provided to Gary Landrio, currently an independent contractor for Stone Consulting as well as an independent sales agent for Norfolk Southern Railway, the major connecting carrier to the trackage at Mason today. Any potential freight movements would be through Norfolk Southern, and NS would provide the primary pricing source to the customers. While rail service may be desired by customers, the final price of service is typically the deciding factor, and Mr. Landrio is in a formal position to both evaluate and participate in that process.

Pricing rail freight service to a customer is not necessarily a transparent process to the outside world as any long-distance movement involves multiple railroads. Depending on the relationship between the shortline railroad and the larger connecting carrier, the shortline may negotiate for a part of the total waybill, or be part of a pricing structure where their 'add-on' cost for service on a branch is known in advance - a close parallel is the relationship between independent commuter airlines and their larger connecting air carriers. However the arrangement, it requires teamwork between the shortline freight operator and the larger railroad, even if only one person actually initiates the contact and conversation with the shipper. Unlike in the past where rail tariffs were a matter of public record, post-deregulation rail rates can be contracted and negotiated between the carrier and the customers and are typically subject to nondisclosure agreements by the carrier. Therefore, while conditions may appear to be ripe for rail service, the ultimate



economy and utility of the move is in the hands of the customer and the connecting railroads.

After the list was generated, a subsequent tour of possible customers was conducted on September 11, 2013 with Mr. Landrio representing NS and Jennifer Wethington of the Genesee & Wyoming Railroad. This visit was the first on-site customer visit by either Norfolk Southern or Genesee & Wyoming in at least a couple of years on the Lebanon branch. The following companies were visited and interviewed:

**VIS TECH  
MANUFACTURING SOLUTIONS**

Dylan Roundtree  
Plant Manager  
265 S. West Street  
Lebanon, OH 45036  
513-933-9300 x101  
[droundtree@vistechmfg.com](mailto:droundtree@vistechmfg.com)

VisTech is an existing manufacturer of automobile interior parts, plastics and components, and only recently obtained this site in Lebanon. They do have some inbound materials in potential rail quantities; primarily raw materials, plastics, etc.



A follow up discussion is needed about inbound material flows, as he was rushing into a staff meeting. They are a relatively new operation at this facility that was formerly Kadrol, and do have other locations in the immediate area. He related that they might have rail needs either present and/or developing.

Inbound plastic pellet moves for automotive-grade manufactures are still highly competitive for rail movement as the product generally comes from the gulf coast; requires a minimum of transloading, has relatively high cost of transport compared to its weight, and can be competitively priced via rail vs. truck.



It was noted that while the rail siding is intact, Kadrol had no storage or unloading facilities for such similar material. A cautionary note is that inbound material is highly likely to be moved in relatively heavy cars (286K) to be competitive on price.

**TRUPOINTE COOPERATIVE INC**

Damian Snyder  
Branch Manager  
818 South US 42  
Lebanon, OH 45036  
513-932-8904  
[dsnyder@trupointe.com](mailto:dsnyder@trupointe.com)



Mr. Snyder did not know rail was still available. Fertilizer, stone and salt possibilities were discussed. Their choice has been two or three cars at a time to this location versus entire unit trains to their South Charleston, Ohio facility. They move bulk fertilizer in a backhaul truck rate of \$15 to \$20 per ton. This is mainly phosphate and nitrogen.

They also do package salt (Halites) of about 15 trucks per year with 22 tons in each. This can come in Gaylord totes versus pallets of 50 pound bags.

They also receive 20 trucks a year of 6x16 limestone gravel filler material from National Lime & Stone that could potential be delivered via rail.

The siding is still connected and is apparently serviceable.

**GEORGE STEEL**

Elisa Sibcy  
Purchasing  
1207 US Route 42 South  
Lebanon, OH 45036  
513-932-2887  
[lisa@georgesteel.com](mailto:lisa@georgesteel.com)



George Steel was told rail was not available when they expanded on the site. They are expanding and might have a future need for inbound steel.

If rail service is requested, there is currently no siding at the location. It is immediately adjacent to the main track and would be a relatively short and simple siding construction effort. This may be a prime candidate for an industrial development siding project via ORDC or other sources, if the customer can define and commit to a plan needing rail service.

CONTRACT LUMBER INC  
Matt Pendergast  
Operations Manager  
3800 State Route 741  
Lebanon, OH 45036  
513-398-3390  
[mpendergast@contactlumber.com](mailto:mpendergast@contactlumber.com)

**B**usiness is steady with most lumber going to large apartment projects and upscale homes. This customer is located on the Mason side of the Hageman connection and does not appear to connect with the Lebanon portion.

PETRO CHOICE (former Suburban Oil)  
Bill Hazard  
Operations Manager  
4291 State Route 741 South  
Mason, OH 45040  
800-562-2861  
[whazard@petrochoice.com](mailto:whazard@petrochoice.com)

Looking to grow traffic, has new movements by rail. They just started pulling from Paulsboro, New Jersey five cars per year. They get terra out of Courtwrit, Ontario Canada. Another new customer is American Refining, Bradford, Pennsylvania. This move could be eleven cars per year. The 24,000 gallons in a rail car versus only 6,000 in a truck helps make the truck competitive as they do not use that much quickly, and the changing of prices can mean that they lose on each gallon in inventory. This customer is also just west of Hageman in terms of connectivity and would not directly benefit Lebanon.

### **Comments and Remarks**

Two smaller propane dealers on the Lebanon branch (Ferrelgas and Collett) were also visited but we were not able to interview anyone at either location.

We saw the possibility for several properties along the route for development as additional industrial sites.

Development has a better chance of success when a community has prequalified the potential development properties along their rail corridor as being rail-accessible. Contacting land owners for their willingness for leasing and/or sale of their properties would be the first step.

While it is apparent that for whatever reason, the Lebanon branch customers have not been approached for rail freight service for some time, this would appear to be by far the best "long term" solution for the entire rail situation and ongoing investment and



maintenance for the Lebanon line. Developing freight rail makes on-line industrial customers more competitive, opens new markets, and stabilizes or increases local employment. Industrial sites with access to shortline railroads are far preferred over sites without them, and this current situation puts Lebanon at a disadvantage to many communities including Mason. Growing sufficient commercial freight traffic on the line that it becomes attractive to G&W as the track owner, rather than the City, is the ultimate solution for Lebanon to have economic benefits with minimal or low cost to itself. As G&W already has an effective working relationship with LM&M as the passenger operator over the Mason line, this would not appear to automatically mean that the LM&M would be in immediate jeopardy due to liability or contractual relationships over the passenger issue.

It is of great concern that an entity like George Steel is expanding and was under the assumption that rail service was not available through public or private communications. This impression, if widely communicated among business and landowners along the rail corridor, is the first concern that Lebanon can address without substantial investment.

Undeveloped, currently vacant, and available rail-accessible land along shortline rail corridors is growing, not decreasing, in value. One of the unintended consequences of the federally-mandated “Positive Train Control” collision prevention implementation is that every railroad track switch on a main-line railroad must be equipped with position indicators and tied-in to the master track circuitry and signaling system, to prevent potential accidents from a higher-speed train derailing on an industrial siding left open. The cost of such signal protection is high – raising the cost of an installed turnout by as much as \$100,000 or more depending on location and complexity. CSXT has forecast a PTC implementation cost of \$1.2 billion, including equipping 3000 existing siding switches for PTC signaling.<sup>3</sup>

Shortline railroads with no main line traffic and low speeds are exempt from the new laws. Industrial development along prime main-line rail corridors has always been subject to reluctance to provide local freight service when it disrupts main line trains, but the new impacts are far more than just this issue. This raises the cost of siding construction on main lines significantly, and makes shortline-accessible property more valuable. While shortlines have always provided more flexible service, this is an entirely new factor that still hasn’t fully been felt in industrial development. Highlighting available and existing sidings, and having the cost of new sidings be at a minimum, along with flexible service, is a significant development advantage.

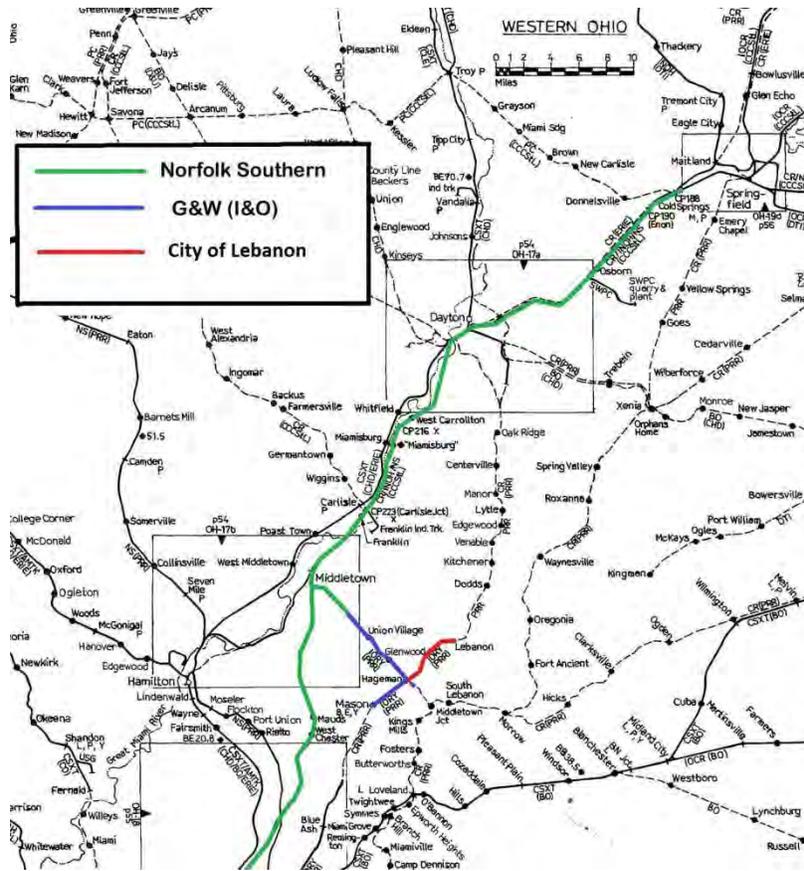
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<sup>3</sup> [http://www.csx.com/share/wwwcsx\\_mura/assets/File/About\\_CSX/Projects\\_and\\_Partnerships/PTC\\_101.pdf](http://www.csx.com/share/wwwcsx_mura/assets/File/About_CSX/Projects_and_Partnerships/PTC_101.pdf)

While mentioned under track and infrastructure, the likelihood for any freight commodity movements into Lebanon being subject to higher weight limits such as 286K are relatively high due to the commodities likely to move, and the way they are efficiently moved today via rail. The discovered commodities of plastic pellets, fertilizer, and steel are more efficient to move when cars are available that can handle the fully loaded weights. It should be noted, however, that the geographic relationship between the freight rail sidings, potential customers, and existing bridge ratings leaves only one bridge at 5.9 as an actual concern with existing load ratings, and that specific bridge is borderline in current rating without taking into account the additional reinforcements that were applied. Allowing light-density lines to carry such heavy loads has been a goal of most State Transportation departments nationwide, and is a worthy goal for infrastructure upgrades.

Likewise, the issues for rail and crosstie tie upgrades, if freight traffic should develop, are not evenly distributed over the entire branch. Upgrades need to be applied from west to east, and the last .8 mile into Lebanon has the least potential for heavy freight moves in the future. That also removes two of the five bridges from further concerns for 286K load issues.



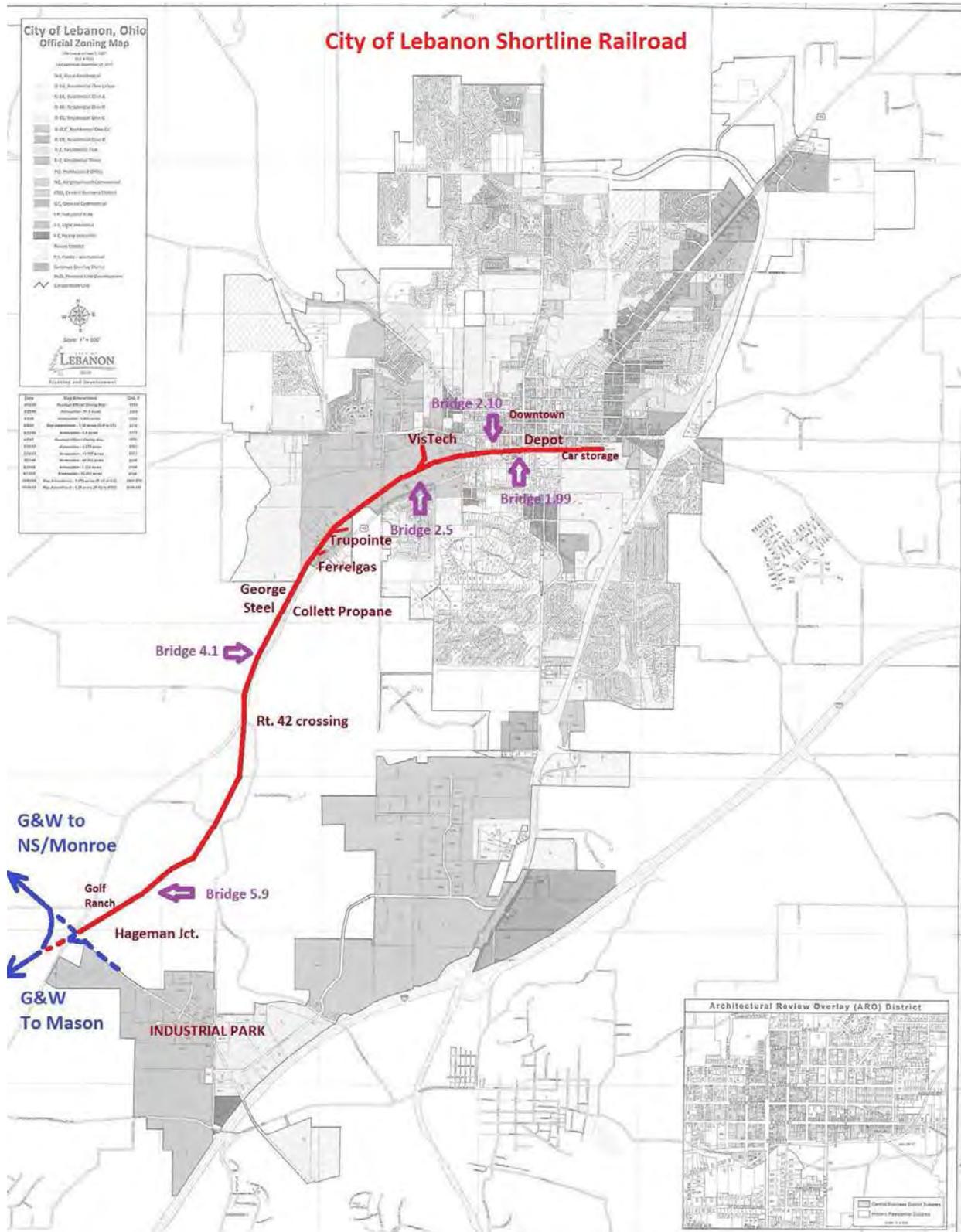


The screenshot shows the website for Genesee & Wyoming Inc. The main navigation bar includes links for 'About Us', 'Investors', 'Customers', 'Employees', 'Overseas', and 'Suppliers'. The page title is 'Indiana & Ohio Railway (IORY)'. A sidebar on the left lists various services: 'Overview', 'Contact Information', 'Tariffs', 'Fuel Surcharges', 'Real Estate', 'Shipping Tools', and 'Storage'. The main content area features an 'Overview' section with the following text:

Indiana & Ohio Railway (IORY) is a short-line railroad operating primarily in western Ohio, as well as in parts of southeastern Indiana and southeast Michigan. The IORY serves the metropolitan areas of Cincinnati, Columbus, Springfield and Lima.

The IORY handles a wide range of commodities over its 570-mile railroad, including metal products, chemicals, plastics, lumber, paper, grain and grain products, such as ethanol and dried distillers grains. The IORY serves several barge terminals in Cincinnati, and has customers offering transload services to handle a variety of products. The IORY offers several sites suitable for new industry reassignment.

Below the text is a map showing the IORY route in orange, with red triangles indicating industrial development and transload locations. The map also shows other G&W railroads in grey and trackage rights in black. A legend on the right side of the map explains these symbols.



**LEBANON POTENTIAL FREIGHT CUSTOMERS AND SITES**

Location	Business type/comments	Rail Accessible?	roadbed	track	switch
<i>MP 1.99/2.1 bridges</i>					
<b>Abandoned property/bldg</b>	S. West St., e side	yes	in past	no	no
<b>EPC (Engineered Plastic Components)</b> <a href="http://www.epcmfg.com/lebanon.html">http://www.epcmfg.com/lebanon.html</a>	S. West St., S side	Silos on rail side	no	no	no
<b>Kardol Quality Products</b> <a href="http://www.kardol.com/">http://www.kardol.com/</a> <b>Now Vistech</b> (big site with long siding)	S. West St. N side	Auto finish products Yes property had for sale 9/11 on Google Earth Vistech is primarily auto parts and interior plastics components	yes	yes	yes
<i>MP 2.3 bridge</i>					
<b>Unknown (was Wilson's Building &amp; More</b>	Ok-Chia Circle off of Rt. 42	yes	no	no	no
<b>Heat &amp; Sensor Technologies</b> <a href="http://www.heatandsensortech.com/">http://www.heatandsensortech.com/</a>	Norgal Dr. off of Rt. 42	Small OEM heaters (not rail material?)	possibly	no	no
<b>Trupointe</b> <a href="http://www.trupointe.com/locations/lebanon-turf.html">http://www.trupointe.com/locations/lebanon-turf.html</a>	Rt. 42	Fertilizer, seed, ice melt Has hopper car dump pit on siding	yes	yes	yes
<b>Eastgate Graphics</b>	Rt. 42	Small-hot custom packaging (not rail material)	no	no	no
<b>Ferrellgas Lebanon</b> <a href="http://www.ferrellgas.com/lebanon-oh">http://www.ferrellgas.com/lebanon-oh</a>	Rt. 42	Propane distributor	yes	yes	no
<b>George Steel Fabricating</b> <a href="http://www.georgesteel.com/">http://www.georgesteel.com/</a> New building under construction	Rt. 42	Structural steel fabrication from standard products	no	no	no
<b>Collett Propane</b> <a href="http://www.collettpropane.com/sub_pages/locations.html">http://www.collettpropane.com/sub_pages/locations.html</a>	Rt. 42	Propane distributor	yes	no	no

*MP 4.1 bridge*  
*MP 5.99 bridge*

**NOTE: ABANDONED SOUTH LEG OF JUNCTION GOES TO INDUSTRIAL PARK OFF OF I-71  
APPROXIMATELY 20 BUSINESSES IN INDUSTRIAL PARK AREA.**

## Track and Infrastructure Assessment

As the City of Lebanon retains responsibility for track and infrastructure maintenance to allow the excursion program to continue, the condition of these assets and outlook for maintenance expenses was included in our scope of work. Reviewing general track conditions were included with our on-site assessment on August 11-12, 2013 and in May 2014.

### Rail Condition

The legacy of the line as an ex-Pennsylvania Railroad branch line would seem to indicate that the high engineering and material standards that the PRR was renowned for would still be evident today. PRR lines typically have heavier rail, well-engineered bridges, and well-engineered roadbed and drainage systems. But the history of the line is an originally narrow-gauge line, the Cincinnati, Lebanon & Northern, built 1881, leased by PRR in 1886 and fully absorbed by PRR in 1923. Although it was on the PRR system map, it never had any real purpose other than to defend the route against competitors and provide a commuter line route to Cincinnati.

Little if any of that PRR-operated approach seems to be evident on this line section. Compared to a typical ex-PRR line, the line is equipped with older, lighter rail and generally secondary construction standards throughout.

The typical rail section on the line is 85-lb/yd “AS” (American Society of Civil Engineers design) with early 1900’s roll date. Rail (right photo) was rolled in 1903, and was likely the last major rail upgrade on the line. Some switches have been upgraded to heavier rail, but the 85# AS is by far the dominant rail section. The early 1900’s rail roll date also indicates that it was manufactured before 1930’s control cooling metallurgical methods improved consistent rail metallurgy against internal cracks and fissures.



85# AS rail on LM&M – roll date 1903

85# rail is considered light by today’s standards, although it is not uncommon even among shortline railroads nationwide, including a surprising number with significant freight traffic still on them. Current rail practices typically begin at 115# and heavier rail even for sidings; main line rail is now typically a 141-lb section.

On the other hand, for relatively old 85# rail, it is in better condition than average. The PRR never upgraded what did not have good reason to upgrade, and the history of the line as an effective 'commuter line' connecting Lebanon to Cincinnati was sealed by 1952 as a dead-end branch beyond Lebanon. The lack of heavy freight traffic on the branch never wore out the rail. So, for light rail, it is in much better shape than average and has never been subjected to sustained heavy freight car traffic – typically measured in *millions* of gross tons (MGT) per year.

For railroads that still run 85# rail, the only caution has been that in order to compensate for the relatively light rail, the tie condition must be better than average to prevent rail damage and breakage. While infrequent moves of a limited number of cars at low speed are unlikely to severely damage the rail, regular and sustained operations of heavy cars without good tie condition under such light rail is an invitation to regular rail breakage and possibly derailments.

It should also be noted that even the rail that has been upgraded south and west of Hageman to Mason is only 90# rail, and that track structure supports some relatively heavy car movements into Mason to the plastic container manufacturer located there. Tie condition on the Mason side, however, appears to be significantly better than on the line to Lebanon, reportedly due to an ORDC grant some years ago.

The relative reliability of the rail under load can best be described by a study done by the Rail and Tie organization<sup>4</sup> to describe the likelihood of developing cracks under heavy loads in relation to frequency of use. As can be seen, 85AS rail section develops cracks under lower loads and impacts faster than any other section, but the combination of load (25 million gross tons/yr) and deflection are still significantly in excess of any load currently on the LM&M or contemplated for light-duty rail freight service. The key issue is not only rail weight, but the ability to stiffen the rail with roadbed condition – i.e. better tie condition – the key issue in restraining vertical rail movement under load.

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<sup>4</sup> <http://www.rta.org/assets/docs/ComprehensiveRail/sec2/crack%20growth%20in%20rails.pdf>



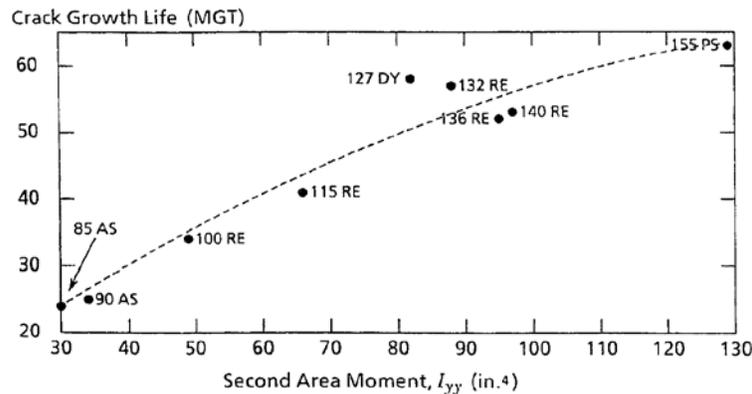


Figure 3 —Crack growth life versus rail vertical bending stiffness.

While 90lb rail is better, it is not remarkably so, and this is the rail section that is now in regular use for freight service on the line to Mason. The difference is primarily overall tie condition. Discussions with the City indicated that the line is currently experiencing 1-2 rail breaks per year under current traffic levels with the passenger train.

The City has expressed significant concern about this rail, and what restrictions, if any, it places on the reestablishment of freight service on this line segment. The City is also concerned that the "rail is no longer made", but that concern applies to nearly every secondary branch railroad in the United States in some manner. The primary restriction at the current time remains the potential weight rating of the 5.9 bridge, and that issue appears to be moving toward resolution.

The existing 85# rail and current tie condition is not an immediate impediment toward resuming limited freight movements (considered to be under 200 cars/year) at 10mph over only four miles of track. Reopening the line for commercial freight, along with the customer willingness to actually use it, will qualify the track section for ORDC grant funds which can be used for both tie replacement and rail upgrades over time. Rail upgrades to 115# or better can be done over time, working from west to east, with the 85# rail removed stockpiled for emergency rail replacement in the interim and/or sold for scrap to reduce the cost of the rail upgrade.

This replacement program is certainly recommended, but is a result of restarting freight activity rather than a prerequisite to do so. Any additional tie upgrades that can be applied for will greatly extend the life of the 85# rail, and reduce the likelihood of breakage under load.



TNMR unit sand train at Lovington, NM on 85# rail



TNMR unit train sand unload at Lovington, NM with 85# main line track.

This recommendation is based on our engineering experience with other rail clients in the US. 85# rail can be found, in heavy freight service, in many other areas of the US on selected shortlines, and in regular daily freight service. The most remarkable has been the 'oil rush' in the Permian Basin of Texas and New Mexico, served by the Texas-New Mexico

(TNMR), a member of the Iowa Pacific (IP) family of shortline and excursion railroads. This 104-mile line was entirely built with 85# rail, and now sees traffic levels in excess of 20,000 cars per year, including regular unit trains of inbound sand and outbound crude oil.<sup>5</sup> The response to that traffic increase has been installing ties by the thousand (primarily relay/secondhand) over the entire route, and also installing heavier 115# rail as soon as possible, beginning at the south end of the railroad at the UP interchange and working north as time, finances, and traffic permits.

It's important to understand that the 85# rail and track condition greatly limits train speeds. TNMR is still limited to 10mph service over long distances. This is not an issue for a four-mile railroad such as Lebanon.

<sup>5</sup> <http://www.progressiverailroading.com/mow/news/iowa-Pacific-Holdings-to-upgrade-TexasNew-Mexicos-track-motive-power--28040>

## Tie and Ballast

We were surprised by the generally good condition of the roadbed structure and drainage conditions. Many light-rail lines suffer from poor drainage that collect weeds in the ballast, and greatly decrease crosstie life due to wet conditions. While the line was not weed-free, it was obvious that it was subject to regular weed treatment and brush cutting and the entire right-of-way had been cleared in recent history, as the ballast shoulder was generally visible down to the ditch line.

Our major concern, however, for current and future operations is tie condition. In order to operate passenger trains, the track must be maintained to “FRA Class 1” condition, the lowest-speed and lowest-standard that is federally enforced to move a passenger train. FRA 1 has a maximum freight train speed of 10mph and 15mph for an occupied passenger train. Maximum train speed is a direct function of track condition, and while freight operations can continue on track that falls under FRA 1 as “exempt” track, passenger trains simply cannot be operated legally. Each track is inspected, and operated, under a specific FRA class designated by the operator.



Typical tie and ballast condition



LM&M at Ohio Rt. 42

FRA track standards are well established as the definitive national standard and consist of established metrics of tie condition, gauge tolerance, rail head tolerance, and track geometry in and out of curves. While many are surprised that what appears to be relatively poor track can be legally operated for passenger trains, there is still a well-defined set of measurements that must be adhered to. For the LM&M, FRA Class 1 means that at least one tie at every bolted rail joint must be non-defective (capable of holding spikes, not broken, split, etc). As there are typically two ties under each rail joint, at least one must be solid.

This "good tie" count is extended to minimum counts over a rail length (39') defined as a minimum of five good ties per 39' (6 ties if on a curve over 2-degrees, a rather mild curve) including the joint ties; as a typical 39' rail section with 21" spacing will have 22

ties, that's only a 23% non-defective tie rating. Within that standard however, the non-negotiable item is the joint ties; there simply must be one good tie under each joint, and failure of that fact leads to an immediate non-compliance situation.

The City has been in a regular practice of tie improvement and maintenance to maintain the FRA1 passenger track class. Walking inspection of the track showed fresh tie work in a number of locations. Any additional tie upgrades to help with rail support will require careful marking as some areas of track are already in relatively good condition for ties, and other areas do need the additional tie work to qualify to the marginally higher FRA 2 tie standard.

Along with that joint tie situation are some other rather basic and evident rules: gauge has defined tolerance, joint bars that connect rails must have at least one bolt per side (most observed 85AS joint bars on the LM&M were six-hole bars, three per side), bars cannot be broken, and rails cannot be broken.

Observed conditions on the LM&M indicate that while the FRA Class 1 track standards are obviously in effect with observed maintenance and inspection practices, the general condition of the track is that it is subject to an immediate non-compliance situation with little or no notice due to a track inspection that would find even a single additional track defect for a joint tie or other track component. Numerous defective ties, missing bolts, ineffective spikes, and shifted tie plates were observed – and some of those issues have already been corrected. Normal track maintenance practices would attempt to maintain to a higher tie standard even if the track speed was not raised, simply to have at least some cushion against a discovered defect or a "tight" track inspection. Very few if any joints had more than one good tie in place, and a significant number of joint ties, while not yet defective, were aging toward required replacement in 5-10 years. The railroad is being maintained to what appears to be the absolute minimum FRA 1 track standard with very little room for error.

The worst track conditions were generally within the immediate area of the Lebanon boarding area, and it was also obvious that the non-passenger portion of the track east of Mechanic St. (used for car storage) was not inspected to an operating standard. Some observed defects (such as the torch-cut compromise (adapter) joint bar near Sycamore St.) would appear to violate the 1/4" maximum tread mismatch under load as well as the 'design standard' CRF 213.121(a) for joint bars.



Compromise (adapter) joint with missing spikes on plate and torch-cut bar at Lebanon

The risk in this situation to both the community and the LM&M is that a weekly track inspection "could" result in the immediate shutdown of the railroad for a scheduled passenger excursion, and that "could" result in financial loss to the railroad. According to the City of Lebanon, that "near shutdown" situation based on biweekly track inspections has happened and put the City in the position of having to make immediate spot track repairs.



While this particular issue is also addressed under the contract issues, this is the underlying reason why the contractor/operator is usually the "first responder" to discovered track defects from regular inspections and to be responsible for immediate, if sometimes minor, repairs to track structure that would potentially result in an FRA safety violation if not immediately addressed. The public track owner is typically not put in the position of being the first responder to comply with a federal track inspection situation of discovering a relatively minor defect and being responsible for the immediate repair to prevent a shutdown. They are typically made responsible for significant track maintenance situations, track upgrades, and planned tie replacement programs beyond the financial means of a shortline/excursion operator to reasonably accomplish.

### **“Normalized” Track Maintenance**

Current practices for determining track maintenance needs appear to be determined by examining track inspection records and following contractor recommendations for track repairs. If track inspection defects are discovered, LM&M is notified along with the City, and a local track contractor is immediately contacted to make the necessary track repair. While this can keep the property operational, it does not typically anticipate maintenance needs or allocate responsibility based on a predictable basis. The biggest, and most predictable, expense for normalized track maintenance is tie replacement. On this railroad, tie replacement is also critical to reinforce the lighter rail for heavier traffic.

FRA 1 track maintenance standards, at absolute minimum, establish that 5-6 ties per 39' must be in non-defective condition. Over the 4.6 operated miles of track over the LM&M (24,290'), and using 5.5 ties per 39',  $((24,290/39) * 5.5)$  that translates to a minimum of 3426 ties that must be non-defective for the railroad to operate under FRA

1 standards. Assuming that the normal life of a wood cross-tie is 35 years<sup>6</sup>, that means that a normalized pattern would be 1/35 (2.86%) of that 3426, or 98 ties. In round terms, that means that at least 100 ties/year must be replaced under ideal conditions, anything higher than that is effectively "makeup" for deferred maintenance practices of the past. For discussion purposes, that may be an established demarcation point between what maintenance is the responsibility of the operator on an annual basis, and what tie replacement basis is the responsibility of the track owner. The trade-off, of course, is that if the operator was expected to do normalized track maintenance, less money is available for an ownership/lease payment to the City. In most situations, the public track owner elects to let the railroad operator perform their own track maintenance as much as is financially feasible, even if it results in a lower lease payment, due to the communications, operational, and management inefficiencies the alternative creates.

### **Additional Track Issues**

LM&M also operates event and meal trains to Mason OH over now Genesee & Wyoming owned track between Hageman and Mason. This has continued during I&O operations and now into G&W management. cursory examination of the Mason – Hageman track structure indicated that this track is maintained to a higher level for tie condition and has obviously seen more intensive rehabilitation in the recent past, and rail section is typically 90# rather than 85#. As this track serves several industries in Mason and is operated at least weekly for freight service using full-weight cars, it is maintained to a higher standard by necessity, and serves an economic need for Mason.



The City of Lebanon ownership and responsibility "appears" to terminate at the diamond crossing at Hageman according to detailed city zoning maps. However, there is one portion of track between the Hageman diamond and the west switch onto the Mason portion that was not being properly maintained by G&W. This 1370' track section was in extremely poor condition and contained numerous defective joint ties,

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<sup>6</sup>Life Cycle Assessment of Creosote-Treated Wooden Railroad Crossties in the US with Comparisons to Concrete and Plastic Composite Railroad Crossties <http://www.scirp.org/journal/PaperInformation.aspx?PaperID=30419>

contaminated ballast, and at least one completely unsupported joint that was movable simply by kicking it and apparently held in place only with loose ballast on both sides.

While this track does not appear to be the responsibility of Lebanon to maintain, it is possible that it is not understood by the track inspector that it is to be included in the track inspection reports, as normal LM&M operations stop east of the diamond, with only special runs such as "Date Night" going to Mason over this section. If this track is G&W's responsibility, they must bring this track into compliance for passenger operations or take it out of service. No other location was observed on the railroad that would be considered to be an ongoing, chronic track maintenance location.

### **Bridge Issues**

The railroad has five identified bridge spans over its length between Hageman's and Lebanon; two bridges almost within the City limits, (MP 1.99 and MP 2.10). The next span of note (2.5) is just west of the switchpoint at the ex-Kandrol (now VisTech) facility; the two final spans are at the west end of the railroad at 4.1 and 5.9.

The City and LM&M have properly inspected the bridges, and also rated some in 2011 with the remainder in 2013; both are to be commended as they are effectively 'on target' for national bridge inspection compliance and inspection deadlines. The issue is not in inspection and compliance, it is in the method the ratings were conducted and the format in which the bridge rating results are presented. The industry standard method of presenting bridge ratings is the Cooper Rating method where the bridge's capacity is compared to its ability to handle a Cooper E-80 train. A bridge only half that strong would receive a Cooper E-40 rating. The impact of the moving train increases the stress on the bridge and the impact varies with the speed of the train. Thus bridge ratings are based on the speed of the train and the type of locomotive (steam or diesel). A train has an Equivalent Cooper Loading, usually based on its heaviest cars, that is directly compared to the Cooper Rating of the bridge.

Although the most commonly used terms talk of the weight of an individual car as 263,000 pounds and 286,000 pounds, bridges are rated based on typical trains, not individual cars. In the case of passenger rail, the locomotives usually weigh more than the cars. With freight, the locomotives can weigh more or less than the cars, but usually the cars exert greater stresses on the bridge because of closer axle spacing. The greatest stresses usually come not from the weight of one car, but from the effect of the rear 2 axles of one car and the front 2 axles of the following car. In that case 4 axles are very close together, regardless of how long the car may be. A Cooper E-80 rating is not required for freight and few older bridges have that capacity. The Equivalent Cooper Loading of a train with 286,000 pound cars varies depending on the length of the car and the length of the bridge, but generally an E-60 is sufficient.



Of the five bridges, three are clearly rated as “286”, meaning that they can safely handle equipment and freight cars of the highest current commercial national standard, 286,000 lb on four axles; effectively 143 tons including the car weight. Those three bridges currently rated at 286 are 1.9, 2.5 and 4.1. Bridges 2.1 and 5.9 are not clearly rated for 286, but are rated as being safe for current passenger operations. It should be noted that the formal “GP7” bridge rating is not a normally and formally recognized bridge rating specification and has no meaning outside the bridge rating report, but does indicate safe operations under current loads.

If the primary issue with the railroad bridges is the restrictions on freight operations, then the entire exercise clearly focuses down to Bridge 5.9, as there are effectively no current or immediately potential freight customers east of bridge 2.5. The rating, or lack thereof, of bridge 2.1 is irrelevant to the discussion as heavy cars would not necessarily need to pass over it in loaded condition if cars were pushed into the siding with a shoving platform (as is currently used during passenger operations today).

Therefore, primary focus is drawn back to the correspondence and inspection data on Bridge 5.9. The May 2011 bridge rating report basically states it is sufficient for current passenger use but does not elaborate on the issues regarding 286K. These unresolved issues were subsequently discussed on a May 25, 2011 letter to the City from URS Engineers. The specific issue raised on both bridges was the presence of wooden “helper bents” placed after the original bridge construction as supporting members (likely during Penn Central or Conrail ownership) that were considered to be “...in typically poor condition, are placed on inadequate foundations, and are often not in direct contact with the main load carrying members under dead load conditions. For these reasons ***the helper bents were not considered during the load analysis of either structure***” (bold and italics added by Stone).



Bridge 5.9



Bridge 5.9 helper bent on east side



Bridge 5.9 deteriorated shim west side



Bridge 5.9 deteriorated shim west side

It is logical to assume that the helper bents were added by previous railroad owners specifically to address the weight bearing issues of the bridge under previous analysis, which were more than likely 263K – the previous national standard. The helper bents are substantial in nature – double 12”x12” beams with similar caps and sills. They are also a full 12’ in from the existing abutments, which shortens the effective center span by 24’ if they were effective and in contact with the steel girder sections. Without those additional supports, it is logical to assume that the bridge would not rate at 286 and would possibly not even pass 263 if actually rated for freight movements. As the inspection reports stated, the wood shims between the bent cap and steel beam bottom is not in contact, and the helper bents are doing little if any support function at the current time.

As the bridge is not otherwise structurally deficient, such substantial helper bents would have been added purely to strengthen the bridge by prior owners. However, another possible explanation for the helper bents is that they were constructed to temporarily support the bridge while the piers or abutments were being rebuilt and were not later removed. After viewing the site, we do not feel this is likely due to the substantial construction and attempt to narrow the span.

The May 7, 2013 bridge inspection report on 5.9 conducted by CSR also ignored these “helper bents” as *“Helper bents were ignored, as they are not needed structurally”*.

This leaves the City in the position of not actually knowing whether the structure is, or isn’t capable of handling 286K for freight if a full rating were done using these members. The following is recommended:

- 1) Document and identify the helper bents for condition and dimensions in the next annual bridge inspection, even if not in full contact with the existing structure

under dead load. Specific attention should be made to foundations, as URS indicated that they were no longer in contact with the bridge girders. If foundations are sufficient, shimming may be necessary to bring into contact with the girders.

- 2) Determine what repairs are necessary to bring the helper bents of 5.9 into useful condition for contributing to the structural support of the bridge, and estimated cost. It is understood at the time of this report that such work has been bid out, but it does not seem to be known if this work will actually benefit the rating.
- 3) Recalculate the bridge ratings with the helper bents included, specifically to see if the structure can meet 286K with those additional supports included.
- 4) Recalculate the bridge rating based on realistic or actual train speeds, 15 miles per hour or less. The capacity of the bridge at 40 MPH is not relevant to this railroad.

### **Past Maintenance Commentary**

While we were pleased to see the work that has been conducted on bridge 2.1 including the full redecking of the bridge, the additional expense of completely repainting the structure was a surprise. This was an expensive undertaking for Lebanon to do.

Repainting railroad bridges has become increasingly uncommon due to the high environmental expenses of containing the paint chips during sandblasting (usually containing lead), containing the sandblast material over waterways and roadways, and containing the new paint itself during repaint operations. While a railroad bridge inspection report will almost always include "paint necessary", the number of such structures actually repainted that we have ever inspected is effectively zero, despite the constant comment in the bridge inspections.

The more typical reason for repainting railroad bridges today has been that they can become an eyesore within a community. Bridge 2.1 was not clearly visible to the public, as is true to most of the other spans on the railroad. When determining financial priorities for railroad maintenance, bridge painting is typically rated relatively low on a cost/benefit analysis basis even if it is noted on a bridge inspection report, unless specific structural concerns are directly linked to the paint issue. The only time-based structural failures we have seen due to corrosion have been linked to buildup of leaves and foreign material on the steel holding moisture, so 'cleaning' is usually a much higher priority than painting on a typical railroad bridge. Any further repainting of railroad structures should be carefully considered in terms of priority.

## Operating Lease Review

The lease between the City of Lebanon and the LM&M Railroad dated Jan. 31, 2013, was reviewed by Stone Consulting personnel. The primary reason for this review was for the opportunity to review and comment on the lease document, particularly as to how it compares to other similar railroad excursion operating agreements that Stone Consulting has reviewed, authored, or revised.

It is not in any way uncommon for a public entity to be in the position to contract with a for-profit corporation to provide rail freight and excursion services. One of the significant changes in the 1976 Rail Reorganization Act was to encourage the shift of providing rail services from a privately-owned common carrier to any other entity that was willing to shoulder the burden to support infrastructure, and sometimes the operating cost, of continuing rail services for public benefits. The Hageman-Lebanon spur is one of those lines preserved from that era. The number of publicly-owned rail lines leased or operated to for-profit entities under similar agreements is unknown, but it is measured in the hundreds. New York State, in particular, has virtually every low-density rail line in the entire state owned by a public entity, as it is the only way to avoid a heavy real estate tax burden on a for-profit railroad. As a result, County Industrial Development Agencies are the typical property owner for light density lines today.

In Pennsylvania, the initial 1970s's rush for the Pennsylvania Department of Transportation to own low-density lines was implemented, but 20 years later the result was to transfer ownership to any entity but the state – resulting in transfer back of lower-density lines to new shortline owners, historical societies, nonprofits, and rail-dedicated multi-county agencies such as SEDA-COG. Maryland continues to own many light-density lines at the state level, but some excursion operations such as the Western Maryland Scenic Railroad have taken control of their own local railroad at the County level.

The typical public ownership entity in these leases, however, is rarely an incorporated City. Generally, the public owning entity is a board, commission, or Authority that has similar rights and responsibilities back to a municipality, but isn't one. Entities typically have either elected or appointed boards and function like a Commission or Authority, with public meetings and formal procedure. They are not necessarily dedicated to the single mission of the railroad, but can be. The minority of these agreements even at the County or bi-County level are owned by a direct, elected, governing body (County Executive, County Commissioners, Town Council, etc.). The great majority are in the commission, authority, or agency model. Even public agencies like power utilities have owned their own railroad.



Public ownership continues to be a primary service preservation methodology, but if there is a commonplace alternative to a public agency (particularly for excursion-only railroads), it is a single-function nonprofit entity as a 501(c)3 museum, or a foundation. Nonprofits can contract with for-profit railroads to provide freight services, one notable example being the Oil Creek Railway Historical Society, which took ownership of the ex-Conrail Oil City to Titusville branch (18 miles), and contracts with the New York and Lake Erie Railroad (NYLE) to provide rail freight service, pull Society-owned cars with NYLE crews and locomotives, and handle all track maintenance. This arrangement has been in place since 1987.

Public or nonprofit ownership has the distinct advantage of the availability of public funds to maintain infrastructure for the public good, and to receive public grant funds that the for-profit owning railroads simply do not qualify for. Transportation funding methodologies vary widely, but excursion railroads in particular have been the recipient of all manner of Federal transportation enhancement funding, none of which may be received by a for-profit entity in any manner.

So the primary commentary on the lease agreement is that it is highly unusual for an incorporated City, through elected officials and Council, to be the direct owning body of a railroad. It is far more typical for a regional, or County-based entity to control a public railroad property, and in that manner, usually an industrial development, economic development, or even historical public body. It is clear from our analysis that the railroad currently benefits, and could benefit, a larger circle of invested geography than the Lebanon city limits. The fact that there is a contract with a private, for-profit carrier to provide freight and/or passenger services is very common and the typical model. It is more uncommon to have a nonprofit/volunteer organization attempt to provide the excursion program working with the public owner.

Most City-owned railroads are terminal properties that originally built and funded major transportation infrastructure so that shared assets between railroads could be handled in a more noncompetitive manner, so the Port of Albany controls their track, City of Tacoma owns their port railroad, and similar port city ownership of operating railroads is common. But finding even similar small shortline/excursion railroads that are direct City-owned is somewhat of a challenge. The City of Flint MI owns the Huckleberry Railroad (as a division of City Parks), under part of an historic village project. Cities may own some of the underlying railroad real estate (Belfast ME, others) but generally not the entire end-to-end railroad outside the normal City limits.

## Clause Review

### Page 3

**Hold Harmless clause.** The paragraph does not include a full discussion of the insurance that had to be maintained by each party and clearly outline the policies required by both the operator and the City. The "normal" method is to clearly define the specific insurance coverages and types, name the City as additional insured, etc. This appears to be covered in subsequent paragraphs.

**Evaluation reports and audit: (B)** Because of the special events nature and subcontractor agreements, the LM&M is often under specific time delays for revenue recognition, disclosure conditions, etc. that are considered industry standard practices. For Thomas and other licensed events, LM&M does not sell tickets themselves, but through a designated sales partner to the event. Thomas, in particular, runs TicketWeb, and while they can log on to see how sales are going on an event, the "settlement" procedure is a complex process. Stone Consulting has seen substantial delays in terms of elapsed months before the operating railroad has a true picture of actual revenues and final costs from an event, not due to the fault of the railroad in any way, particularly after refunds. One of the most significant issues is merchandise purchases and returns policies that can dramatically impact cash flows until resolved.

### Insurance

Provisions are made for Workmen's compensation, public liability, professional liability, and general commercial liability for \$2 million. In comparison to most public entities, this is a very reasonable amount for an owner to require. Insurance certificates were provided by the City that showed LM&M actually provides railroad liability coverage of \$10 Million and \$30 Million with the LM&M named, and what appears to be a joint policy for the dinner train and LM&M, but does specifically name the LM&M.

Insurance certificates were not provided specifically for "public liability" or clearly indicated if the existing policy coverage actually met the definitions of the agreement for that coverage. It is also unclear what the scope of responsibility would be for a property-related accident (for instance, a pedestrian fall from a city-owned bridge completely unrelated to rail operations) under the agreement. Somewhat related to that observation, the lack of "no trespassing" signs on the bridges should be addressed.

## Attachment Pages

### Scope of Services:

- A) "Passenger rail service" line could be misconstrued legally to constitute common-carrier service. Suggest "excursion passenger rail" rather than "passenger rail" as in lines below.
- B) Section D. The annual tie replacement program is not tied to a specific FRA track class; although FRA Class 1 is assumed. It is also not clearly identified who is responsible for the track inspection and if representatives from the City and/or Railroad are involved. Track maintenance issues other than ties (rail, bars, bolts, etc.) are not mentioned but appear to be included; again, track class needs to be specifically identified and/or exemptions from it such as the storage track on the far eastern end and various spur tracks that are not used for passenger service.
- C) LMM: "regular passenger service" language does not define a minimum operating schedule and that is usually part of an agreement. One day a year can be "regular".
- D) Maintenance of boarding areas such as the passenger platform, etc. are not discussed. Most "slip and fall" accidents are platform-to-car and vice versa. City-owned property and the "hold harmless" clause would appear to address this, but a true case of property condition negligence contributing to an injury on city property may not be properly insured, particularly if it was unrelated to rail operations.
- E) LMM under c) should be put on notice that equipment used on excursions shall meet all applicable safety requirements of 49CFR in regard to braking, wheels, structural condition, lights and safety appliances required for non-Amtrak excursion operations. Waivers applied for and received for non-compliant items such as window material shall also be copied to the City when applied for. As the railroad is not a common-carrier passenger railroad, regulatory requirements are greatly relaxed, but not entirely removed. Compliance with regulatory requirements, like insurance, is typically proven by example.
- F) Freight traffic is not mentioned at all; if any consideration is made, the agreement should clearly state that freight services are or are not to be provided by LM&M, or if they are contemplated, additional lease considerations need to be negotiated. It is assumed that I&O/G&W has all freight responsibility, but that is not clearly stated.

### Revenues

- a) \$3000 as a fixed lump sum is not defined as to time period other than August 15<sup>th</sup>. That does not necessarily coincide with their "best" cash flow period and should likely be negotiated to better agree. Most excursion railroads now find



that the 4th quarter of the calendar year produces the most significant cash flow available to pay such annual required payments.

- b) The .50 per rider excluding Thomas would appear to theoretically produce between \$15,000 and \$20,000 per year, and along with the lump sum payment, produce effectively \$18,000 to \$23,000 based on this formula. It may be significantly more effective for all concerned to move a defined portion of regular track maintenance to the operator to offset this payment, as it is clear that the City is not in a net-gain situation even if the passenger payments were fully current. The lease payment is effectively a token payment that is consistently under annual maintenance expense projections.
- c) H) Full indemnification sentence. It is unclear what "non-passenger" service would be in this context; if that was intended to cover liability issues or if it was intended to cover employee and volunteer activities.
- d) While the railroad is responsible for the track inspections, the actual process of regular track maintenance as a result of those inspections has evolved to an ad-hoc arrangement apparently outside the agreement that should be part of the agreement. There is substantial room for misunderstanding in a case where the City, through direct activity, contributes to a situation where the railroad cannot be operated and the operator is forced to cancel an event. There is no current evidence of this causing a problem, but it is not covered in the lease.

### **Commentary and Weaknesses**

The evolution of the agreement has resulted in a rather unusual process toward regular track maintenance that has resulted in possibly unnecessary stress for both parties to the agreement. It is much more common for the railroad operator to be responsible for their own track inspection and minimal track repairs to maintain track class and condition. While it is certainly working under the current arrangement for the City to provide all basic track maintenance, this is a detail-level task typically left to the operator rather than the owner.

While the LM&M has justifiable cause to be concerned on the out-of-pocket cost for this issue, the way that it is typically addressed is for the operating railroad to have its own trained/qualified employee that is responsible for track inspections, and if necessary, provide on-the-spot repairs of such issues as broken bars, missing bolts, etc. The current approach of a third-party track inspector reporting both to the railroad and the city, with a paid track contractor providing 'emergency' repairs with relatively little notice is the most expensive possible method to achieve the end result. No other public owning entity we have reviewed has a similar responsibility of regular track maintenance. In the majority of agreements, the operator has a defined level of track maintenance that is economically affordable by dollars, quantities of material such as

ties, or a combination of both, and is expected to fully communicate with the public owner to assist in grant procurement and long-term capital investment planning beyond that level.

Bi-weekly track inspections by a third party (Sec. I) are now clearly identified as the responsibility of the operator. The cost of those track inspections, when performed by a third party (G&W) can be a significant expense and may force the issue of a qualified LM&M employee to become trained as a track inspector simply to lower their own expenses. Stone Consulting has seen two low-volume excursion railroads effectively close purely due to the high cost of bi-weekly track inspections conducted by the host freight railroad and then billed back to the passenger carrier.

A discussion with LM&M in 2014 indicated they have now reached a suitable arrangement with G&W to handle these inspection costs, as they perform one of the two required weekly inspections under their responsibility for freight trackage rights. If this arrangement is suitable to both G&W and LM&M, it would appear to be a good compromise.

If LM&M does shoulder the initial responsibility for track maintenance in the future, the demarcation line between “regular” and “Capital” maintenance needs to be carefully crafted, as it is the single most frequently contested item in such an agreement. Major tie replacement programs, rail maintenance, and bridge maintenance are almost always left to the public owning entity and planned well in advance. A designated dollar/quantity value (backed up by invoices) typically serves to document the amount of track maintenance the operator has actually done in these situations. The benefit to the parties is that the typical smaller faults found in a track inspection can be addressed much faster and efficiently with on-the-ground employees and assets rather than a contracted track maintenance firm

Discussions with LM&M indicated that they do not consider the current arrangement with the City a particular problem and that track defects, when found, are handled in a prompt and efficient manner. Therefore, it is most likely a City decision if the trade-off between track maintenance responsibilities and lease payment provisions are a negotiable item.

Bridges are almost always covered by the track owner rather than the operator, with the possible exception of bolts, bars, and maybe a limited amount of bridge timber under a dollar value cap.

Federal Track Class is always defined in the agreement, and also included/excluded tracks, as these are formally and legally recognized standards with specific metrics. For



instance, the storage siding just west of Lebanon would be excluded, but main tracks have to be included.

"Most times" the role of the track owner tries to be as cost-neutral as possible, and whatever cash payments can be afforded by the operator are deposited into an escrow account for either a match fund for a grant for capital maintenance, or direct payments for capital maintenance. An escrow account with both names is usually much less "painful" to the operator than a payment to a general fund of the public entity involved.

Finally, although it may not seem like it to the City, the railroad is actually in a relatively enviable position due to its manageable length, minimum of significant maintenance issues, relatively high ridership and economic benefits, and potential for developing freight traffic. Lebanon has, overall, done a good job in preserving the railroad for the community, and the railroad operator has done an equally commendable job in maximizing visitation to a railroad that would typically be drawing half of its current ridership (or less) without the efforts to market as aggressively as it has to the region, offering a wide variety of special events.

## **An Alternative Strategy**

Beyond the mechanics of the existing lease, railroad operations, and detail-level issues of the existing operating agreement, consideration must be made of the long-term strategy of the corridor for the best fit for Lebanon and the surrounding area.

Our analysis is relatively conclusive that the railroad does make a significant economic impact to the community in terms of dollar value and equivalent full-time jobs. The relatively high ridership of the railroad, as well as a significant operating budget, combines to make this contribution a significant number.

That conclusion accepted, it still places the community in the position of questioning whether the only possibility for maintaining this economic benefit to the community is to be the owner of the railroad property. Because it is unusual for an incorporated City to be a railroad owner in 2014, an alternative strategy for longer-term development can be considered that preserves the excursion operations, reduces or eliminates the responsibility of the City to maintain the corridor, and enhances the overall economic viability of the railroad as a commercial enterprise.

Key to this assumption is that for the immediate future, the City continues to preserve and operate the corridor for excursion train services. Longer term issues all focus around alternatives to ownership and maintenance that in effect, all rotate around one common issue – restoration of at least a limited amount of commercial freight traffic.

Restoration of any freight traffic immediately changes the entire function of the line, for both grant eligibility and ownership alternatives. The key impediments to date for both state funding and non-City ownership are the lack of any freight traffic at all on the line. It is not necessary to develop enough traffic to entirely support it; virtually any sustainable commercial freight traffic of any nature changes the potential.

While it would be a best-case scenario to have an immediate, large, and sustainable on-line shipper to provide enough traffic that the line would be profitable on a stand-alone basis, the reality of rail traffic and funding today make it far more likely that a minor, yet sustainable, traffic flow of between 50-200 cars per year is realistic, including transload opportunities. At a typical shortline allocation out of a Class-1 waybill of \$600 average per car, the line has the potential of earning \$120,000 per year. While that is not a big number, it is still higher on a per-mile basis than many operating shortlines today.

The various ownership alternatives are by no means limited. In fact, the potential alternatives and outcomes immediately begin to develop in several directions at once. There may be enough potential for Genesee & Wyoming to expand into an ownership role instead of simply trackage rights based purely upon economic return on

investment; the line may show enough future potential to attract a new startup shortline freight carrier using G&W as a pass-thru connection, or the railroad may simply justify ownership by a public, non-city entity that includes commercial freight as part of their mission. Initial discussions with the Warren County (OH) Port Authority (Martin Russell) indicated that as long as the Lebanon portion of the railroad only provides passenger excursion services, it is not a function or interest of the Port Authority. However, if freight services were to be redeveloped, it would be, and is considered to be an interest of both the Authority and the role of Economic Development, and ownership would be considered.

As G&W (Indiana & Ohio) already has freight trackage rights, as well as development rights for freight traffic via NS connections to the national system, the number of cars necessary to interest them in actually owning the line, instead of just operating it, is speculative at best, but is also a function of the necessary investment to maintain service. The fact that ties and bridges have been maintained, that it is effectively only four miles of track that have to be maintained for freight service, and that adjacent rail lines are already serviced to cover the fixed costs of crews and equipment, changes the equation for their analysis compared to a "stand-alone" shortline opportunity.

### **The Downside?**

Transferring ownership outside of the City has the potential drawback of loss of control of the underlying real estate corridor, and also being in the potential of having no role for preservation if any subsequent owner would decide to formally abandon the track. If an actual sale to another entity is considered, the City should craft an agreement that includes some form of buyback at the purchase price / first right of refusal if necessary. The lack of such buyback provisions has been a crucial flaw in other such agreements elsewhere at substantial cost if it is ever needed.

Transfer of ownership also would likely remove the City from the position of controlling some, if not the majority, of the lease provisions between the excursion operator and the City. Because certain city-owned assets like the restrooms are now part of the excursion operation, that would likely have to be continued, but little else is directly affected. The current position of ownership does provide leverage on the operator for services that do actually benefit the City. Because of the restroom agreement it is unlikely that the railroad issue would be entirely removed from the City as long as the railroad was operating excursions.

Transferring ownership also incurs the inevitable risk of the new owner not acceptable to the terms and conditions necessary to continue excursion operations; specifically the now-reasonable amount for liability insurance. Disrupting these underlying provisions has the real potential of making the excursion operation nonviable as a business.



## Other Alternatives?

One of the more typical approaches to public-owned railroads and private operators is a periodic, if not regular, attempt to solicit alternative private excursion operators for the publicly-owned rail property. This may be due to government procurement and licensing policy on a local or state level; dissatisfaction or termination with the current operator, concerns over safety, or simply the result of an expired contract.

It is not uncommon for a lease agreement to simply be extended, but it is also not uncommon at all for a public solicitation to be developed. This is typically done with a "Request for Proposals" rather than a price-only bid, and a formalized selection process is developed of both providing information to potential bidders and also competitively scoring the resulting proposals to arrive at a fair and public decision.

Stone Consulting has assisted in both developing and selecting rail operators for publicly owned property across the US and in Canada since its startup in 1996. Generally, the reasons for going through the time-consuming (and sometimes expensive) RFP process are a result of the legal need to advertise and select an operator under prevailing law, and/or issues with the current operator that result in the need to pursue alternatives and keep the economic benefits to the community intact.

In 2014, there are a relatively limited number of existing operator organizations looking to expand a situation like Lebanon, but they do exist, and to a national market. There are also a relatively large number of "want to be" train operators with little or no experience in the business that need to be carefully evaluated for safety, financial, experience, and business reasons. Excursion railroading (without a freight component) is by nature a very risky business, part-time, highly seasonal, and with relatively high fixed costs. Operators that combine multiple operations can split marketing, administration, and some capital and equipment expenses, much like shortline freight railroads, in theory making all contract operations more profitable. While new-start operators have succeeded, it is usually only by the staff gaining the necessary experience in existing operations, where only the development of a new entity is the actual "new" part of the proposal.

The time-honored formula for taking an existing excursion operation and making it significantly more successful, with higher ridership via special events, has already been achieved by LM&M at Lebanon. While there are issues that could be competitively resolved via an operator selection process, it is not particularly likely that the actual economic benefits to the community (operating budget plus ridership) would be markedly increased as a result of that process. LM&M already shows significantly higher ridership than comparable operations, and has a larger operating budget than most due to a primarily paid staff rather than a mix of volunteers and paid employees.



If LM&M were to not renew their contract, however, the existing results of the railroad in terms of ridership and business would immediately command sufficient interest from the regional and national excursion operators to consider expansion into the area. Lebanon has proven to have a good market for a very short railroad; one of the key issues of economic sustainability that potential operators look for – the ratio of riders to track – and in this case it would certainly attract interest. It is not our recommendation, however, to offer an RFP process purely to speculatively search for an alternative operator that could likely improve ridership and impacts from existing levels.



## **Benchmarking the Alternatives**

Considering the investment that the City makes in the railroad, combined with the staff and management attention that the railroad has historically required, one of the task elements of the report has been to review other potential alternatives to draw comparable numbers of visitors into the town instead of supporting the railroad.

Unlike a conventional ‘special event’, the railroad draws in its 35-50,000 riders over an entire year. Other than the ‘Day out with Thomas’ weekend events, it’s not necessarily noticeable that the railroad has something special going on in Lebanon as the typical train capacity is measured by available seats – with a nominal capacity of 240-320 in the coaches. Train length is also limited by the 380’ distance between grade crossings in downtown Lebanon. So any individual train is unlikely to make the same kind of visual impact as an in-town special event. But unlike a community special event, the train is a sustained activity over the entire season. Existing special events, and the potential for new ones, produce a very visible impact in the downtown.

Estimates for the attendance, and the resulting economic impact, are based on Lebanon estimates of attendance. Since there is no “paid admission” count equivalent to the railroad ticketing activity, the attendance figures can vary widely. Graphical summaries at the end are averages of these estimates.

### **MAJOR LEBANON PUBLIC EVENTS TODAY**

All major downtown Lebanon public events are one-day affairs that are organized and staffed by volunteers from community-based organizations. Profits, where applicable, are passed on to local civic activities.

All events appear successful and are meeting their stated goals. All face similar constraints to expansion of the event. The primary constraint is “volunteer fatigue”. It is difficult enough to get volunteers who are willing to put in a full, long day without asking them to repeat the effort on a second and, possibly, a third day. There is no indication that visitor attendance has maxed out a single day event; i.e. turning visitors away due to capacity constraints, parking, etc.

#### ***Lebanon Blues Festival***

This event is organized and staffed by volunteers from the Lebanon Optimist Club. It has no paid staff.

This is a one-day event held in early August. It features eight invited bands that perform throughout the day, a car show (proceeds go to the Warrior Backpack Program), food booths, kids’ events and distance runs for adults and children.



The event is billed as a family fun day.

It is estimated that the events draws 10,000 to 12,000, primarily local visitors. The comparable methodology economic activity generated by the event is estimated at \$214,838.

### ***Lebanon Country Music Festival***

This event is organized and staffed by volunteers from the Lebanon Rotary Club and Historic Downtown Lebanon, Inc. There is no paid staff. It is the Rotary Club's major fundraiser for the year.

Entering its second year, the one-day event is held the second Saturday in June. The event features eight musical groups and the "Little Miss HonkeyTonk" winners, food booths, "fun activities," and games.

Food vendors tend to be from areas other than Lebanon and shopping vendors tend (at the moment) to be local in nature. The event is new, and still in the expansion mode.

The event is billed as a family fun day.

It is estimated that the event drew 10,000 visitors last year. And, while heavily local, the event organizers advertised on a Cincinnati country music station and plan to expand that to include the Dayton area. The economic activity with methodology similar to the railroad generated by the event is estimated at \$179,032.

### ***Lebanon Country Applefest***

This major event is organized and staffed by a "small, dedicated group" of volunteers from the Lebanon Chamber of Commerce. It has no paid staff.

This one-day event is held in late September, rain or shine. The event features crafts, food booths and entertainment throughout the day.

It is estimated that the event draws 30,000 to 40,000 people. The economic activity generated by the event is estimated to range from \$537,097 to \$716,129.

### ***Lebanon Horse Carriage Parade & Christmas Festival***

This annual event is organized and staffed by volunteers from the Lebanon Chamber of Commerce and has no specific paid staff.

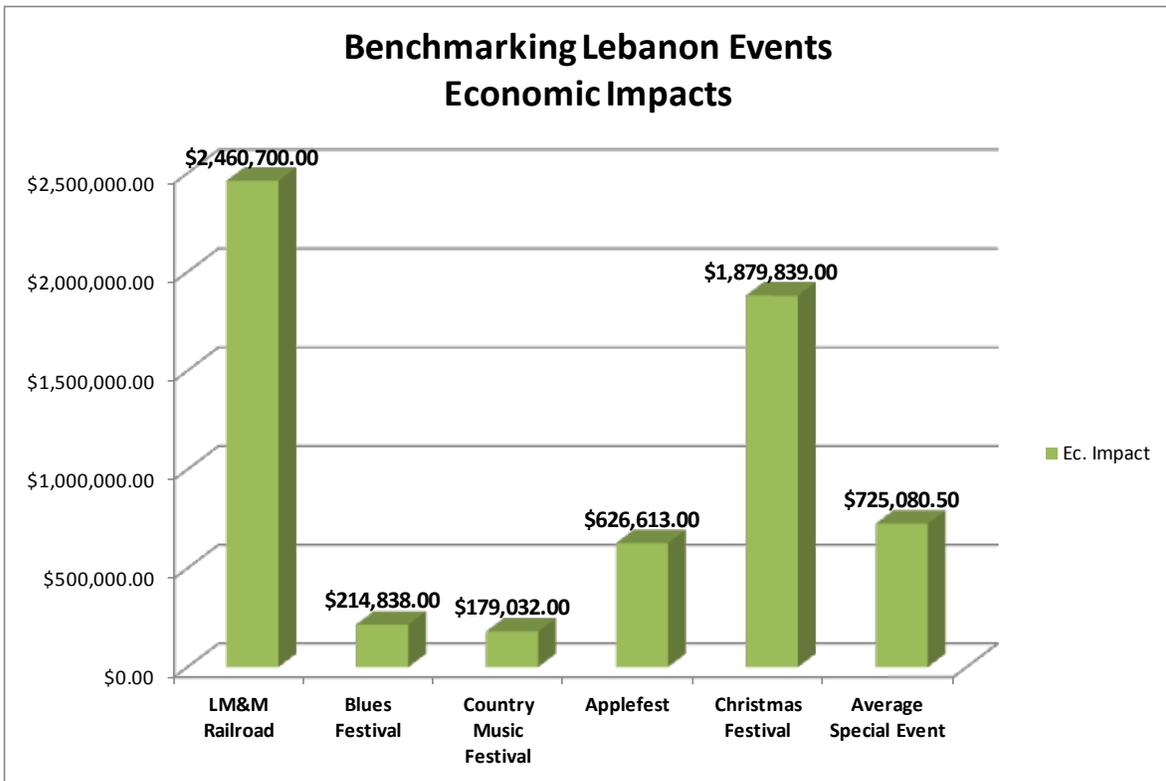
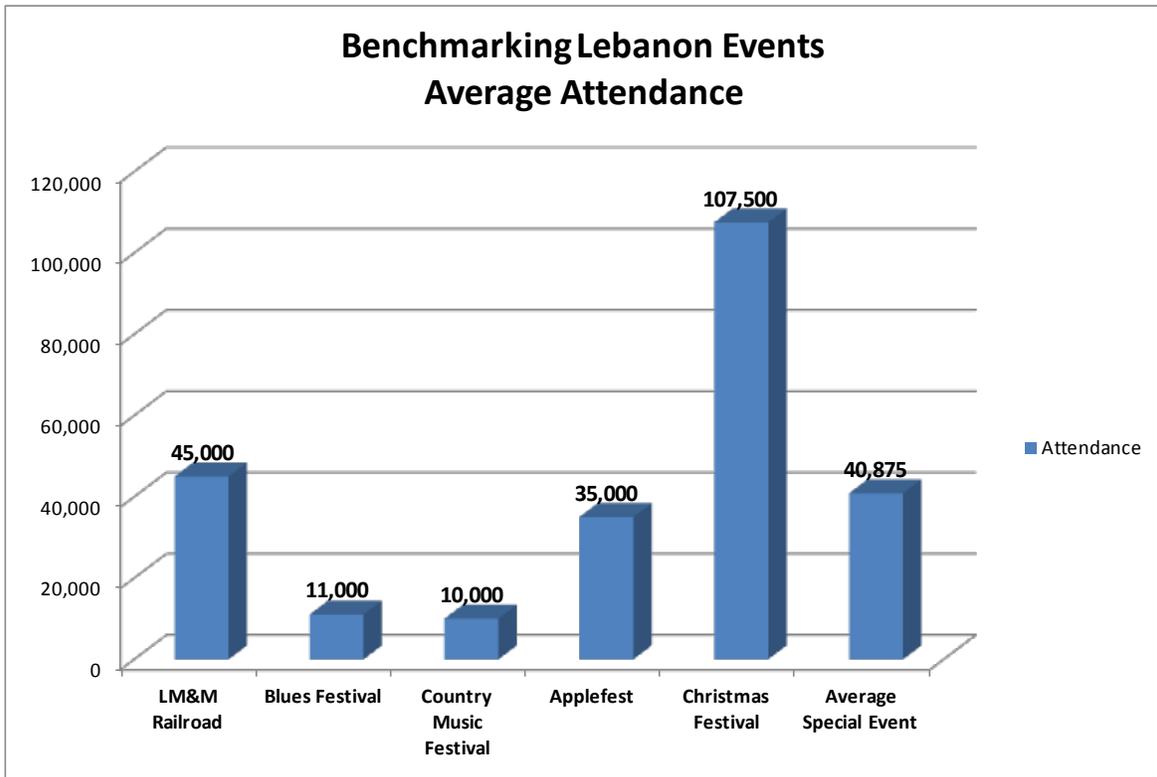
This one-day event is held the first Saturday in December. Event features two classic carriage parades (one by day, the other in the evening). Between the two parades there are food booths, gift vendors, special late hours at the City's downtown shops and



holiday train rides on the LM&M Railroad, so the railroad is part of the attraction as well.

It is estimated that the event draws between 60,000 and 150,000 visitors from a relatively wide area. The economic activity generated by the event is estimated to range from \$1,074,194 to \$2,685,484.





## **Conclusions**

While the railroad may not have the highest annual/per event attendance (the Christmas festival does), the differences in economic impact are due to not just the visitors, but to the operating budgets and payrolls involved on the railroad.

With the railroad's paid staff and operating budget offset by their own ticket prices, it generates a substantial difference in impact due to the dollars expended by the railroad. It should also be noted that the impact figures used were for the Lebanon-only version; the statewide number would be higher.

Adding additional special events is certainly a desirable goal for Lebanon, as they certainly do contribute to the economic well-being of the community. By our calculations, however, it would take approximately four additional major special events (such as Applefest) to equal the current economic impact of the railroad, even if the average attendance is at least moderately comparable.

## **Observations and Recommendations**

As a consulting/engineering firm, our observations at the conclusion of a project are based on both the new information we've acquired during the effort, and the comparison of those results against "before and after" projects over many years.

In the case of Lebanon, the overwhelming issues isolate down to two key areas – the effectiveness of the public investment in the property to sustain the excursion program, and the effectiveness of the excursion program to help sustain the downtown. Beyond other previously stated recommendations, additional points remain.

### **Rail Property Investment and Maintenance**

The ongoing investment in keeping the railroad operational is generally considered to be a burden on the City of Lebanon. That's understandable, particularly when there does not appear to be a long-term forecast/maintenance plan for the railroad, and it generally appears as a large, immediate, and unwelcome budget surprise to the City on a regular basis.

In the short and medium term, the calculation of economic impacts should be used not only as a tool for understanding the benefit of the railroad to the City to keep the excursion program functioning, but also as a tool to assist with applying for capital grants to improve the infrastructure for resumed freight services. To do that, on-line customers, property developers, and County economic development need to be on the team to leverage the railroad as a full development partner. Application may be made to ORDC for tie replacement programs to attempt to bring the track class up to FRA 2 for ties, particularly considering the lighter rail, and to reinforce bridge 5.9 for heavier loads when the cost and plan are finalized. The value of the railroad as an economic development tool should not be underestimated. The railroad is very well positioned geographically and with Class-1 rail connections nearby.

In the longer term, developing freight traffic can, and should, effectively remove the entire problem of both City ownership and ongoing subsidization of the railroad. Railroad operating entities such as G&W are always looking for acquisitions, as long as they hold some promise of freight traffic and economic development. G&W in particular has established an aggressive policy of acquisition. If G&W is not interested, another operator may be interested in the property as a transload/industrial development site, but only if they can negotiate a relatively low haulage rate with G&W. The County Port Authority can have a role to play as well, but only if some freight services are developed on the existing line. In any case, the railroad has definite value to the region, the only question becomes if that value is equitably shared between Lebanon, Warren County, and the State of Ohio.



The success of the LM&M in working with the G&W to operate to Mason over their owned trackage is both remarkable and unusual, and should be commended. This relationship is extremely valuable to Lebanon; no other passenger operators we have contacted have had similar success in any way with G&W-owned lines. As a large, publicly-held corporation with a great concern for liability exposure, G&W has historically prevented any passenger excursions on their directly-owned lines. That positive relationship, more than any other issue, encourages us to believe that freight traffic can be developed without necessarily making the excursion operations a casualty of the transition.

### **Observations on the Railroad Operations**

Stone Consulting has been in the position to provide consulting services to operating excursion railroads in one organizational name or another since 1992. During that period, we have worked with excursion operators and rail owners in all 50 states. Comments offered are primarily toward the effort to appreciate the railroad for what it is doing, and also for what we noticed that it is apparently not doing.

Overall, this is a very "typical" excursion railroad by national standards. The equipment and ride - a vintage 1950's freight diesel, ex-Lackawanna MU coaches, and a six-mile out-and-back ride through a pleasant, but not remarkable, countryside can be replicated in nearly any state simply with a change in vegetation. As an "average" railroad we also expected relatively "average" ridership - which in this era means that a typical annual number would be between 18,000 and 25,000 in a similar situation and market. The fact that the railroad has consistently doubled this performance is remarkable, and while there are criticisms to be made on some points of execution, the likelihood that another operator would "do better" is rather unlikely. LM&M's current ridership performance, focusing heavily on special events, puts them in the top third of tourist railroads on a national basis. Marketing and special events are exceptional in comparison.

The second major credit to the railroad is that while there are points of criticism and open issues, the overall viewpoint of the customer is very positive. Considering the ability of social media to hamstring an operation that does not meet customer expectations, the end results are equally commendable.

### **Our Field Visits**

Our field visit on August 12-13, 2013, and return visit in May 2014 had some specific observations that have not been previously mentioned. We expected some to emerge on the ridership survey and document themselves, overall, most did not, but these are still specific observations on railroad issues not previously mentioned that deserve action.



### ***Railroad Items:***

1) The railroad does not offer ADA accessibility. For a publicly-owned railroad property with a for-profit operator, this is almost unique. *“Due to the historic nature of our equipment, the train is **not** handicapped accessible. We apologize for any inconvenience.”* Nationally, the standard has become that while not all of the equipment may be accessible, the service is, and that applies to virtually all excursion railroads as well. On LM&M’s equipment, door width is a particular concern, but the Oil Creek & Titusville has identical equipment and has added wheelchair ramps to the open car, allowing rolling a chair into the adjacent coaches, where one seat has been removed. Ramps are deck-style wood with roofs. Crank-style lifts on a paved platform with the soft grass edge at the ties may have stability problems or be extremely difficult to move.

2) Car windows are held open with wooden props. The ex-Lackawanna MU cars have had chronic problems with the vintage window latches. Nearly every owner has had problems with them; LM&M’s solution is the addition of wooden props in the windows. We encourage LM&M to talk with other equipment owners to find alternatives to those props and get the window latches replaced or operational. From a liability standpoint, the #1 issue is slips and falls from steps, and finger injuries from window falls is often #2. As of 2014, LM&M has rehabilitated alternative passenger equipment without this problem that indirectly addressed this issue.



3) Vestibule/step conditions on the coaches show some significant corrosion surely to be spotted by the rider and were fully perforated in one Lackawanna coach.

4) No functional restroom on the train on such a short ride seems to be surprisingly accepted; one simple retention-tank style toilet in one car would be a very welcome addition. Lack of restrooms did receive comments particularly from the "date night" customers.



- 5) The railroad appears to have chronic problems on locomotive availability and maintenance that costs them significant funds to address. It is understood that LM&M has been forced to lease a locomotive from NS due to the 2013 season failures of its GP7, and a long-term problem with the GP30. They also do not appear to have in-house resources capable of locomotive repair. While this is an internal business issue to LM&M, it contributes to the financial stress situation for all parties. This capability, along with track inspection and maintenance skills by a qualified employee, seems to be the biggest, and untypical omission in an otherwise professional and talented organization.
  
- 6) Written directions on the website for customers manage to direct most alternatives in such a way as to completely miss the downtown area. This may be unavoidable from the south, but even from I-71, directions lead visitors everywhere but through the main street of town.
  
- 7) Website maps and promotions to the downtown – other than on the links page – are surprisingly missing during 2013.

***City Items:***

- 1) While it was clearly understood that the vintage "station" at Lebanon is not the actual station, it seems equally curious that the owners – the Garden Club – don't promote themselves or the community by having the building open during train times, staffed with a volunteer. It would appear to be an easy fundraising effort for the Club to offer virtually anything from small potted plants to a book on the history of the community, instead of a locked building to greet visitors. To most visitors, this is confusing, and in an ideal world, this would logically be the base of operations for the railroad.



- 2) Signage coming into Lebanon regarding the railroad location is relatively nonexistent. Within the City itself, there seem to be no informational signs directing downtown visitors toward the railroad. It is assumed that directions purely come from the web page (see above).

- 3) What appears to be a directional kiosk on the station platform showing what is available downtown is misplaced on the far west end of the depot, is completely unreadable, and is water-damaged. It is unknown whose responsibility the sign is; it would appear to be the City, but it also needs relocated to the pedestrian traffic path between the current "station" at the feed mill and the boarding area.



- 4) There is a large, flourishing patch of poison ivy directly across from the depot. Any children that do wander across from the tracks will take home an unintended souvenir.

### **Relationship of the Railroad to Lebanon**

Our impression, even if it may be inaccurate, is that the railroad is by necessity completely focused on their economic survival. If the events and activities that they conduct seem to spill over into the community that is good, but there is no apparent pre-plan to take all activities and evaluate them in terms of what they can do for downtown Lebanon as the owner of the railroad.

One of the examples of this conclusion is a policy toward destination dinner events in Mason rather than Lebanon. While it would seem that boarding the train in Lebanon would produce more retail impacts for the downtown, we question that assumption entirely. Our interest in this topic was sharpened by some rather critical comments on food quality, etc. in Mason, and reinforced by the support of Lebanon's Golden Lamb to the railroad project. We would strongly recommend that LM&M investigate a "reverse" move; i.e. board at least some "date night" type dinners in Mason with the destination in Lebanon, with any of the downtown restaurants in Lebanon as the destination. The historic reputation of the Golden Lamb, along with the size and food quality, would seem to lend itself to a destination event. The layout of the downtown to the railroad needs all the help it can get to deliberately draw people into it; the only drawback may be the 820' walking distance that may need help from the community for some visitors. However, the Brazenhead Pub in Mason still requires a 260' walk; shorter, but a trackside-to-front-door walk in itself. The biggest problem in Mason may be in finding any parking lot in the community that can serve as an origin, as no "station" facility exists.

Discussion of this issue with LM&M in 2014 indicated that this issue is a full concern for them, and they are also interested in doing the "reverse move" bringing a train into

Lebanon instead of leaving from there. The relationship with the Brazenhead Pub appears to have been terminated and they are pursuing alternatives. The chief concern about operating a train *into* Lebanon is the additional cost of time and fuel in operating an empty train out to Mason (or similar location), bringing it into and out of Lebanon to the destination, and then returning the empty train back to Lebanon for storage. If the economics of such an operation can be absorbed in the ticket price, it will be attempted.

### **Cross-Promotion Issues**

For a city-owned railroad that has a clear mission of promoting the downtown, and for a contracting railroad that contracts with the community, there was a surprising lack of cross-promotion evident by either party on the initial 2013 visit. Neither the railroad nor the City were doing a particularly good job of telling their customers that the other one exists.

Stone Consulting personnel visited nearly every open downtown business on August 12, looking at the available offerings, and also looking to see if promotional materials about the railroad were evident. Only a small minority had brochures available at the counter or on display about the railroad.

For the railroad side, the lack of promotional materials about Downtown Lebanon was nearly complete. On the train itself, two areas were evident – one small brochure rack on the wall of the coach that had the ability to hold brochures but had only one business in evidence, and a very limited (3 firms) placement of advertising placards in the roof clerestory.



On our ride, no brochures, maps, or other downtown information was distributed either on the train or with the ticket. Again, considering the potential, the ownership and the issues at hand, this was highly unusual.

Questioning the railroad about this observation revealed that during late summer 2013 the “Downtown Lebanon” maps were out of print and not available for distribution. Normal policy was to distribute the downtown maps with the ticket; but during that time period it was not done. Revisiting the railroad in 2014 found downtown maps at the ticket desk and being distributed with the ticket instead of on the train. The only remaining issue is how the “ball was dropped” between the City and the railroad on the lack of supply of promotional materials. The current downtown map is of good quality and meets the promotional criteria we would want to see.

Stone Consulting personnel observed train customers walking into the downtown area and finding locked doors after the train arrival just after 5PM. One particularly memorable episode on the “Clifford” event train occurred when several families with children immediately walked into downtown and checked the Golden Turtle Chocolate Factory, and it had closed for the day. Judging by the children’s vocal reaction, this had been a promised treat. Interviews with the Golden Turtle’s owner, Ted Kossoji, indicated that he was a strong supporter of the railroad and had significant business during Thomas events, he had not made a specific effort to study the schedule and determine if any other children’s events justified keeping the store open beyond 5PM on specific days.

Most communities, and most excursion railroads, agree that cross-promotions are extremely valuable when the two markets don’t naturally fit, or when there is some barrier. Lebanon has both issues; the downtown is in a physical position where railroad visitors can manage to miss it entirely, and the majority market and timing of the railroad customers do not necessarily fit the target demographics of many of the downtown businesses. In a typical example, the railroad ticket will have an included coupon for “50-cents off any ice cream cone at \_\_\_\_\_”, and the restaurant will have a coupon for “50 cents off any regular train ride on the LM&M”. This cross-couponsing of relatively equal values requires no payments by either party to the other, and can result in dramatic business improvements for both.

Larger excursion railroads with longer trips have found great success in an on-board “magazine”, usually pulp-printed, that is distributed on-board during the return portion of the trip when passengers realize they are on the way back and boredom can set in. Those quasi-magazines tell about the railroad, the community, and are usually paid for by advertising to offset the cost of printing, as well as providing some reading material. This tool effectively solves many issues, and samples of these publications can be provided by Stone Consulting. Considering the young demographics of the railroad, a page or two devoted to coloring or dot-to-dot may be welcomed by parents. Excursion railroads have found these "on board magazines" to be so successful as to be a net generator of advertising income.

LM&M has produced a nicely-done color brochure of the history of the railroad for 2014 that is essentially the starting "raw material" of such an on-board distribution – the only thing it is lacking is the participation of the downtown businesses for advertising within it. This is definitely an action item for both the community and the railroad to participate in.

As the LM&M has been very successful on their website and Facebook, this is another opportunity. Hopefully, this report will help reinforce conceptions that the on-line presence of the railroad customers can be valuable to the downtown businesses;



advertising or web-banner placement on the railroad's website is proven to have real value. In-town businesses with websites such as the Chocolate Factory would seem to have some benefit from advertising a link to the railroad and the proximity to the attraction as well. That business in particular seems to be exceptionally well-placed to the railroad and its existing market and could be greatly improved.

The majority of excursion railroads that we work with have an aggressive and visible relationship with their home communities, and most of this appears to be pursued by the businesses. In Lebanon, too many customers of the railroad manage to miss the downtown on the first visit, but still plan to return. While the current economic impact numbers may seem to be impressive in comparison, our final impression is that the mutual relationship between the City and the railroad is still meeting less than half of its potential given its ridership size. There are many, many opportunities for Lebanon businesses to bring downtown customers to the railroad with little additional effort, and the railroad also must recognize that in its mission to support the downtown, it must do all it can within reason to help promote the community that effectively pays for the railroad. Whatever economic impact is present today, the potential for much more is certainly evident.



## Action Plan

During the period of this study it was made clear that the City is under considerable pressure to contain financial costs associated with railroad ownership. Costs for railroad maintenance and bridge repairs have grown over the years, and due to the fact that the City is "first line responder" to any discovered track defects, is immediately responsible to some financial degree any time a problem is discovered.

The City is also concerned about the light rail and bridge conditions, and to what level this prevents freight operations. It was evident to us that freight traffic is not being heavily solicited because of the concern over existing bridge and rail condition, yet the most likely long-term solution for removing the City from the responsibility of railroad infrastructure maintenance is to assist in creating sufficient freight traffic to make the line segment more self-sufficient, and eligible for higher grant levels from ORDC.

## Short Term - 2014

Simply put, on the infrastructure side the immediate plan of action can be outlined as follows:

- 1) Include the helper bents on the next bridge inspection and subsequent rating of 5.9
- 2) Recalculate the 5.9 bridge ratings with functional helper supports assumed.

Assuming that the bridge is capable of handling 286K with those functional supports;

- 3) Aggressively approach on-line freight customers with the availability of rail services with continued action by County, Lebanon, G&W, and NS contacts as was started under this Study. The three prime targets remain to be George Steel, Vis-Tech, and Trupointe. George Steel would require a siding to be constructed; this is a typical grant line item via ORDC if George Steel commits to some rail use.
- 4) Conduct a track inspection program by line segment to identify the number of replacement crossties actually necessary to achieve FRA 2 tie conditions (if not full FRA 2 track geometry) to provide additional support under the 85# rail. Segment these inspections to allow recalculation of dollars necessary to reach specific identified online customers such as George Steel or VisTech (likely under 4 miles and under 1000 ties; will vary significantly by milepost).
- 5) Use bridge, track, and customer information for application for freight grant funding for ORDC or other grant sources. The relative dollars for a single bridge rehabilitation and additional crosstie rehabilitation to FRA 2 for such a short mileage project would be a relatively small investment in terms of most grant program scope.

Raising additional revenue from freight operations achieves a larger goal; making the railroad more self-sufficient for its own normalized operations, increasing the attractiveness of the railroad for industrial development and increasing the competitiveness of on-line businesses in the immediate area of Lebanon. Ultimately, the goal should be to make the railroad sufficiently economically attractive so that it can function without the direct ownership of the City, or at least without the ongoing financial support of the city for normalized track maintenance needs.

### **Other Priorities**

We highly recommend that a joint committee from the railroad and the City investigate regional excursion operations that successfully implement ADA accessibility. Other excursion operations within Ohio, West Virginia and Pennsylvania have been faced with the same problem, and have solved it in various ways. The largest expense to the City may be the construction of a wood, deck-style, loading platform with a ramp that can be put on City property at the boarding area. The railroad's exposure to slip-and-fall injuries will also be reduced with a boarding ramp. Modification of the equipment may be minimal, but the goal should be to have at least one accessible car on the train – not every car – to allow accessibility to the service.

### **Communication and Outreach**

Hopefully, this report will provide some basis for the Downtown merchants to understand the demographics of the railroad customer and specifically target to them. The implementation of some manner of on-board promotion and advertising of Lebanon businesses – whether through placards, existing business brochures, a 'pennysaver' type on-board magazine, or other materials – can be done this year. The use of some matter of feedback mechanism via a discount coupon or offer code can help the local merchants recognize a "train" customer in their stores, and therefore the value of the railroad where it is sometimes not recognized.

Likewise, the downtown community can, and should, be including any railroad promotional brochure, etc., available to their customers at the checkout counter, or even as a bag stuffer when it's clear that the customer is from "out of town". Because of the special events nature of the railroad, the likelihood of returning back for the event rather than just the ride is high enough to justify the test.

The LM&M's interest is equally obvious as there is adequate capacity in almost all areas to increase their ridership. The railroad is not obvious to someone coming into the downtown primarily as a shopper from out of town, and they need all the help they can get from the local merchants to inform and locate them to their customers. The goal of this, bluntly, is to increase revenue so that the difficulty of making lease payments under

current or adjusted terms is eliminated. While the relative value of the railroad to the community can and will be debated on, the expectation that the railroad will comply with signed lease terms is certainly justified.

### **Longer-term Goals**

With the lease subject to renewal, one of the key issues for discussion and negotiation will be the practicality of LM&M taking on an increased role in track maintenance in exchange for a lesser payment, in a way that is equitable to both. As long as the projected maintenance costs to the railroad are in excess of the projected lease payments from the railroad, it is certainly in the City's interest to pursue this. The proration of maintenance responsibilities between freight and passenger operations is a very real potential as well, depending on the outcome of that attempt.

The essential underlying problem of exclusive City ownership remains that the current and potential economic impact of the railroad is beyond the geographic boundary of the City itself. Additional industrial development land along the corridor, and existing parcels, are a mix of City and County accessibility. Visitor economic impacts extend well beyond the City. While Lebanon is certainly benefitting, they are the exclusive responsible party for ownership. Unlike the 1980's, the "shortline railroad" scenarios are now experienced, mature, and have sufficient experience for all manner of possibilities.

Implementation of any resuscitated freight traffic, or even a commitment of freight traffic, can change the ownership strategy of the railroad, and the underlying financial burden to the City. It opens the door for alternative ownership strategies in all directions, whether they be public or private, and vastly increases the eligibility of the railroad for ORDC grant funding. The railroad may, over time, develop enough additional freight traffic to justify itself as a stand-alone operation, but this appears only likely with the development of a transload-type operation (rail to truck or vice-versa) for specific customers and commodities that are not currently served at Franklin, OH.

While freight traffic can effectively remove much of the maintenance and capital cost burden from the City, it will not replace the economic impact that the excursion operation now has. A typical complaint of publicly-owned rail shortlines is that they benefit local industry and employments but not main street or the average person or visitor; that is typically the underlying reason for attempting an excursion operation on an existing freight shortline. While Lebanon is just the reverse situation, it's important not to neglect what is essentially a proven program and result of the current operation. While it can be improved for mutual benefits, the current state is still better than most smaller-town excursion operations we have examined.



# **APPENDIX**

## **Survey Comments**

DATEID	##	NOTES
LEBANON	1	I'M LOCAL, I VISIT FREQUENTLY.
LEBANON	5	HAVE EVERYTHING SET UP WHEN EVENT STARTS.
LEBANON	12	NUMBER 10 - H - MORE FUN STUFF FOR KIDS.
LEBANON	17	NUMBER 10 - F - RESTROOMS.
LEBANON	18	N/A SHUTTLE.
LEBANON	19	NUMBERS 10 & 11 - THOMAS EVENT IS FINE, JUST SEEMS TOO EXPENSIVE.
LEBANON	32	CAR/TRAIN WINDOWS NOT CLEAR - BATHROOM COULD SMELL FR SEAT NOTHING TO LOOK AT OUT WINDOW BUT A CREEK AND BACK YARDS.
LEBANON	34	BETTER SCENERY ON TRAIN RIDE.
LEBANON	40	LOVE THE CITY!
LEBANON	45	IT WAS A GREAT TRIP! WE PLAN TO VISIT AGAIN!
LEBANON	46	NONE AT THIS TIME.
LEBANON	49	NUMBER 12 - ICE CREAM.
LEBANON	60	NUMBER 10 - DIRECTION.
LEBANON	67	COUPONS FOR LOCAL FOLKS.
LEBANON	68	NUMBER 10 - FOOD VENDORS. NUMBER 12 - BREAKFAST CLUB.
LEBANON	71	MORE SIGNAGE WHEN HAVING EVENTS TO LOCATE WHERE TO GO.
LEBANON	72	NUMBER 10 - BETTER SIGNAGE REGARDING DIRECTIONS TO THE STATION FROM THE INTERSTATE. NUMBER 12 - NOT VISITING ANYTHING ELSE. NUMBER 13 - NOT SURE.
LEBANON	75	TRAINS ARE A GREAT PART OF HISTORY. I WISH TO SEE THEM PRESERVED. I WOULD LIKE TO SEE MORE TRAIN TRAVEL OPPORTUNITIES.
LEBANON	82	TRAIN RIDE WAS TOO SHORT.
LEBANON	83	NUMBER 10 - CLEAN OR REPLACE WINDOWS. NUMBER 12 - THOMAS ACTIVITIES.
LEBANON	85	THOMAS MUSIC NEEDS PLAYED ON TRAIN DURING RIDE. TRAIN PLAY TENT NEEDS ENLARGED AND WAS SO MESSY! TRAINS NOT WORKING ... TRACKS DISASSEMBLED. TOO BAD...COULD BE A GREAT THING IF SOME EFFORT WAS MADE!
LEBANON	96	NICE PLACE, THANKS!
LEBANON	108	IT WOULD BE A SHAME TO SHUT DOWN THE TRAIN STATION AND WOULD HAVE A NEGATIVE IMPACT ON TOURISM IN THE AREA.
LEBANON	111	NUMBER 10 - A - GO TO MONAGE.
LEBANON	119	ADD MORE ACTIVITIES IN ACTUAL TRAIN RIDE - DECORATE THEME MORE.
LEBANON	122	EAT AT GOLDEN LAMB A LOT.
LEBANON	128	NUMBER 12 - F - HAVENT VISITED YET. NUMBER 13 - F - OTHER CHILDREN'S ACTIVITIES. FAMILY ARE FROM MASON-LEBANON BUT HAVE NEVER VISITED BEFORE. LOVELY DAY SO FAR.
LEBANON	133	TRAIN RIDE INCLUDED IN TOUR.
LEBANON	134	ON MYSTERY TOUR.
LEBANON	144	NUMBER 12 - F - DON'T KNOW YET. NUMBER 14 - DON'T YET KNOW.
LEBANON	147	NUMBER 10 - STOP AND SEE SOMETHING. OLD FASHION MUSIC. NUMBER 13 - F - GOING THERE NEXT - ANSWER LATER.
LEBANON	149	THANK YOU - WE ENJOYED OUR TRIP!

DATEID	##	NOTES
LEBANON	151	FOOD WASN'T VERY GOOD. NOWHERE TO SIT AS A GROUP WITH OUR FRIENDS.
LEBANON	155	I THINK THE TRAIN IS AN IMPORTANT PART OF THE CHARM OF LEBANON. IT IS WHAT MAKES LEBANON SPECIAL AND UNIQUE. MANY FRIENDS AND RELATIVES HAVE VISITED TO RIDE THE TRAIN. WE ARE BIG FANS OF THE TRAIN AND THE CITY OF LEBANON.
LEBANON	156	TOO LONG TRAIN RIDE, MAKE TRAIN GO FASTER!
LEBANON	157	IN GENERAL VERY SATISFIED HAVE BEEN COMING FOR 5 YEARS FOR VARIOUS REASONS. ONLY COMPLAINT NORTH POLE EXPRESS NOT PLANNED WELL. LINES/LINES/LINES - NOT GOOD WHEN YOU HAVE KIDS.
LEBANON	158	LEBANON IS A PLACE WE VISIT A FEW TIMES A YEAR.
LEBANON	160	THE FUMES VERY BAD, MUSIC TOO LOUD. COULD DO WITHOUT BUFFET. NOT ENOUGH FOOD, SEATING & BEVERAGES NO ICE VERY NASTY. WAIT TOO LONG TO EVEN GET ANOTHER PEPSI. NO SERVICE FROM RESTAURANT.
LEBANON	162	LAURIE WANTS TO TOOT THE HORN. SHE LOVES THOMAS.
LEBANON	163	WE CAME STRAIGHT TO THE TRAIN TONIGHT BUT ENJOY LEBANON ON OTHER DAYS. WE LIKE: WHITTS CUSTARD, LEBANON TURTLE CHOCOLATES, VILLAGE ICE CREAM PARLOR & DOCS.
LEBANON	164	MUSIC WAS TOO LOUD. WHEN CONDUCTOR TALKED MUSIC WAS NOT SHUT OFF-COULDN'T HEAR HIM SPEAK. DID NOT CARE FOR THE HARD ROCK MUSIC. DIDN'T REALIZE THIS WAS BASICALLY A BAR CRAWL. IN A CAR YOU CAN'T HAVE AN OPEN CONTAINER OF ALCOHOL DIDN'T KNOW IT WAS ALLOWED ON A TRAIN. LISTENING TO INTOX PEOPLE YELL OVER THE MUSIC WAS NOT PLEASANT, ESPECIALLY FOR MY ELDERLY PARENT.
LEBANON	166	VERY NICE RIDE & PEOPLE.
LEBANON	167	GOING INTO BRAZENHEAD WAS CONFUSING AT FIRST. NEED MORE INSTRUCTION ON WHERE TO GO AND HOW TO GET TO BUFFET AND TABLES.
LEBANON	168	IN REFERENCE TO #10 ABOVE WE WOULD LOVE TO SEE EVEN MORE THEMED TRAIN RIDES (DATE NIGHT, FAMILY NIGHT, ETC.) AND TIE CITY HISTORY INTO THE RIDES (SERVE SNACKS FROM LOCAL SHOPS OR STORES). WE LOVE THE RAILROAD! WE COME EVERY YEAR FOR THE PUMPKIN PATCH EXPRESS AND ALSO WATCH FOR SPECIAL EVENTS SUCH AS CIVIL WAR/DATE NIGHT RIDES. WE CAN'T WAIT TO BRING OUR CHILDREN IN YEARS TO COME.
LEBANON	169	NUMBER 13 - MORE PARKING. YOU SHOULD LET PEOPLE KNOW THAT THE AREA AT THE BRAZENHEAD IS UNPAVED. AND ACTUAL UTENSILS AND A DESSERT WOULD HAVE MADE IT FEEL MORE OF A BETTER VALUE. I MEAN, PLASTIC CUPS FOR GUNNESS? SERIOUSLY?
LEBANON	170	WE HAD A NICE EVENING. SOMETHING DIFFERENT.
LEBANON	171	NUMBERS 12 & 14 - DID NOT ANSWER. WE LIVE IN LEBANON AND SPEND TIME AND MONEY REGULARLY BUT TONIGHT WE ARE JUST DOING THE TRAIN RIDE.
LEBANON	172	ALCOHOL AND RESTROOMS ON THE TRAIN. MAYBE DINNER ON TRAIN. MUSIC COULD BE LOWERED FOR TALKING.
LEBANON	173	BATHROOM STOP BETWEEN STATION AND BRAZENHEAD.
LEBANON	177	WISH WE HAD REAL FLATWARE INSTEAD OF PLASTIC. NOT THE BEST SERVICE AT RESTAURANT. FOOD WAS GREAT!!

DATEID	##	NOTES
LEBANON	179	SPEED UP TRIP.
LEBANON	181	THANKS. MEET NEW PEOPLE. NUMBER 10 - TURN DOWN MUSIC DURING ANNOUNCEMENTS.
LEBANON	182	RESTROOMS ON TRAIN.
LEBANON	183	FOOD WAS HORRIBLE.
LEBANON	187	I ENJOY THIS RIDE WITH MY KIDS EVERY YEAR. IT'S A FAMILY TRADITION!!
LEBANON	195	BEER?
LEBANON	197	NUMBER 9 - GOOD EXPERIENCE FOR KIDS. NUMBER 12 - ICE CREAM.
LEBANON	206	NUMBER 12- F - ALL CLOSED.
LEBANON	211	OK TRIP.
LEBANON	215	GREAT.
LEBANON	220	SHUTTLES TO DESTINATIONS DUE TO PARKING.
LEBANON	224	CHARMING TOWN AND RAILROAD - WOULD HAVE LOVED IT IF IT WEREN'T FOR THE COLD AND THE RAIN.
LEBANON	226	NUMBER 10 - RESTROOM ON TRAIN.
LEBANON	231	LIKE THE MYSTERY TRAIN TOO!
LEBANON	233	MAYBE SOME HEAT?
LEBANON	239	THE PUMPKIN PATCH WAS A DISAPPOINT.
LEBANON	241	VERY AWESOME!
LEBANON	242	HEAT THE TRAIN CARS!
LEBANON	243	IT WOULD BE NICE TO HAVE HEAT ON THE TRAIN WHEN IT IS COLD OUTSIDE.
LEBANON	244	WHAT WE LIKED MOST ABOUT THE RAILROADS IS THAT THEY HELD THE TRAIN JUST FOR US SO WE DIDN'T MISS OUR DATE NIGHT. MADE US FEEL VERY IMPORTANT. OH AND WE LIKED THE COMPANY WE HAD!
LEBANON	245	ONLY VISITED RAILROAD.
LEBANON	246	FIX MY ROAD PLEASE.
LEBANON	248	GREAT TIME, NEED HEAT.
LEBANON	249	I'LL COME BACK FOR STEAM!!
LEBANON	250	IT WAS GREAT - THANKS!
LEBANON	251	NUMBER 12 - F - NOTHING WAS OPEN. NUMBER 10 - H - HEAT AND CLEAR WINDOWS.
LEBANON	253	IT WAS VERY DARK OUTSIDE AND VERY COLD INSIDE. WE WERE NOT PROMPT LEAVING FROM EITHER AND I THINK THE EXPERIENCE WOULD HAVE BETTER IN THE SUMMERS WHEN THE DAYS ARE LONGER AND YOU CAN SEE.
LEBANON	255	GREAT
LEBANON	259	NUMBER 10 - HEATER.
LEBANON	261	SELL DRINKS AND DESSERT AFTER DINNER TRIP. NUMBER 10 - HEATER.
LEBANON	262	HEAT ON TRAIN. MORE RESTROOMS.
LEBANON	263	EVERYONE WAS VERY FRIENDLY.
LEBANON	264	NUMBER 13 - RESTAURANTS.
LEBANON	265	NUMBER 10 - HEAT.
LEBANON	268	FAMILY TRADITION PUMPKIN TRAIN.
LEBANON	279	BETTER SCENERY ALONG THE TRAIN TRACKS.
LEBANON	280	NUMBER 10 - TOO COLD.
LEBANON	282	IT WAS A FUN EXPERIENCE FOR MY SON AND FAMILY.
LEBANON	285	NUMBER 9 - CONDUCTORS.
LEBANON	286	Item No. 10 - Heat and speed.

DATEID	##	NOTES
LEBANON	287	Great idea, we will be back!
LEBANON	288	Nice trip.
LEBANON	289	Please make sure restroom building is unlocked 45 minutes or more before rain ride.
LEBANON	290	Need heat in train cars.
LEBANON	293	We purchased tickets for the "Date Night" trip. The train ride and everything to do with LM&M Railroad was a wonderful experience except for the dinner. Dinner at the Brazenhead was a terrible experience. Staff was rude, it was understaffed and food was horrible.
LEBANON	294	Heat would be good to have on the train in the cold weather / air conditioning during hot weather.
LEBANON	296	Have entertainment on the train ride to make it more interesting. Magician/storyteller. Run on time!
LEBANON	297	Need heat - we froze on the train ride. Ticket price was high for paper plates, plastic silverware and no heat. Plus, had to pay for drinks and dessert. Lower the Price!!
LEBANON	299	Item No. 10 - Serve alcohol.
LEBANON	300	Heated cars would be nice.
LEBANON	303	Not happy with the food at the restaurant and it was too cold.
LEBANON	304	Dinner in Mason so no money spent in Lebanon. Maybe some heat on train.
LEBANON	305	Item No. 10 - Speed to slow. Heated.
LEBANON	306	Heat!
LEBANON	307	1) Have visitor center open to stand in while waiting for train ride. 2) Heat in train. 3) Different restaurant.
LEBANON	308	Really wanted to do the murder mystery. Disappointed not official this year.