Wisconsin Central Group
An ad hoc Rail Freight Stakeholders Coalition
www.centralcorridors.com/wcg/

Lake States Shippers Association
A Classic Co-op Shippers Association
www.centralcorridors.com/lssa/

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Un-Balkanize/Reintegrate Great Lakes Forests Wood Fiber Market
Re-Connect the Great Lakes Forests Region Rail Network

2018 Governor's Freight Industry Summit
Wisconsin Freight: Recognizing the Local Connection
October 9, 2018, Sheraton Madison Hotel

Why is public investment of $60-80 million to integrate the GLFR wood fiber market warranted? What are the direct public benefits?

- Health of the Great Lakes Forests – national, state, tribal, county, town, school and private forest owners – will improve by increasing the harvest toward sustainable levels, providing greater protection from disease and fire, release of sequestered carbon. See Map, p. 3.
- Value of GLFR wood fiber for forest owners will increase by affording each tree, each log from each tree, harvested the opportunity to reach the destination for its highest and best use (*e.g.*, pulpwood, saw or veneer log) – often only possible by via competitive rail transport – and greater access for hunting, fishing and other recreation.
- Return of more logs from over-the-road ("OTR") trucking to rail will improve safety, often on two-lane rural highways and roads shared with tourists and trips to/from consolidated rural schools and, in congested urban areas such as Superior and northern Douglas County, which currently unnecessarily bear a disproportionate burden of OTR log trucks moving between northern MN and WI/MI.
- Return of more logs from OTR trucking to rail will substantially reduce OTR truck miles to the mills, reducing the public cost of road wear and bridge maintenance overall.
- Return of more logs from OTR trucking to rail creates an opportunity to target and provide State support for local road and bridge investments linking forest resources to local facilities for connection with rail and, for log trucks (designed for in-woods operation and less fuel-efficient than other commercial vehicles OTR), avoiding often circuitous local routes, often on roads and bridges not designed for large commercial vehicles.
- In case of a natural or other emergency, the Hwy-8 Rail Corridor (currently, partially out-of-service between just east of Ladysmith and Prentice and between Rhinelander and Goodman) provides redundancy and security, *e.g.*, a by-pass of Lake Superior and Soo Locks for iron ore for the Nation's steel industry, moving from northern Minnesota via the Corridor to ore docks at Escanaba.

What are some of indirect benefits of restoring/maintaining the GLFR rail network?

Shippers and receivers of OTR truckload freight throughout the GLFR will benefit from local access to commercially viable, competitive rail service which, for GLFR forest products industries may, literally, be the difference between their local operations, jobs, and communities thriving or not surviving. The public's acting now may avoid likely upcoming rail abandonments and demand for public ownership of more rail lines and more demand for support for challenged forest products industries for jobs retention.

What is needed to re-connect the GLFR rail network? Restore the network to commercially viable service speeds and weights including out-of-service segments of the network: the Hwy-8 Rail Corridor; Ashland / Park Falls; White Pine / Marengo Jct. Investment in a publicly-owned, publicly-privately managed log car fleet, for logs originating and/or terminating in the GLFR, and other rail-related facilities and equipment, assembled and maintained primarily by local vendors located in the GLFR.

What is needed from the States – Wisconsin, Michigan and Minnesota? More funding, matching funds to leverage federal grants. More flexibility (*e.g.*, funding local roads and bridges providing direct routes to rail connections, WI 2013 Senate Bill 31). An appreciation of how shifting OTR TLs from highway to rail can reduce demand for highway infrastructure spending and provide other public benefits. In the WI State Rail Plan, identification of the Hwy-8 Rail Corridor as critical for the Great Lakes Forests Region – MI, MN, WI – rail system.*

Are Federal grant funds likely to be available in 2019-2020? Yes. Funding through USDOT's Better Utilizing Investments to Leverage Development discretionary grants ("BUILD") program is headed for another round in 2019. The Federal Railroad Administration also offers grants through the Consolidated Rail Infrastructure and Safety Improvements ("CRISI") program (recent extension due to Hurricane Florence) which is funded going into 2019. US Department of Agriculture Rural Economic Development Program is a potential source for GLFR rail network funding, as are funding opportunities of the US Economic Development Administration. For some aspect of the project, funding may be available from private sources such as the Joyce Foundation, which specifically focuses on the Great Lakes Region.

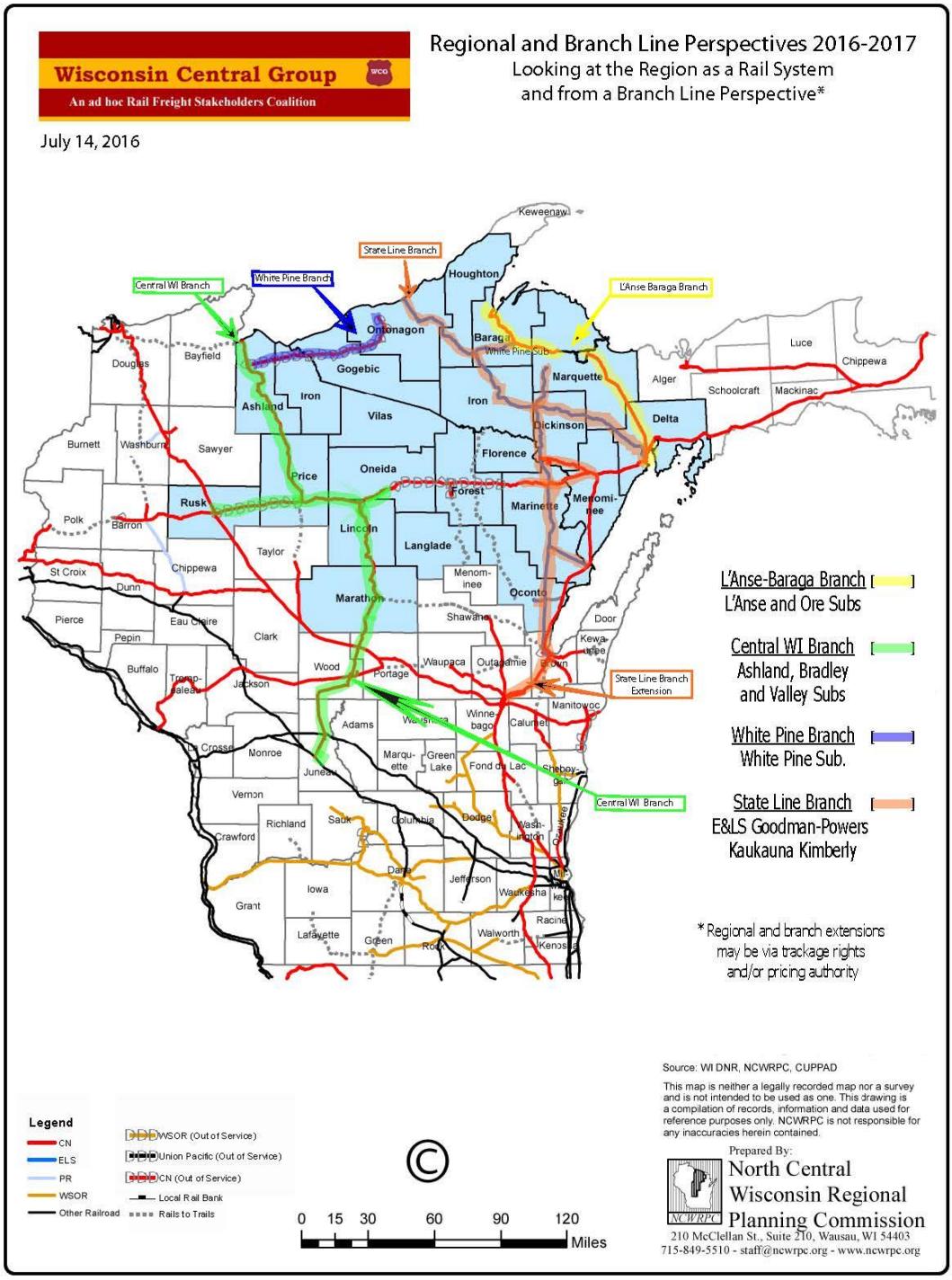
Why is public investment in log cars not only appropriate but likely essential? At mid-range and shorter distances (market share necessary for rail line density), rail logs compete with over-the-road OTR trucked logs. Since the early 1980s, the period of the last significant investment in GLFR log cars, non-railroad owned cars, particularly special car types such as those used for logs, has been a railroad industry-wide trend. Since the early 1980s, few replacements have been added to the aging CN/WC railroad-owned log car fleet. Each $1 of public investment in log cars returns direct public benefits of at least $4 (counting only the first 20 years of the log cars' 50-year plus useful lives). Using direct public benefits to account for return on investment ("ROI") for a publicly-owned log car fleet makes rail logs more competitive, taking OTR log trucks off the road. Most log trucks are designed to bring logs out of the woods. They are less fuel efficient than typical OTR trucks. In addition to direct public benefits, reducing OTR log trucking to the mills permits loggers more time to devote to their highest value skills, harvesting and bringing logs out of the woods, increasing their profit - more cords, fewer truck miles.

* Joint action by NRTC and shippers before the STB in late-2017 clarified that, although parts of the Hwy-8 Rail Corridor are currently out-of-service, the track infrastructure shall remain in place for potential return to service. Ashland / Park Falls and White Pine / Marengo Jct. are or will soon be in the same status.

Why were grant applications for public funding for new log cars not successful? Public matching funds (WI, $4 million; MI, $3 million) were debated but not approved by the time USDOT ruled on the Northwoods Rail Transit Commission ("NRTC") 2014 and 2015 TIGER grant applications (made possible by shipper group assistance and contributions from CN).

Both MI and WI invest in fixed rail facilities (*e.g.*, track and ties) but are reticent about investing in rail cars, despite their longer useful lives and flexibility to respond to market change. TIGER ($550 million available in 2019) and other federal grant funds have been awarded for rail cars elsewhere. NRTC's 2015 TIGER application was for the first 150 log cars with the expectation of adding 150 log cars per year over the following 10 years, all built in the GLFR, providing a foundation expanding the Region's rail car parts vendor and building and repair industries.

A success story – Keeping rail in the private sector through State action? In 2014, creative, determined action by South Dakota's Governor assured survival of a faltering rail line, reborn as Rapid City, Pierrre & Eastern Railroad, including multiple, competitive connections with other railroads. Why not in UP-MI, WI? With leadership and coordination among the States, now, a Northwoods solution restoring and maintaining the GLFR rail network is possible? See Map, p. 4.

Map courtesy of Wisconsin Department of Transportation 2015

The "Branch Lines" could be divided among one or more alternative operators through lease or sale. Our preference is a single operator. If sold, shippers demand the purchaser have trackage rights and/or pricing authority to/from CN lines and all connections of the former WC, or the equivalent, a means of assuring virtual single-line service and, effectively, restoring and sustaining competitive rail service throughout the Region.