

Statement by
L. Frank Huntington, Wisconsin Department of Transportation
Before the Surface Transportation Board
Regarding the Saukville to Kiel, Wisconsin Rail Line
August 13, 2004

Good morning/afternoon. My name is Frank Huntington. I'm Chief of the Rail Project and Property Management Section of the Wisconsin Department of Transportation. I'd like to thank the board for giving the public the opportunity to express their concerns about the proposed abandonment of the Saukville to Kiel rail line.

I'd like to note that we had a significant amount of public interest in this line. We held a public information meeting on June 24th in Plymouth, which was attended by approximately 140 people. Six area legislators also either attended or were represented at that meeting. CN was represented at that meeting to answer questions. In addition we have received a petition with approximately 700 signatures expressing the desire to maintain service on the line. The petition also indicates support for an alternate operator.

From a practical stand point WisDOT realizes that 206 carloads on a 37 mile track segment is not enough to cover the costs associated with service. Even if we consider that approximately 17 miles of the track has been out of service and the 206 is actually derived from service over the remaining 20 miles of track, the carload per mile figure is very light. However, at the same time it should be noted that 206 carloads is not insignificant. Our experience has been that given a reasonable opportunity, short line rail operations have been able to significantly increase traffic in many similar situations. They tend to cater to smaller shippers that are located on many of these lines, and can better provide service geared to their needs. Despite this, this particular line segment may not have the traffic, or potential traffic to be operated independent of a larger system. We prefer that rail service remain in the private sector when possible. CN has worked with local groups and shippers in other parts of the state to create workable options. The proposed abandonment of this 33 mile segment doesn't give that much of a

chance in this situation. We would encourage CN to work with local units of government, shippers and other interested parties to find an option that will better accommodate continued rail service. We have found that although the impacts of abandoning small segments of lines may be relatively small, the cumulative impact of abandoning several line segments becomes significant with regard to the state's economy, local jobs and road maintenance.

Our state Freight Railroad Service Preservation Program can provide grants to assist with the acquisition and rehabilitation of rail lines threatened with abandonment. However, funding is limited and when feasible we prefer to keep rail lines in the private sector. We also have the ability to provide loan funds to private sector railroads and businesses to assist with the maintenance and improvement of privately held rail lines. The WCL was a major recipient of these funds prior to the CN acquisition.

With regard to the condition of the track, our preliminary review indicates that CN has not overstated the condition of the track. Significant tie replacements and related track surfacing is needed to bring the track up to a FRA Class I Safety Standard. A significant number of broken rails should also be replaced. Further, even if the track is brought up to Class I standards, additional work will be needed for continued operations and long-term viability. Over time bridges will also require work.

As a result of the strong interest that has been shown in this line, and at the request of several area State Legislators, WisDOT has begun an effort to assess the impact of the proposed abandonment on the area economy. This effort will be in two stages. The first stage, which has already been completed, focuses on the immediate impact on the businesses and communities directly served by this line. The second stage will be a more extensive analysis looking at a broader service area and potential impacts beyond those businesses currently served.

The first part of this analysis is based upon conversations with the six businesses directly served by the rail line between Saukville and Kiel.

The businesses using the rail line enjoy a significant cost benefit over the next most likely alternative. Each business provided an estimate of the additional cost they would incur if they were forced to ship by truck to and from the next most feasible rail terminus. Based upon tonnages shipped from 2002 to mid-2004, an estimated total of \$210,690 is saved annually by the shippers using this rail line. Over a ten-year period, the present value of these annual savings is estimated to be \$1,750,090.

Several shippers stated that they would be able and willing to ship and receive even more goods if the line itself were improved to allow larger rail cars and more reliable service.

Also, we looked at the economic significance to the area of the six businesses that use rail service. Doing this, we found that the 6 businesses that currently use rail employ 145 people year-round, with wages of \$5.7 million. In addition, businesses that supply products to these six businesses employ an additional 109 people and pay wages of \$3.5 million. It is estimated that another 63 year-round jobs are created throughout the area as a result of these employees spending their wages. In total, the six businesses that currently use rail service either directly or indirectly account for a total of 254 jobs and \$9.7 million in wages. Although we are not implying that we expect these businesses to necessarily close because of the loss of rail service, rail service is important to these businesses and loss of this service will have an impact.

As mentioned earlier, it is our intent to complete additional studies over the next several months that take a more detailed look at the impact of rail service, and this potential abandonment, on a broader area, including businesses that don't currently use this line.

If we are unable to maintain current rail service on this line segment, we are interested in preserving the corridor for future use. If that occurs we will work with the State DNR to use the corridor for trail purposes on an interim basis.

The Economic Significance of the Saukville-Kiel Rail Line to Businesses Directly Served

This analysis is based upon conversations with six businesses directly served by the rail line between Saukville and Kiel. They include two agricultural cooperatives, a lumber and building fabrications manufacturer, a transit and storage company, and a bulk seed supplier. In the conversations, the business owners or representatives shared proprietary information about their numbers of employees, annual payrolls, and the costs they would incur by shipping via other means (usually truck) if the rail line were abandoned. The first part of the analysis estimates the importance of those businesses to the local and state economy in terms of jobs and incomes. The second part of the analysis estimates the transportation cost savings to the businesses as a result of having access to this line.

The analyst is Bob Russell, a transportation economist with the Economic Development and Planning Section of the Wisconsin Department of Transportation. The analytical tool used in the first section of the analysis is IMPLAN economic impact analysis software that replicates the interactions of firms and individuals in the Wisconsin economy.

I.

The economic significance to the community of the businesses directly on this line can be estimated and expressed in terms of employment and aggregate personal incomes.

Economic effects ripple outward through the community, providing business, incomes, and jobs directly and indirectly. Direct economic impact is the sum of the jobs and incomes at the businesses themselves.

Indirect economic impact is the sum of jobs and incomes of the firms that supply the direct businesses with goods and services.

Induced economic impact is the effect within the community of all these employees spending their wages. This money, which is income for community businesses, is spent again in the local economy, creating a spinoff effect as successive waves of spending occur.

Each of these three types of impact affects employment and personal incomes. The total economic impact is the sum of the direct, indirect, and induced impacts on employment and personal incomes.

Direct Effects (as a result of sales and activity at the companies directly on the line)

145 year-round jobs

\$5,769,190 in aggregate personal income

Indirect Effects (as a result of sales and activity at supplier businesses)

109 year-round jobs

\$3,552,870 in aggregate personal income

Induced Effects (as a result of employees spending their wages)

63 year-round jobs

\$1,895,379 in aggregate personal income

Total economic impacts of the shippers served by the rail line

This is the total estimate of the (annual) significance to the Wisconsin economy of the shippers served by the rail line, and the suppliers to those businesses. It's simply the sum of the Direct, Indirect, and Induced Effects shown above.

254 year-round jobs

\$9,737,450 in aggregate personal income

II.

The businesses using the rail line enjoy a significant cost benefit over the next most likely alternative. Each business provided an estimate of the additional cost they would incur if they were forced to ship by truck to and from the next most feasible rail terminus. Based upon tonnages shipped from 2002 to mid-2004, an estimated total of \$210,690 is saved annually by the shippers using this rail line. Over a ten year period, the present value of these annual savings is estimated to be \$1,750,090, using a 5% annual discount rate.

Several shippers stated that they would be able and willing to send and receive even more goods if the line itself were improved to allow larger rail cars and higher speeds.