Freight Rail Economic Development

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Prime Focus LLC
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Minnesota Has A Rich Rail History

Pacific Railway Act

Homestead Act
“The study will identify **opportunities** for shippers, railroads and economic development and transportation agencies to work together more effectively, in support of **expanded local rail access, complementary business development, and improved rail and intermodal service options.**”
### Tasks

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**Prime Focus LLC**

**Minnesota**

**Department of Employment and Economic Development**

**MINNESOTA REGIONAL RAILROADS ASSOCIATION**
**Freight Rail Oriented Development (FROD)** as “the use of freight rail transportation to promote and support the smart growth of business clusters, workforce opportunities, environmental sustainability and the development of rail served facilities which will accommodate heavy, wider and taller shipments by rail which will lower regional transportation costs for business and industry thereby improving local competitiveness, lowering transportation costs for local consumers while reducing freight congestion and bottlenecks.”
FROD - Used By States to Promote

- **Business attraction** where low cost transportation access and land use regulations favor freight handling and development opportunities.
- **Transportation efficiency** in the movement of products and commodities into and out of the state via improved access.
- **Infrastructure investments** to accommodate heavy and high-wide transportation requirements.
- **Freight density** to support balanced freight movements thereby improving carrier operations and equipment supply.
- **An economic activity magnet** to lower transportation costs for the network users due to network density and activity.
- **A cluster of above average wages** and technological jobs which support families.
- **Freight rail economic development** can also address access to the freight rail network and mode conversion.
- **Environmentally sustainable** facilities which are environmentally sensitive and reduce Green House Gases.
- **Regulations** which support efficient multi-modal access options.
Why Rail?

- Improve economic competitiveness
- Increase freight transportation capacity
- Access global markets
- Create jobs
- Sustainability
- Preserve infrastructure

http://www.youtube.com/watch?v=8ymr03wQQ9Q#t=47
Key Attributes of Success

• Size of State Agency Staffing
• Agency Budget for Rail
• Rail Association Activity
• Class 1 Railroad Participation
• Governor Support
• Intellectual Capacity (Outside expertise and guidance)

Richard Timmons,
Association President

Prime Focus LLC
## Selected Benchmark States

<table>
<thead>
<tr>
<th>State</th>
<th>Small Railroads</th>
<th>Total Miles Operated</th>
<th>Class 1 Small Railroad</th>
<th>Percent Small Railroad</th>
<th>Small Railroad Employment</th>
<th>State &amp; Local Taxes</th>
<th>Carloads Handled</th>
<th>Truck Equivalents</th>
<th>Est. State Pavement Damage Savings</th>
<th>Cars per mile</th>
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Source: AAR 2011 Fact Book
Peer Review

Scan of Freight Rail Programs

Florida
North Carolina
Pennsylvania
Ohio
Michigan
Wisconsin
North Dakota
Minnesota
Iowa
Kansas
Oklahoma
Industrial Development Puzzle

Rail Infrastructure
Customer Attraction
Site Improvements

Land Acquisition
Agency Leadership
Railroad /Highway Connections
Minnesota OSOW Super Load Corridors

- Trunk Highway network for vehicles up to 16’ tall x 16’ wide x 150’ long x 250,000 lbs

Source: MnDOT Office of Freight and Commercial Vehicle Operations
Rail Shipper Tool Kit

- Getting Started
- Types of Service
- Network Maps
- Providers
- Commodity Flows
- Development Guidelines
- Land Use Considerations
- Resources
Top Seven Short Line Commodities

- Chemicals  +0.4%
- Intermodal  +13.5%
- Coal  +34.7%
- Grain  +4.9%
- Aggregates  +9.1%
- Metals & Products  -16.3%
- Paper Products  -3.9%

Source: ASLRRRA Comparison December 2012 vs. December 2011
Minnesota Commodity Analysis

- Examination of Minnesota commodities most attractive for short line rail
- County commodity flows
- Twelve data maps produced – inbound and outbound flows
- Volumes shipped may be high, but rail share low – this creates an opportunity!
- Four data sources using a gravity model framework
Current MN Programs

• TED Program
  – Opportunity to expand eligibility to rail (currently highway only)

• MRSI Program
  – Expand loan amounts - larger amounts needed

Recognize State programs may compete with private lenders.

Need dedicated funding sources.
Rail Funding Goals:

Business Incentives
Relocation/Expansion/Retention

• Expand rail eligible funding – emphasize systems rather than modes
• Tie funding to job creation (WI)
• Expedite review process – customized review (OH)
• Identify funding for planning (IA)
• “Skin in the Game” is important validate project need (WI)
• Loans vs Grants – Forgivable loans and clawback options for non-performance
Recommendations

• **Collaboration and Education** – “knowledge is power” and many struggle to understand rail

• **Think Big** – Large capital investments require public support. Think in Millions!

• **Rail Renaissance** – more competitive and productive since deregulation; massive investments by railroads - $200M in MN in 2013, all modes will be needed in the future.
Recommendations (cont.)

• **Program Enhancements** – MnDOT’s MRSI program; DEED’s MNProspector directory

• **Integrate TED and FRED** – expansion to include rail-related economic development

• **Freight Rail Forums/Meetings** – regularly meet with railroads and discuss rail issues. Local opportunities require unique solutions.

• **Continue to invest in rail** – public benefits from rail investments
Key Messages for Government Agencies

Railroad Renaissance:

Interest in rail due to energy and regulatory issues

Collaboration is Key:

State, MPO’s, Ports and Economic Development
Land Use

Think Big:

Costs are increasing
Partnerships are important
Leadership is essential
Railroads Move Freight in a Network
Questions?

www.dot.state.mn.us/oфрw/fred/fred.html

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