

Northern Michigan Freight Rail Needs Analysis

**Project Update
April 2013**

The Tioga Group, Inc



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Meeting Objectives

- **Introductions**
- **Review study scope and task descriptions**
- **Focus**
 - **Look Back**
 - **Current Situation**
 - **Look Forward**
- **Data gathering**

Team Responsibilities

- **Tioga**
 - **Prime Contractor responsible to MDOT**
 - **Interface with rail users, Economic Development Agencies**
- **Railroad Industries**
 - **Interface with rail carriers, physical and operational inventory**
- **JLRoach**
 - **Institutional memory, local knowledge, needs, outlook**
- **Team members will contribute to case studies and recommendations**

Consultant Study Team Members

- **The Tioga Group Inc:**
 - Frank Harder (PM), Pete Rutski (APM) & Dan Smith (QC)
- **Railroad Industries Inc:**
 - Gary Hunter, Loa Wei, & Dave Pettry
- **J.L. Roach, Inc:**
 - Jim Roach & Jared Becker
- **Charles McSwain Consulting**
 - Charles McSwain

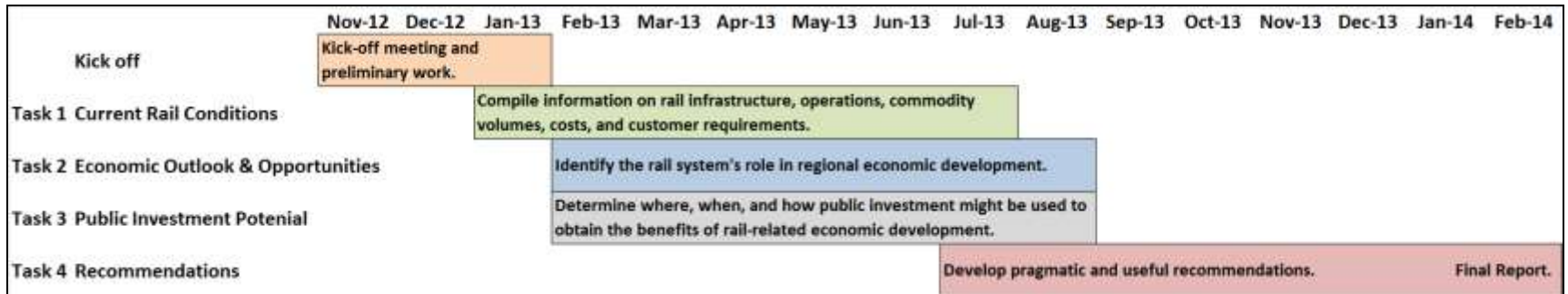
Study Objective

Prepare an analysis that identifies how rail infrastructure can be utilized as an economic development engine for the northern portion of Michigan's Lower Peninsula

Study Task Structure

- **Task 1: Current Conditions (RFP 1-8,11)**
- **Task 2: Outlook & Opportunities (RFP 9-10,14-15, 19)**
- **Task 3: Public Investment Potential (RFP 12,13)**
- **Task 4: Recommendations (RFP 16-18)**
- **Final Report**

Project Planned Schedule



- **Work toward a 15 month completion**
- **Rail, Economic Development, and Investment Tasks to run concurrently**
- **Regular communication between tasks through regular team conference calls and periodic MDOT status meetings**

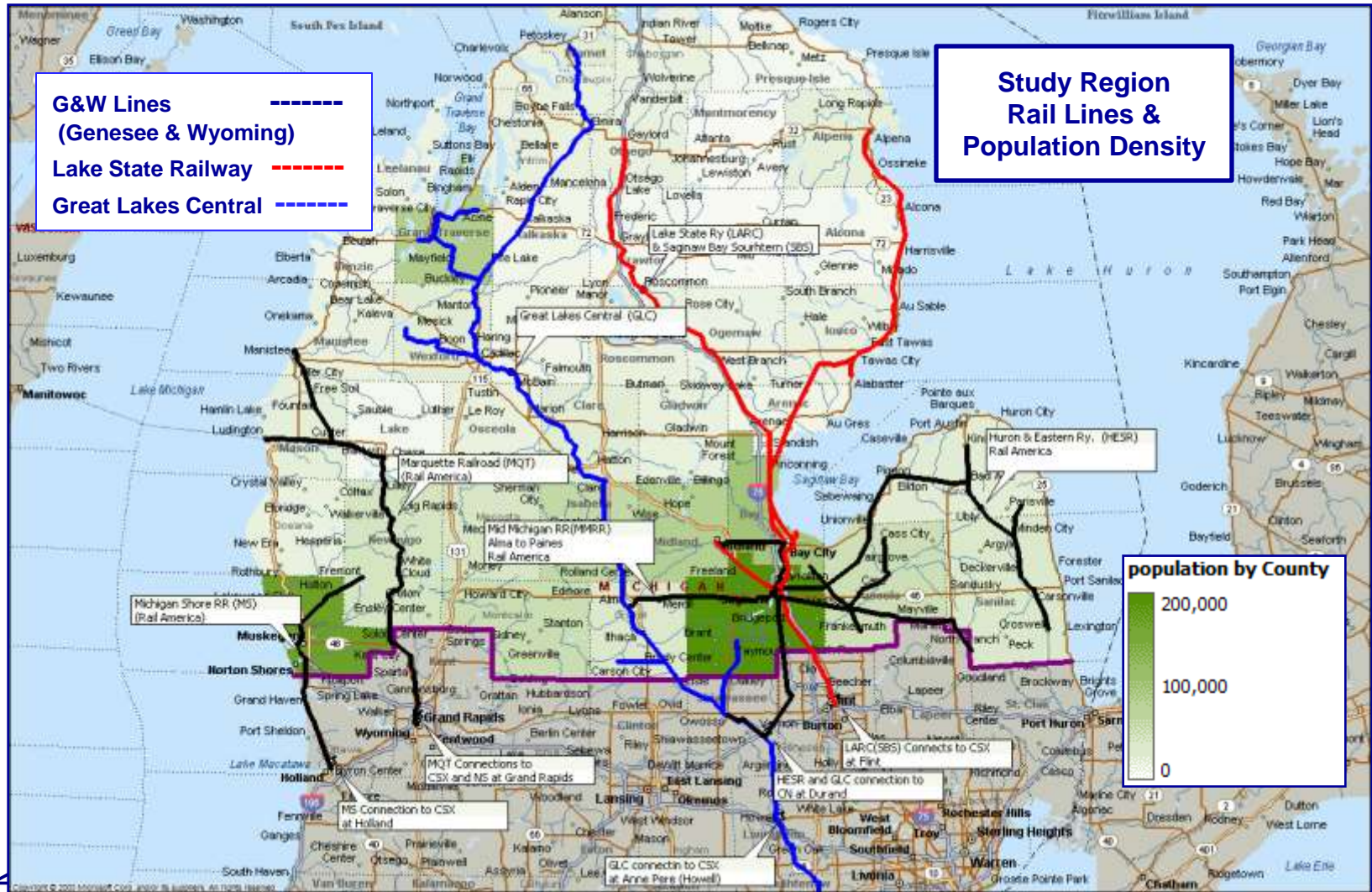
Looking Back—Key events

- **1870s and 80s Construction phase**
 - **Outbound natural resources**
 - **Lake Michigan car ferry connections (avoid Chicago congestion anchor for local service)**
- **1897 Federal Rail Regulation**
- **1900s Promotion of competing modes (water, highway, pipeline)**
- **1970s North East Rail Bankruptcies and restructuring**

Looking Back—Key events

- **1970s Northeast Rail Bankruptcies and restructuring**
 - **The State of Michigan was adamant that few if any of the USRA’s “light-density lines” would be abandoned**
 - **Public Act 295 of 1976 (the State Transportation Preservation Act) was enacted, which authorized an extensive rail service continuation program to be managed by MDOT**
- **1980s Economically deregulated**
- **Past 40 years—Currently estimated at \$200-250 million dollars state investment in rail preservation**
 - **Purchase of light density lines**
 - **Operating subsidies**
 - **Infrastructure rehabilitation**

Study Region with Rail Lines and Population Density

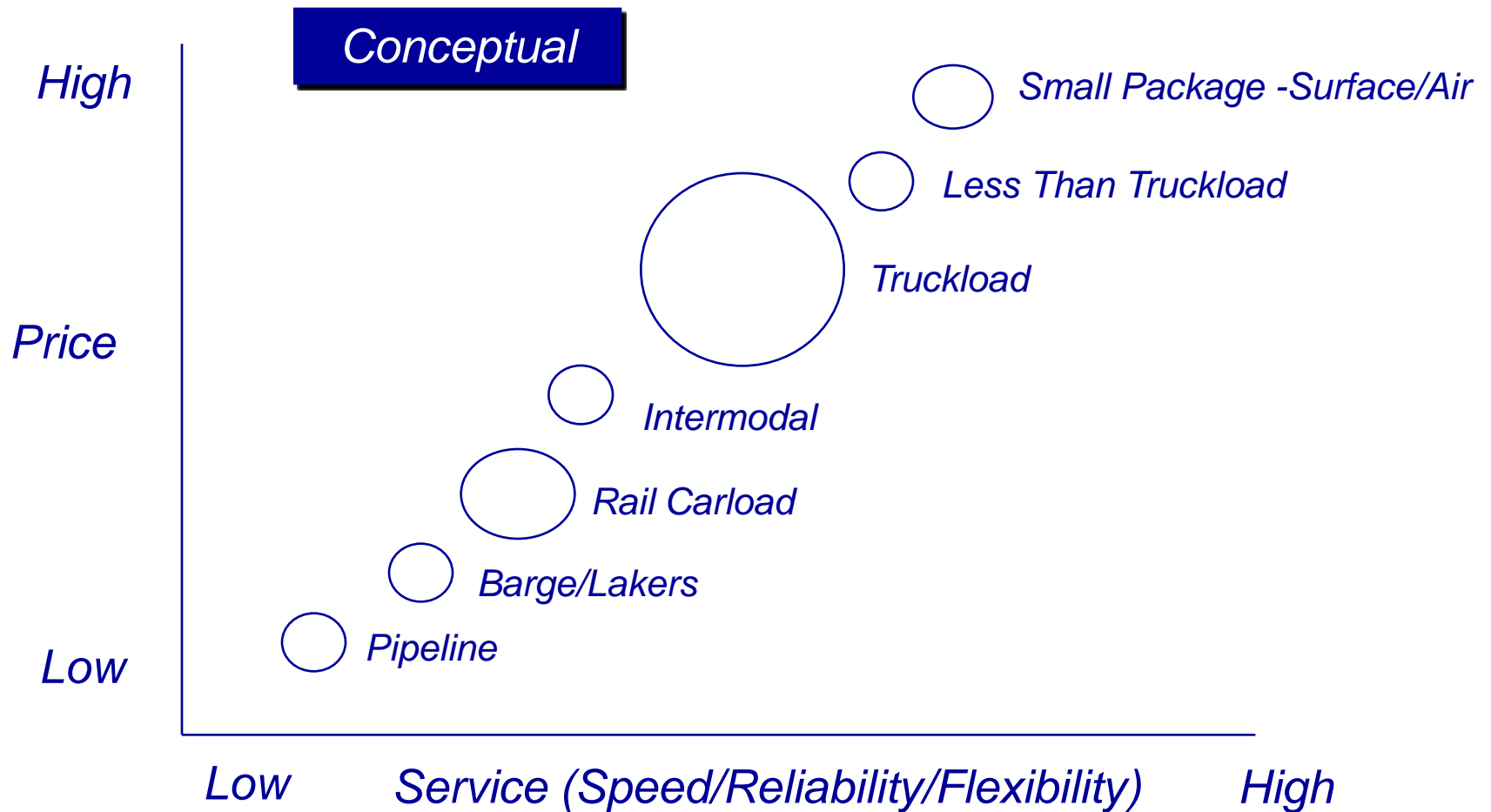


Where are we now?

To date the study has been able to identify substantial rail traffic in the southern portion of the study region.

- **South**
 - Coal
 - Agribusiness
 - Chemicals
 - Sand
 - Scrap metal
 - Forest products
 - Plastic pellets
- **North**
 - Small traffic volume
 - Not expected result
 - Alpena
 - Gaylord
 - Petoskey
 - Traverse City
- **Meetings scheduled next month**

Where do we go from here? Shipper Options



Where do we go from here?

- **Genesee & Wyoming purchase of Rail America**
- **Agribusiness is a healthy, growing anchor for rail service**
- **Are there others?**

Questions

- **To what extent is access to rail service an important factor in locating new industry in your region?**
- **What are the top 2 or 3 target industries which you work to locate in your region?**
- **Can you give examples of recent projects which required rail access?**
- **Were the projects successful?**
- **Are you familiar with the rail lines service levels in your region?**
- **Do you have a contact at the railroad that will help you with rail issues?**

Questions

- **Has the rail carrier which serves your market been responsive to your needs?**
- **Do you have an inventory of available rail served property?**
- **How is the inventory accessed?**
- **What problems have you had with respect to rail access for your industrial development prospects?**
- **What recommendations do you have to improve the use of rail as a driver for industrial development?**
- **Other issues or concerns about rail freight service.**

Task 1: Review Current Conditions

- **1A: Inventory of rail infrastructure & Operations**
- **1B: Comparison of freight modal choice options and cost analysis**
- **1C: Role of rail service in regional economy: commodities and industries**
- **1D: Analysis of short line rail operations**
- **1E: Assessment of regional rail investment**
- **Task 1 Interim Report**

Task 2: Outlook & Opportunities

- **2A: Assessment of rail economic development opportunities**
- **2B: Assessment of agricultural commodity movements specific to export goals**
- **2C: Assessment of rail role in economic development**
- **2D: Review of relevant rail case studies**
- **Task 2 interim report**

- **Inventory of available rail served properties**

Task 3: Public Investment Potential

- **3A: Assessment of cost / benefit of existing rail investment**
- **3B: Assessment of cost / benefit of potential public investment**
- **Task 3 interim report**

- **How best to spend the available funds in the Freight Economic Development Program**

Task 4: Recommendations

- **Regional Rail Infrastructure**
- **Strategies to reduce rail transport cost**
- **Ways to gain competitive advantage**
- **Rail service improvements**
- **Public investment options**
- **Strategies for rail-related industrial development**

Final Report with Executive Summary

The final report will incorporate Tasks 1-4 interim reports and provide appendices to document findings