Freight (Rail) Transportation in the State of Michigan

BI-NATIONAL TWIN SAULT’S REGIONAL CONFERENCE
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Pasi Lautala, Ph.D., P.E.,
Assistant Professor
Director, Rail Transportation Program
ptlautal@mtu.edu

Freight Rail Transportation Program
Michigan Tech Transportation Institute • Michigan Technological University
Transportation

“Transportation creates value by connecting raw materials, production, and consumption”

• Importance of transportation is growing:
  • Growth of demand (larger quantities and longer distances)
  • Reduction of costs (unit cost has dropped, but economic share has remained)
  • Expansion of infrastructure (more and better infrastructure)
Freight Railroad Challenges

- Most capital intensive industry
  - ~15% of capital spending for new capacity
- Concentration on main corridors!!
- Shortline infrastructure
- Rising rail rates
Rail intermodal traffic

- Intermodal - The fastest growing rail traffic segment
  (Millions of container trailers)

Source: AAR
Transportation in Michigan

- Do we have a balanced system?
- Water transportation
  - Jones Act, Cabotage laws, Soo locks and winter weather
- Can trucks carry the burden?
  - High weight limits (164,000 lbs),
  - Long distance / interstate movements
  - Road condition
- Rail
  - Large network / low density
  - High percentage of small carriers
  - Interchange requirements
Michigan Railroads

- Over 3,000 miles of track (12th in the Nation)
  - 50% by shortline railroads
  - 20% in the UP

- Over 3,000 employees
  - Average wages & benefits $108,330

- UP vs. Michigan
  - 4% of truck tonnage
  - Rail: 20% outbound, 4% inbound, 94% “in-state”

- Shipments projected to increase by 58% by 2030

Table 3 - Top Commodities Moved by Rail in Michigan (2009)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Tons</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation equipment</td>
<td>19.77</td>
<td>$49.30B</td>
</tr>
<tr>
<td>Misc. or mixed shipments</td>
<td>11.09</td>
<td>$18.22B</td>
</tr>
<tr>
<td>Chemical products</td>
<td>9.95</td>
<td>$14.64B</td>
</tr>
<tr>
<td>Primary metal products</td>
<td>5.61</td>
<td>$8.11B</td>
</tr>
<tr>
<td>Paper and pulp products</td>
<td>4.74</td>
<td>$5.66B</td>
</tr>
</tbody>
</table>

Source: Transsearch database, IHS Global Insight
Upper Peninsula Freight Rail Study
Task 1. GIS Infrastructure Map (Sidings)
Task 1. GIS Infrastructure Map (Segments)

www.arcgis.com/explorer/?open=eef1ae6d195849198fd72853cb6bcf80&extent=-10504654.3982735,5487884.54286327,-9179485.05827342,6110092.95953516
Task 4. Shipper Survey
(10/25/13)

Total Respondents: 128

- Fully Completed: 62
- Missing Volume Info only: 31
- Missing Commodity Type, Volume, and O-D: 10
- Missing O-D: 20
- Incomplete/Trash: 5

Fully Completed: 62
- SurveyMonkey: 16
- Paper Survey filled by Shippers: 26
- Phone Interview: 20
Business Types

Type of business
88 out of 128 respondents answered this question

- Distribution: 46
- Manufacturing: 24
- Service: 12
- Logging/Timber: 4
- Other: 6

Distribution
Service
Logging/Timber
Other
Manufacturing
Location and Modes
Railroad Issues

- Shipper issues
- Service
- Cost

- Rail users
- Non Rail users
“Barking up the Same Tree”

<table>
<thead>
<tr>
<th>Shipper Complaints</th>
<th>Railroad Complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliable and consistent car delivery; Provide cars in good shape</td>
<td>Abusing and damaging cars, not releasing empty cars cleaned out, using them as dumpsters</td>
</tr>
<tr>
<td>Needs to be time competitive and increase frequency</td>
<td>Not operating seven days a week and not having access to their facilities 24/7</td>
</tr>
<tr>
<td>Realistic demurrage period</td>
<td>Not loading and unloading consecutive cars causing excessive switching</td>
</tr>
<tr>
<td>Improved and expanded infrastructure</td>
<td>Not maintaining their side track properly</td>
</tr>
<tr>
<td>Better utilization of existing tracks</td>
<td>Holding onto cars for excessively long times when loading and unloading</td>
</tr>
<tr>
<td>Intermodal service within a reasonable distance</td>
<td>Poor management of their product pipeline, creating congestion at destination</td>
</tr>
<tr>
<td>Reasonable rates</td>
<td>Shipping before they have a rate or before the rate is published</td>
</tr>
<tr>
<td>Improved quote times, accurate billing and car tracking</td>
<td>Lack of proper shipping instructions</td>
</tr>
<tr>
<td>Start accepting relatively small volumes</td>
<td>Add volume</td>
</tr>
<tr>
<td>Improve customer service and easy of doing business. Have better communication</td>
<td>Designate a single “go-to” person for billing and status of cars information</td>
</tr>
</tbody>
</table>
Interesting Case Studies

- Interesting Cases for Detailed Investigations
  - Northern Hardwoods lumber shipments to Asia
  - Forest products industry and paper mills (shipping extensively by trucks)
  - Connor Sports exports wooden floors
  - Greymont – Port Inland and Rexton limestone activities
  - DA Glass in next to CMX
  - Holli Forest Products in Ishpeming.
  - Potlach Forest Products in Gwinn
  - L’Anse / Baraga area manufacturing
  - Mining opportunities
Small Intermodal / Transload Facilities

- **Chippewa Falls in Wisconsin owned by CN**
  - 5 acres, 90 miles east of Minneapolis, 7 days/week rail service
  - Projected volume of 5,000 containers per year (exceeded already)
  - Ground storage: 150 containers.
  - The terminal offers Wisconsin and Minnesota customers new supply chain options to ship and receive containerized goods.

- **Indianapolis (Indiana RR and CN)**
  - 24,000 containers per year
  - Shortline / Class I collaboration

- **Bulkmatic transload terminal in Mexico, the new transload facility on the KCS railroad in Garcia, just outside Monterrey, Mexico.**
  - It has 250 car spots, with lights, fencing and a scale.
Potential Transload Facility in the UP
Some Lessons Learned to Date

- There is no single source of information for businesses in the region.

- Some shippers have given up on rail due to slow progress....shippers no longer interested in contributing to study looking into rail.

- Most of the shippers did not provide their volume, origin and/or destinations info in the survey....how to analyze freight from regional perspective

- In the end, is it mainly lack of understanding / communication?
Northwoods Rail Transit Commission Report

Wisconsin Department of Transportation

July 26, 2013
Source: WisDOT, locations of 190 respondents to the survey
Locations of 43 businesses indicating an interest in using rail depending upon price and availability of service – mostly logs, pulpwood and lumber products
Next Steps

• WisDOT to complete freight county profiles for Ashland and Iron Counties

• Evaluate the economic and transportation impacts of the proposed iron ore mine in Ashland and Iron counties

• Contact Federal Railroad Administration to better understand the “freight stations” database

• Help to illustrate the economic importance of northwoods businesses using rail service (need data)
Next Steps

- Verification of freight facilities identified in the Federal Railroad Administration’s “freight stations’ database

- Continued outreach efforts to businesses identified in the study as potential rail users to determine the volume and types of commodities that could be transported by rail.

- Collaborate with operating railroads in the region to help identify opportunities for transporting commodities on rail cars
What can we do?

- “Transportation = Economic Development”
  - Thinking big.....Network level investments
  - Rail Loan Assistance Program and Freight Economic Development Program (FEDP)
  - Simplified applications and get EDCs to help

- State support to maintain viability of light-density / rural lines?

- Flexible intermodal and transloading sites. Access to ports

- Better data, understanding and collaboration
  - Rail Operations 101, Shippers 101
Questions / comments?

Pasi Lautala, Ph.D. P.E.
Assistant Professor, CEE
Director, Rail Transportation Program
Michigan Tech Transportation Institute
Michigan Tech University
p. 906-487-3547
ptlautal@mtu.edu