



Summary of Meeting on Movement of Freight in Minnesota

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, January 30, 2009

Guest speakers: **John Hausladen**, president, Minnesota Trucking Association; **David Christianson**, manager, freight planning and development, MnDOT; **Brian Sweeney**, legislative counsel, BNSF Railway; **John Apitz**, executive director, Minnesota Regional Railroads Association

Present: Verne C. Johnson, chair; David Broden, Marianne Curry (by phone), Bill Frenzel (by phone), Paul Gilje (by phone), Jim Hetland, Marina Lyon (by phone), and Wayne Popham (by phone)

A. Context of the meeting —In anticipation of a possible Civic Caucus position paper on roads, rails and buses the Civic Caucus today is gathering perspective on the issues related to movement of freight in the state and their interface with the movement of people.

B. Welcome and introductions —Verne and Paul welcomed and introduced our speakers for the day. **John Hausladen**, president of the Minnesota Trucking Association, representing 700 member-trucking companies and allied firms, has been with the organization since 1996. He is a 1982 graduate of Bethel College, St. Paul. **David Christianson**, manager, freight planning and development, MnDOT, joined MnDOT in 2008. He has been involved in various transportation positions since 1973, including seven years with the Metropolitan Council. His wife, Connie Kozlak, is transportation planning manager at the Metropolitan Council. **Brian Sweeney**, legislative counsel for BNSF Railway, has been with the firm for 28 years. Sweeney is responsible for BNSF's state government affairs in Minnesota, North Dakota and South Dakota. He is a graduate of the University of St. Thomas. **John Apitz**, a lawyer with Messerli and Kramer, is executive director of the Minnesota Regional Railroad Association. Apitz is a graduate of Gustavus Adolphus College and William Mitchell College of Law. He has served as a staff member to former Sen. Hubert H. Humphrey and former St. Paul Mayor Norm Coleman.

C. Issues related to freight movement —Today's meeting differed from many others, because of almost constant back-and-forth discussion among the members of the Civic Caucus and the four speakers. This summary will attempt to outline the issues and, where possible, identify positions on these issues as articulated by the speakers. Issues:

1. Interface between passenger and freight movement on railroads — Railroads in Minnesota, which have dealt almost exclusively with freight over the last 30-plus years are now sometimes

expected to accommodate proposals for movement of passengers. Everywhere in the Legislature the issue of getting people on trains seems to be the big objective of some groups today, Apitz said, whether it's Minneapolis to Chicago or Duluth or Big Lake or other locations, and whether by light rail, commuter rail, or high-speed rail. The existing BNSF tracks between Big Lake and Minneapolis will be used for the North Star commuter line between Minneapolis and Big Lake. Service is expected to begin next winter. A member questioned how much these lines are expected to reduce any congestion along Hwy 10 or other major highways.

2. Rail's role in serving major industries in the far reaches of the state —Will the state be able to continue to provide adequate roads and/or rail lines to serve smaller cities around the state where major businesses are located? Some businesses, such as Schwan's Foods and Polaris, are relatively far from other businesses, making it difficult to provide needed transportation infrastructure. Others noted there was a huge reduction rail mileage in this state during the past twenty years. This left many towns without any rail service. Likewise lightly used portions of the state trunk highway system may suggest economic development can only be cost effectively done near the major roadways and remaining railroads of the state.

3. Making sure that different types of vehicles pay their fair share for road construction and maintenance —Roads are built to serve the heaviest vehicles that use them. The base and asphalt or concrete is thicker and the bridge piers and decks are designed larger to accommodate heavy vehicles. However, some questioned whether user taxes reflect differences in vehicle weights, along with distance, time of day, and amount of congestion produced by these heavy vehicles. Truckers greatly dislike the weight-distance tax. Hausladen noted that because loads vary in their weight it would be better to use a distance factor but not a weight factor. He added that this discussion illustrates another need for consistency from state to state in how user fees are imposed. One should not automatically think that it is better to insure trucks will flow better if they have toll roads because—depending on the toll—it might be less costly to have professional drivers sit in traffic, Hausladen said. Trucks and truckers are very adaptable to changing conditions, as they were, he said, after the collapse of the I-35W bridge.

4. High speed interstate rail proposals —Proposals for interstate high-speed rail service to Duluth and Chicago are largely planned to use existing rail beds along the Great Northern line to Duluth and the Milwaukee line along the Mississippi River to LaCrosse. Rochester would like the line to go through that city instead of along the river. Whether this could be done on an existing rail line or require an entirely new right of way is unknown at this time. None of the routes to Chicago is equipped to handle such high speed service. The cost of upgrading existing lines, probable fares and operating deficits are unknown. Some seem to think these investments will produce a big return, even to the point of becoming self supporting. Others see a lot of red ink. The effect of such lines on transportation in this state, congestion reduction or competition with the airlines is unknown.

5. Differing state-to-state regulations —Minnesota does not permit operation of long double and triple bottom trucks as do some of the neighboring states. A member questioned the impact on companies that move freight if they have to adjust their loads at the state borders. There was also the question about the extent regulations either impede or assist economic development around the state.

6. Equitable treatment of trucking and rail in moving freight around the state —One member questioned whether lawmakers look at trucking and rail as part of an overall system of moving freight, with an objective of making sure that freight is moved in the most efficient way possible. It was noted that lawmakers constantly hear from competing truck and rail interests. In recent years both interests have come together on occasion.

7. Balancing construction of additional roads and rails with ongoing reconstruction and maintenance of existing infrastructure —One member questioned to what extent the state is balancing the pressures for building additional miles of roadways with that of keeping existing roadways in good shape. It was noted the railroads need to constantly weigh these two objectives. Maintenance is critical to keeping the rail line open and enabling trains to operate at a reasonable speed. Since the railroads own the lines they have to constantly ensure they spend sufficient capital on maintenance. As they accumulate capital they also will add capacity to the system. This was most apparent in recent years as some railroads added capacity to handle enormous shipments of coal and containers from West Coast ports.

8. Evaluating the status of comprehensive transportation planning for the state —Are long range plans for movement of freight fully integrated with plans for movement of people? Or does planning for people come first, with later efforts to shoe-horn freight into the plans? Do long range plans pay attention to all parts of the state?

D. Comments and discussion —During comments by speakers and in discussion with the Civic Caucus the following points were raised:

1. Truckers concerned about system efficiency —Truckers are concerned about predictable speeds, speed limits, fuel costs, safety regulations affecting how long truckers are required to rest, and costs such as tolls. They like predictability. Even congestion is a cost that can be built into the business as can tolls that can be avoided. Quality of the road system has declined dramatically. Minnesota used to have one of the best in terms of pavement condition, now it's in the middle of the states. We need more maintenance. Of all the highways truckers are most concerned about the condition of the interstate freeway system.

2. Passenger impact on railroad expense —Apitz recalled that railroads were de-regulated beginning in 1971, which led to their moving almost exclusively to freight. Eliminating passenger trains was the only way railroads could survive, he said. Operating losses on passenger service were driving railroads into bankruptcy. The Staggers Act eliminated the requirement for passenger movement on railroads and enabled railroads to spin off little used pieces of the system. Some of these survive as regional railroads. In 1971 there were 42 "Class 1" (as determined by annual gross operating revenue) railroads operating in Minnesota. Today there are four, BNSF, Canadian Pacific, Union Pacific, and Canadian National, he said. In addition are 20 smaller railroads. These railroads are private enterprises and aren't receiving subsidies, Apitz said.

None of the railroads is proposing to get back into the passenger business because they would again lose lots of money. In addition, such passenger movements would add trains to portions of already heavily used rail lines such as the one between Minneapolis and St. Cloud. At some point additional rail will need to be added to provide desired smooth and higher speed movements for passenger lines. The public will need to pay for these improvements if they want to use this right of way and

track. Everyone loves the train, but no one loves the railroad company, he said. A key question is how railroads will be able to move people, he said. Fares would likely be far lower than actual costs, requiring subsidies. The question is where subsidies would come from, he said.

3. Experience with North Star commuter line — The Minneapolis-Big Lake North Star commuter line has been a tough learning experience. It will be on the BNSF mainline tracks that carry freight from the West Coast to Chicago. The state and BNSF have been able to negotiate the use of BNSF tracks for the North Star commuter line, but Sweeney said it is very difficult for railroads that have served freight exclusively for more than 35 years to now add passenger service. A major problem, he said, is that there's usually not enough capacity on existing rail lines. Cost estimates for adding passenger trains to this freight line were too low. Any improvements needed for capacity will not be paid by the railroad. A proposal has been made to build an additional track for the North Star line from Fridley to Coon Rapids and through the north yard to ease movement for the North Star line and provide more freight capacity. The proposal is for the state or national government pay for it. Railroads will be challenged to pay for an estimated \$150 billion needed to fix up rails nationally. Currently they estimate they can only come up with \$100 billion.

4. Overall rail condition problem —Sweeney said that exclusive of the issue of moving passengers, the BNSF is contemplating major investments for improving its existing freight lines. Expenses will be paid by the railroad itself. The public might not fully understand the ownership issue of public vs. private.

5. Paying the cost of improving roads for heavy vehicles —A Civic Caucus member noted that roads must be built to accommodate the heaviest trucks. The member inquired whether a weight factor should be built into the user fees paid by different sized vehicles. Hausladen replied that because loads vary in their weight it would be better to use a distance factor but not a weight factor. Hausladen added that this discussion illustrates another need for consistency from state to state in how user fees are imposed.

6. Changes in transportation expenses and capacity for business —In 1973, just as deregulation was beginning, transportation expenses averaged 18 percent for business. Today that percentage is 10 percent. This is the result of deregulation, Christianson said. The metro area has congestion but good facilities for the shipment of goods. Some areas in rural Minnesota do not. Christianson noted that overall Minnesota's highway system is rated at between 6-7 on a scale of 10. However, it has four class 1 railroads which puts its overall rating closer to 8-9. Until the recent downturn in the economy we were out of trucking capacity in the metro area.

7. Difference in cost of shipping by truck and by rail —Sweeney noted that expenses for moving freight by rail are about 2.5 cents per mile per ton, compared to about 7 cents per mile per ton for moving freight by trucks. The state has about 4,300 miles of rail and about 30,000 miles of roads suitable for trucks.

8. BNSF legislative objectives —At the federal level, Sweeney said, BNSF will oppose efforts to re-regulate the rail industry and strip its anti-trust exemptions. The railroad will advocate an investment tax credit for railroads and rail customers. At the state level BNSF will fight efforts to impose regulations on the railroads that don't apply to other industries.

9. Change in sufficiency of roads for trucks —Forty years ago the state highway system was sufficient for trucks of that age. But now trucks are moving much more tonnage, and roads have not been improved accordingly, Christianson said. Christianson said he agrees with a Civic Caucus member's observation that the state hasn't had the political will to keep up with demand. Another member noted that Minnesota has an extraordinary large highway system for its size. So it's not just a matter of improving the roads, but deciding which roads ought to be improved. There's not enough money, the member said, to improve all state roads to a standard that can accommodate all trucks. Christianson noted that Minnesota has less state money available for its road system than does Wisconsin, because Wisconsin indexed its gas tax several years ago.

10. Question of integrated transportation planning —Asked by a Civic Caucus member about the status of integrated transportation planning, Christianson said that MnDOT currently has such planning under way. Questions were raised whether such plans will be simply advisory or whether there'll be authority for them to be implemented.

Another member inquired whether MnDOT plans will include recommendations for financing. Christianson noted that MnDOT was charged last year with developing a freight plan for the state. In this plan the state will integrate the modes. Others questioned whether existing state plans give sufficient attention to railroads.

11. Whether earmarking is more significant than planning —A Civic Caucus member observed that in many cases it appears that transportation expenditures are directed more by public officials earmarking funds for specific projects than by overall plans. Moreover, the member said, Minnesota doesn't appear to have an overall transportation plan covering freight and passenger movement, rural and urban, and roads and rails. On the question of earmarking, Christianson said that legislators earmark every road project in Wisconsin. He doesn't think that is what Minnesota wants.

12. Where local initiatives belong in a state plan —Members and speakers discussed the fact that certain initiatives at the local level, such as for ethanol plants, produce significant impact on the need for improving state highways. We don't have an easy solution in such a situation. Should localities not be allowed to take the initiative? If they do, and more transportation infrastructure is required, should such localities have to pay for that or pass the bill on to the state?

13. Thanks— On behalf of the Civic Caucus, Verne thanked our speakers for meeting with us today.