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Talking Train Tracks: A Reason to Roll



By Jack Miller

MONTREAL, March 30, 2021 (GLOBE NEWSWIRE)--CN (TSX: CNR) (NYSE:CNI) and WATCO are pleased to announce that they have reached an agreement for the sale of non-core lines and assets on the Soo subdivision (approximately 250 miles of track) that runs from Sault Ste. Marie, Ontario to Oba, Ontario and approximately 650 miles of branch lines of Wisconsin Central Ltd. in Wisconsin and Michigan. This marks the successful conclusion of the sale process that CN announced and launched in July of 2020.--www.cn.ca

The meeting on Thursday was a big deal. Represented in

the Iron County Board Room were WATCO, Lake States Shippers, La Pointe Iron Company, the North Woods Rail Transport Committee, as well as elected officials from Iron and Gogebic Counties. John Varda, the organizer, had just come from a meeting with WATCO, the Surface Transportation Committee, the Wisconsin Department of Transportation, and regional shippers in the Green Bay Packers board room.

Trains roll, that's what they do, and once they get rolling they are hard to stop. But it takes a lot to get them rolling, not just to overcome the inertia of the mechanical beast, but more so to have a

reason for it to roll. It takes fuel to move the steel wheels forward, but it takes cargo to give the train a reason.

John Varda has a reason, WATCO has the tracks, and the trains may roll again from the Porcupine Mountains to Chequamegon Bay. There is one intact line that crosses the border, and it crosses in Kimball. Canadian National Railway (CN), the former owner, chose to leave those tracks in place, in case they were ever needed. Thank you very much.

Canadian National rolls east-west in Canada and north-south in the United States. Their network on a map of North America looks like an upside-down triangle. They carry natural resources within and from Canada and finished products from the United States. But Canadian National needs more reason to roll its locomotives. There is a high-volume business. John Varda says they only bought Wisconsin Central Railroad because they wanted access to Milwaukee. He was involved in an offer to buy Wisconsin Central in 2011.

WATCO, the new owner of the local rail line, specializes in shorter distances and medium loads.

They started buying tracks in Pennsylvania in the 1980s to connect eastern manufacturers with national and international railroad networks.

Localization

"Rail is the answer to keeping the mills open."

- John Varda

It is 130 miles from where the existing tracks cross the Montreal River in Kimball to the next set of tracks across the Menominee River border near Iron Mountain. The only other border-crossing track is even further east in Marinette. Ashland, Iron, Gogebic and Ontonagon Counties could be connected by rail to the Canadian National network, and then to all other railroads.

Shippers would have a choice as to where they ship and would not be restricted by access or distance. Loggers could sell to the highest bidders and not have to ship to the closest mill to save transportation costs. But if loggers choose to sell their harvest to the Tomahawk containerboard mill, one train could cover the over 200 miles in one day and return the next.

Trains need rails and cars to roll on them. Many of the

out-of-service lines need repairs or upgrades for the loads they will need to carry. Bridges must be fortified. Landings will need to be cleared and loading docks built along the refreshed routes. Local work means local jobs.

Once rolling, a diesel locomotive can pull 200 cars, so more cars are needed. John Varda looks to do this manufacturing “in territory.” Machine shops are already available in Milwaukee and as traffic begins to include finished products in as well as natural resources out, manufacturing can expand along the newly connected rail routes.

Numbers

According to John Varda, the Tomahawk mill, operated by Packaging Corporation of America, receives 125 log trucks per day. “That’s 125 in and 125 out,” says John, so that’s also 125 drivers and 250 trips over public roads every day. One train could carry those 125 loads. One driver, one clear track. Rather than truck a load of logs a hundred miles to the nearest mill, local loggers could transfer their loads to a railroad landing within a few miles of their operation and ship them anywhere.

The standard CN uses to determine whether tracks should be activated is 100 cars per mile per year. If it is 90 miles from White Pine to Ashland Junction by rail, then 9000 cars would have to travel that route per year. Using a 50-week year, that means 180 cars per week.

Eric Peterson, from Iron County Forestry, stated during the Thursday meeting that Iron County can produce 1000 cords per week. If we let 1000 cords equal 50 train cars, then Iron County can fill 2500 cars per year. Gogebic, Ontonagon and Ashland Counties would take care of the rest.

Logs could be the reason the steel wheels need to get

rolling again. But copper is still a possibility, especially with the greater demand from infrastructure projects and manufacturers of electric vehicles. Lumber and copper are already trading at twenty-year highs.

Funding = Data = Funding

“Data is the new oil.”

Clive Humby – British Mathematician

As usual, the first resource needed for a project like this is money and lots of it. Michigan Tech in Houghton has already spent a quarter-million dollars gathering data and studying lumber and paper mill operations. The study’s results show that this two-state area could account for 12% of US “internode” shipping.

But first, the logs must be located for harvest so that they can be directed to the mill or manufacturer with the greatest demand and/or the highest price. That’s called logistics, logistics require real-time data, and data is expensive.

How much supply is there? Where is the supply? Where should it be shipped to produce the most profit? Is that level worth it to the operator of the railroad?

That information must be collected from competitors within the same industry. That will require collaboration, cooperation, coordination, and trust that the information collected will be secure. That’s why John Varda is helping to organize Rail Line Committees with meetings such as Thursday’s.

That’s why Eric Peterson of the Forestry Department volunteered, “Iron County can produce 1000 cords per week.” Measuring production capacity is a start. Iron County’s potential contribution could account for more than a quarter of the volume necessary to make the White Pine line feasible.



WATCO MAP

Markets		
Date of Quote	Lumber per Board-Foot	Copper per Pound
04/30/21	\$1.50	\$4.46
04/30/20	\$0.39	\$2.32
One-Year Increase	385%	192%

Source -- CME Group Inc.

Funding, both public and private, must first be for data collection. Once the proof of feasibility and potential profitability is on the table, the money for the rest of the project will flow from both government and private sources. If the train is going to start rolling, nobody wants to be left at the station.

A Dream of Trains

You may say I’m a dreamer
But I’m not the only one
I hope someday you’ll join us
And the world will be as one.

--John Lennon

A recurring dream happens at the Hurley Depot. There has been a complication with

the ticket. The train south pulls out of the station. A running attempt to catch the train fails. It is snowing.

John Varda may have had similar dreams. He may have been on the train south. Now by chance of a change in the political wind, he may have his opportunity to make his dream of trains into reality.

On one of the maps that John handed out, a dotted line from Ashland to Duluth is labeled “Rails to Trails,” and that’s why Karen, a friend of the Miner, was at the table. Karen has worked with Canadian National on the Rails-to-

Trails project. She shared her thoughts:

"I've always hoped that rail could be brought back as vital US infrastructure, and with this WATCO purchase of CN short tracts, rail can be utilized again in the Northwoods, particularly in the forest products industry. [John Varda] also made it clear that should the Biden infrastructure bill pass, there needs to be "shovel ready" projects in the pike so that WATCO can apply for repairs on these discontinued rail lines, and northern Wisconsin can benefit from these infrastructure grants."

Someday, maybe travel by rail could again be a suitable alternative to driving or flying.

An individual human-operated vehicle can drive 600 miles on coffee and Hostess Apple Pies, but after that should be pulled over and made to sleep. A train just keeps on rolling.

A traveler from the North Woods can fly to the West Coast by boarding a plane that takes off twice a day, then transferring in Chicago to another plane that may fly to the Pacific Ocean or may stop in Denver first. All that time, the train just keeps rolling.

Here's the dream part, a train can be run on electricity. The diesel engine inside a locomotive turns a generator that produces electricity which turns the wheels. But there are newer and cheaper ways of

producing electricity that do not involve burning anything. Long stretches of track cover uninhabited tracts of land in North America. Some of those are deserts, some are mountains, both are locations where solar and wind could supplement the electric grid to power electric locomotives. The new trains are much faster as well.

Sweden, because of its wealth of hydroelectric power, uses electricity to run their national railroads. North America has a wealth of sun and wind. Think Great Plains, Mississippi River to the Rocky Mountains, once an inland sea, now a windswept plain with sun both summer and winter.

The dream requires further innovation in battery storage and electrical transmission technology, but is it so far-fetched to think that we can supply tracks with locally produced electricity when we are flying a remote-control helicopter on Mars?

Biden says he will connect Duluth with Amtrak rails from the Twin Cities. Varda says he will connect Ashland with cargo rails from White Pine. John Varda is a dreamer, but he's not the only one, he hopes someday we'll join him.