Competitive Freight Rail for the Great Lakes Forests Region

An Action Agenda[1]

MAJOR CHALLENGE: We have an "unwilling"[2] carrier that owns and operates the majority of the low density branch lines serving the Great Lakes Forests Region ("GLFR"). This is our biggest challenge and where we need to focus on facilitating change.

NEED A SENSE OF URGENCY: To achieve our long term, Overall Goal, we believe making significant progress in the next 2-3 years is imperative.

- Effective disinvestment in GLFR light density branch lines is increasing risk for, and has become a barrier to, private or public investment in these lines.
- The Region's freight lines may be close to a tipping point between their survival and inevitable path to abandonment.
- We have a deteriorating rail and landing infrastructure and an aging log car fleet.

OVERALL GOAL: Increase carload and revenue density on GLFR branch lines to attain sustainable volumes and revenue, with customer oriented service and satisfaction, at competitive rates.

OPTIONS.

- A fully competitive, integrated GLFR freight rail system: broad commodity base; carload, transload and intermodal potential.
- A collection of light density GLFR branch lines at sustainable densities.
- Pursue an alternative regional operator or short line (lower Michigan model) or line-lease operators.
- Engage shipper and other GLFR private and public (local and state) sector resources to identify freight lanes (all commodities) suitable for conversion from over-the-road ("OTR") truck to rail carload, transload or intermodal.
- Establish conditions necessary to support private and public investments in GLFR freight rail infrastructure (fixed track and GLFR-captive rolling stock) and necessary ancillary facilities.
- Promote collaborative engagement on a new overall regional agenda; avoid or minimize regulatory intervention.

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[1] This summary is based on the Consensus Outline developed through participation of public and private sector stakeholders at a meeting at Escanaba, MI on March 16, 2017 under the auspices of Michigan Forest Products Council, Wisconsin Manufacturers & Commerce and Wisconsin Paper Council.

[2] CN is generous in assigning qualified, capable personnel to engage collaboratively with customers and other stakeholders to seek means of increasing freight on CN/WC lighter density lines, including funding consultant services to support log car TIGER grant applications in in 2014 and 2015. CN has made major investments in CN/WC lines when supported by an anchor shipper. CN has maintained a level of service on a number of extremely light density lines (well below rule-of-thumb 100 revenue carloads per mile, per year) and, in anticipation of future business, has retained rights-of-way, track and related facilities on significant segments which otherwise qualify for abandonment. Nonetheless, CN is reluctant to use price incentives to assist aggregating freight from multiple to build revenue carload volume and has not articulated and implemented a comprehensive plan to attract non-captive, truck-competitive freight from multiple shippers who maintain freight facilities in the CN/WC lighter density region, one of the principal characteristics of WC, CN's predecessor. CN is perceived to implement operations changes with little or no consultation or advance notice to its supply chain partners.

HOW WE WILL ACCOMPLISH OUR OVERALL GOAL.

We have concluded the Overall Goal requires a Regional Strategy.

We need to put together a compelling story, for example:

- Demonstrate direct long term public benefits (roads, bridges, safety, jobs, environmental).
- Demonstrate challenges facing OTR truck transportation (congestion, driver shortages, fuel efficiency, emissions and other economic challenges, EDL and other regulations).

We need to articulate our "asks" from MI, MN and WI DOTs, Legislators and Congress.

HOW WE WILL DELIVER THE MESSAGE.

- Engage in a robust public relations and governmental affairs initiative – Persuade a broad base of affected stakeholder constituencies and public policy makers to understand and embrace the public and private sector benefits and support measures reasonably necessary, including public & private investment in infrastructure and equipment, to achieve our Overall Goal.
- Engage and support third-parties such as MIDOT, MNDOT, WisDOT, MEDC, WEDC, Northwoods Rail Transit Commission ("NRTC"), Michigan Transportation Institute, Duluth-Superior Metropolitan Interstate Council, MFPC, WPC, WPC, meeting participants and others, to implement necessary measures to achieve the Overall Goal.

SPECIFIC TASKS SUPPORTING OUR OVERALL GOAL.

- As inducement for sharing "Actionable Shipper Data" and as the foundation for "sign-on" commitments by current and new GLFR rail shippers , we seek public commitments from GLFR rail carriers to well-defined, minimum 5-year, comprehensive plans to offer competitive rates and service to attract additional freight originating and/or terminating on Great Lakes Forests Region rail lines.
- We need to put together a business rationale focused on accomplishing our Overall Goal – a credible business plan to show the way, for example:
    - Work with the logistic coordinators large forest products companies on Identifying actionable shipper data collection, detailing necessary pricing, service criteria, OTR truck freight that could be converted to rail.
    - Work with MTU on data collection, processing and outcome analysis.
    - Engage the help of rail carrier and shipper representatives and other stakeholders.

TOOLS (for example):

- **Conferences** – *e.g.*, Congressional hosted GLFR Forestry and Transportation Conference.
- **Town Halls** – County and community sponsored under auspices of the NRTC.
- **Legislative visits** – State and federal by private and public sector stakeholders.
- **Trade associations** – MFPC, WPC, WMC, other.
- **Grants** – Existing sources, including those available solely to public bodies such as NRTC.
- **Great Lakes Freight Rail –** A traditional shippers association (*i.e.*, cooperative), subject to antitrust safe harbor, providing consolidation and other logistics support for purchasing transportation (carload, transload and intermodal) for freight lanes serving GLFR shippers and receivers.