MICHIGAN FOREST PRODUCTS COUNCIL

Consensus Outline – Conclusions, Potential Next Steps
Lake States Rail Line Discussion 3/16/2017 11:00am – 3:20pm
Weyerhaeuser Escanaba Office - 2831 North Lincoln Road, Escanaba, MI, 49829

Consensus Outline:

1. We have a strong and abiding perception CN has no interest in offering competitive rates or service for logs from the Region's lighter density branch lines and no systematic commitment to offering competitive rates and service to attract additional freight to and from CN/WC Region lines.

2. Short line (E&LS) and lease operators (Hayward-Hayward Junction) have been successful; however, wider use for CN/WC branch lines involve significant pros/cons for competitive costs and services and may not be acceptable alternatives without pro-competitive conditions. Success of short line solutions serving forest products industries in Michigan's lower peninsula may provide models for the CN/WC Region. The E&LS car shop (expanding into rail car manufacture) and its local vendors provides a model for local investment and job creation to support robust rail transportation in the Region.

3. Multiple public sponsored studies suggest sufficient truckload freight originating and/or terminating within the CN/WC Region, susceptible to conversion to rail (carload, transload and/or intermodal) to sustain rail access throughout the Region. While we believe "susceptibility" to conversion will be affected by challenges facing trucking (*e.g.*, congestion, driver shortages, productivity impacts of EDL and other regulations, it is also highly sensitive to rail rates, timeliness and other service factors essential to customer satisfaction.

4. Over time CN's effective disinvestment in lighter density CN/WC Region lines is increasing risks for private and/or public investment in the lines, rail-related facilities and rolling stock need to sustain rail service within and to and from the CN/WC Region.

5. Benefit cost analyses for 2014 and 2015 log car TIGER grant applications demonstrate significant direct public benefits (roads, bridges and safety) to support public investment in preservation of freight rail access in the CN/WC Great Lakes Forests Region.

6. Access to public funding (TIGER and other types of federal and state grants) for rail not only requires demonstration of direct public benefit (roads, bridges, safety and job creation and retention) but also broad, visible and consistently sustained support by affected constituencies: communities; community and county development; public and private land owners; recreational, tourism and potentially other environmental interest.

7. Targeting discreet projects has consistently failed to reverse the downward spiral in freight volumes necessary to support CN/WC Region branch lines.

8. Sparking a virtuous cycle of increasing volumes requires an overall Regional strategy and simultaneous participation by multiple shippers and receivers focused on lane-by-lane conversion of over-the-road truckload freight to carload, transload or intermodal rail.

9. Creation of a traditional transportation "shippers association" (generically, a "cooperative") may provide a vehicle and coordination needed for incremental conversion/return of a critical share of the Region's OTR freight to rail.

10. Half-way measures will not work. The Region's freight rail lines may be close to a tipping point between their survival and inevitable path to abandonment.

Conclusions - Achieving the benefits and goal of sustainable volumes and competitive rates and service for CN/WC lighter density lines requires, *inter alia.*:

1. Persuading the broad base of affected stakeholder constituencies and public policy makers to understand and embrace the public and private sector benefits and to support measures reasonably necessary, to achieve the goal – *i.e.,* a public relations and governmental affairs initiative.

   Such measures may include, but are not limited to, public and private infrastructure (fixed rail facilities and rolling stock) and/or regulatory intervention (*e.g.,* pro-competitive conditions on line sales or introduction of alternative rail operators).

2. Implement a process to identify, in "actionable" detail including necessary pricing and service criteria, OTR truck freight susceptible to return/ conversion to carload, transload and/or intermodal alternatives.

3. Engage and support third-parties – *e.g.*, Northwoods Rail Transit Commission, Michigan Tech Transportation Institute, MFPC, WPC, WMC, a newly created "shipper association" – to implement necessary measures to achieve the goal.

Next Steps?

1. Circulate "Consensus Outline" for comments and suggestions? Form a small but diverse focus group to review the Consensus Outline, Conclusions and Next Steps comments for the purpose of prioritizing objectives and articulating a proposed strategy.

2. Explore a 3rd "Forestry Policy Conference" hosted by Northwoods Congressmen (today, Bergman, Gallagher, Duffy and Nolan) focused on transportation? These conferences were previously held in 2011 and 2013?

   Alternatively, our own "Great Lakes Forests Transportation Conference"?

   Alternatively, presentation of our agenda in conjunction with other events (create talking points presentation for use by various presenters)?

3. Meet with CN re potential new agenda, potential collaborative efforts?

4. Identify our "ask" from WI and MI DOTs and Legislatures and Congress (anticipated infrastructure legislation). For example, remove obstacles for funding rail rolling stock; create authority for DOTs to provide grant fund (if, when funding) and/or mandate MDOT and WisDOT create "programs" for such grants? Truck productivity and capacity improvements, consistent with advancing safety and, if necessary, linked to rail intermodal or transloading.

5. Encourage E&LS to complete manufacture of its first log car? Find a buyer or lessee? Use completion as part of a promotional event or otherwise to advance our agenda?

6. Approach CSX and CN re pilot project "Local Intermodal Network Connection" through Northwest Ohio hub?

7. Shipper Association? Find a group of potential "incorporators" willing to provide seed money to determine feasibility and interest?

8. More . . .?