The Economic and Community Impacts of Freight Rail

State and Local Policy Program

HUMPHREY SCHOOL OF PUBLIC AFFAIRS
University of Minnesota
Overview

- 18 month project (started December 2012)
- Funded by the BNSF Foundation
- Research Team:
  - Lee Munnich, Senior Fellow
  - Tom Horan, Visiting Scholar
  - Barbara Rohde, Research Fellow
  - Frank Douma, Research Fellow
  - William Boulay, Research Assistant
Freight Rail...

• Moves 1 ton of freight **469 miles** (or more) on one gallon of diesel fuel

• Has significant environmental benefits:
  – Moving freight by rail instead of truck reduces greenhouse gas emissions by **75 percent**, on average

• Is moving to replace diesel with natural gas, further reducing cost and emissions

• Transported **228 million tons** of freight in Minnesota in 2012

• Pays its own way

Source: AAR
Purpose & Objective

• Research
  – Explore means for understanding and enhancing the value of freight transportation, particularly freight rail, to Minnesota’s economy, local communities and surrounding region

• Outreach
  – Engage stakeholders as the research program is designed and implemented by sharing its conclusions broadly in multiple venues
Hypothesis

- Freight transport contributes to MN economy, but great opportunities exist to...
  - 1) increase the understanding of the value of freight to local officials and the general public
  - 2) leverage the private investment in rail infrastructure for a more competitive Minnesota economy and increased public benefit
Method

• Interviews
• Quantitative Research
Minnesota Railroads and Highways

Source: MnDOT
Freight Flows: Minnesota

Source: MnDOT
### Commodities Moved--Minnesota

#### Top 5 Outbound Commodities (% of state total)
- Iron Ore/ taconite (50%)
- Farm products (21%)
- Food products (9%)
- Stone, sand, gravel (5%)
- Chemicals (3%)

#### Top 5 Inbound Commodities (% of state total)
- Iron Ore/ taconite (51%)
- Coal (23%)
- Farm products (7%)
- Chemicals (5%)
- Stone, sand, gravel (3%)

Source: MnDOT/AAR 2010
Interviews to Date

- **Dave Christianson**, Freight Planning, Minnesota Department of Transportation (MnDOT)
- **Vann Cunningham**, Assistant Vice President, Economic Development, BNSF
- **Kevin Kelleher**, Economic Development Program Specialist, Minnesota Department of Employment and Economic Development
- **Dr. Gerard McCullough**, Professor, Applied Economics, University of Minnesota
- **Linda Morgan**, Former Chairwoman of the Surface Transportation Board
- **Frank Mulvey**, Commissioner of the Surface Transportation Board
- **Congressman James L. Oberstar**, former Chairman of the House Transportation Committee
- **Libby Ogard and Andy Mielke**, Freight Rail Consultants for MnDOT
- **Neal Young**, Economic Analysis Director, Minnesota Department of Employment and Economic Development
Findings

• Freight rail is growing & important to Minnesotan economy
  – Freight rail sustains 1.2 million US jobs (175k in freight rail industry), with a significantly higher average total compensation than the average US employee
  – MN is 8th largest rail system in nation with 4,481 route miles of track
  – MN is 1st in the nation in movement of iron ore, 3rd in farm products and 4th in food
    • Other growing industries: Aggregates, Intermodal products

Sources: BNSF, AAR, MN DEED
Findings

- Impact occurs ‘behind the scenes’
  - Very few are exposed to freight trains on a daily basis
    - And those who are likely do not consider first the value of that train to the economy
  - Local officials often hear these negative responses instead of the positive economic benefits provided to their area
Findings

• Public perception reflects this lack of knowledge
  – Freight rail in the general public often means bad things: noisy trains, delays at a crossing, eyesores
Findings

Class 1 and Shortline railroads are different, have different needs, and behave differently.

Class 1s
- Large capital investments, serve large customers, bulk good contracts

Shortlines
- Profit determined on the margin, one or few shippers, local (often rural) impact, feed Class 1 system
Findings

• Public-Private Partnerships (PPPs) and other win-win situations are possible, but need creativity
• Ex: CREATE Chicago
  – Purpose: increase efficiency of Chicago region’s rail infrastructure
  – Partners: US DOT, State of Illinois, City of Chicago, Metra, Amtrak and the private freight railroads
  – Scope: 70 projects totaling $3.2 billion
Initial Impressions

• Transportation policy should consider impact on rail capacity
  – Private investment but public benefit; challenging combination in current structure of transportation policy
• Improvements can be made to the public understanding of freight’s importance to the economy—especially rail
  – Opportunities to demonstrate and/or increase Minnesotan economic competitiveness
Next Steps

• Research
  – Continued quantitative analysis
  – Mapping
  – Interviews
    • Local economic development officials
    • Shippers

• Outreach
  – Freight Economy Forum—September
Freight Economy Forum

- **Date:** September 2013
- **Location:** Minneapolis
- Hosted by former Congressman James L. Oberstar
- **Theme:** What is the impact of freight rail in Minnesota now, and what could / should it be in 5 years?
- **Audiences:** State and local economic development officials, shippers, carriers, local elected officials
Questions? Comments? Please contact us:

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