“Captive Rail Shipper” – Any industry or business that can only transport their goods with one railroad company.

Railroad companies are exempt from the nation’s anti-trust laws.

1970’s railroads were in financial trouble.

1980 the Federal Government deregulated the rail industry through the Staggers Act:
- Result was market competition determining the railroad shipping rates
- And the Surface Transportation Board responsible for regulating shipping rates to ensure reasonable rates where no competition existed.
- This resulted in a financial rebound of the rail industry.
When Staggers Act was implemented there were 63 Class I railroads. Now there are four that control 90% of track mileage in U.S.

“Because of this consolidation, entire states, regions, and industries are now captive to a single Class I railroad. This, in turn, has led to complaints from shippers over high costs and poor service by the railroads” – James Oberstar, Chair of the House Transportation Committee, 2005.
Class 1 Rail Carriers in Minnesota

Minnesota is served by four major Class 1 railroads

- BNSF Railway
- Canadian National
- Canadian Pacific
- Union Pacific

Rail users on the Iron Range only have access to the BNSF and CN lines, and in most instances, there is access to only one of these two Class 1 railroads.
Current Rail Status

- Iron Range rail shippers collectively are vital contributors to the state’s economic success.
- Shippers have limited rail infrastructure and virtually no competitive access to more than one Class 1 railroad.
- Over the past 24 months, lack of competitive rail has led to:
  - reduction in service quality,
  - unfavorable rates for the largely captive shippers of our region, and
  - an impediment to economic development in the region
  - traffic congestion and safety issues in local communities
Where do we need competitive rail?
Why Competitive Rail is Good for NE Minnesota?

Exports from NE MN are dependent upon rail transportation

- Two largest commodity groups exported out of N. MN are taconite (>60%) and wood products (>10%)
- Bulk commodities are most efficiently shipped via rail
- Keeping rail prices low through competitive market forces increases the marketability of Minnesota produced bulk commodities and helps to ensure their continued use in competitive global markets
Why Competitive Rail is Good for NE Minnesota?

- **Lowers costs to sustain and expand industry**
  - Reduced shipping costs for taconite, concentrate, limestone, paper and coal
  - Brings competitive alternatives to captive shippers

- **Improves service**
  - Infrastructure expansion reduces congestion
  - Expands transportation outlets/connections
  - Reduces road/truck reliance and associated wear-and-tear/safety concerns

Bringing rail competition to the Iron Range will provide economic benefits for the entire region.
Rail Changes Needed

- Increasing viable rail options due to oil and intermodal shipments—expected to continue
- Additional rail and port capacity needed to improve service, safety and economics in our region.
- Positioning the region for increased rail competition will help the entire region’s competitiveness, and should be a state-wide transportation priority.
How do we improve this situation?

- Work with stakeholders (public and private) to assess the feasibility of building competitive rail in Northeast MN
  - Re-establishment of a cross range connector (West Range)
  - Other rail projects to benefit current captive shippers and enhance business development in communities

- Preliminary Engineering Assessment would include looking at potential routing of any rail lines (West Range)

- Industrial User Access Evaluation would include determining potential for competitive rail projects to benefit shippers and communities on the East and Central Range.

- Potential funding was to be obtained through a combination of State grant and private funding

- Collaborators would include:
  - Itasca County (Rail Authority)
  - Local Cities/Towns
  - Current shippers (Blandin, Minnesota Power)
  - Other prospective shippers
  - Counties
  - Economic development entities
Current status and next steps

- Most of the effort to date has been on the western part of the range
- Working towards finishing final engineering assessment report and application to the Surface Transportation Board
- We need your help - need to identify champion(s) for central and east part of the range
  - Driver(s) for central and east part of the range
  - Work with established team on the west part of the range
  - Help determine feasibility of competitive rail for the east and central parts of the range
Macro Outline of Iron Range Regional Rail Initiative

**West Range**

**Phase 1A**
2015-2016

- Identify goal and align stakeholders
- Project development scoping and tonnage rate projections
- Establish Project Sponsorship/Ow nership Structure
- Preliminary engineering & cost evaluation
- Develop rail alignments and routing options
- Identify and seek seed funding sources
- Communication planning/public outreach
- Environmental Screening Project Alternatives
- Develop RFP for Third-Party Environmental Review
- Estimated budget of $2.5 - 3 Million

**Phase 2A**
2017-2021

- Engage STB on Environmental Studies & Enter EA/EIS Process
- Rail design and engineering
- ROW acquisition
- Archaeological survey, wetlands delineation
- State and Federal permitting
- Develop construction bid package
- Material Procurement
- Contracting/Project Construction

**Central & East Range**

**Phase 1B**
2016 – 2017

- Identify and align captive shippers in St. Louis County (list of large power customers is being determined)
- Determine feasibility of establishing competitive rail options for large power customers
- User base and infrastructure consideration
- Advanced scoping
- $1-1.5 million

**Phase 2B**
2018 - 2023

- Project development scoping and tonnage rate projections
- Develop rail alignments and routing
- Identify and seek seed funding sources
- Rail design and engineering
- Communication planning/public outreach
- ROW acquisition
- Archaeological survey, wetlands delineation
- State and Federal permitting
- Estimated budget of $4 to $6 million

**Phase 3B**
2023 - 2026

- Develop construction bid package
- Material Procurement
- Contracting Project Construction
Discussion?