

212213



**Wisconsin Department of Transportation**

www.dot.wisconsin.gov

Jim Doyle  
Governor

Frank J. Busalacchi  
Secretary

Office of General Counsel  
4802 Sheboygan Ave., Rm. 115B  
P O Box 7910  
Madison, WI 53707-7910

Telephone: 608-266-8810  
FAX: 608-267-6734  
E-mail: ogc.exec@dot.state.wi.us

October 12, 2004

Office of the Secretary  
Case Control Unit  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423



**RE: STB Finance Docket AB-303 (Sub-No. 27) Wisconsin Central LTD. ---  
Abandonment -- In Ozaukee, Sheboygan and Manitowoc Counties, WI**

Dear Gentilepersons:

Enclosed is the original and ten copies of the Supplemental Comments relating to the above mater.

Please date stamp and return a duplicate copy of this letter in the prepaid, return mail envelope for verification of receipt. Thank you.

Sincerely,

Allyn Lepeska  
Attorney

Enclosures

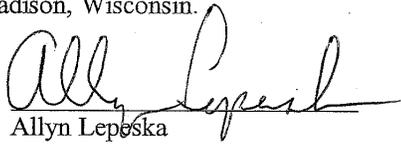
pc: Secretary Frank Busalacchi  
Ron Adams  
Jim Thiel  
POR

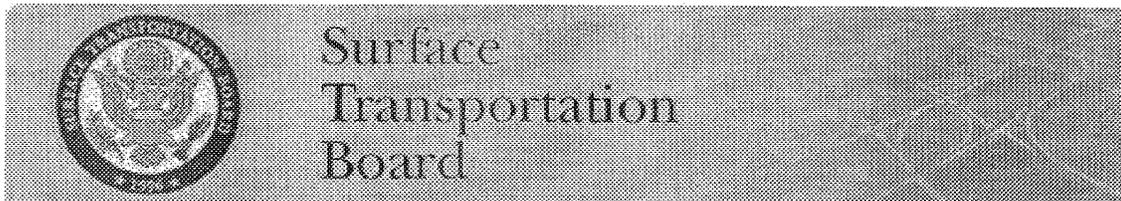
ENTERED  
Office of Proceedings  
OCT 14 2004  
Part of  
Public Record

**CERTIFICATE OF SERVICE**  
**PURSUANT TO 49 C.F.R. § 1152.24(C)**

I hereby certify that on October 12, 2004, a copy of the foregoing comments were served by first-class mail, postage prepaid, upon each of the Parties of Record on the attached service list.

Dated this 12<sup>th</sup> day of October, at Madison, Wisconsin.

  
Allyn Lepeska



E-FILING | E-LIBRARY | RAIL CONSUMERS | INDUSTRY DATA | ENVIRONMENTAL MATTERS | PUBLIC INFORMATION | NEWS | ABOUT

Docket #: **AB\_303\_27**

Case Title: **WISCONSIN CENTRAL LTD.--ABANDONMENT--IN OZAUKEE,  
SHEBOYGAN AND MANITOWOC COUNTIES, WI**

Non-Party MOC:	FEINGOLD, HONORABLE RUSSELL D UNITED STATES SENATE 506 HART SENATE OFFICE BUILDING WASHINGTON, DC 20510-4904
Non-Party MOC:	KOHL, HONORABLE HERB UNITED STATES SENATE 14 W. MIFFLIN STREET, SUITE 207 MADISON, WI 53703
Party of Record:	BARRON, JR., MICHAEL J. CN RAILROAD 17641 S. ASHLAND AVENUE HOMewood, IL 60430
Party of Record:	BENSON, JAMES RANDOM LAKE AREA CHAMBER OF COMMERCE P. O. BOX 125 RANDOM LAKE, WI 53075
Party of Record:	HUNTINGTON, FRANK L P. O. BOX 7910 MADISON, WI 53707
Party of Record:	JANIK, JOHN J NEUEN'S FREDONIA LUMBER CO P. O. BOX 227 FREDONIA, WI 53021
Party of Record:	KALICK, THEODORE K SENIOR U S REGULATORY COUNSEL CANADIAN NATIONAL RAILWAY COMPANY 601 PENNSYLVANIA AVENUE NW SUITE 500 NORTH BUILDING WASHINGTON, DC 20004
Party of Record:	LAKEMPER, DANIEL A 1318 SOUTH JOHANSON RD PEORIA, IL 61607
Party of	LEPESKA, ALLYN

Record: WISCONSIN DEPARTMENT OF TRANSPORTATION - OFFICE OF GENERAL  
COUNSEL  
P O BOX 7910  
MADISON, WI 53707-7910

Party of  
Record: LITWILER, THOMAS J  
FLETCHER & SIPPEL LLC  
29 NORTH WACKER DRIVE, SUITE 920  
CHICAGO, IL 60606-2832

Party of  
Record: MCCUTCHEON, P.E., GLORIA  
WISCONSIN DEPARTMENT OF NATURAL RESOURCES  
PO BOX 12436  
MILWAUKEE, WI 53212-0436

Party of  
Record: MCFARLAND, THOMAS F  
208 SOUTH LASALLE ST SUITE 1890  
CHICAGO, IL 60604-1112

Party of  
Record: PETRI, HONORABLE THOMAS E.  
HOUSE OF REPRESENTATIVES  
U S HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

Party of  
Record: RITGER, EDWARD  
P O BOX 371  
RANDOM LAKE, WI 53075

Party of  
Record: ROEHRBORN, DENNIS  
SARGENTO FOODS INC.  
ONE PERSNICKETY PLACE  
PLYMOUTH, WI 53073-3547

Party of  
Record: SCHLEICHER, NORBERT  
KETTLE-LAKES COOPERATIVE  
P.O. BOX 285  
CEDAR GROVE, WI 53013-0285

Non-Party  
VIS: GOEHRING, WILLIAM  
CHAIRMAN, TOWN BOARD, TOWN OF SHERMAN, WI  
408 FIRST AVENUE  
ADELL, WI 53001-1178

Non-Party  
VIS: GOTTLIEB, HONORABLE MARK  
STATE ASSEMBLY, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: HUIRAS, LARRY  
AGRICULTURAL MGR., LAKESIDE FOODS, INC.  
P.O. BOX 483  
RANDOM LAKE, WI 53075-0483

Non-Party  
VIS: ICE AGE PARK & TRAIL FOUNDATION  
207 EAST BUFFALO STREET, SUITE 515  
MILWAUKEE, WI 53202-5712

Non-Party IWASKIEWICZ, TIM

VIS: 6255 S. ILLINOIS AVENUE  
CUDAHY, WI 53110

Non-Party  
VIS: KESTELL, HONORABLE STEVE  
STATE ASSEMBLY, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: LEMAHIEU, HONORABLE DANIEL  
STATE REPRESENTATIVE, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: LIEBHAM, HONORABLE JOE  
STATE SENATOR, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: OTT, HONORABLE AL  
STATE ASSEMBLY, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: PANZER, HONORABLE MARY  
SENATE MAJORITY LEADER, WISCONSIN LEGISLATURE  
P.O. BOX 7882  
MADISON, WI 53707-7882

Non-Party  
VIS: SHEBOYGAN COUNTY  
PLANNING & RESOURCES DEPARTMENT - SHANNON K. HAYDIN,  
PLANNING DIRECTOR  
508 NEW YORK AVENUE - ADMINISTRATION BUILDING  
SHEBOYGAN, WI 53081-4126

Non-Party  
VIS: SNAY, RICHARD  
NOAA/N/NGSZ, RM 8736  
1315 EAST-WEST HIGHWAY  
SILVER SPRING, MD 20910-3282

Non-Party  
VIS: SPINDLER, ROGER C  
PRESIDENT, BD/TRUSTEES, VILLAGE OF ELKHART LAKE  
P.O. BOX 143  
ELKHART LAKE, WI 53020

Non-Party  
VIS: U. S. ENVIRONMENTAL PROTECTION AGENCY-REGION 5  
ENVIRONMENTAL PLANNING AND EVALUATION BRANCH - KENNETH A.  
WESTLAKE  
77 WEST JACKSON BOULEVARD  
CHICAGO, IL 60604-3590

Non-Party  
VIS: U.S. ARMY CORPS OF ENGINEERS  
DETROIT DISTRICT  
477 MICHIGAN AVENUE  
DETROIT, MI 48226

Non-Party  
VIS: U.S. CONSERVATION SERVICE  
STATE CONSERVATIONIST

8030 EXCELSIOR DRIVE  
MADISON, WI 53717-2906

Non-Party  
VIS: U.S. FISH & WILDLIFE SERVICE  
GREEN BAY ES FIELD OFFICE  
2661 SCOTT TOWER DRIVE  
NEW FRANKEN, WI 54229-9565

Non-Party  
VIS: U.S. NATIONAL PARK SERVICE  
MIDWEST REGION  
1709 JACKSON STREET  
OMAHA, NE 68102

Non-Party  
VIS: WISCONSIN DEPARTMENT OF ADMINISTRATION  
COASTAL MANAGEMENT PROGRAM  
101 EAST WILSON STREET  
MADISON, WI 53702

Non-Party  
VIS: WISCONSIN HISTORICAL SOCIETY  
HISTORIC PRESERVATION  
816 STATE STREET  
MADISON, WI 53706





**Economic Impact Analysis:  
Saukville to Kiel Railroad Abandonment  
October 2004**

Dennis Leong  
Liat Lichtman  
Robert Russell

WisDOT-Division of Transportation Investment Management  
Bureau of Planning - Economic Planning and Development Section  
(608) 266-9910



## Contents

Executive Summary .....	1
Purpose of the Study .....	4
Background.....	4
What is economic analysis versus economic impact analysis? .....	6
Research Methodology.....	7
Profiles of Ozaukee, Manitowoc, and Sheboygan Counties .....	7
Regional Economic Forecast .....	9
The Economic Impact to Businesses Directly Served by the Saukville-Kiel Rail Line	10
Role of Railroads in the State and Local Economy .....	12
Identifying Potential Rail Users: Commodity Flow Data and Matching Standard	
Industrial Classification Codes .....	15
Identifying Potential Rail Users: Business Interviews .....	18
Identifying Potential Rail Users: Interviews with Local Officials and Economic	
Impact of Two New Business Locating Along the Plymouth Line .....	19
Final Comments.....	23
Endnotes .....	24

## **Economic Impact Analysis: Saukville to Kiel Railroad Abandonment**

### **Executive Summary**

In June 2004, the Surface Transportation Board received an application from Wisconsin Central Limited (WCL) to abandon a 37-mile rail segment between Saukville and Kiel in Wisconsin. According to the filing notice, six communities would be impacted by the abandonment – Fredonia, Random Lake, Adell, Waldo, Plymouth, and Elkhart Lake. The reason for rail abandonment was the non-profitability and low volume of freight traffic along the rail line (199 carloads in 2002 and 206 carloads in 2003). In addition, current track conditions are poor and suffer from years of neglect due to lack of maintenance and periodic upgrades.

In two public meetings, convened by the Wisconsin Department of Transportation (WisDOT), and the Surface Transportation Board, businesses, local officials, state representatives, and citizens expressed concerns about the loss of rail service to this area of the state. State representatives in the region therefore requested WisDOT to conduct an economic impact analysis on the proposed abandonment.

WisDOT approached the study from several perspectives. The agency conducted interviews with the seven businesses currently using the rail service to determine the impact the abandonment will have on their operations. Interviews were also conducted with local officials to determine if there have been recent inquiries by businesses with a need for rail service that were interested in locating in communities on the rail corridor. Development plans were evaluated to determine whether communities were planning new industrial parks that include access to rail. Interviews were also conducted with other businesses that had expressed an interest in using rail in the future.

To gain a realistic perspective of the frequency manufacturing plants were locating in this area of the state, WisDOT used data from the Department of Commerce to identify manufacturers that located or expanded within 5-miles of the rail corridor from 1990 to 2001. Using the findings from this analysis and other information on the number of business that had matching standard industrial codes with identical industries that have a tendency to use rail, a case study was constructed to illustrate the economic impact of two new businesses locating along the corridor within the next five years. The following are the findings of the study.

- The regional economy, consisting of Ozaukee, Sheboygan, and Manitowoc counties mirrors the state economy through its strength and dependency on the manufacturing sector. Communities along the proposed rail abandonment corridor experienced an above average population growth during the past 10 years resulting in a demand for more housing, retail, and personal services.

- Businesses currently using rail service along the proposed abandoned rail corridor reported that their shipping costs would rise by \$210,690 per year if they had to divert their freight to another mode of transportation (trucks).
- Businesses currently using rail are responsible for 145 direct year around jobs with an estimate annual payroll of \$5.8 million. Total personal income impact of these businesses including the direct and other multiplier jobs (indirect and induce jobs) that are created as a result of these businesses was \$9.7 million.
- In interviews of eight businesses identified as potential rail users, three area businesses expressed an interest in using rail services in the future. These businesses were responsible for about 1,460 direct jobs and generated \$63 million in personal income. A total of 4,170 direct, indirect, and induced jobs are generated by these three businesses, resulting in an impact of \$133 million in personal income. These three businesses alone are responsible for \$993 million in output.
- Out of seven interviewed communities, four communities indicated that they have at least conceptual plans for future industrial parks with access to rail.
- Seven communities were asked if they have been contacted by businesses interested in locating in the community and had expressed a need for rail service. During the past 2 years, 10 inquiries have been made by businesses interested in rail service. According to the local officials, none of these prospects materialized because of the uncertainty of the future of the rail line.
- In a previous study, research revealed that 86 new and expanded manufacturing plants located within 5-miles of the rail corridor from 1990-2001. It is likely that several area manufacturers in the future could have a need for rail service. For illustration purposes, WisDOT simulated the economic impact of two hypothetical new businesses (lumber and food processing) locating along the rail corridor within the next five years. If the food processor and lumber business each created 60 jobs, it would have a direct impact of \$4.9 million in personal income. The 120 jobs direct jobs in both businesses would also generate another 186 indirect and 65 induced jobs with a total personal income of \$11.2 million. The economic activity, or output, of these two businesses would be \$73 million.
- Based on data from WisDOT's Transportation Economic Assistance (TEA) program, a new business with a need for rail service would more likely be in one of the following industrial sectors: farm products, lumber, pulp and paper, non-metallic minerals, rubber and plastics, and food processing.

There was strong agreement among the interviewed businesses and local officials that the proposed rail abandonment could diminish the business recruitment and retention efforts of municipalities and local economic development organizations. Rail service was viewed as an important economic recruitment tool, even though the tonnage and number

of railcars currently moved along the rail line is minimal. In order to generate interest in more businesses to utilize rail service, local officials and businesses expressed the need for new investment and rehabilitation along the entire rail corridor.

## **Purpose of the Study**

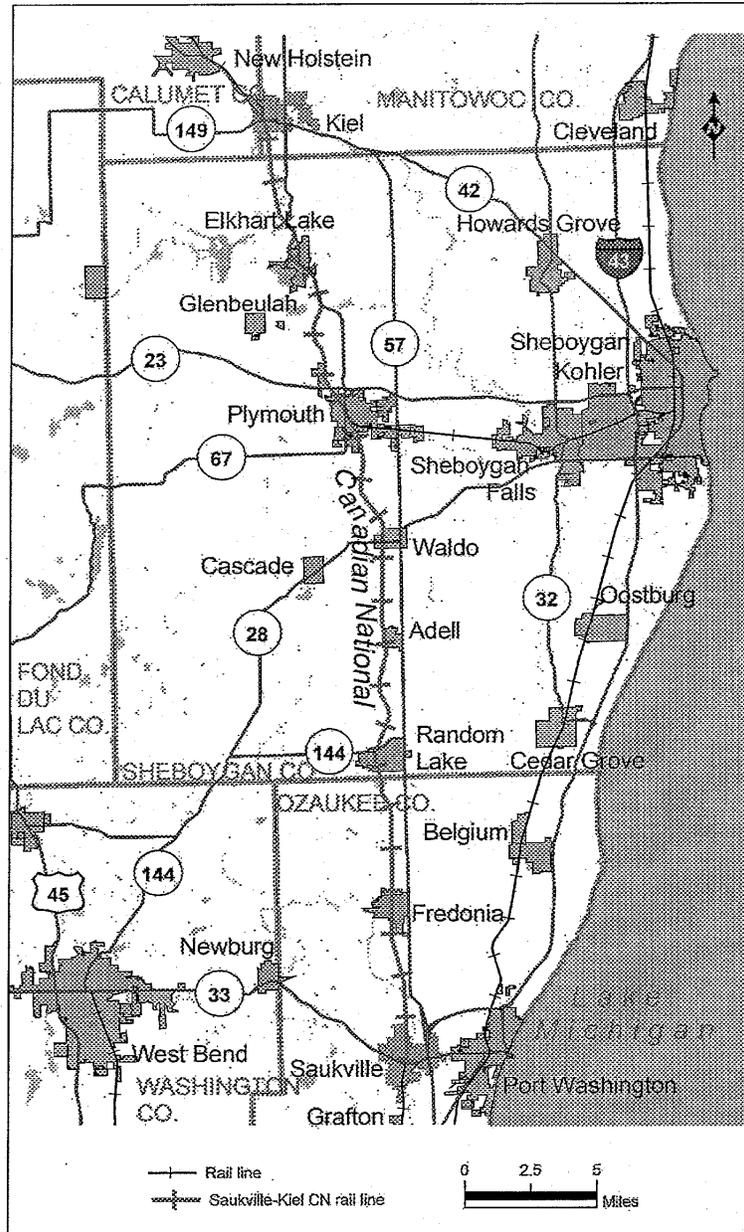
On June 24, 2004, the Wisconsin Department of Transportation (WisDOT) convened a public information meeting regarding the pending rail abandonment application by Wisconsin Central Limited (WCL) to the Surface Transportation Board. The abandonment is proposed for a 37-mile rail line in eastern Wisconsin, between Saukville and Kiel. The public meeting was held at the Plymouth City Hall and provided area elected officials, interested business owners, and the general public an opportunity to learn more about options for preserving service on the rail line. WisDOT staff provided information regarding the abandonment process and other possible options for future uses of the rail corridor.

The meeting attracted nearly 120 business owners, representatives from economic development organizations, public officials, and residents concerned about WCL's action to abandon rail service between Saukville and Kiel, the rail corridor known as the *Plymouth Line*. Seven assembly and state senate representatives requested WisDOT to conduct an economic impact study on the effect of the abandonment on the communities along the corridor. Such a study would assist the state representatives in deciding how to best respond to the rail abandonment. WisDOT agreed to conduct an analysis of the economic impact of the proposed abandonment.

## **Background**

The original rail line was constructed between 1870 and 1871. The WCL acquired by the Canadian National Railway Company (CN) in 2001, filed an abandonment application with the Surface Transportation Board on June 2004. The company's application seeks to abandon the railroad line from Saukville and Kiel, Wisconsin. The application for abandonment extends 37 miles from Milepost 114.8 near Saukville to Milepost 151.8 near Kiel. The following map illustrates the location of the proposed rail abandonment.

### Study Area



The rail line is located in Ozaukee, Sheboygan, and Manitowoc counties. According to the application for abandonment, rail service will not be affected for stations in Kiel or Saukville since WCL will continue to serve these communities from the north and south, respectively. The rail abandonment affects the Plymouth Line, the middle rail segment between Saukville and Kiel.

According to the WCL's application for abandonment, there are six stations in communities along the rail line: Fredonia, Random Lake, Adell, Waldo, Plymouth, and Elkhart Lake. Along the railroad right-of-way, land is mostly used for agricultural purposes. However, within the communities along the rail there is a variety of mixed uses by industrial, commercial, recreational, and retail establishments. The businesses currently utilizing rail service specialize mostly in inbound lumber and agricultural products.

The rationale provided to the Surface Transportation Board regarding the abandonment was the low-density and non-profitability of the Plymouth Line. There was not enough traffic volume on the Plymouth Line in order to justify the operating expenses and the rehabilitation costs needed to improve the line to Federal Railroad Class 1 status. In addition, one section of the Plymouth Line has been out of service for many years.

The condition, track alignment, gage, and surface on the line are in extremely poor condition. WCL has stated that operations would have to be discontinued unless significant repairs to the rail line are made in the near future. According to WCL, replacing the railroad ties and surfacing expenses has been deferred for decades by the rail line's previous owners and will take several million dollars to rehabilitate and restore to Class 1 status. With a few exceptions, the maximum speed along the rail corridor is 10 miles per hour.

During calendar year 2002, a total of 199 carloads were transported along the rail line. In 2003, volumes increased slightly to 206 carloads. From 2002 to 2003, the volume of commodities shipped increased from 171,144 to 195,523 tons. It is estimated, in the environmental assessment of the proposed abandonment, that if all of the rail traffic were to be diverted to trucks, approximately 824 loaded trucks per year or 1,648 total trucks (assuming an empty backhaul) could be added to the highway system. On a daily basis, this would equate to seven additional trucks on the area's local roads during a 240 workdays each year.<sup>1</sup>

### **What is economic analysis versus economic impact analysis?**

The terms *economic analysis* and *economic impact analysis* are often used in economic studies conducted by WisDOT. It is important to distinguish between these terms since WisDOT conducts both types of analysis in evaluating the impacts of transportation improvements. Economic impact analyses relate specifically to the development of the economy, i.e., jobs, wages, businesses, private investment, and increases in business productivity.<sup>2</sup> In this study, economic impacts are analyzed in a specific geographic area, i.e. the communities along the railroad corridor proposed for abandonment.

Economic analyses are broader in scope than economic impact analyses. Economic analysis often includes an examination of user benefits for travelers on a transportation route, evaluation of quality of life issues, and business and economic development impacts. Economic analysis is generally associated with larger and more expensive transportation improvements, such as improving a long stretch of highway in a rural area, an expensive bridge, or a tunnel project in a metropolitan area. Cost-benefit analysis, access to labor, increases in mobility, value of time, and business costs related to traffic congestion are terms often used to describe impacts (and their distribution) evaluated in economic analysis.

WisDOT uses economic analysis to help identify opportunities for more specific economic benefits including (1) reduced business operating costs, (2) increased business productivity, (3) expanded market area, and (4) increased access to labor, suppliers, services, and raw materials. A transportation improvement or lack of improvement could increase or decrease the attractiveness of the region for economic development. When a transportation project reduces business access and/or the volume of traffic along transportation corridors, such potential negative economic impacts are also examined.

### **Research Methodology**

For the purpose of examining rail abandonment or disinvestment in a transportation facility, the study evaluated the direct economic impacts to the seven affected businesses currently using rail service between Saukville and Kiel. Surveys were conducted with the affected business to determine alternative transportation modes to be used and, if rail service were to be discontinued, the costs and impacts associated with using alternative transportation modes to move freight. Economic multipliers were also calculated to determine how important these businesses (the rail users) are to the regional economy.

Another part of the analysis examines the regional economy in the impacted counties. The economic strengths and weaknesses of the counties are evaluated in light of the proposed rail abandonment. WisDOT utilized its economic forecast model (Regional Economic Models, Inc. or REMI) to look into the future of this region from an employment, personal income and gross regional product perspective. Finally, there was an examination of the potential businesses in the area that may be future rail users. The WisDOT utilized its Geographic Information System (GIS) and internet-based business database to identify businesses with matching or similar industrial classifications as businesses that typically incorporate rail transportation as part of their operations within a 5-mile radius of the rail corridor. Surveys were also conducted with businesses and local economic development professionals to provide insight into additional, prospective rail users in the region.

### **Profiles of Ozaukee, Manitowoc, and Sheboygan Counties**

The proposed railroad abandonment includes three counties in eastern Wisconsin - Ozaukee, Manitowoc and Sheboygan Counties. A brief discussion about the economic profile of these counties is important because it provides a context in which to examine the impacts of transportation projects. For example, a strategic transportation investment such as the recently constructed four-lane improvement on Highway 57 has lead to new

development along the highway. This recent economic growth along the highway can be partly attributed to the strength of the regional economy. Transportation investments may or may not help stimulate the local economy depending upon strengths and weaknesses of the communities along the transportation corridor.

Ozaukee County has experienced the lowest unemployment rates in the state. According to Department of Workforce Development, manufacturing, and professional business and other services are the two largest employment sectors, comprising 44 percent of the county's total employment. Specifically, machinery manufacturing is one of the largest employment sectors. The county's proximity to the Milwaukee economy is both positive and negative, depending on the current economic condition of the state as a whole. Ozaukee County residents' 2001 per capita income of \$47,122 far exceeded the state average of \$29,196. Since Saukville has rail service by two different railroad operators, the abandonment will probably have little economic impact. However, the Village of Fredonia will be impacted since one of the principal businesses in the county is highly dependent upon rail for lumber products.

Sheboygan County is dependent on its manufacturing base for employment and the state's recent decline in manufacturing jobs was reflected in the county's economy. In 2003, manufacturing was the largest of the 20 major industries. The manufacturing sector, which makes up 40 percent of the county's employment base, had an average wage of \$40,634 per job. Per capita income grew by 20 percent (adjusted for inflation) between 1992 and 2002. In 2001, Sheboygan County per capita was \$29,409, a few hundred dollars higher than the state average. The county has also had high labor participation rates over the last decade. Currently, labor participation is 74.4 percent, slightly higher than the state rate of 73 percent. The proposed rail abandonment in Sheboygan County will affect four communities, the largest number among the three counties.

Manitowoc County's economy mirrors the state's recent decline in manufacturing jobs. In 2003, over 1,000 direct workers were affected by the closure of Mirro Corporation's plant in Manitowoc. According to the Department of Workforce Development, five of the ten largest industry groups in the county are in the manufacturing sector, which remains very significant and generates nearly 40 percent of the county's wages. In 2001, per capita income of \$26,099 was about \$3,000 less than the state average. The impact of the rail abandonment in the county impacts the City of Kiel. WCL continues to provide rail service to Kiel from the north and according to the WCL, Kiel will not be negatively impacted as a result of the abandonment.

Population statistics indicate a steady increase in population growth in a majority of the communities along the rail corridor. According to census data from 1990-2000, population increased by 11.5 percent, more rapidly than the state average of 9.6 percent during the same time period.<sup>3</sup> Above average growth in population and housing helps stimulate retail sales and increase the need for businesses providing personal services in these communities.

## Regional Economic Forecast

Overall, employment growth in this general region is projected to grow by 12 percent between 2004 and 2020, contrasting a moderate 4 percent growth in employment between 1990 and 2004.

Growth in personal income in this region is projected to be 97 percent between 2004 and 2020, representing a substantial increase compared to 47 percent growth experienced from 1990-2004.

Growth in Gross Regional Product (GRP), a good indicator of overall productive activity, is projected to grow by 68 percent between 2004 and 2020, compared with an increase of only 40 percent between 1990 and 2004.

Most of the growth in value added (resulting from the processing of products to increase their value), of which GRP is comprised, is projected to be in the Durable Manufacturing sector (products that are expected to last more than three years, for example, appliances), with an increase of 151 percent between 2004 and 2020. This sector has grown by only 63 percent between 1990 and 2004.

In contrast, a major driver in the region, Non-Durable Manufacturing (products with a useful life of less than three years, i.e. food products) is forecasted to grow by only 53 percent between 2004 and 2020. Growth for Non-Durable Manufacturing between 1990 and 2004 has increased by 100 percent. The Wholesale Trade sector has grown by only 37 percent between 1990 and 2004 and is projected to grow by 77 percent between 2004 and 2020. The following is a profile of the number and types businesses in the three-county region.

**Businesses by Industry Type**

County	Agriculture, Forestry, Fishing & Mining	Construction & Contractors	Manufacturing	Transportation, Communication & Utilities	Trade (wholesale & retail)	Services (including Finance, Insurance & Real Estate)	Total
Manitowoc	38	314	204	147	808	1,601	3,112
Ozaukee	16	346	261	93	1,023	2,337	4,076
Sheboygan	25	355	235	159	1,137	2,266	4,177
Corridor total	79	1,015	700	399	2,968	6,204	11,365
Statewide total	1,815	20,793	11,176	8,846	59,900	126,885	229,415
% of all employers along rail corridor	0.7%	8.9%	6.2%	3.5%	26.1%	54.6%	100.0%
% of all employers statewide	0.8%	9.1%	4.9%	3.9%	26.1%	55.3%	100.0%

Source: ReferenceUSA.com. The Total column reflects the listed industrial classifications only, excluding Public Administration and Nonclassifiable establishments. Total number of all businesses in counties along the rail corridor is 12,352 and 250,092 statewide.

The percentages by type of business in the region closely mirror the percentage by type and number of businesses in the entire state. Overall, the region reflects a balanced regional economy with a mix of different industrial categories. Economic growth is forecasted for industries that are expected to provide better than average wages.

### The Economic Impact to Businesses Directly Served by the Saukville-Kiel Rail Line

The following analysis is based on conversations with six businesses directly served by the rail line between Saukville and Kiel. These businesses include two agricultural cooperatives, a lumber and building fabrications manufacturer, a transit and storage company, a bulk seed supplier, and a food processor. WCL provided the following list of current customers, carloads, and tonnage shipped for 2003 as part of its application for rail abandonment before the Surface Transportation Board.<sup>4</sup>

WISCONSIN CENTRAL LTD., PLYMOUTH LINE  
SIGNIFICANT USER TRAFFIC DATA  
49 C.F.R. § 1182.32(b)(2)

Shipper	2003		2002 (Estimate)		Jan.-Apr. 2004	
	Carloads	Tonnage	Carloads	Tonnage	Carloads	Tonnage
Menominee Lumber Co. 2411 Breckinridge Avenue Fond Du Lac, WI 53021						
Lumber	6	824	6	781	1	81
Kiel Cooperative 377 Main Street Kiel, WI 53021						
Fertilizer, potash, urea	52	5218	29	3113	5	488
Soybean meal	1	1	23	1118	9	817
Wheat	13	1483	-	-	-	-
Total	67	6701	52	4232	14	1316
Kiel Warehouse Cold Stor. 815 Tower Avenue Kiel, WI 53021						
Misc. agricultural prod.	6	395	3	305	-	-
Kiel Lumber Corporation 430 Elm Street Kaukauna, WI 53025						
Fertilizer, potash, urea	55	5455	28	3259	16	1391
Lakeland Foods Inc. P.O. Box 433 Kaukauna, WI						
Firewood	6	480	5	332	14	359
Glacier Transit & Storage P.O. Box 378 Plymouth, WI (Walpole)						
Dried milk	20	1456	10	724	4	556
Wesley Timber & Pulp Inc. Plymouth Logging						
Logs	37	2130	1	60	3	120
Total:	139	17144	106	13323	49	3872

In interviews with the business owners or their representatives, proprietary information was shared about the number of employees, annual payroll, and the additional costs that would be incurred if the rail line were to be abandoned. The first section of the analysis estimates the importance of those businesses to the local and state economy in terms of jobs and incomes. The analytical tool used in the first section of the analysis is IMPLAN<sup>5</sup> economic impact analysis software that replicates the interactions of firms and individuals in the Wisconsin economy. The second part of the analysis estimated the added transportation costs to the businesses as a result of the rail abandonment.

The economic significance to the community of the businesses directly on this line can be estimated and expressed in terms of employment and aggregate personal incomes. Economic effects ripple outward through the community, providing business, incomes, and jobs directly and indirectly. *Direct* economic impact is the sum of the jobs and incomes at the businesses themselves. *Indirect* economic impact is the sum of jobs and incomes of the firms that supply the direct businesses with goods and services. *Induced* economic impact is the effect within the community of all these employees spending their wages. This money, which is income for community businesses, is spent again in the local economy, creating a spin-off effect as successive waves of spending occur.

Each of these three types of impact affects employment and personal incomes. The total economic impact is the sum of the direct, indirect, and induced impacts on employment and personal incomes.

Direct Effects (as a result of sales and activity at the companies directly on the line)

145 year-round jobs  
\$5,769,190 in aggregate personal income

Indirect Effects (as a result of sales and activity at supplier businesses)

109 year-round jobs  
\$3,552,870 in aggregate personal income

Induced Effects (as a result of employees spending their wages)

63 year-round jobs  
\$1,895,379 in aggregate personal income

Total economic impacts of the shippers served by the rail line

The following is the total estimate of the (annual) significance to the Wisconsin economy of the shippers served by the rail line, and the suppliers to those businesses. It is simply the sum of the Direct, Indirect, and Induced Effects shown above.

254 year-round jobs  
\$9,737,450 in aggregate personal income

Part two of the economic impact analysis is related to the cost savings realized by the businesses using rail as a means to receive and transport freight. The businesses using the rail line enjoy a significant cost benefit over the next most likely alternative. Each business provided an estimate of the additional cost they would incur if they were forced to ship by truck to and from the next most feasible rail terminus. Based upon tonnages shipped from 2002 to mid-2004, an estimated total of \$210,690 is saved annually by the shippers using this rail line. Over a ten-year period, the present value of these annual savings is estimated to be \$1,750,090, using a 5 percent annual discount rate.

Although there are currently seven businesses utilizing rail along the Plymouth Line, these seven businesses represent a significant percentage of the jobs and businesses in the communities along the rail corridor proposed for abandonment. With an aggregate personal income of over \$9.7 million generated from these businesses, these wages are likely spent and recycled in the local economy at many of the retail and service establishments.

The annual savings realized from using rail service vary from 1 to 86 car loads per year, depending upon the nature of the business. The necessity to shift to a more costly transportation mode will add to costs of the operations of these directly impacted businesses. Because the businesses interviewed were still in the process of dealing with or reacting to the rail abandonment situation, it was not possible to determine the degree of impact - whether there would be loss of employment, the transfer of operations to another facility, a loss of productivity, higher prices to customers, etc. The economic impacts to the affected businesses are not likely to be evident for sometime until after the businesses have switched to another transportation mode to handle their commodities.

### **Role of Railroads in the State and Local Economy**

Rail is a significant mode of transportation in Wisconsin. It provides linkage of raw materials and finished products to markets throughout North America and overseas. It contributes to the economy by providing employment in the railroad industry and increasing the competitiveness of other businesses. Rail also provides for alternative transportation modes for industry and business.

Low-value, high-volume commodities, which are essential for the main industrial sectors of Wisconsin's agricultural and manufacturing economy, are typically handled by rail. Train cars serve as rolling warehouses, reducing inventory and warehousing costs and making Wisconsin manufacturers and producers more competitive in the global marketplace.

Along the Plymouth Line, the seven business currently using rail and the other businesses using rail (not directly impacted by the proposed abandonment) in Saukville and Kiel represent some of the state's core industries of agriculture, lumber, and food processing. Rail service is important to businesses along the Plymouth Line because it provides an effective cost alternative for bringing in bulk raw materials. Businesses receiving these materials further process (value-add) or distribute these commodities to their suppliers or customers.

Many of these customers are farmers and construction firms using fertilizers and lumber for their business operations. Due to the competitive market for building supplies and agricultural products, the transportation cost savings are often transferred to the customers. Based on information from WCL, commodities currently handled by the railroad include the following:<sup>6</sup>

Commodities transported by Rail Commodity	2002 Carloads	2002 Tonnage	2003 Carloads	2003 Tonnage
Fertilizer, potash, urea	107	10,674	166	16,402
Lumber	6	524	9	781
Pea seed	8	480	5	232
Dried milk	20	1,456	10	724
Soybean meal	0	0	12	1,119
Misc. agricultural products	6	395	3	205
Logs	37	2,310	1	60
Wheat	15	1,485	0	0

Another way to gain insight as to potential users of rail in the area is to evaluate the types of industries currently utilizing rail in other parts of the state. In 2002, WisDOT conducted economic analysis for the State Rail Plan to gain insight as to the degree that businesses were using rail as a mode of freight transport. Using Rail Commodity Flow data, WisDOT identified industrial sectors and categories of business that manufactured or processed commodities that used rail services. Based on employment information from the Department of Workforce Development, the department was able to match the top industries using rail-based on employment. The following chart illustrates the results of this analysis:<sup>7</sup>

### Top Wisconsin Industries Using Rail by Employees

STCC	Commodity	Employees	Employers
35	Machinery except Electrical	106,873	2,244
27	Printed Matter	51,429	1,486
24	Lumber & Wood Products	29,848	1,188
34	Fabricated Metals	63,602	1,188
48	Hazardous Materials	17,156	872
20	Food & Kindred Products	60,975	855
30	Rubber and Plastics	38,348	562
01	Farm Products	5,254	545
32	Stone, Clay, Glass & Concrete	7,477	410
36	Electrical Machinery	43,691	408
28	Chemicals & Allied Products	13,372	349
26	Pulp & Paper Products	40,987	331
37	Transportation Equipment	39,084	248
33	Primary Metal Products	25,990	226
14	Nonmetallic Minerals	2,329	172
10	Metallic Ores	19	4
<b>Total</b>		<b>546,434</b>	<b>11,088</b>

Rail will continue to be an important mode of transportation in Wisconsin's economy because the production output levels of key rail-using industries are expected to grow over the next two decades. Using WisDOT's input-output REMI Model, the following industries are projected to increase from 22 percent to 70 percent from 2000 to 2020.<sup>8</sup> The table below shows the most important industries in Wisconsin that will likely be heavily dependent upon rail service in the future.

### Increased Value of Industrial Output 2000-2020

Industry	Output
Grain Industries	30%
Mining	27%
Primary Metals	70%
Petroleum Products	53%
Paper	44%
Chemicals	36%
Stone, Clay, Glass	35%
Transportation	22%
Public Utilities	46%

### **Identifying Potential Rail Users: Commodity Flow Data and Matching Standard Industrial Classification Codes**

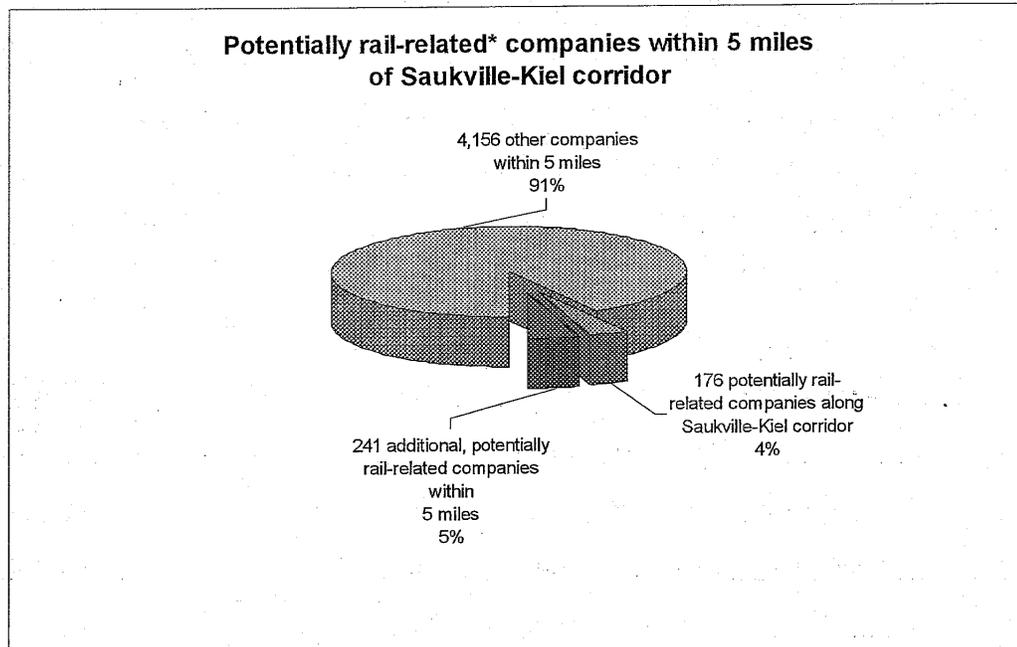
WisDOT evaluated the kinds of inbound and outbound freight commodities as well as commodities flowing through the state of Wisconsin. The following chart, based on the department's commodity flow analysis, illustrates (in the left column) all of the commodities in Wisconsin handled by rail. The corresponding columns to the right match businesses with identical Standard Transportation Commodity Codes that are within 5 miles of the Saukville-Kiel rail line.

This analysis reveals that a total of 4,573 businesses are within 5 miles of the rail corridor. Of this total, 176 businesses are located next to the rail corridor and another 241 businesses are located within 5 miles *that were found to have identical or similar commodity codes to the types of businesses that use rail as part of their transportation services*. In other words, the potential universe of businesses in the area that have the potential to use rail is 417 businesses.

**Potential Rail Users along Plymouth Line**

Standard Industrial Classification (SIC)	Description	Companies along Saukville-Kiel corridor	Additional companies within 5-miles	Total companies
1	Agriculture production-crops	10	9	19
14	Mining and quarrying of nonmetallic minerals, except fuels	1	1	2
20	Food and kindred products	17	14	31
23	Apparel and other finished products made from fabrics and similar materials		2	2
24	Lumber & wood products, except furniture	10	6	16
25	Furniture and fixtures	1	2	3
26	Pulp and paper products	4	3	7
27	Printing, publishing and allied industries	19	29	48
28	Chemicals or allied products	4	5	9
30	Rubber and miscellaneous plastic products	7	6	13
32	Stone, clay, glass and concrete products	4	7	11
33	Primary metal industries	4	10	14
34	Fabricated metal products, except machinery and transportation	18	23	41
35	Machinery, except electric	28	50	78
36	Electrical and electronic machinery, equipment, and supplies	3	11	14
37	Transportation equipment	1	1	2
39	Miscellaneous manufacturing industries	9	16	25
42	Motor freight transportation and warehousing	27	37	64
47	Transportation services	9	9	18
	<b>Number of Businesses with identical or similar SICs to the types of businesses that typically use rail services</b>	<b>176</b>	<b>241</b>	<b>417</b>
	<b>Comprehensive total</b>	<b>1,661</b>	<b>2,912</b>	<b>4,573</b>

The following graphic illustrates the percentage of businesses along and within 5 miles of the rail corridor that have identical or similar standard industrial classification codes to those businesses that use rail service as part of their business operations. There were 4 percent or 176 business next to the rail corridor that had business functions similar to businesses using rail, and 5 percent or 241 businesses within 5 miles of the rail line.



\*Companies under an Industrial Classification (SIC code) corresponding to a Standard Transportation Commodity (STCC code) moved by rail were identified. These industrial classifications were considered potentially rail-related, since the companies transporting them may or may not utilize railroads.

But, identifying businesses with the same industrial classifications as businesses that typically incorporate rail as part of their transportation operations does not necessarily identify potential users that might choose to locate along the Plymouth Line. In reality, the majority of the businesses identified through the matching process described above may be too small to generate volumes needed to use rail or may have switched from rail to another transportation mode (trucking services) for their transportation requirements.

## **Identifying Potential Rail Users: Business Interviews**

In order to get a better idea of the how many new rail users that may be interested in locating along the rail line, WisDOT researchers traveled the rail corridor and photographed and recorded the businesses that might be good candidates to use rail. These were businesses located directly on the rail line but were not identified as current customers in the application for abandonment by the WCL. Additionally, several businesses were identified through public testimony at the DOT and STB hearings as other potential users of rail.

Eight businesses were identified and interviewed as potential users of rail. Two of the businesses in Kiel already had rail service accessible on the north end of the proposed rail abandonment. Three businesses indicated that they did not generate enough freight to warrant using rail service. Out of the eight businesses interviewed, three emerged as likely candidates needing rail service in the future. A food processor, printer, and lumber company indicated at least an interest in considering rail service either as a cost reduction measure or using rail to handle the large volumes of materials needed as inputs into the company.

It should be noted that other factors would have to be in place before any commitment is made to utilize rail service. As noted in the abandonment application to the STB, track conditions are in poor condition. Access issues such as switches and rail spurs will have to be negotiated, sections of the Plymouth Line will need to be activated, and a resolution of the uncertainty of whether or not the abandonment will be approved by the STB are outstanding issues that need to be addressed.

These three businesses represent a private investment in the communities along the Plymouth Line, both in terms of employment and potential economic growth in the region. If economic conditions were right for these businesses to want to use rail service as part of their business operations, the cost savings could enable future expansion and employment in the area. The degree of increase in employment and private investment in these businesses due to cost savings by rail cannot be calculated in this analysis. However, the economic impact of these three potential rail users to the area is significant as indicated in the following analysis.

### Employment

These three businesses generate about 1,460 direct jobs. Those jobs, in turn, are linked to 2,709 additional jobs (Indirect and Induced) in the counties. Total number of jobs: 4,170.

### Personal Income

These three businesses generate about \$63,686,100 in direct personal income. That income (from the direct jobs) in turn is linked to an additional \$69,295,250 in personal income in the counties to other indirect and induced jobs. Total impact of personal income generated from these three businesses: \$132,981,370.

### Output

These three businesses generate about \$633,073,840 in direct output. This amount of output is in turn linked to an additional \$360,338,000 in output in the counties from other industries and business related to these three businesses. Total impact of output including direct, indirect, and induced impacts is: \$993,411,840.

The reason for analyzing the impact of these potential rail users is to illustrate their economic importance to the regional economy. If appropriate conditions were in place where these businesses would consider rail service as part of their transportation requirements, the cost savings realized by these businesses could result in potential increases in productivity. Increases in productivity could result in these companies increasing sales or output and potentially, in hiring more employees. From an economic development perspective, it is important to provide all resources that can help Wisconsin businesses reduce their operating costs. Transportation alternatives such rail service availability and port facilities can offer cost savings to businesses.

## **Identifying Potential Rail Users: Interviews with Local Officials and Economic Impact of Two New Business Locating Along the Plymouth Line**

### Interviews with Local Officials

To determine the potential users of rail, WisDOT first conducted interviews with local officials and community economic development organizations from the municipalities of Saukville, Fredonia, Random Lake, Adell, Waldo, Plymouth, and Kiel and inquired whether in the past two years they have had contacts with businesses interested in locating in their community with a need for rail service. The community leaders were also asked if there were plans in their communities for new industrial parks with access to rail.

The interviewed communities reported ten inquiries from various businesses that had expressed an interest in locating along the rail corridor. The City of Plymouth reported the most business inquiries (6) with an interest in rail service. The interviewed communities reported that the employment potential of the interested businesses ranged between 35-200 jobs.

Four communities were considering, at least conceptually, the feasibility of developing new industrial parks with access to rail. Almost all of the interviewed communities expressed concern about the potential of losing rail service to their community and about the ability to recruit new businesses to the region.

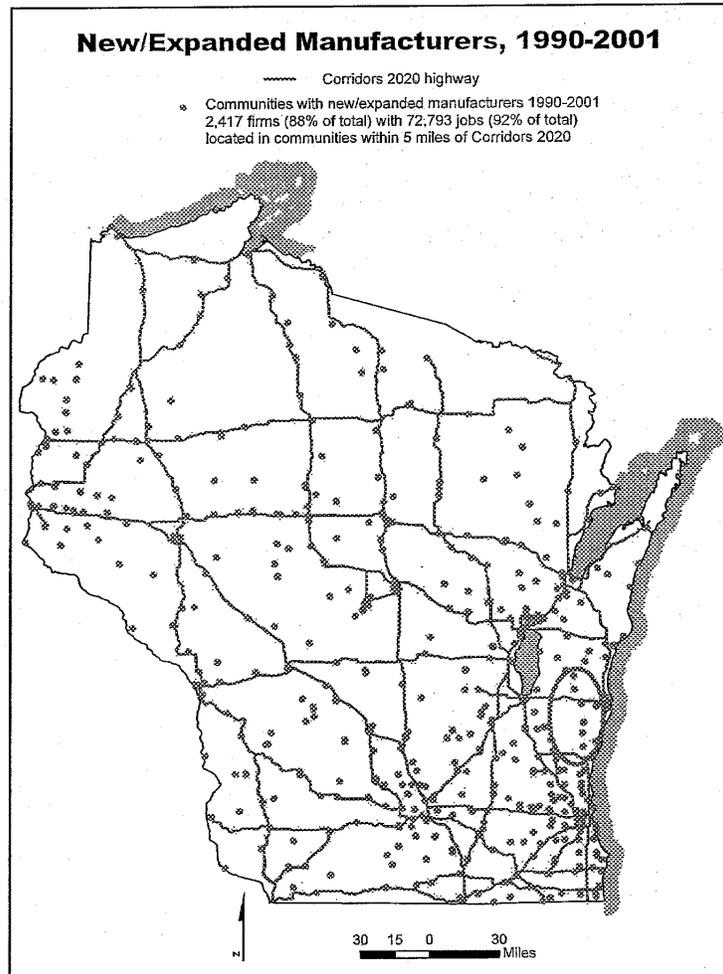
For the purposes of illustration, several assumptions were used to calculate the potential of new businesses locating along the rail corridor based on the information from the community interviews.

Analysis of the economic impact of two new businesses along the rail corridor

Based on the information from the community interviews, it was assumed for this part of the analysis that two new rail-dependent businesses will locate along the rail corridor within the next five years. Two assumptions were made to calculate the potential of additional businesses locating along the rail corridor.

The first assumption is determining the likelihood of businesses locating in communities that have access to rail. Using a manufacturing database from the Department of Commerce, WisDOT evaluated the number of manufacturing plants that located within 5 miles of the rail corridor from 1990-2001. Data shows that during this eleven-year timeframe, 86 new or expanded manufacturers located in the communities near the 37-mile rail corridor, averaging about four manufacturing plants per year.

The following map illustrates the locations of these manufacturers. For the purpose of this analysis, WisDOT therefore assumed a conservative estimate of a least two new businesses with a need for rail access locating in the region within the next five years.



The circled area contains the 86 new and expanded manufacturers that located within 5 miles of the Plymouth Line during 1990-2001.

With the knowledge that 86 manufacturers located in the area from 1990-2001, the second assumption in this analysis was to factor in the type and size of businesses using rail service that would likely locate in the area. WisDOT therefore assumed that within the next five years, a food processor and a lumber (truss) business would locate next to the rail line.<sup>6</sup> Each business would create 60 new jobs. The assignment of business type and number of employees used for this example was based on analysis of data from WisDOT's Transportation Economic Assistance Program (TEA).<sup>10</sup> The TEA program provides transportation infrastructure grants for economic development projects.

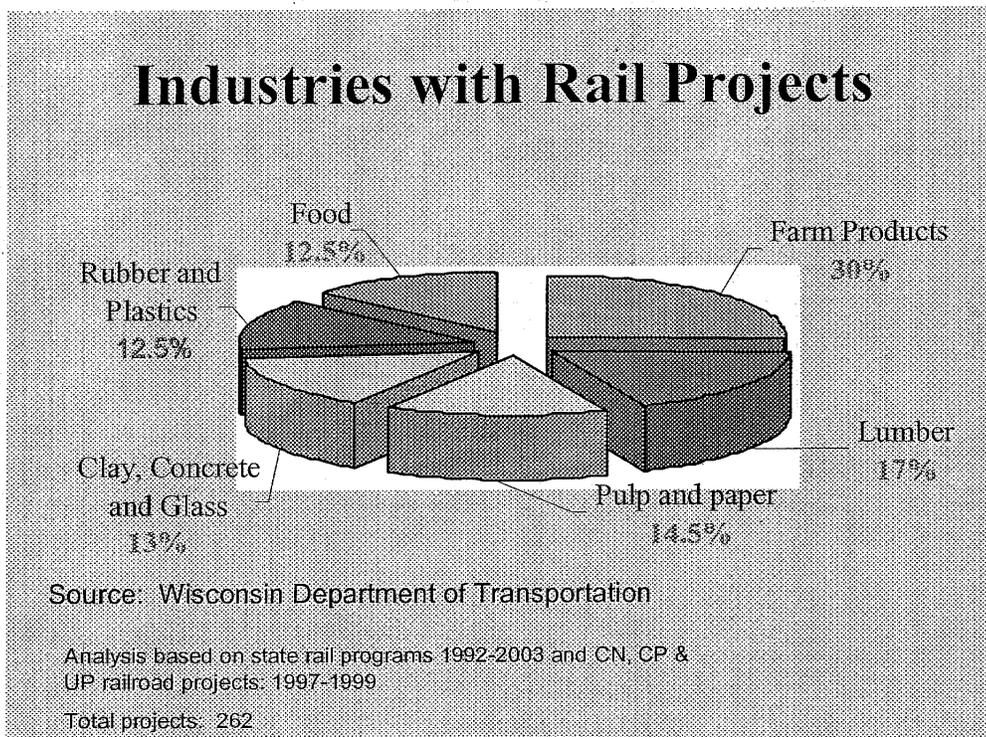
It is logical to assume that a food processing company would be a likely candidate to locate in the region based on the number of other food processors already established in the area. A lumber business was selected because of the high demand for housing and the increasing need for construction related materials.

The economic impact of a food processing and lumber business locating along the rail corridor and of 60 new employees is as follows:

	Direct	Indirect	Induced	Total
<b>Employment</b>	120	186	65	363
<b>Income</b>	\$4,908,070	\$4,614,600	\$1,682,470	\$11,205,150
<b>Output</b>	\$42,013,600	\$25,830,460	\$5,304,620	\$73,148,700

## Final Comments

Local officials and area business leaders have indicated that the loss of rail service will be a limiting factor in trying to attract new businesses to their communities. Generally, companies using rail service are interested in low-cost transportation options for handling the inputs of raw materials needed in manufacturing or processing commodities. Manufacturers and processors need a transportation option that can handle bulk commodities over long distances. Some of the state's core industrial sectors are heavily dependent on rail service. This is evident from previous research conducted by the department that evaluated 262 rail dependent businesses that located in the state. The following graphic illustrates the business categories of these companies that located in the state.



This data shows that businesses incorporating rail as part of their transportation needs represent some of Wisconsin's most important industries. WisDOT, as well as communities and businesses located along the state's rail corridors are concerned with the steady decline and eliminations of service through rail abandonment. Unfortunately, once a rail line is abandoned, prospects for locating companies in the major industries discussed above become prohibitive.

## Endnotes

<sup>1</sup> Environmental Assessment, STB Docket No. AB-303 (Sub-no. 27), Wisconsin Central Ltd.-Abandonment-in Ozaukee, Sheboygan, and Manitowoc Counties, WI, August 2, 2004.

<sup>2</sup> Current Practices for Assessing Economic Development Impacts from Transportation Investments, National Cooperative Highway Research Program, NCHRP Synthesis 290, Transportation Research Board, 2000.

<sup>3</sup> U.S. Census Bureau

<sup>4</sup> Wisconsin Central LTD.-Abandonment-in Ozaukee, Sheboygan and Manitowoc Counties, WI, June 29, 2004

<sup>5</sup> The IMPLAN Model is a flexible, detailed, and widely used input-output impact model. More than a set of multipliers, it provides users with the ability to define industries, economic relationships and projects to be analyzed. It can be customized for any county, region, or state, and used to assess the "ripple effects" or "multiplier effects" caused by increasing or decreasing spending in various parts of the economy. It is used primarily to assess the economic impacts of facilities or industries, or changes in their level of activity in a given area. (Coutesy of Economic Development Research Group, Boston, MA.)

<sup>6</sup> Exhibit 6, Wisconsin Central LTD.-Abandonment-in Ozaukee, Sheboygan and Manitowoc Counties, WI, June 29, 2004

<sup>7</sup> Wisconsin Department of Workforce Development 2002, (STCC means Standard Transportation Commodity Code.)

<sup>8</sup> REMI, developed by Regional Economic Models, Inc. is an economic simulation and forecasting model designed for project and policy impact analysis within the U.S. WisDOT uses the REMI state-wide model to predict the impact of a proposed project on employment and business output for 53 industry categories and 94 detailed occupational categories. The model also predicts other variables such as changes in personal income, population, business competitiveness, wage rates, and value added at a similar detailed level.

<sup>9</sup> Five years is a general benchmark used to measure industrial development occurring along a highway after the construction of a major capacity improvement and was the consensus view of the Transportation Research Board Committee on Economic Development.

<sup>10</sup> Since 1987, the TEA program funded 60 rail-dependent projects with an average employment of 59.9 employees per project.