The Value of Freight Economy in Minnesota

HUMPHREY SCHOOL
OF PUBLIC AFFAIRS

UNIVERSITY OF MINNESOTA
Driven to Discover SM

State and Local Policy Program

Lee Munnich and Tom Horan | September 20, 2013
Study Motivations

• MAP-21 emphasis
• Confluence of interest in freight and freight rail
  – Organizations leading current or recent related studies: MnDOT/Met Council, Ramsey Co. Regional Railroad Authority, St. Paul Port Authority, MoDOT, MAFC
• Need to better understand the relationship between freight and economic competitiveness
Study Objectives

• 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
Study Methods

• Economic and Related GIS Data Analysis
  – Industry cluster and GSP shift-share analysis

• National and Regional Expert Interviews
  – Class 1 and shortline railroads; federal, state and local policymakers; economic development officials, among others

• Report Reviews and Synthesis
  – Various sources: NCFRP, SHRP, economic research, Minnesota state freight and rail plans
  – Consulting concurrent studies to inform/align
Interim Findings
INTERIM FINDING 1

Freight rail is important to the economic competitiveness of Minnesota and plays a vital role in movement of key Minnesotan industries.
Interim Finding 1

“Minnesota is right at the crosshairs of the rail system, both north to south and east to west. It is not only an important infrastructure for Minnesota, but for the country”

-Railroad Representative
Interim Finding 1

Minnesota’s Gross State Product (GSP) growth has been stronger than the national average during the economic recovery in several key industries dependent on rail:

- Agriculture grew 9.4% a year in MN compared to 3.1% for U.S. from 2007 to 2012
- Mining grew 16.7% a year in MN compared to 2.3% for U.S. from 2007 to 2012
- Manufacturing grew 4.3% a year in MN compared to 1.9% for U.S. from 2007 to 2012

Source: U.S. Bureau of Economic Analysis
Interim Finding 1

Minnesota’s GDP share specialization in rail transportation is nearly 40% higher than the national average.
The partnership between Class 1 and Shortline railroads is valuable and essential for the economic growth of Greater Minnesota.
“A major goal of shortline railroads is to revitalize the communities which they serve”

-Shortline Railroad Rep.
Interim Finding 2

• Shortlines generally serve a limited number of customers—in some cases only one
  – Rural customers include grain and flour mills, gravel pits, and iron ore mines, which often can only be economically served by rail

• Example: Minnesota Prairie Line
  – Public investment of $6 million kept line from abandonment—not only securing the future of businesses along the line but allowing two to expand in the small towns of Arlington and Winthrop, MN
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INTERIM FINDING 3

Freight rail and its infrastructure is under recognized in comparison to other modes of transportation
Interim Finding 3

“If all passenger rail stopped tomorrow, it’s not clear that it would be much of an impact, except some inconvenience. If all freight rail stopped tomorrow, the economy would be in dire straits”

-Federal Transportation Administrator
Interim Finding 3

• Freight rail delivers a *public good*—a low cost, long distance transportation option for many key American resources and commodities—with little public investment

• However, roads, funded almost entirely by public dollars, are generally the only mode of transportation with *widespread understanding of their importance*
INTERIM FINDING 4

Intermodal transportation policy represents the next important area of progress for policymakers and industry professionals.
“The intermodal system is critical in Minnesota. While truck movements have certainly grown, we continue to see major reliance on the rail system for key commodities and even, where possible, on the barge system.”

-Minnesota Logistics Expert
Interim Finding 4

- **Industrial facilities:**
  - Provide good paying jobs, increase the local tax base, and contribute to the local service economy

- **Communities see:**
  - Blighted, gray, underutilized area
  - Commercial redevelopment potential

- **Balancing residential and commercial uses with the economically important industrial uses is a challenge faced by cities across Minnesota and the country**
  - Example: St. Paul ICIC Study

INTERIM FINDING 5

Public perception of freight rail’s value generally lags behind its actual importance to the economy and communities which it serves.
“There was a time when rail was really a good thing, in the fact that it brought goods and commodities and whatnot. As with a lot of things, I think we're out of touch with a lot of the ways that our society runs”

-State Economic Development Official
Interim Finding 5

• Public perception often leans against freight rail due to its behind-the-scenes impact but visible nuisances
  – i.e. noise and grade crossing delays
• Negatives trickle up to local officials who hear complaints from citizens
  – Creates a disconnect between those officials, higher-up policymakers and rail representatives who understand how rail is enhancing the economy
  – Example: St Paul Port Authority

Photo Source: http://farm9.staticflickr.com/8232/8598700795_ebf94e9287_z.jpg
Next Steps

• Recommendations Development
  – Policy, Partners, Communities, Public
  – Connect with MAP-21

• Outreach
  – Draft Recommendations Sharing
  – Study Conclusion Event
Thank You!

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• Questions? Comments? Please contact us:
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