

Rail Discussion Meeting – Dave Plazak, Facilitator
Botanical Center, Des Moines, IA
December 3, 2003, 1:00 pm – 4:00 pm

(Note: Participant comments are indented.)

Participants were:

Ron Gates, Heart of Iowa Co-op
Pat Hendricks, Iowa Association of Railroad Passengers
Andrew Lent, Iowa League of Cities
Drew Sander, Iowa Co-op and Trade Association
Chuck Seel, Iowa Department of Commerce
Mark Hanson, Iowa Association of Business & Industry
Gary Alberts, Iowa Institute for Cooperatives
Lisa Hein, Iowa Natural Heritage Foundation
Harold Hommes, Agriculture & Land Stewardship
Dean Taylor, Iowa Corn Growers Board

DOT Staff:

Peggy Baer
Craig O'Riley
John Hey
Diane McCauley
Bob Krause
Mary Kay Reimers

Craig O'Riley – As an historical review of rail issues, one of the things we wanted to do was reach out and visit with a number of people. As a result, we instituted a Rail Users Group. We also created a rail advisory group made up of all the railroads operating in the state. We have been talking with them and the shippers for a number of years. As some of the trends took place and with consolidation of the elevators, some of those shipper organizations almost ceased to exist and became quite inactive. We had some discussions again with the railroads and some researchers that delved into some of the impacts and trends that are going on from a shipper's standpoint.

A year ago we had two roundtable discussions to get a more philosophical approach as to where the state should be headed regarding rail transportation. As a result, we prepared the brochure that was sent to you. That brochure goes through some of the trends, attempting to summarize them. There's a rail stratification process and scheme we've developed that will be discussed later. Some investment action items are also rolled up in that. We want to focus on that brochure and get your reaction to some of those action items we've put together. Some of those action items have been couched into three areas:

1) preservation of the rail system; 2) upgrading and enhancing the rail infrastructure, including what can be done from an economic development standpoint; and 3) rail passenger service. Minutes will be taken and shared meeting members. We have two other similar meetings. We have had one in Cedar Rapids on December 1 and we're having another one in Ft. Dodge on December 10. After we get your validation of those minutes we intend to share them with the Commission. We'll be talking about where we should be heading, what we're going to focus on and what we're proceeding with. As a result of that, we'll be preparing an update to our Rail Transportation Plan. That will be folded into our state long-range plan we are in the process of updating now. Our intent is to have a draft out sometime this summer for review.

Peggy Baer – We invited you here today specifically because you're representatives of much larger groups of people. We're really interested in input from not only you but from your association members. We would be happy to visit with your organization about some of the things in the brochures or any rail issues that you have. We are trying to set the direction for rail programs at the DOT for the next 10-15 years. What should we be involved in? What should our role be? What should we be pursuing, given the limited resources that we have? Your help is really going to be valuable today. If you think of anything after the meeting, there's an e-mail address on the brochure. You can give us a call or send us an e-mail. We really want to hear what you have to say to help us set the direction that's going to benefit the citizens of Iowa.

Craig – I'd like to introduce Dave Plazak. Dave is an adjunct assistant professor of Community and Regional Planning at ISU, as well as associate director for Policy at the Center for Transportation Research and Education, located south of the ISU campus in Ames. Dave has been involved in a number of transportation areas, including not only access management, but also asset management. He's dealt with land use and also some geographic information systems. Dave currently teaches policy and planning. He has a pretty broad background. He started at the DOT, worked at the Department of Economic Development and the Iowa Rural Development Council.

Dave Plazak – Basically my role today is to get the discussion going, so I'm just going to ask questions. We want to try to have a free-flowing discussion. We'd like everyone to participate.

We have a series of questions. They are:

1. Rail System Preservation. The system has shrunk considerably. Are we at a point where we want to address that decline?
2. Upgrading the System – We have parts of the system that don't handle heavy cars. We know we have bridges on the rail system that won't

handle heavy cars. How will we deal with that? What direction do you want to go?

3. System Stratification Map – What do think about it? What can it be used for? Is it worthwhile?
4. Rail Passenger Service – Where do you think the state should be going?
5. Wants of Farmers and Individual Citizens – We will have you take off your association hat and put on the hat of farmers and individual citizens. What do you think they want? What do you think they want the Iowa DOT to be doing in terms of rail? That may look different from what your association wants.
6. Funding – If you want to do actions, you have to come up with some way to do them. What are the funding sources for some of these items that you would suggest? Most of the state rail programs have been eliminated over the last few years. This is almost a clean sheet of paper, so be thinking that way during discussions.

Keep in mind we had some groups like this last year. They were about policy. This year it's about action. What are specific action items? Be as specific as you can.

Reflecting on the previous comment about the World's Fair in 1900. Iowa had 9,000-10,000 miles of railroad track. It's about 4,000 today.

Are we at a point where Iowa really needs to focus on preserving what we have? Has most of the rationalization of the system occurred? Freight traffic nationally is expected to double over the next 20-30 years. Do you think the Iowa DOT should be trying to preserve the rail network and rail infrastructure that exists today? What specifically should be done in terms of preservation?

- You just said freight traffic might double over the next 20-30 years. Where do those projections come from? Was that because bigger yields in agricultural products are going to occur?

Craig - It would be both local and passing through traffic. From the freight standpoint, we have a lot that passes through the state on rail, as well as our road system. According to the numbers we see on the national basis, they expect the Iowa traffic, that which originates/terminates here at Iowa, business to grow as well. I don't have the numbers of how much Iowa is expected to grow, but there is growth expected in that as well.

- Agriculture is one world I don't pay that much attention to. But a John Deere or a Maytag or a Pella that might potentially use rail. I can't imagine they would significantly ship a lot more product via rail. Unless we do a tremendous job of bringing in a lot of new industries into Iowa, I don't see that kind of growth probably occurring for the original larger, more significant stable industries.

Craig – I need to clarify that growth. That growth is in terms of freight movement, that's not necessarily rail freight. That's total freight.

- And that's got nothing to do with whether it's rail or truck, just more activity going across Iowa, whether it starts here or not? The Class 1's are going to have to maintain through track that people hook onto. I think it's maybe more the regional or shortlines that beg the question "How small can we go and are we at a danger point?" I'm not prepared to answer that. I'm sure there are certain shippers that would have the "not in my backyard" sort of philosophy. If their line potentially is in danger, they would be the first to say we have to figure out how to save it. How that fits in the overall shipping movement of products as we know today, I can't answer that.

Dave – What do other people think? How about people who have more of an agricultural perspective? What do you think about preservation? The past strategy has been to look at these lines on a case-by-case basis. Do they generate enough benefits to keep themselves supported?

- Yields are increasing so there has been more freight movement. That's part of it, in conjunction with what we're working with the transportation on the Mississippi. It's important to have railroads shipping there too, as well as trucks. Wherever you start and stop, you still have the need, it's still there, and it's maybe growing with the exports. An article in Wall Street a couple of days ago talked about the whole Midwest is having a major problem right now getting rail cars in. Rail car shortages can negatively impact the economy in some small towns.
- It seems almost every harvest you hear about the shortage of cars. This year it's a little different because one side's down. It seems like an annual problem that's never been solved.
- Again, I don't follow it that close, but you usually hear that. I haven't heard that so much in the last few years. There was a period about 30 years ago when we were doing a lot of exporting, prices were high, and people were identifying their own cars so they could fly over a rail yard and figure out where their cars were.

But that's been a long time ago. This seems to be something new because it wasn't just agriculture they were talking about, but a little bit of everything.

- The last time we had problems getting rail cars is when the UP and CNW merged. That's been worked out. Now it's starting to slow down. We haven't shipped a lot of grain this fall just because we've got enough space to handle it, but our heavy shipping is going to start in the January/February/March timeframe. The trains we shipped in November were running about a week late. There are two new BN shuttle facilities being built in Iowa and there's three in Illinois. The ethanol plants have taken over and increased production, so the need for rail has diminished.
- If you follow that discussion, based on ethanol plants that are just there or coming in, somebody is not going to have enough corn to run. It won't be the livestock producer and probably not the ethanol plant.
- It seems like this whole issue of rail preservation, you have to take in the context of what's going on nationally. Are we looking at the next five years? Are we looking at the next 50 years? It's hard to answer that question without knowing the picture of what's really going on. I don't know how many times we end up saying we wish we had saved whatever it was we've lost, and the rail lines to me are just one of them. Preservation could be the preservation of the existing activity on that line, or preservation of the corridors through rail banking so that 20-50 years from now we still have those corridors. Maybe they are used for utilities, which a lot of them are now, but we don't have to try to reconstruct the system. There are several different levels of preservation. Maybe it's working with small shippers as well as looking at the land itself. I don't know if you have any other information on what's going on nationally, what the trends are. As for fuel consumption, are we going to end up 20-30 years from now wanting to ship everything by rail because we're running out of fuel for other purposes? Those kinds of things need to be taken into consideration.

Dave – What do other people think about the rail banking idea for preservation, saving the corridor, but not necessarily the rail line?

- It makes sense to at least preserve the corridor because to use the cliché, "what goes around, comes around." You can't handle that freight growth in Iowa on trucks without doing something about the highway system. There's a point where some of that would logically flow to railroads if you have them or have the ability to

recover them. Preserving a corridor even if you don't have rail on it could be beneficial, because it would be a whole lot easier to reestablish on an existing corridor than it would be to plow new ground. Nobody wants anything built anywhere.

- The opposite side of agriculture that goes with what you're talking about is consolidation of the elevators in Iowa. We used to ship close to 2M. bushels by rail several years ago from our elevators. Today we ship zero cars. We truck it all to Nevada. The difference between corn at Nevada versus corn at Story City is sometimes 10-12 cents. The railroad came to us and said buy the siding or we're going to close it. We ended up buying it for salvage value but before they would put new cars in there we had to upgrade it to 110-115 pound rail. It costs about \$50 a foot to upgrade and we have about 2,000 feet of rail. Subsequently, we haven't shipped anything out of there for several years.
- I'm not really optimistic on the larger trails. The economic development people would hate to lose their future opportunities. Once you have lost that rail access it doesn't come back very easily for whatever reason. I'm not optimistic that the ag community can sustain rail branch lines. Everything is going to super size and super standards, farms are getting bigger, farmers are getting older. We in town have the same thing, closing Targets to open Super Targets. I don't see the trends changing in any industry, agriculture is just a part of it. The Economic Development people have had a long time to step to the plate and they have not. We continue to lose small towns, people moving to urban areas. Small schools are having a hard time making it. Yet West Des Moines keeps growing. Why is that? I don't see how we are going to save those red lines (stratification map) frankly. I like the idea of a bank or something in place at a statewide level.

John – Saving some of these lines for the potential economic development future. What kind of criteria could we use to evaluate what that potential is? Everybody says there's potential, but how can you tell that? How do you value that? If the State is going to step in and save those by putting money out there, how do we say we're going to get a return off that? What kind of criteria can we use?

Dave – Industries or utilities don't look at small areas, they look at fairly big areas they would like to go into that meet needs.

- Everybody I've ever talked to always has a different order for the list, but they all have a list. Some of us may think this is more important to them and find out it's really not, it's something else.

There's a dentil supply warehouse in Boone, and when they were looking for a location in Des Moines, the most important criteria to that man looking for the location was the width of the street because he wanted a semi to be able to turn into the street without driving over the curb and breaking it. No developer in Des Moines wanted to give him the street width. He had it in five other places in the United States, but he couldn't get it in Iowa. The project ended up in Boone and they don't use rail. I've never seen the Wal-Mart distribution center in Mt. Pleasant but I go by a K-mart distribution center in eastern Kansas and that's all trucks. There's no rail in and out of there and that's a huge facility. Wal-Mart is clearly a huge facility. Hy-Vee and PDI run trucks two ways--take the groceries out to the store and bring the stuff back to the warehouse. That's the kind of business we're seeing in Iowa I did three years of economic development for pay and I did several years as a volunteer for one of the suburban communities and now I'm on the Planning and Zoning in another community where we just eliminated our industrial park and replaced it with an office park because there's no demand there for it. It's really hard for me to see how you could develop the criteria beyond preserving the corridor in case we have an economic development opportunity. In preparing to come here, I contacted the major utilities railroad people, who are largely coal shippers, and Mid-American gave me a long list of criteria for their coal shipments. However, from an economic development perspective, we think we need to preserve the corridors and get busy about getting better intermodal facilities in Iowa. That prompted a conversation before the meeting about when the one in Newton was touted as the second coming and was going to do great things. When the Barilla Plant was being built in Ames they were talking about using Newton on a temporary basis until they could build their own. Where has all that gone? Is that an opportunity we're missing?

- The interesting thing about that Barilla plant is they own the option of the land across the other side of the rail and they want to build it like a European facility where the rail line goes in between it. They had plans to make the tomato sauce there also. The original concept was to move it by rail when it was first envisioned. That's one of those future potentials. The Barilla plant is 30 percent of the US domestic market for pasta and every bit of it is made at the Ames plant. How are they getting it there? Trucks. It's the bigger, faster shipping methods that are desired.
- Some of those shortlines that hook onto the red or green lines, maybe there's a market there. It doesn't make a lot of difference

anyway. Are you suggesting that we should look at Iowa without the yellow lines?

- I looked at the potential power plants that are all looking at locations on those yellow lines. While it's not a sustaining use of a railroad, there's equipment that goes into the power plant that moves easier in a good rail line than it does on a truck. If it moves on a truck, it's a truck that looks like it's all tires. We even have some of that equipment in the city, where if you have to replace it, it has to come in a special truck with special permits. I go back five or six years ago when the Greater Des Moines Chamber was touting 12 commercial centers that were going to shrink to seven commercial centers in not too many years from now and that was an Iowa State study. If you believe that information, then a lot of those yellow lines may, in fact, disappear. Those people may be trucking their grain to the Nevadas to move it. It was an interesting study to look at and it certainly wasn't met with open arms very far outside of Des Moines and Cedar Rapids, but the premise was we were going to continue to shrink in terms of commerce. It wasn't talking about people moving out of the small towns but just in terms of business.
- Does the DOT ever look at railroads like they do highways? You have your I-80 and U.S. 30, U.S. 20 going east west and the major ones north and south. If you look at some of the yellow lines, the north part of the state from Prairie du Chien through New Hampton and all the way over to Sheldon, you see the same pattern start to happen. You could say we need to make sure this yellow line across the top of the state stays active and we have to put money into it.
- I like your thinking, particularly if you are looking at them together. Through a combination of rail and highway, how can we move goods and people in and out?
- That's why I made that comment before about the county government' model which looks at guaranteed roads, guaranteed rail, and guaranteed schools. Really doing an assessment of what industries you have operating in those counties, what elevators you have operating in those counties, do they need the road, do they need the railroad? Have some sort of the priority ranking and say absolutely the funding is never going to go away for this one because this is so critical to what we need whether it's existing industry and agriculture and/or this is the key to our future economic development hope in this county. Whatever those sorts of points are, you have 99 counties, 99 county supervisors. Figure

it out and have them come back to a state entity and say here's our critical analysis of what we think in our county. I'm not speaking on behalf of the association. You know what you have. Pull your information together and say we need this. We can't lose this.

- You mentioned 1903. Iowa was the tenth largest state. There was a service town every five miles. In the next 50 years it was ten miles. The last ten years, I'm going 20 miles in the rural area for different things in different directions, unless it's a town of at least 5,000. It's happening but I don't think people realize it.

Dave - The stratification map was put together as a tool for the DOT to set priorities. The national level routes (blue) are mainly serving through traffic and they probably will be there no matter what unless there's some kind of a major event like a rail merger. The multi-state lines (green) are lines that connect Iowa to other gateways, for instance, St. Louis or Kansas City or Minneapolis. The yellow lines are of regional importance to multiple counties, serving multiple cities, counties, grain elevators, etc. The red lines have importance to one shipper, one city, and have only one other rail connection. Does this stratification idea make sense to you, especially people who are rail users?

- I'm thinking about the one up on U.S.18. I think they would tell you they hook into these other mainlines because they go beyond Iowa, in Minnesota, South Dakota. I think they see themselves as a significant shipper even though they're not a major sized railroad. I would guess shippers there would see their line as green rather than yellow.
- When I look at the map, from Mason City west you can identify some reason for that to tie to the UP line. I don't know what's east of there anymore since the big manufacturing in Charles City shut down. Are there big rail users on that line in northeast Iowa? I think that's the kind of evaluation you have to look at what's there, what potential there is.
- The line that parallels U.S. 20, BN has trackage rights on that and they load 110 containers on there now.
- You get another access point into the Powder River Basin in Wyoming for coal. Even if it's not destination to this state, there's going to be a lot of transportation across the state. That will open up a huge market for them but to us it's just interstate transportation, except that would be the line that Dairyland would pull their coal off of. Probably any location they're looking at would use coal from that line.

- The railroads are going to somewhat dictate where the grain is going to go by the rates they put in.
- Trucks are there because they dictated the rate. I'm looking at bean bids of 20 cents in 20 miles now. You can hardly afford not to truck it.

Dave – I'm hearing a few changes to this map, but overall it's a good plan concept. Is this what I'm hearing?

- There may be an opportunity now to influence what's going on as far as the DOT to keep competitive rates. For that Butler Dairyland situation if the DME coal plan were to come through, there are a lot of advantages and that would change the structure a lot more than we think in Iowa. It gets you more competitive rates for some; it also splits up the ability of one railroad controlling the cost of coal transport. Right now we're down to two, BNSF and UP, providers of our coal and it splits so you don't have all your eggs in one basket. I'm curious if utilities or any Iowa citizens look at splitting some of that. There's a lot of interest for Iowa to support that DME move to the Powder River. Does the DOT or Utilities have a position on that? I see several gains on that.
- Utilities don't. It hasn't been brought up to the Board.

John – The DOT was basically neutral on it. The STB told them if they're going to route through Iowa they have to continue with environmental assessment through there because that was not part of their initial identification.

Peggy – If there's future routing of the coal through Iowa, can we have the opportunity to understand the impacts beforehand?

John – There was a possibility of routing through Minnesota. That was the routing they did their environmental studies on. Now they have lost that case. They had to go back to the drawing board. When they merged there was the potential to come through Iowa and essentially to say they have to do some more environmental work if they are going to do that. It gives those communities an opportunity to learn what's going to happen.

- Is there either a regulation or an industry standard, like the UP corridor? Are 60 trains a day the most we're ever going to see on that? What's the capacity?
- When you get to Nebraska where they have triple tracked, you get into the Platte River Valley and there are trains through Lexington, Nebraska in 15 minutes just like clockwork.

- If they have that kind of capacity, they aren't going to be interested in spending money on building additional capacity until they use a greater percentage of what they have.

Craig – If you take a look at the tonnage standpoint, that's increasing on that line but the actual number of trains basically has been constant for a number of years. Part of the reason for that is the larger cars are getting more coal or grain into that car and the trains are getting longer. They are going from the 50-75 car trains up to 100-120 car trains. When looking at the number of trains, that's not indicative of the capacity and growth, that line is seeing. The power units have gotten bigger. Rather than seeing trains with 3-4 power units, they run by with two now. But they are moving more tonnage and more cars. The capacity of that line isn't necessarily measured in terms of trains because we're seeing volume growth.

- That also begs the question the shortlines being able to handle those bigger cars and the infrastructure needed for some of these other colored lines on the map. What is the trend going to be there? Just because they are there on track now maybe they are not track sufficient to handle those larger cars. Maybe they can to a point until they start breaking down.

Dave – The shortlines have to use the same cars but historically they also got the older power units from the carriers so if they are going larger, eventually the shortlines will have larger power units too.

- Is part of the answer to that that the power units are made up of large cars that go from basically one point to another point and back and the kind of stuff that might go out on these sidelines is really the container type stuff could be, if necessary, handed off to a smaller car? Whether that would still keep it economic or not, I don't know. They are not going to break up a unit train to run three cars up to Story City.
- You made a good point earlier about driving past the Wal-Mart distribution center in Kansas. Iowa's had some success with the Wal-Mart in Mt. Pleasant and Dollar General in Maquoketa, and the Target distribution center that's going to be up in Waterloo or Cedar Falls, but all those decisions were made based on highway, but yet I see the freight trains going with the containers stacked on but yet Iowa gets these distribution facilities because of its central location. It seems to me those decisions were made to locate those facilities here and it had nothing to do with the railroad.

Bob Krause – A lot of the intermodal stuff from the Orient comes into Chicago and that's the great bulk of the container trains would be in Chicago or Galesburg, Illinois and then they will truck them into Mt. Pleasant, Waterloo, or wherever. So you do have a lot of intermodal traffic that comes to Iowa but the intermodal traffic coming into Iowa by in large comes by truck.

Dave – The trend there has been like all the other trends we're talking about is these big intermodal facilities that are located just outside a hub like Chicago.

Dave – Any other comments on the stratification map. The idea would be to set some priorities if there was rehabilitation assistance or application assistance.

- This is not necessarily about the map, but I've also heard that when you locate something, before it was on a river way or on a railroad, now it might be near a highway or those sorts of decisions, but whenever there is a circumstance where there will only be one choice of transportation then pricing fluctuations and decisions.....so certain people who use rail now could use or might use truck now that could use rail, some of those price sorts of considerations. I think of the Missouri River and moving grain or the Mississippi. There's still a lot of agriculture that moved via river because of pricing considerations, so I guess where the only comment I make there is whenever there's a secondary option for a business entity, the railroads exist to make money and a lot of other businesses exist to make money. There's a second option to at least negotiate whatever their freight costs are going to be. It seems pretty logical to see that go away.
- So would that be an argument to bank your rail line along your major road corridors with potential possible development down the way? Would that be the place to bank it if you're going to bank it?

Dave - People have been talking about rail passenger after September 11; people have been talking about what's going to happen with Amtrak; people have been talking about high-speed rail in the Midwest rail surface studies.

I want your opinion on just how important is rail passenger service? How active should the state of Iowa be in this area? What do you see in the future?

- I would like to start with John Hey, who is the DOT representative of the Midwest Regional Passenger Rail Initiative, which is a multi-state group that meets regularly. We receive a lot of our current information on what's going on with the conglomeration of the people that really have a lot more input than me.

John Hey - I am involved with the Midwest Passenger Rail and monitor all the activities of Amtrak, and those types of things. I think the purpose of having this group here today is not so much to hear from me, but to find out what the rest of the state and everyone else thinks about these things. Should we be doing the things that we're doing, or should we be doing something different—or more?

Dave - Up to this point, Iowa has been monitoring and participating, but should the state be more active than that?

- I would like to put it on John too because if he could give me some demographics as to how many trains go through, how many towns does it stop at? Passenger loads, who gets on and off in Iowa? Whatever there is from a fundamental basis.

John - Currently Iowa is served by two Amtrak services, the California Zephyr, which goes from Chicago, IL, out to California, and follows the BNSF line, which is on the southern part of the state. It is not the most populated area. The Southwest Chief just barely touches through the state of Iowa, down through the Keokuk-Fort Madison area, just crosses the tip down there. Over the last ten years, approximately 47,000 passengers have gotten on and off in Iowa.

I'm also involved in an effort called the Midwest Passenger Rail Initiative, which is trying to develop a regional system that is hubbed out of Chicago, connecting up to nine states around the area: Minnesota, Wisconsin, Iowa, Missouri, Michigan, Indiana, Ohio, and Illinois. They are trying to connect up all the major metropolitan areas around Chicago with a moderate, convenient, higher speed, not what you would call "high speed," system.

A study was done, and that system could pay for itself operationally--certainly not on a capital basis. It would need federal funding to provide capital improvements and assistance, but over the development it would pay for itself from an operational standpoint. This would be on existing routes, which most routes would need to be upgraded to handle these things. Some of them are already there. A lot of the service from Chicago to Milwaukee, they've already got six trains per day running back and forth there. It is basically a commuter route. One route is from St. Louis to Kansas City. Missouri is actually paying for Amtrak to operate that route. There would have to be some state participation in these types of things. Most of this system coming across Iowa would work pretty well. When you look across the country, within a 300-mile radius, things could operate reasonably well if you have the population base to do that. Which means it looks like it would work pretty well out to Iowa City and the numbers would show that. As you get to Des Moines, it slows down because you're getting farther distances, and then you're competing against the air traffic, etc. By the time you get to Omaha, it is even a little less so. But, the system could still pay for itself and operate efficiently.

Now Amtrak and any passenger rail funding are in the hands of Congress. What should the state be doing? Should we be more aggressive in trying to pursue these types of things? Should we be trying to make the case with our Legislature that if something does come, should we be out there trying to fulfill these things? We're only talking one route going across the state. It is the green line from Davenport to Iowa City, to Des Moines, to Omaha. We want to hit the population areas. Is that service something worthwhile for the state of Iowa to have?

- How many people do they think would use it, and what would that save us in terms of wear and tear on our roads, or other things? What pollution savings, etc. would it save?

John - All these types of things were looked at in the study, and all these numbers are trying to be updated currently. But in the 1998 effort, they were looking at approximately one million passengers a year, not necessarily all the way into Chicago, but all across the route. Some would only be riding Des Moines to Davenport, but we're talking right now that Amtrak is just one frequency a day; one train each direction per day; five frequencies to Iowa City for the rest of the way; a little better timing of those frequencies—in the early morning and then the evening returns. You try to maximize the miles that were using; we're just trying to maximize revenue, not necessarily maximize passengers.

- Do you think that this is something the state of Iowa should be active in? Or should just keep it about the same level it is right now; just wait and see?

John Hey – It's very expensive. \$4B for the entire Midwest Regional Rail System.

- Within Des Moines' own backyard, where I-35 crosses I-80, it's a nightmare out there. There are hundreds of millions of dollars that are being put into I-235 and I-80, constantly upgrading and making more lanes. But it's not just the Des Moines people using that. International traffic comes from Mexico up into Canada, and they are using the state highway system. The highways are overcrowded and it's government-subsidized money. The DOT has a lot to do with implementing what Congress says. The DOT needs to play a stronger role, not only in persuading Congress to shift some of those funds towards passenger rail, but in furthering the education of the legislators so they know that this is money well spent. It just makes good common sense. There are lots of people who say it's a dead-end street. We read in the papers every day how the state budget is in deficit, how the national deficit is going deeper and deeper, because of the economy. Well, the economy is cyclical, which is currently in a downturn; however, when it's in an upturn will money be put into passenger rail as an investment? It

depends on the mood of the nation. If the taxpayer is in the mood to put that money back into their pocket, and go buy an upscale style of shoes instead of letting that money go to taxes where it may be able to be invested in future passenger rail. It is up to the people who are really zealots to get out there and persuade our countrymen to let a little bit of that tax money be utilized to make a better life for the future. Let's not put our nation into debt for our grandchildren, but let's "pony up" here a little bit, and let's build the infrastructure that we need, and our children and grandchildren need, for a productive and happy future. The highways would be safer and less congested. You're saving the environment with better use of energy, fuels and such. Everything you read about high-speed passenger rail is positive, but it costs money. So do airports, so does air traffic control, so do highways; everything costs a lot of money. The Omnibus tax bill that is coming through is \$820B. for this year. Part of that \$820B. is for Amtrak. That's great, that's money well spent. That's the whole nation, only one bill. It's not every bill that the taxpayers are spending money on.

- Have you done some "what if's" down the road like what the air travel situation would be that would help to keep this on line and that we have to work towards it as there will be a need.

John - There was a traffic forecast on all of this. They took a look at the air travel and included that in the forecast. In the passenger-automobile study they tried to do that. The bottom line is that it is going to cost, and are people willing to pay for it?

- One of the challenges you have in Iowa is our love affair with the car. When you go to the New England corridor, people use the train a lot, and it's part of life; out here we drive one person to a car lot, and that's part of life.
- You keep building more and more roads and spreading our cities out, so you use the train, but you can't get anywhere once you're there.
- The toughest thing is going to be to change people's mindsets, and you can't change the mindset without spending the money.
- What happens with the system in Omaha? Would you still be able to go all the way to Denver? I know a lot of people who take the train to Denver?

John – This is just Chicago as a hub, but there are other studies going on around the country trying to develop other regional systems.

Dave - There are other proposals like this. There's one in the southeast, from Atlanta all the way to Washington, D.C; the Texas system; the California system; the northwest system; the northeast corridor, of course, and then our system.

Dave - We're hearing a lot of positives; are there any skeptics on this?

- I will only say that I love rail. I traveled Euro-Rail for a summer; it was great. I lived in Chicago for five years and rode an hour and a half on a UP train in and out of the city every day. I used the Copper Canyon train in Mexico, which was a scenic vacation type of trip. But it all comes down to density, and our density numbers are moderate, at best. Definitely, the corridor you're talking about is the only one that makes any sense at all between the Quad Cities and Omaha.

There was a guy from Adel, IA who was governor of Iowa in 1917-1918; his name was George Clark. George Clark used to take the train in from Adel and go to the Capitol. That was his commute. Of course, the highway system changed that for any future governor that might live in Adel. I don't see even if you had five trains running a day, would the frequency be enough from the commuter standpoint? Passenger train systems are fabulous, but you've got to have the density to make them work. I also lived in Los Angeles for ten years, and I also understand the Los Angeles freeway system was built on the corridors of the old red line, and if L.A. wouldn't have demolished their redline system to build their freeway system, that basin wouldn't be dealing with the air issues it is. Unfortunately, that's a historical thing that happened. What I'm saying is that I don't think that the density is here to really support it. But, I like the connect points of Chicago to L.A. from a tourist option outside of flying or driving a car to have it available; whether or not it would pay for itself, I don't know. I just don't see someone from Iowa City hopping on the train to come to Des Moines to do business and then catching a train back to Iowa City. Even if they did that, they still would need a car or some other means to get from their home to the station.

- The reason those trains worked in the east coast is because they are safer than driving wherever you're going, and my guess is that the hour and a half you spent is probably shorter than the car alternative and to find a place to park. Until that situation changes here, I can get a long way here in Iowa in an hour and a half.
- Once you get to town in New York or D.C., you've got a metro transit system.

- It's definitely a convenience because you're dead-ending into Lake Michigan, and if Chicago didn't have that commuter rail system there'd be a lot more people moving to Iowa looking to deal with a 20-minute commute; they need it.
- As a matter of density. If you could sell it as a matter of safety or environmental benefit, fine. But from an economic sense, I'd be surprised if it ever shows it'll make a dime. I think you're looking at huge hole that you just have to justify in terms of environmental benefits annually.
- The Iowa Interstate line is the only option? The UP line is not an option?

John - We looked at all three of them: UP, Iowa Interstate, and BNSF, and the IAIS generates the most riders.

- Wouldn't this require the highest upgrade?

John - Yes, certain areas requires the highest upgrade.

- Iowa Interstate has two tracks?
- One.
- But they used to have two; they pulled it out.

John - Plus, the Iowa Interstate doesn't have a capacity problem, as does the UP line and the BN line. The IAIS doesn't have nearly as many trains on it as the other two.

- I come from a background of a "Murphy's Law" kind of standard operating procedure, and I think that having a big truck on the road like I have, the price of fuel is such a wild card; airlines don't make money basically because of fuel. But, the ability to deliver the quantities you need at a workable price may become a problem down the road. If that is possible, do we need to be prepared for a scenario of passenger line or rail lines through highway corridors?

Dave - So you're talking about insurance almost?

- Or planning.

Dave - Any other thoughts on passenger rail?

- I think that we like the idea, but what's the real purpose of it?
- I think it would be a better sell if it was more of a vacationing thing to go to Chicago or to Kansas City, or something like that; not so much as a commuting-type thing, and maybe less frequent.
- I think you can't just go one direction; you can't just go to Chicago. You've got to go to Denver, San Francisco; you've got to be able to connect both ends of the system.
- If you had a stop at this time of year to your home in Phoenix, that would open up more traffic with that mentality. But we can't stop and eat a decent lunch without whipping through a fast food place; the pressure is on time. You're going to compete with an airline industry where the time factor is not going to put your average soccer mom on the thing. She's going to be in the air or her car getting there.
- But if you go to the airport two hours early, because of increased security, then you fly to Chicago and it's two hours by the time you turn around the other way, there might be a time there when time is not a factor, just between here and Chicago.
- We've had two years. How much did it save AMTRAK? I'm a skeptic on passenger rail in Iowa.

Dave – Let's think about the perspective of individual citizens. We'll talk about farmers after that. What are some things we haven't covered that citizens might feel the DOT should be doing in respect to railroads? Things like safety or blocked crossings, etc. Are there things that come in League meetings other association meetings?

- We have finally reached the point where trails are really popular in Iowa. I see communities, cities and volunteers calling asking how to get a trail in their community. I think there are a lot of opportunities there for us as a state. We're seventh in the nation in the number of rail trails. We used to be fourth. You're seeing Project Destiny, one metro area wanting to focus on trails and greenways.
- What are some of the demographics there? I think it's fairly accurate that we had 11,000 rail miles and now we're down to 4,000. Of that 7,000 miles worth of inventory that could be trails, how much should we have kept?

- We've been able to preserve about ten percent of that abandoned trackage. It's the National Trail System Act and the whole Rail Banking Act. There wasn't enough political support. A lot of those went away between 1920 to 1950.
- The other thing is the public just cares about safety if a train is going through the middle of towns. The other aspect of unit trains coming through with possibility of chemicals or nuclear waste, that's hit the public radar screen because of some high profile incidents that have occurred. The public would be concerned about general safety issues and that somebody is doing something to make sure those incidents are less likely to happen.
- Another thing you could add to that list is smooth rail crossings on the roads. Bicycles might be an even bigger issue than with cars. Railroads are difficult to work with for the communities in doing rail crossings. They are difficult for the Utilities to work with. They still think they're the robber barrens of the 1800s.
- Increased communication between the road and the cities is going to be very important. With the longer trains, some cities are concerned about crossings being blocked. Their issues are safety and access for people who live on the other side of crossings, etc....emergency response issues. Instituting whistle bans and installing safety measures is going to be very important.

John – There's federal regulation being proposed that should be out soon, saying when a train goes through a community they will have to blow their whistles. The legislation says if you want to stop that, here are some of the rules you can follow to reduce the amount of noise and the times the whistles are blown. This means there are a lot of improvements to be made at the crossings if you want to do that. Build islands, four quadrant gates, etc. or put up directional horns or whatever it's going to be, you can make some of these improvements. It's very costly to do that. It's fine to give the community the option of those things, but I'm not sure there's going to be any money to assist them.

- We may become an importer of nitrogen fertilizer in the river corridors and the rails. Are we going to preserve important corridors to get that in the state as opposed to trying to bring them in all on roads?
- The railroads are going back and pushing more unit trains, 100 cars grain. We just built a facility that pushed in 75 cars of potash shipped directly out of Canada. I equate it to back in the 70's when I got out of school and Farmland had built satellite fertilizer plants around. Everybody went to that place for 25 miles and picked up

their fertilizer. Everybody went out and built a fertilizer plant. Those plants are getting to be 30 years old and this is our second unit train of potash that people have hauled out 6,000 ton of potash by truck. They've gone out probably 40 miles with that right now because we can buy it for better prices and it's tough to get single car shipments in to some facilities. It's kind of gone back full circle.

Dave – If we get more into value-added agriculture processing of crops locally, how does that change the equation?

- If we are talking ethanol plants as part of that, around 40 million gallons, 15 million bushels, how many unit trains will that equate to?
- It would be close to 40 or 45.
- That's 40 100-car unit trains that are being processed. They're still shipping some ethanol out and maybe some DDGs. The more processing of grain you do in the state, the more your rail consumption will go down, unless what you process goes out.

Dave – What I'm hearing is almost a continuation of what's been done, which is to deal with things case-by-case, other than maybe rail banking. Does that make sense to continue to think about each particular line or are we at kind of a watershed here?

- I think they ought to keep everything and never abandon another track. At the end points like Forest City, where Winnebago is keeping that line alive, if it should go out, then the line really has no purpose other than rail banking for trails or something like that. There are only so many excursion trains you can run in a state to keep the people happy. I don't see a great future for more Boone & Scenic Valley's out there. In retrospect, I've heard people talk about the good old days when the Norfolk Southern ran from Des Moines down through Albia and Centerville and on through Moberly, MO down into St. Louis. A lot of folks regret that it was torn up a decade or more ago because even today with national security being an issue, that looks like a straight shot from Des Moines to St. Louis. I have 30 years seniority on the railroad. I've seen nothing but abandonments. I started out working branchlines back in the early 70's and I've seen line after line disappear. That's disheartening. Two or three years ago I attended a seminar in Omaha where there was a former vice-president of a railroad who said you have to understand that railroads are in business to make money. They're not in the business for the beauty of the landscape or to haul people all over the country. The railroads have to make

money because they have money invested, and the investors expect a return on their investment. As harsh a reality as that might be, you have to accept it and work with it. In the brochure you suggest a 20 percent match for implementation costs for rehabilitation, purchase and rail passengers, I agree with that. But, as you well know, money is tight and I can appreciate all the hard work you folks have done on the Midwest Regional Passenger Rail initiative. There are brilliant people who have done a lot of work thinking this stuff through and I hate to see time poorly spent as well as money poorly spent, but where are you going to get it. You'd like to think somewhere, somebody with enough charisma and zest for squeezing those bucks out of Congress is going to step forward, run for Congress, go to Washington and bring home the bacon. In today's newspaper, there was something about an omnibus bill, some pork barrel projects all over the country and only certain people get it. I'd like to see Iowa get a hunk of that. It's not happening right now, the economy soured. When the economy is zesty and if we have the right people in place and things tumble, then maybe it's time to be optimistic as far as saving the railroads as they are and improving on them. It's hard to be a visionary when you know that just the other side of that door, there's a big stop sign and here's why, it's always money. Nobody wants to pay an extra dime in taxes but everybody wants something for the taxes they invest, just like the railroad investors. Everybody wants something back for it and that's justifiable. We're a capitalistic society. When you see the Legislature nick away at the railway finance authority or what have you, little segments that can help out the shortlines survive and perhaps upgrade to 263,000 pound cars, there's that door slamming in your face again, it's all about money.

Dave - Should the DOT have a preservation assistance program that would help shortlines buy lines that would otherwise be abandoned?

- If not the DOT, then who? When you look at the map you wonder how it could get much worse.
- When you say the DOT you are saying the public or the state of Iowa. You're talking about a public investment, not private.
- It's really hard at the local level to try to do something in a community. In some of these towns there are one or two co-ops and a few farmers. The same thing with the trail system, we need a larger entity to help pull it all together. It's not just one or the other but right now it's been kind of left for the locals to figure out how to keep the system intact and that's too hard.

- The trail systems help out a lot. I've seen that at the local level. I always thought that was great because there you have the railroad if you need it again. It might be hard to get it back.
- With the rail banking, will we have to offer it back? But even trails, it's all been done on the backs of the counties, cities, volunteers. It's a lot of work. Just keeping it as railroad is a lot of work too so I think the state does have to help in some role.

Dave – Does this subject come up with the League or is it more safety?

- It mainly has to do with safety. The League Ad Hoc Rail Committee was built on getting together with the railroads to do something about nuisance abatement and things like that. I think there's been a major misconception by the general public or the average citizen as to how much rails influence the economy. They see it as something in the past. They don't see it as something that can really induce economic development and it's something that really needs to get out. What's been done lately with the public relations campaign to get information out about how much trains can benefit economic development, I think that has to be pushed further out as a way to preserve the system.
- It seems that as more and more of the rail system becomes national in nature, the less opportunity there is to work with the local shippers on freight and also passenger. State assistance with local ownership and control over some of these lines seems like an opportunity to have local control.

Peggy – We hear two schools of thought that are, in my view, in opposite directions. I'm interested in some of your industry thoughts. On one hand we see the increasing use by farmers of semis. They load their stuff up in semis and then they have all kind of options in their markets and can go a long ways, so in one sense the secondary road system has become the gathering lines for the railroads and that's going to continue into the future. If you follow that course of thought, there's probably not much need for a lot of the railroad branchlines. The other side of the coin is we hear from economic development people all the time that these lines represent opportunities for economic development in this state and if you let all the branchlines go, there's no place to try to attract industry that needs rail. How do you see these two things going? One doesn't seem to go with the other. That's a hard thing for us to figure out. Farmers are going to get more trucks, there's going to be more shuttle facilities, there's going to be the trend to carry the grain further. That branchline sitting out there with no business is an investment on somebody's part....but I just can't

reconcile those two divergent points of view. I'd be interested in thoughts from somebody on these.

- The first thought that comes to mind is whether or not you believe the people who say we're really not going to attract the kind of industrial prospect that needs rail in the future. It doesn't mean there's not a return product need but those manufacturer's jobs aren't going to be here. From that perspective, that raises the challenge to the economic development people to make their case. Right now there are three possible locations for new coal-fired power plants. There's no guarantee a plant will be built at any of these three locations but sitting here looking at the map, they're all on the regional rails and not on the national rails where most of our big plants are today. Whether they would still be looking at those possible locations if there were no rail or not, I'm not sure. I kind of think there would be. They have a tendency to look at where the transmission corridors are to put their product out and what their water resources are then bring the rail to them. I don't specifically know the sites, but I see rail there so I suspect it's somewhere in the neighborhood of that rail. If I could marry it up to the transmission grid, I could figure it out within five miles. Alliant has talked openly about needing to build a large coal fired plant and they have at least teased Cerro Gordo County. Again the plant site in Cerro Gordo County, while it's close to the shortline between Mason City and Clear Lake, it's really not on rail. Would they be looking at those if there were no rails anywhere in the neighborhood? It's one more consideration. A large coal-fired power plant is going to take a unit train, depending on the plant size, at least every two or three days.

Craig - There's been a history of plants willing to build rail lines. An example is in the Council Bluffs area where they constructed a new rail line to that plant to help out with competitive pricing.

- They had trouble with the trail system getting it done. They had to recover some rail bed that had been converted to trail. They had some difficulty with it.
- It wasn't the Iowa Natural Heritage Foundation. We were required and ready to; it was the next line owner down. They realized it was easier to just move the whole system 100 feet and then keep going.
- The Color Converting plant here in Des Moines, when he was looking to locate that plant, he didn't care where the rail was. He picked his site and brought the rail to it. Maybe that's unique, but that's what he did. He didn't have to bring it very far because

Monarch Cement was nearby. The point is he didn't put the economic development on the rail because the rail was there. He put everything else together and brought the rail to it. In a sense, that's what they did at the Council Bluffs power plant is they initially had BNSF and they were getting captive shipper rates so they wanted to get a tie to the UP and put that loop in. They're shipping almost exclusively on Union Pacific, but they have the leverage of going to BNSF. The Council Bluffs one was 1.8 miles and Color Converting less than one-half mile.

- That's still confining your railroads to a mainline or a corridor. If you look at the map you're looking at some large areas without rail access in some cases. So is it even realistic to think about railroad or even economic development?
- The question I have is you have an elevator and how many times a year does that elevator need that train? I'm a consumer of farm goods, not a producer, so I don't know. My perception as a city person is harvest is in the fall and the line just sits there the rest of the year. When you want to talk about putting public dollars into supporting that line, are we supporting that for the few times a year, public perception, that the elevator needs it to move the farmer's grain and the rest of the year it's sitting there.

Dave - That happened maybe 30-40 years ago but not now.

- Those lines are gone. Is that the case?

Dave – There was a big push to ship grain out in the fall, but now they do it year-round.

- They do it year-round partly because of the volume. I live on the tail end of one of those red lines. It's basically there today because there was an assistance program to rebuild that track and all the shippers had to kick in. Fortunately the tracks ran all the way to Pella, so we had some pretty good size shippers at that time.

Dave – At one time Iowa had a pretty extensive program to rehabilitate lines, bringing them up to standard. Maybe they had been neglected for a long time. They also had an economic development rail program. An industry coming in needing rail could participate in that. Those programs are basically gone because of budget realities. Is that something that the state of Iowa should be looking to reestablish as the funding situation improves? Is rail economic development that sort of program valuable to larger industries?

- I look at things in the macro. In 1900 Iowa had 2.2 million people. Today we have 2.9 million people. You go back to 1903 Ford Motor Company started; hence the motor, hence the trucks. The Wright Brothers flew their first plane in 1903; hence, freight now on airplanes. A lot has happened in the last 100 years as far as movement of freight. We're still looking at a small population. We used to have 11 congressmen in Iowa. We have five now. We've declined to the extent that we were a bigger fish years ago, but we're not as big a fish anymore. We have to understand what we have left. Government and government entities have grown significantly over that time. I like the county government model where you have the 99 counties; some say that's too many, even the Brookings Institute said in 1930 we could live with about one-third of that many. If there were a County Superintendent of Schools, would we need 371 school superintendents? If we had county coordination of things, would we need 950 cities? If we had county coordination, maybe we could go to a guaranteed rail or a guaranteed road, or a guaranteed sort of program within those boundaries to look at the critical transportation needs and the industries that exist within those boundaries to come up with some models that make sense given today's sophisticated society. The budget crunch is relative to how much government has grown, not necessarily the allocation of those priorities, and where that money is spent is the bigger question. We went from railroads to roads. It's all transportation, but the monies for transportation have probably grown over that time.

Dave – Is it important to have rail upgrading rail economic development programs? How critical is it?

- Going back to Peggy's comment, one hundred years ago rail was the mode of transportation. Today rail is basically a bulk shipper. Tell me an economic development program in this state that is trying to develop a commodity industry. It's all value-added; it's all by the bio economy. The same thing that brings a power plant close to a mainline railroad is they will pay for a few miles of track or put something in and the thing that makes an ethanol plant and a grain shipper compete is they both need rail to ship. The concept of value added typically means you are taking something big and making it smaller. I live in Story County and everything I see go by is whole grain and cars. I'm not sure what's in the containers, but that's the only thing that compared to a few years ago when you saw five of one type car or six of that type of car.
- What's the number of trains on the UP line now? It was 60 a day of unit trains.

Dave – It's about the same now, 60-66 a day.

- We as an elevator industry probably can't afford to keep every elevator open that's currently out there today with insurance, property taxes, etc. We've spent all our capital improvements on Nevada to be able to unload fast, put up bigger bins. It's tough to get value added when the industry is a commodity, get it in, get it loaded, get it out of there rather than trying to segregate down into some smaller added value. The grain industry isn't built like that. We've been told it's not to be that way. Maybe there is some value to some old wood houses out there that have 5,000 bushel bins maybe would fit that category, but most of them would not be on a rail line. Your question is semis, it's true that you try to capture as much grain as you can during the fall and try to keep a competitive bid because there are processors around the state, ethanol plants versus where our grain goes. They are probably going to get their grain first before we do, so there's a natural pecking order of who's going to get grain. You see semis and wagons. A farmer hauling two wagons will haul more than a semi. There 1,200-1,250 bushes on a load versus a semi, legally 950 bushels.
- There's some road tradeoff for that. I feel like I live on a four-lane highway now because of the traffic and that's what made that happen. That's a big tradeoff.

Dave – Is that a cost that is forgotten? We're loading all those wagons and semis on the secondary road system. There's a hidden cost there.

That's the way we're headed. We can't put a railroad near every small town. There are figures to add up but they just don't balance.

- It depends on their age. My two sons are in their mid-20s and I don't think they give a train a second thought. I was raised in a railroad family and I think about it a lot. The younger people today, unless they live some place where it is an accepted local mode of transportation, they don't think much about it. I have a board member that travels as much as he can by train, even to Washington, DC.
- Part of it is lack of trains. I can remember watching 70-80 cars all day long. Now you just don't see a train. It's just not in people's lives.
- This summer, the Dayton Road overpass was built over the UP line. A man had come from Ankeny with his four-year old grandson

just to stand on that bridge and watch for trains, just because his grandson wanted to watch for trains. Even though the 20-year olds may not care, I think there is still a lot of romantic interest in trains.

Dave – Do you think the citizens understand the economic importance of railroads?

- They don't worry about how it got to Wal-Mart, just as long as it's on the shelf when they want to buy it.
- I don't think the general population really understands that it was the rail industry that built the towns across Iowa. You wonder why Ottumwa is where it is, it's because the railroad expanded westward and put those towns up and the railroad companies had real estate speculation and sold the lots to the businesses. All of a sudden the road system comes into play and the romanticism and historical connection with the town and the railroad, there is suddenly a disconnection. If people truly understood why towns are located in Iowa where they are, it's because of the railroads and the rivers. The total lack of ignorance on our newer society of understanding the importance of history and civic responsibility for what the future of our state will look like 100 years from now, I think it's important to reinstitute all that.

Dave - What do average citizens want and/or complain about? What is the most important consideration for farmers in terms of rail transportation? What do they want out of the system?

- I think farmers want to get the best price they can get. They have to because they work on a very narrow margin. I think they are really afraid of losing the railroads and the river if they don't update the lock and dams. We're dealing with a 50-100 year old railroad; you're in a truck going somewhere because nobody can help it. That's not been a priority of railroads. Do we keep the railroads and the river system? The farm economy can die just like anything else if it's not serviced on the other end, if it doesn't have an outlet that works.
- In general, that's pretty much what we see. I sometimes think they may not calculate the full value of the truck lost or the fuel cost to haul it. I know some guys who will haul it quite a distance for a few more cents that may be less than fuel costs.

Dave – That's pretty understandable. People don't do that with driving cars. They think about the immediate out-of-pocket costs.

- You mentioned the lock and dam system on the Mississippi. I think the trains are hugely important for future insurance purposes because of the waterways.
- They work together. You need the trains to get the grain to the river. The river transportation is so much cheaper than anything else. Another factor is we've gone from 7 to 10 million bushel of corn crop in a very short time. In ten years time we're dealing with a lot more corn and ethanol has sopped up part of that. That's another factor, we have more volume.
- The markets have changed. You look at the export market. Years ago we were up over 2 billion, now we've been in the 1.7-1.8 billion and that's pretty much stayed steady. I think in the last five years we have not had one bushel of corn go to export market. It's exported out of the state. It goes to Mexico, Texas, California, and Arizona. Back in the late 80s or early 90s we used to ship a lot of corn to east Clinton and go the river, but that's not our market anymore. The railroads have created markets out west and the big dairies have moved into Arizona. They are building feedlots out there that can accommodate 100-car trains. That's where the market is going. Unless you're a tributary to the river, that's mainly going to be fed by truck.
- It really depends on where your export market is. If it's China, you have to get to the West Coast and in certain markets you have to get center Gulf and that's the river.
- The railroads still dictate. Where they want your grain to go that's where they'll put their rate in.
- In South America there is a real concern if we don't have transportation we won't be competitive. There's so much money to develop and there's no holds barred down there as far as developing export transportation facilities.

Dave – If the state moves towards a more activist role, whether it's in passenger rail or upgrading or preservation, what sort of funding sources would you suggest they receive. What sources of funding would you not like the state to pursue?

- If you don't look at transportation in pieces, but look at all of transportation to meet the public good, it would seem if you could demonstrate that a portion of rail meets the public good, which means that it serves them better than the road, then you ought to be able to tap a piece of that road fund. I realize that's a suicidal statement to make, but doesn't it seem like there ought to be some

kind of a fit there? That's more simplistic than it really is, but if you're simply looking at finding new money for railroad, you have a long hunt, particularly right now, but in general. Somehow that needs to fit together.

- We're trying to make a correlation between rail and economic development. Why can't there be some use of the economic development funds for rail and the Iowa's value fund if they can get that fully funded?
- That's the kind of fit we need to look for.

Dave – I think technically it is eligible, but if you could put an application together that would work is another question.

- We need to find a link between rails and national security.
- There's a lot of homeland security money out there.

Dave – What would you not like to see?

- Look at the big picture of the state budget, \$4.2B. compared to 20 years ago when it was only \$2.5B. or \$3B. The government sector has continued to grow. Now what is 71 percent of Iowa's state budget? K-12 and higher education. My dad, a school superintendent, started with one school, kindergarten through 12th grade. There are four high schools in that district today. I don't know why, given the population base we have, why we need 371 school superintendents. The same population in San Diego has ten school districts. I'm not saying that's right or wrong, the demographics are different. If we had x amount of that money that could be used for other purposes, it's a big nut. It's not our group that's going to take that nut and it won't be any other group that's sitting around taking that nut, but that's the question that has to be asked by the people of this state. Build some efficiency into the systems that are getting the money.
- If you are going to ask somebody for money, you need a specific plan of what roads you're going to keep or acquire, what you're going to do with it. Nobody wants to make that decision and that's part of the problem. A politician needs to know this to answer the question of what it is you want.
- When trails are banked, does the Iowa Natural Heritage Foundation own them? Who takes title?

- Usually we purchase on an interim basis, but it ends up being owned by the county conservations boards for the most part.
- I assume the issue for counties is there are no taxes paid?
- I don't know that the railroads take out much money, maybe some property taxes. Nothing too significant.
- There are the economic benefits generating local business taxes to generate revenue and also quality of life issues. This includes nicer places to live, more people wanting to live there, businesses moving there, etc. In terms of funding, it comes from both federal and state sources. In the transportation bill there's ten percent enhancement funding for scenic, historic, and bike-ped type projects. It could be more than ten percent. I don't know where the rail stuff goes always under the transportation bill, as well. For rail issues we'd be looking at maybe diverting a little more of the overall transportation fund.
- Railroads no longer donate the property.
- It depends on the railroad.

Dave - Does anybody have any comments on any related subject? Anything we haven't covered that you wanted to get across today?

- You asked us about specific action items. You do have your three preservation system upgrading and enhancement, passenger rail service. If we're talking preservation of the system, one of the actions should be rail banking, lines that are important for state, regional, local trail systems or just rail banking the lines that are important. We've talked in the past about the whole right of first refusal issue that the Iowa Railway Finance Authority has that the DOT doesn't, and that should be something the DOT has authority to do is to have the right of first refusal on these lines that are proposed for abandonment. Those action items should be considered.

Craig – If there is anything else that comes to mind, there's an address, phone number, and e-mail on the material we sent you. Feel free to jot some things down and send it to us.