

## **Anxiety in DM&E towns**

Railroad hopes private money keeps expansion on schedule

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HURON - Where train tracks merge into sky, Huron looms on the eastern horizon.

City, rail and a vast sweep of farmland are all connected here.

This track borders Leland Kleinsasser's 70-acre wheat field because, as a member of the South Dakota Legislature in the early 1980s, he voted for a sales tax increase to allow the state to buy rail line set to be abandoned.

"It was one of the most important votes I cast," he said.

The line eventually became part of the Dakota Minnesota & Eastern Railroad, and now the DM&E plans to take his field.

It's the price of progress, Kleinsasser figures. These and another 230 of the 7,500 acres he owns or rents will be part of a rail operations center that could bring 300 to 500 high-paying jobs to Huron.

"It's a tremendous economic impact for this community," he said, despite the hardship it might bring to his farming operation.

Kleinsasser thinks it will happen. In less than 30 years, Huron could go from the prospect of no rail to a key location on the nation's newest Class I railroad.

His optimism is shared by many in Huron, despite the Federal Railroad Administration's decision last month to deny a \$2.3 billion loan to the DM&E that would have been a major part of financing the \$6 billion project to upgrade lines and build more than 200 miles of new track to Wyoming's coal mines. It was a major setback for the railroad and for a town that has pinned a good share of its economic growth on the project.

But while Huron generally is united in its support, the railroad has had a tougher sell in towns such as Brookings, where the effect of the ambitious project is less obvious.

### **Desperately seeking development**

Since 1998 when it applied for federal approval, DM&E officials have spun their Powder River Basin Project as a regional eldorado, the source of a bounty of economic development.

No town is more eager to hear this than Huron.

On a March afternoon before the country has greened, the distant buildings look drained of color, grayish-brown like Kleinsasser's dormant wheat and as uninspiring.

"If you think your quality economic future is based on a turkey plant and a Wal-Mart, you're way out in left field," Ron Volesky said of recent economic development ventures. The Huron lawyer is a former legislator and city council member.

Volesky is a countervailing voice in a chorus of widespread, determined optimism in Huron that the Powder River Basin project eventually will be built. People with an eye to Huron's future have faith in the DM&E the way Kleinsasser knows his wheat will grow in spring.

"I sense the community is still fairly optimistic. It's been such a big part of our community since it was announced. Nobody's giving up yet," said Jim Borszich, executive director of the Huron Development Corp.

"In economic development, you have to have a lot of patience."

Bringing the new Wal-Mart to town was a four-to-five year courtship, he says. The Dakota Provisions turkey processing plant took 2 1/4 years. The development corporation also was successful in enticing Premier Bank, which will relocate part of its credit card business in Huron, Borszich said.

"We spend a lot of time with the DM&E," Borszich said. "We've dedicated our staff and office to them in any form or fashion they might need us."

"We had hopes construction could begin this year. The only good thing about that announcement is it happened now rather than holding off until May 1," said Roger Chase, a Beadle County commissioner. At least now the DM&E has an opportunity to regroup, seek alternative financing and possibly save the 2007 construction season, he said.

The railroad's plans still are a major subject of coffee break conversation, he added.

"Many say it will never happen. We still have reason to believe it will," Chase said.

### **In the market for private money**

DM&E Chief Executive Officer Kevin Schieffer said the railroad is aggressively pursuing private financing. By the end of last year, it had spent \$80 million preparing for the reconstruction of its existing line across Minnesota and South Dakota and extending it to Wyoming, and Schieffer promises an aggressive construction effort this year.

Kleinsasser notes that in the near decade since it was proposed, the railroad's Powder River Basin project has been approved by the federal government and withstood court challenges.

“The thing that encourages me is that every decision handed down, except this loan being turned down, has favored the DM&E.

“I just hope they can hang in there until they get the funding arranged,” he said.

The DM&E’s presence in Huron is already strong. About 150 people who work for the railroad live here, Borszich said. The tracks of a switching yard cross the city and extend to its fringe. A brightly colored sign in front of this rail center enthusiastically declares, “We support the DM&E Project!”

“Enthusiasm was at an all-time high until a week ago” after the Federal Railroad Administration turned down the loan application Feb. 26, Borszich said.

Harvey Wollman, of Frankfort, north of Huron, was South Dakota’s governor in 1978-79. He estimates chances are “better than 50-50” the Powder River Basin project will happen.

“There are some people who say ‘well, they tried. But without the federal money, it’s not going to go.’ But the groups I’m most allied with, the greater Huron people, are positive about things. They really think there’s a chance we can do this.”

He said ongoing economic development, such as the turkey processing plant and Heartland Grain Fuels ethanol plant, and retail expansion stand on their own, but the DM&E project would be “this giant shot in the arm. There’s no question about that.”

He points to the financial commitments the railroad has gotten. “I hope this convinces the venture capital people this is a serious thing.”

Volesky, however, is waiting for the DM&E to deliver on its promise.

“It’s just another carrot in Huron. The unelected elite are just using it as another carrot, dangling it in front of people, convincing them the people in power are doing a great job.

“It’s kind of become something of a joke now around town. People I talk to are wounded emotionally. This was the big engine that was going to run the Huron economy for the next generation or two. Now it may not happen.

“Like everybody in Huron, I hope it does happen,” he said. But “I think everybody is a little soured on it now. It may be six months before they get their hopes up again.”

### **Brookings’ embrace of railroad less enthusiastic**

Perhaps as closely tied to the DM&E as Huron is Brookings, where the DM&E was formerly headquartered.

However, in Brookings, the relationship is more uneasy. The prospect of reconstructed track and increased coal traffic through town has been divisive in Brookings since the

Powder River Basin project was announced. Last November, voters rescinded an agreement between the city council and the railroad on enhanced safety features the DM&E would provide.

In response to that, Mayor Scott Munsterman, with council consent, appointed a nine-member advisory board to determine the city's short and long-term goals with regard to rail safety. About a dozen people volunteered to serve, and Munsterman solicited others, many of whom were reluctant to be on the board because the DM&E remains an emotionally charged issue in Brookings.

He knew the positions of about half the people on the board with regard to the railroad before he appointed them. "The other half I did not bother to ask."

His broad focus for the board is "to get the community on the same page and become more familiar with the issues," Munsterman said. He points to the reliance local industries such as Rainbow Play Systems, South Dakota Soybean Processors and area ethanol plants already have upon the DM&E.

"The fact is, we have increased traffic on the rail system now with ethanol and increased ag commodities coming across that rail. My position is, I see that continuing, coal or no coal."

Area industries that use the railroad employ about 500 people in Brookings. "The railroad is a business partner in our community and a very important one. We need to come to grips with understanding that as a community and learn how to work with that," Munsterman said.

He envisions that the advisory board will be in existence "maybe a decade or two. It certainly isn't a temporary thing in my mind."

### **Ag interests see benefits of project**

Agriculture groups along the line have been among the DM&E's greatest supporters. Among them is the South Dakota Farm Bureau, with headquarters in Huron. Mike Held, executive director, said, "The mood in town is 'full steam ahead. How can we help?'"

"A Class I railroad entering in Brookings County and leaving in Custer County cuts right through the heart of South Dakota. It would be huge for agriculture," he said, and offer legitimate competition to BNSF Railway, the state's lone Class I carrier. Held estimates 80 percent to 90 percent of Farm Bureau members statewide support the rail expansion, including farmers and ranchers whose land would be affected.

"If it isn't built, there will come a time when the western portion of the existing railroad will not be viable," Held says of the DM&E's aged, decrepit line West River. "You can't operate a 5- to 10-mile-per-hour railroad. Places like Wall, Philip and Midland will eventually have no rail service."

## **Residents hope to see railroad's revitalization**

Ron Sande remembers Huron as a railroad town before the DM&E. Beginning on the bridge and building crew just out of high school, he worked his way into the engineering department for the Chicago & North Western Railway in 1960 and spent 35 years with the railroad whose tracks ultimately became the core of the DM&E. He returned to Huron about 10 years ago when he retired.

Now he's an interested bystander as the DM&E tries to carry out its planned expansion.

"The powers that be around town have been pushing this pretty hot and heavy. The average schmo, they don't get too excited, you might say.

"I've always liked Huron. I've been in and out of it a lot over my life. It seems in recent years, it's become more of a retirement town than anything else since I've been back."

He has friends from his C&NW days who still are working with that railroad's successor, the DM&E.

"They don't have a lot to offer about what the future holds. But they pray it happens," Sande said.