



Upgrading the Dakota, Minnesota & Eastern Railroad

Summary

The United States today has entered an era in which the demand for rail service has outpaced the capacity of railroads. To address that need, the Dakota, Minnesota & Eastern Railroad (DM&E) plans to rebuild, upgrade and expand its mainline, creating the sixth Class I railroad in the United States.

Independent analyses agree that the project will create a safer railroad that benefits the region's farm economy and the more than 50 communities on the DM&E line. Economic studies verify that it will create more than 10,000 jobs. The U.S. Department of Agriculture (USDA) and the U.S. Department of Energy have endorsed the project because of the national benefits to agriculture producers and energy consumers. Both the federal Surface Transportation Board (STB) and the Federal Railroad Administration confirm that the upgrade plan will create a safer railroad.

The DM&E Upgrade will Boost the Region's Economy

The DM&E project will offer:

- Better service to today's shippers, such as ethanol plants and farmers.
- The addition of more than 100 million tons of rail capacity to the U.S. rail network, providing growth opportunities for agriculture and rail-served industries.
- More than 10,000 jobs to the local and regional economies, increased value to crops and reduced or stabilized energy costs to consumers.

The project's importance to the agriculture sector will be profound. In endorsing DM&E's application for a federal loan, the USDA concluded:

"The DM&E proposal would help ease rail capacity constraints in the Midwest caused by railroad industry consolidation and the loss of rail routes. ... USDA supports rehabilitation of DM&E because it will enhance the ability of agricultural producers in the Midwest to move their products more efficiently and at lower costs."¹

USDA also testified that the DM&E project would add up to 20 cents per bushel to the value of grains such as corn and wheat:

"Rebuilding the DM&E will lower transportation costs, creating new opportunities for mutually beneficial exchange, which will aid consumers and producers."²

¹ USDA letter to FRA Administrator, January 30, 2006.

² USDA Comments before the STB regarding the DM&E PRB Project, November 30, 1998.

DM&E's routes serve:

- 6 ethanol plants, 2 other plants under construction, and 10 announced for a total annual production capacity of one billion gallons of ethanol.
- 2 biodiesel plants under construction, and an additional 3 biodiesel plants announced.
- 3 flour mills, 6 soybean processing plants.
- Origination of over 200 million bushels of grain annually--moving the equivalent of 237,000 trucks.

Providing Consumers Greater Access to Clean, Low-Emission Coal

The DM&E extension and upgrade will also benefit consumers and businesses by expanding the ability to ship low-sulfur coal from the Powder River Basin (PRB) in Wyoming, which represents nearly half of the country's clean, low-emission coal reserves.

Today, in an era when energy shortages and high prices are front-page news, only one rail line serves this vital national resource. In fact, the two railroads that currently serve the Powder River Basin have publicly acknowledged they cannot meet consumer demands for the low-sulfur coal.

Consumers suffer because of the Powder River Basin bottleneck. For example, in testimony before the U.S. Senate, the CEO of the National Rural Electric Cooperative Association stated that the lack of freight trains serving the Powder River Basin is costing consumers an additional \$2.6 billion a year in higher energy costs because of missed shipments alone. This does not take into account the higher costs resulting from the skyrocketing rail rate increases for coal that is being moved.

Improved infrastructure is critical to providing American energy independence, and allows Americans to make energy choices. DM&E's expansion will help ease the energy shortages and high energy prices – and help meet consumer demand for electricity at lower prices.

Modernizing and Upgrading the DM&E system will Improve Rail Safety

Safety is the top priority of the DM&E Railroad, and a primary purpose and need of the rail upgrade. DM&E's rehabilitation project will correct decades of deferred maintenance that resulted from attempts by previous owners to abandon the track. The upgrade will replace 80-year-old track and signaling systems with continuous welded rail that is quieter and will greatly reduce the risk of train accidents.

After examining the project plans, the federal Surface Transportation Board (STB) and the Federal Railroad Administration said the upgrades will make the railroad safer. This finding was later upheld by the Eighth Circuit Court of Appeals, which stated in its opinion:

"[T]he Surface Transportation Board explained that the proposed project would actually increase safety because it entailed system-wide improvements to existing track."³

³ 8th Circuit Court of Appeals Decision in Mid States Coalition for Progress v. STB 2003

DM&E Has Offered to Address Rochester Concerns

Following an eight-year Environmental Impact Statement process, the STB gave regulatory approval for the DM&E to proceed on the rail upgrade project. As a part of the effort, the DM&E has reached agreements with 55 of 56 cities along the route to address impacts of the expansion, including traffic control, whistle noise and other local issues. Additionally, the railroad has voluntarily agreed to comply with 147 regulations addressing safety, noise, emergency response plans, and strict environmental protections.

DM&E maintains an offer to negotiate openly to address Rochester's concerns. Unfortunately, Rochester refuses to engage in a public dialogue with the railroad, and instead prefers a public monologue to criticize the railroad without being accountable for its claims. Despite Rochester leaders' opposition, DM&E has offered additional mitigation for the Rochester area. This includes the following improvements, among others:

- **Improving Traffic Flows.** The upgrade project itself will improve traffic flows in Rochester due to improved train traffic fluidity and reduced time for blocked crossings. In addition, DM&E has offered to pay all expenses to build 2 grade separation structures. Rochester rejected it. STB ordered DM&E to negotiate for up to a maximum of 10 percent of the costs for two grade separations.
- **Eliminating Whistle Noise.** DM&E has offered to upgrade signals and improve rail crossings and make Rochester "whistle free," thus safely eliminating train whistle noise. Rochester rejected it. The STB required no significant crossing upgrades.
- **Additional Fencing.** DM&E has offered to place unlimited fencing along its Rochester properties wherever Rochester directed. Rochester rejected it. The STB ordered very limited, partial fencing.
- **Save the Bike Path.** DM&E offered to relocate the existing bike path and build an underpass so that it would not require an at-grade crossing. These improvements are necessary to preserve the bike path. Rochester rejected it. STB ordered nothing.