

Wisconsin Freight Advisory Committee (FAC)

Meeting Minutes from Wednesday, January 19, 2021

9:00 a.m. to 12:30 p.m., Virtually held via Zoom from Madison, Wisconsin

FAC Members/Proxies/Guests Present: Unknown, other than speakers. Attendance not taken.

Wisconsin Department of Transportation (WisDOT) Members Present: Unknown, other than speakers.

- **Welcome (9:00 a.m.)**

- Joe Nestler, Administrator, Division of Transportation Investment Management (DTIM)

Key point:

- Input from the FAC helped the development of the State Freight Plan; that plan allows the state to receive an additional \$20 million per year in federal transportation funding.

- **Opening Remarks (9:05 a.m.)**

- Craig Thompson, WisDOT Secretary

Key points:

- WisDOT took many steps to support the freight sector, including keeping our rest areas open for truckers, with increased cleaning schedules.
- Trends that were already underway have been accelerated, which raises the question – what is the ‘new normal?’
- Through the pandemic, WisDOT was able to keep its projects on schedule.

- **Recap of the November 2019 (10th) FAC Meeting, WisDOT Update, and New Member introductions (9:15 a.m.)**

- Chuck Wade, WisDOT DTIM, Bureau of Planning and Economic Development (BPED) Director

Key points:

- All of the freight assistance programs – HAP, FRIIP, FRPP, TEA, SIB – were active through the 2020-21 year.
- WisDOT has also been working with the federal Economic Development Administration on opportunities to collaborate on projects and has supported WEDC on their Rural Prosperity Office efforts.
- WisDOT has also coordinated on research and data-sharing with the Mid-America Freight Coalition on studies that support freight improvements, including the Truck Parking Information Management System.
- The FAC has two new member appointments: Adam Tindall-Schlicht as representative of the Wisconsin Commercial Ports Association (WCPA); David Bizot as the new representative for the Wisconsin DNR.

- **Voices of Wisconsin’s Freight-Related Industries (9:25 a.m.)**

- Adam Tindall-Schlicht, Wisconsin Commercial Ports Association
- Larry Krueger, Lake States Lumber Association
- Jason Culotta, Midwest Food Products Association

Key points:

- Adam Tindall-Schlicht:
 - Wisconsin has over 1,000 miles of waterfront, with 7 deep water ports that move up to 42 million tons of freight annually. Currently, the system has \$3.5 billion in federal relief needs
 - There is also a backlog of freight and non-freight projects at the state's ports; of the applicants who send statements of intent to WisDOT for the Harbor Assistance Program (HAP), 35 percent are funded – meaning 65 percent are not funded.
 - Will request to increase the funding level of HAP from \$30 million/year to \$50 million per year; to work with the U.S. Army Corps of Engineering on the Harbor Maintenance Tax, and to continue to promote the importance of federal investment in the Soo Locks, especially for Superior.
- Larry Krueger
 - The wood products sector accounts for 13 percent of state employment.
 - Tariffs with China cut off a major market for timber exports.
 - The closing of the Verso mill in Wisconsin Rapids took away 25% of the state's pulpwood market.
 - The New Richmond intermodal terminal will help some wood products exporters, but the eastern part of the state is poorly served – this also affects manufacturing and food production sectors.
- Jason Culotta
 - Tight capacity in the truck market is expected well into 2021, and this is putting pressure on costs.
 - FMCSA is piloting a program to allow some 18- to 20-year-olds to be commercial truck drivers. More young drivers, female drivers, and minority drivers are needed.
 - COVID led to many truck driving schools to close, which stopped most new entries to the profession.
 - WSOR rail service has been important to many food production facilities.
 - Intermodal container import volumes are setting record highs.

• **Intermodal Updates (9:45 a.m.)**

Key Points:

o Dave Leucinger, WisDOT DTIM-BPED

- The Intermodal Report has been published, with the survey showing interest from shippers in the eastern part of the state.

o Rich Kedzior, WisDOT DTIM-Rails and Harbors

- The legislature dedicated up to \$1.5 million in FRIIP funds to support intermodal efforts.
- Two groups are working on next-step studies. The East Central Wisconsin RPC, in cooperation with New North, is working on one study that is expected to conclude in late summer or early fall. The North Central Wisconsin RPC is hoping to kick off its study in spring 2021.

- CN will be opening its combined AutoPort/Intermodal terminal in New Richmond in spring, while UP has opened a boutique intermodal terminal in Minneapolis for containers to and from Los Angeles.
- The UP Minneapolis terminal will give more options for western Wisconsin. The existing terminal at Chippewa Falls and Duluth don't serve southern California.

- **Northwoods Rail Lines (10:00 a.m.)**

- o Lisa Stern, Chief, WisDOT DTIM-Rails and Harbors

- o Rich Kedzior, WisDOT DTIM-Rails and Harbors

- In early 2020, WisDOT brought together a team of rail industry consultants to evaluate the out-of-service lines in Northern Wisconsin to determine their potential. One spur line to Ashland has been out of service since storm damage in 2016.
- The project goal was to support shippers in the region, especially forest resource industries, and to support private investment for these rail lines.
- The consultants concluded the only viable alternative was a larger, connected system that included the out-of-service lines with active service lines.
- In the summer of 2020, CN announced it was planning to divest these lines (and active lines) – a total of 625 miles across northern WI.
- CN has been talking to potential operators and has kept those discussions confidential.
- Henry Schienebeck asked about the timetable for CN's RFP. Rich Kedzior said the process should be concluded within 12 to 18 months. CN has reduced its pool of candidates from 20 to between three and five. Secretary Thompson added that WisDOT is trying to have the private sector act first; this area of the state is a priority. The rail lines of northern Wisconsin have been a topic for a long time; this move by CN is a real opportunity.
- The question was raised – did WisDOT's Intermodal Study contribute to CN's New Richmond project? The response was that spotlighting intermodal freight in the state may have had a trickle-down effect, including the economic importance of rail intermodal.
- A question asked if the CN sale of the northern WI lines could help drive intermodal freight opportunities in northeastern WI. WisDOT replied that decision would be driven by the New North and ECWRPC efforts, as well as the number of containers and the balance of container movement along traffic lanes.
- A questioner asked why CN would sell the lines if they were still profitable – or why another company would buy them if they were not profitable. WisDOT replied that the state believes the lines can be viable and profitable with improvements, but that those investments aren't part of CN's business model. A regional/short line rail operation would bring more of a 'retail focus' to the lines; that's what is needed. For Class I lines like CN, operating costs are much higher.

- **Rural Prosperity Initiative (10:25 a.m.)**

- o Kelliann Blazek, Director, Wisconsin Economic Development Corporation (WEDC) Office of Rural Prosperity

Key points:

- The Office of Rural Prosperity (ORP) is part of a critical focus for WEDC to identify what is needed across rural Wisconsin for it to be economically competitive.
- ORP conducted an intensive outreach effort, with commissioner oversight, to identify needs and opportunities in rural Wisconsin. More than 500 contacts were made in preparation of a final report.
- The report found there is no one definition of 'rural' that covers the state – there are forestry and wood products areas as well as food production areas.
- The report noted needs for more broadband access and affordable housing in rural areas, and did identify support for WisDOT roads and bridges.

• **COVID-19 Impacts on Freight Mobility - Panel Presentation and Discussion (10:45 a.m.)**

o Moderator: Dean Prestegaard, Chief, WisDOT DTIM-BPED-Economic Development

o Panel Members:

Steve Rose, Redwood Logistics

Jim Best, Pilot Air Freight

Mark Oesterle, Federal Motor Carrier Safety Administration

Sandi Siegel, M.E. Dey & Co.

Key Points:

- Steve Rose:
 - o Technology has been used extensively for improving internal and external visibility, including connecting enterprise resource planning (ERP) with transportation management systems (TMS) for actions such as invoice integration, planning equipment and staff availability for anticipated demand, and other digital freight matching processes.
 - o 2020 was a banner year for digital freight brokerage; 2021 looks positive with some key sectors (automotive) working to re-optimize their distribution networks.
- Jim Best:
 - o Air cargo had a volatile 2020 with capacity falling 30% globally from fewer commercial flights; market demand also fell then rose rapidly until no available space remained. Surcharges have been routine. On-time service has fallen.
 - o When Southwest Air reduced its air traffic by 40 percent from Milwaukee, it also reduced the available air freight capacity from Milwaukee by 40 percent.
 - o Choices will remain limited, but shippers should not seek to bundle or use single-source transportation.
 - o Private equity firms have money to invest in logistics. Look for consolidations in 2021.
 - o Accessorial fees and spot pricing are not temporary.
 - o Cyber attacks hit the industry in 2020 – Forward Air was directly targeted, but all companies were affected. Know what your partners are doing to secure their digital operations
 - o Driver shortages will remain – with marijuana legalization, many potential drivers can't pass initial screening.

- Mark Oesterle:
 - FMCSA has issued several emergency declarations during 2020 and beyond to allow more deliveries. These cover food and fuel (as well as other critical items).
 - FMCSA has had great, regular Zoom meetings with WisDOT's DSP, Motor Carrier Services, and the WMCA to aid in coordination.
 - Major regulatory changes also happened, including new hours-of-service rules and improved cross-checking of records on drug and alcohol clearance.
- Sandi Siegel:
 - Pre-COVID, trade was down from 2018's trade wars - the system was disrupted
 - Once COVID hit, vessel companies reduced cargo capacity – 80 active vessels were removed in February-April of 2020 in expectation of low demand.
 - This created a shortage of empty containers for US exporters, especially refrigerated units, as the rhythm of overseas traffic was disrupted.
 - Then demand shot up in the third and fourth quarters and there was no available capacity.
 - Among the odd quirks: Air freight shipment prices were not even confirmed until the cargo was loaded; also, low negotiated rate holders got bumped as spot rates shot up; new and creative premiums included \$2,500 - \$3,000 for guaranteed space.
 - Total shipping costs for one container have gone from \$3,000 in January 2020 to over \$8,000 a year later.
 - Port staffing fell, as did Customs & Border Protection and FDA staffs. This further delayed container movement.
 - Pricing will stay high in 2021 due to equipment shortages. There will likely not be any tariff relief, and trucking shortages for drayage/last mile will also mean higher costs.
 - Unpredictability is the operative word. Steel and aluminum tariffs with Canada have been on and off for months. Pricing for Chinese tariffs has increased office time spent tracking rules.

- **Connect 2050 Update (11:45 a.m.)**

- Alex Gramovot, WisDOT DTIM-BPED

- Key Points:

- Pre-Draft Plan Public Involvement has been completed; 2,235 survey responses were submitted, with 2,189 comments.
 - A website is active with a virtual open house meeting.
 - One tool we used was a funding exercise – if you had \$100, how would you split it? The five categories were all about even – Quality of Life first, followed by Safety/Security and Economic Vitality, then System Integration and Connectivity and System Management.
 - Among the areas receiving the greatest number of comments: roadway maintenance, alternatives to driving, rail investment, and access for everyone.

- **Wisconsin Rail Plan 2050 Update (12:05 p.m.)**

- Diane Paoni, WisDOT DTIM-BPED

- Key Points:

- The State Rail Plan is being refreshed to include new FRA guidance elements.

- A survey will remain open until January 22.

- **State Freight Plan Update (12:25 p.m.)**

- Shaun Destrampe, WisDOT DTIM-BPED

- Key Point:

- The State Freight Plan will be the next plan scheduled for an update, which is due in late 2022.

- **Closing Remarks (12:30 p.m.)**

- Joe Nestler, WisDOT DTIM Administrator

Joe Nestler briefly thanked the panelists and the FAC members for attending and noted the importance of their participation. WisDOT has pledged to listen.