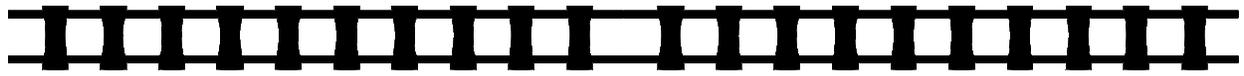


Sauk County Rail Economic Impact Report



Developed in July 2017 by Jennifer Erickson, University of Wisconsin -Extension and Dr. Steve Deller, University of Wisconsin-Extension and University of Wisconsin-Madison

Introduction

The University of Wisconsin-Extension (UWEX) in Sauk County has collaborated with the Pink Lady Rail Transit Commission (PLRTC) to conduct periodic surveys of rail users on the Merrimac to Reedsburg line (26 miles) since 1988. The purpose of this effort is to track rail usage and assess the economic impact of the rail line to Sauk County's economy.

Over the years, this partnership has produced significant impacts. Previous reports have helped prevent the Chicago & North Western Railway's rail abandonment in the 1990s. This work also influenced the State of Wisconsin's decision to purchase the Madison to Reedsburg rail line in 2014.

In 2016 the Pink Lady Rail Transit Commission requested that UWEX conduct a five-year follow up to their 2010 study.

Methodology

Wisconsin & Southern Railroad (WSOR), a subsidiary of WATCO Companies, LLC serves as the operator for the line, and they identified the following rail users along the Merrimac to Reedsburg line:

- Flambeau, Inc.
- Hanke Terminals which handles rail service for AAM Casting
- Hartje Lumber, Inc.
- LSC Communications
- Meister Log & Lumber, Reedsburg/Midwest Hardwoods Corporation
- Milestone Materials
- Primex Plastics Corporation
- Seneca Foods Corporation
- Teel Plastics, Inc.
- United Cooperative (Reedsburg and Rock Springs)

UWEX developed an online survey and distributed it to rail users on the Merrimac to Reedsburg line. The survey asked a series of questions related to their rail usage in 2015. Seneca Foods Corporation was the only rail user that did not complete at least a portion of the survey.

Results

Rail Usage

In 2015 3,670 rail car loads were either shipped or received by facilities on the line. This is a 396% increase from 1988 and a 45% increase from 2009 (Table 1). It is important to note that the 1988 and 1990 rail car usage numbers originated from a UWEX survey of rail users while the 2009 and 2015 numbers were provided by WSOR and include data from all the rail users (not just those that completed the survey).

Table 1. Rail Usage on the Merrimac to Reedsburg Line from 1988 to 2015

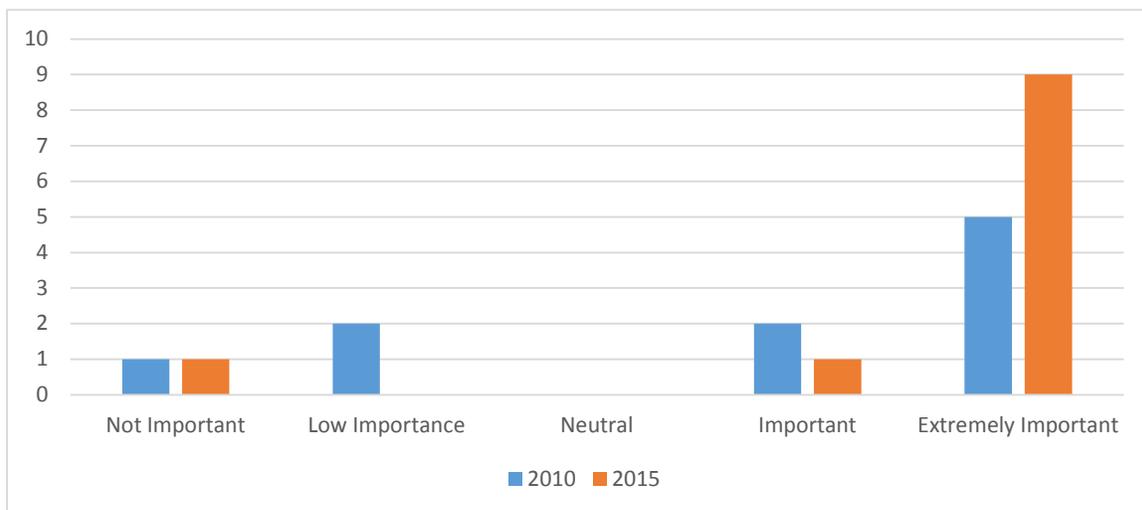
	1988	1990	2009	2015
Number of rail cars shipped or received	739	576	2,539*	3670
Number of rail users	14	12	14*	14

*These figures includes the rail line through Spring Green serving Frontier FS (about 10-12 loads).

Importance of Rail to Business

As part of both the 2010 and 2015 surveys, rail users were asked to rate how important rail was to their business (Figure 1). In 2015 ten (91%) of the rail users indicated that rail was important or extremely important to their business as opposed to 70% in 2010.

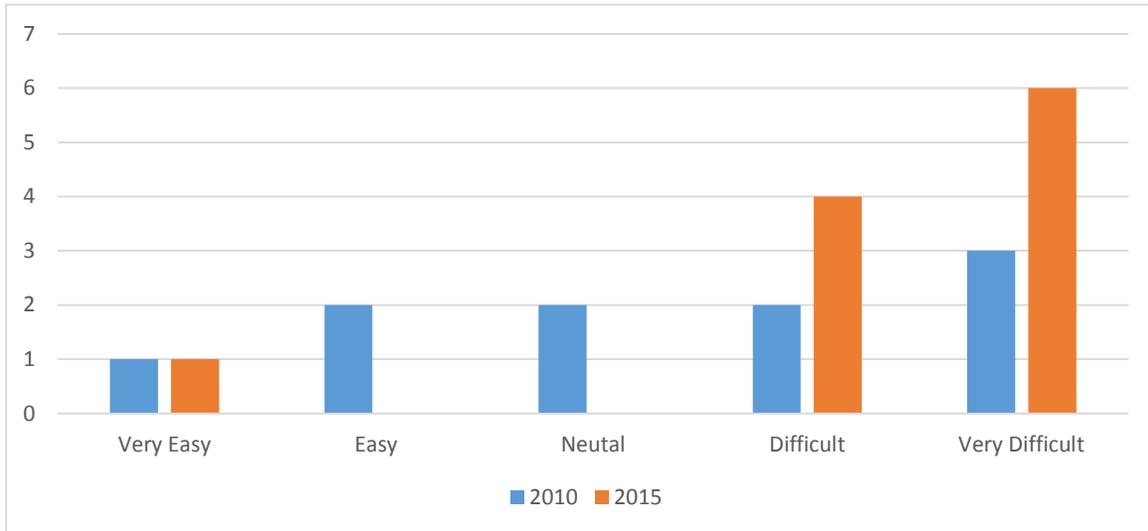
Figure 1. Importance of Rail to Business in 2010 and 2015



Difficulty to Shift from Rail to Truck

In 2010 and 2015 rail users were asked to rate how difficult it would be for their business to shift from rail to truck (Figure 2). In 2015 ten (91%) of the rail users indicated that it would be difficult or very difficult to shift from rail to truck as opposed to 50% in 2010.

Figure 2. Difficulty to shift from rail to truck in 2010 and 2015



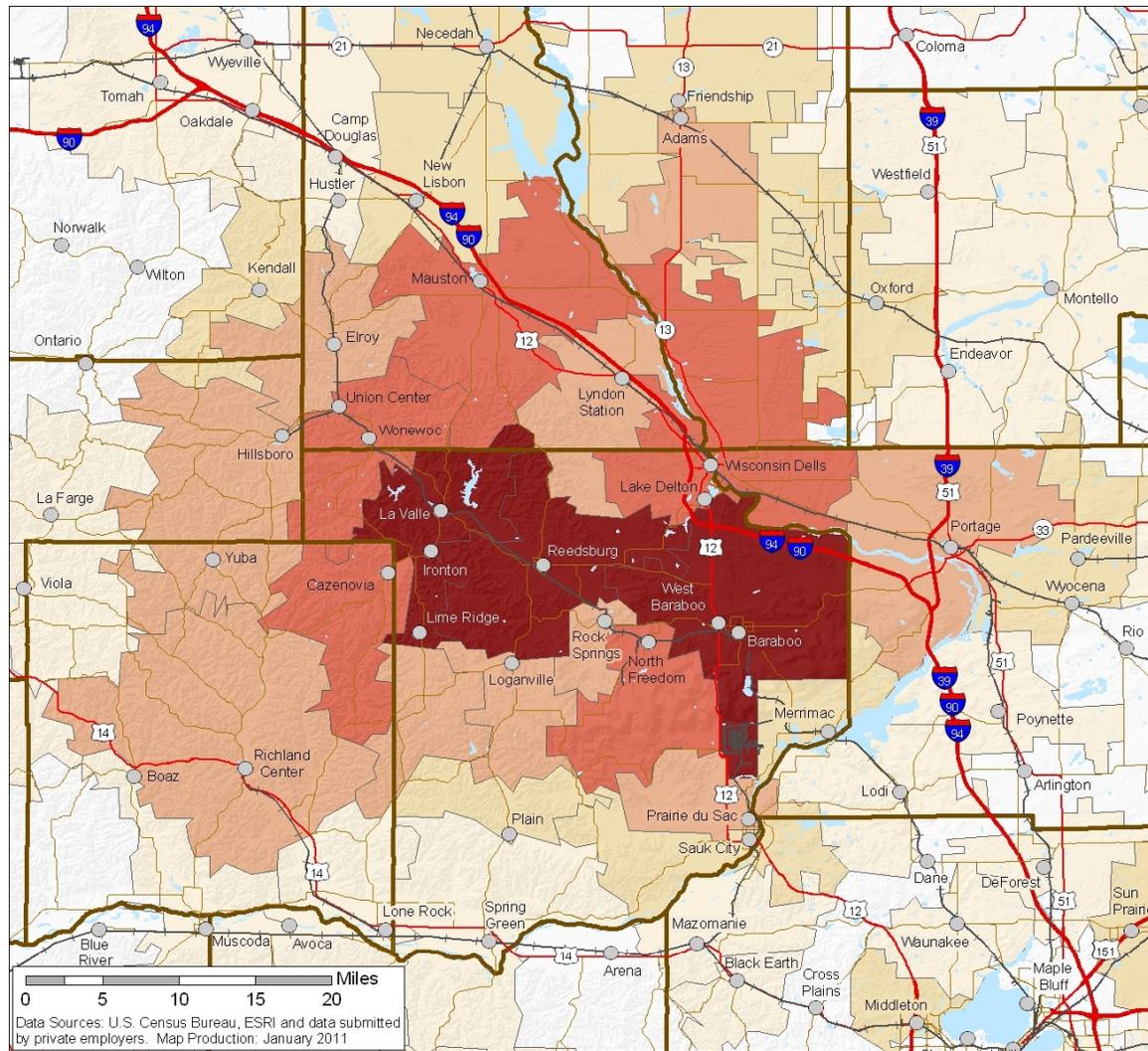
Rail users remarked on the impact of shifting from rail to truck on their transportation and labor costs. The following are a few examples of their comments:

- “It would cost an additional \$20/ton in freight or increase our costs by \$160,000.”
- “Annual freight costs would increase by \$1.3 million.”
- “We wouldn't be as competitive. We would see a drop of 10-15% in business at least.”
- “Total volume and timeliness could be a problem. We utilize a high amount of raw material, and the ability for trucks to provide the same amount of shipments would be problematic.”
- “In 2015 we did an analysis which put this figure at a little over \$1 million.”
- “We would spend four times more in freight.”

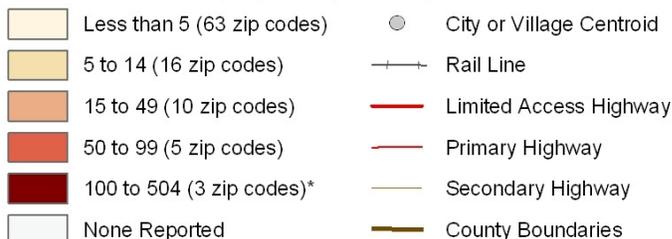
Regional Impact of Rail Users

In 2010 all rail users except Flambeau, Inc. provided home zip codes for full and part-time employees. The number of employees for each zip code was mapped using Geographic Information System (Figure 4). The 2015 zip code data collected was not as robust. However, significant changes in the zip code data over the five-year period is unlikely. It was estimated that 84% of the rail users' workforce live in Sauk County.

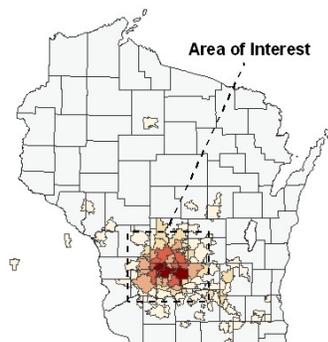
Figure 4. Home Zip Codes for Rail User Employees



Number of Workers by Zip Code (n = 1,911)



*Top Three Zip Codes:
 53959 (Reedsburg) = 504 Workers
 53913 (Baraboo) = 483 Workers
 53941 (La Valle) = 110 Workers



Economic Impact Analysis Model Assumptions

Using an input-output modeling method detailed models of local (county) economies can be constructed and analyzed. In order to conduct an IMPLAN® economic impact analysis for the rail line, basic assumptions were developed. The model assumes that if the Merrimac to Reedsburg rail line ceased to exist some of the rail users would definitely not continue to operate (definitely leave Sauk County), some might not continue to operate (maybe leave Sauk County), and others that do not rely heavily on rail would continue to operate as they are currently. For most rail users, rail is either vitally important or not important; therefore, most businesses will either definitely leave or definitely stay in Sauk County if the rail ceased to exist. In other words, the results of the worst case scenario (definitely leave plus maybe leave) are not much different than the conservative scenario (definitely leave). For the purposes of this analysis only the worst case scenario was reported.

Economic Impact of the Sauk County Rail Line

The analysis utilizes IMPLAN® (IMpact analysis for PLANning) software developed by MIG, Inc. IMPLAN® is a regional economic modeling and impact assessment program. There are four metrics of economic activity: jobs, labor income, total income and industry sales, but this analysis only focuses on the number of jobs and labor income. Labor income includes wages, salaries and proprietor income. The analysis also includes estimates of state and local sales and property tax revenues.

The analysis includes multiplier effects specific to Sauk County. Multiplier effects are based on the idea that employment of one person causes ripple effects resulting from this person's consumption of retail, real estate and other goods in the economy. The multiplier is composed of three parts: direct, indirect and induced. The three add up to the total impact. The direct are the businesses that may leave if the rail ceases to exist. The indirect is the business-to-business transactions, and the induced is related to labor spending wages or income in the local economy.

In the late 1980s the rail line serving northern Sauk County was in crisis. The Chicago & Northwestern Railroad was trying to abandon part of the line. Service was once a week. The businesses that used the line considered it important, but it was not dependable. Car usage was declining and even in the 1980s there was concern for the condition of the Merrimac Bridge. Things took a dramatic turn when the Wisconsin & Southern Railroad leased the line and began providing strong customer focused service. Delivery and pick-up became daily events. Customers trusted the reliability of service and rail use has increased dramatically.

With the purchase of the line by the State of Wisconsin and its commitment to begin a major rebuilding of the Merrimac Bridge starting in 2017, customers are confident that the line will provide reliable service in the future and are investing accordingly. The importance of the line to the local economy is critical. I believe that this line will continue to provide strong opportunity for economic growth for our area and its future is now secure and stable for decades to come.

Alan Anderson, Chair
Pink Lady Rail Transit Commission

Economic Impact of the Merrimac to Reedsburg Rail Line to Sauk County

Employment and Labor Income

In 2015 3,226 full and/or part-time jobs would be lost if the rail ceased to exist (Table 2). It was estimated that this is roughly 7% of the total employment in Sauk County. The employment loss increased 9% between 2010 and 2015. Also \$186 million in labor income would be lost, which is roughly 9% of the total labor income for Sauk County, and a 15% increase since 2010.

The analysis results were adjusted to reflect only the impacts associated with the estimated 84% of rail users' employees that live in Sauk County. It is important to note that 2015 labor data was not available from Seneca Foods Corporation or AAM Casting so their 2010 data was included in the 2015 calculations.

Table 2. The economic impact on employment and labor income as a result of businesses that would leave if rail ceased to exist.

	Employment Loss 2010	Employment Loss 2015	Labor Income Loss 2010	Labor Income Loss 2015
Direct Effect:	1,672	1,783	\$111 Million	\$126 Million
Indirect Effect: (business to business transactions)	576	645	\$27 Million	\$31 Million
Induced Effect: (labor spending in the local economy)	724	798	\$24 Million	\$29 Million
Total	2,972	3,226	\$162 Million	\$186 Million

Sales and Property Taxes

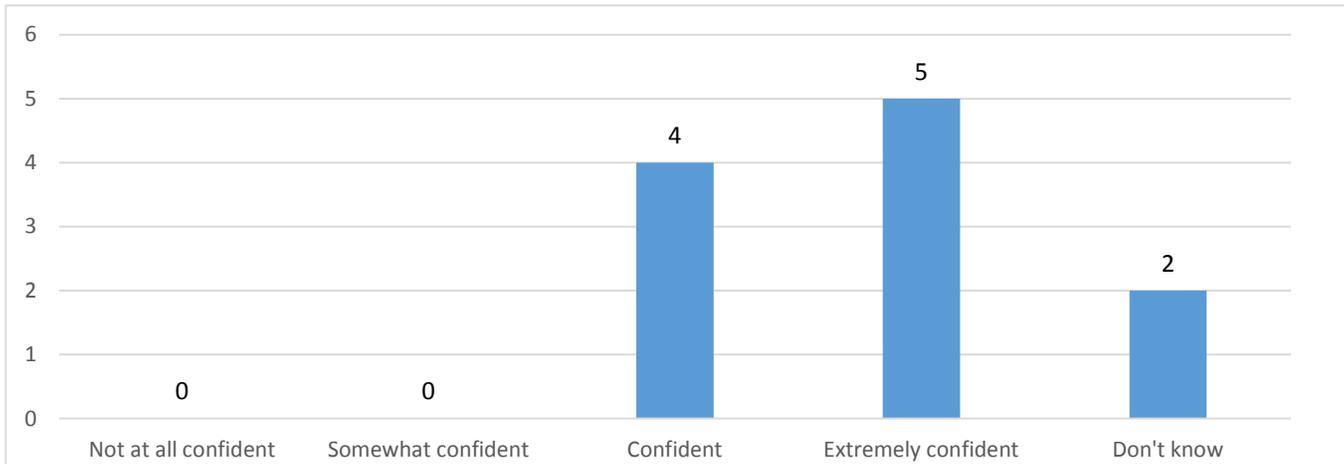
Rail users, local suppliers, and their employees contribute to state and local taxes. Table 3 shows the sales and property taxes lost if the Sauk County rail line ceased to exist. The sales tax loss increased 30% between 2010 and 2015, and the property tax loss increased 26% in that same period. To put these numbers in perspective the property tax loss in 2015 is roughly 5.9% of the total property taxes collected in Sauk County. Again, these numbers were adjusted to reflect only the impacts associated with the estimated 84% of rail user employees that live in Sauk County.

Table 3. State and local government revenue loss estimates if the rail ceased to exist.

	2010	2015
Sales Tax Loss (from businesses and employees)	\$4.3 million (5.4% of total sales tax collected)	\$5.6 million (6.0% of total sales tax collected)
Property Tax Loss (from businesses and employees)	\$5.7 million (4.6% of total property taxes collected)	\$7.2 million (5.9% of total property taxes collected)

Confidence in Long-Term Rail Viability

Rail users were asked how confident they would be in the long-term viability of the rail line if the Merrimac Railroad Bridge was updated to 286,000 lb. standards (extending the life of the bridge another 40 years). Nine (81%) of the rail users indicated they would be confident or extremely confident in the long-term viability of the line with the upgrade.



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