

Sauk County Rail Economic Impact Analysis



Introduction

Recently the State of Wisconsin and Wisconsin Southern Railroad (WSOR) initiated negotiations with Union Pacific Corporation to purchase the Madison to Reedsburg rail line, which in Sauk County includes the 22 mile section from Merrimac to Reedsburg. If the State purchases the rail line, they would be responsible for 100% of the cost of the land and 80% of the costs of the rail infrastructure. The remaining 20% could be paid for by a combination of county, municipal, private industry and federal resources.

The Sauk County University of Wisconsin-Extension (UWEX) and the Sauk County Development Corporation (SCDC) partnered to develop an economic impact analysis for rail line. The purpose of the analysis is to provide information to local entities for future planning purposes.

The analysis utilizes IMPLAN® (IMPact analysis for PLANning) 2008 data and software developed by MIG, Inc. IMPLAN® is a regional economic modeling and impact assessment program. Using an input-output modeling method, detailed models of local (county) economies can be constructed and analyzed.

Methodology

The following rail users along the Merrimac to Reedsburg line (identified by WSOR) were interviewed:

Flambeau, Inc.
Grede Foundries Inc.
Hartje Lumber, Inc.
Loeb-Lorman Recycling Corporation
Midwest Hardwood Corporation
Primex Plastics Corporation
R.R. Donnelley and Sons Company
Seneca Foods Corporation
Senger Lumber, Inc.
United Cooperative (Reedsburg and Rock Springs)

Fred Weber, Inc. (Rock Springs Quarry) could not be reached.

Produced in March 2011 by:

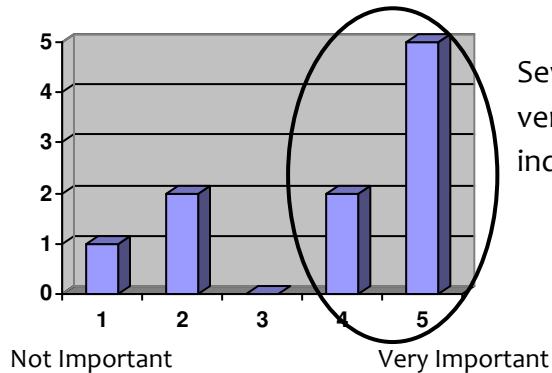
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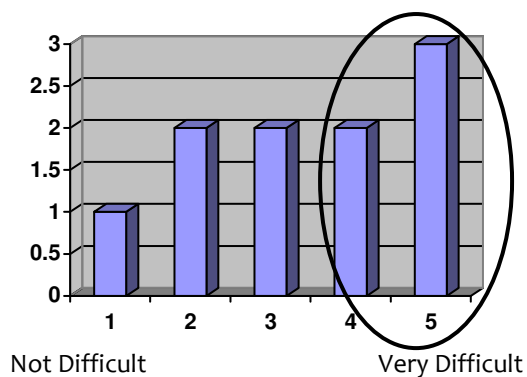
Survey Results

1.) Importance of rail to business



Seven (70%) of the rail users indicated rail was important or very important to their business (circled) and three (30%) indicated that it was not important.

2.) Difficulty to shift from rail to truck



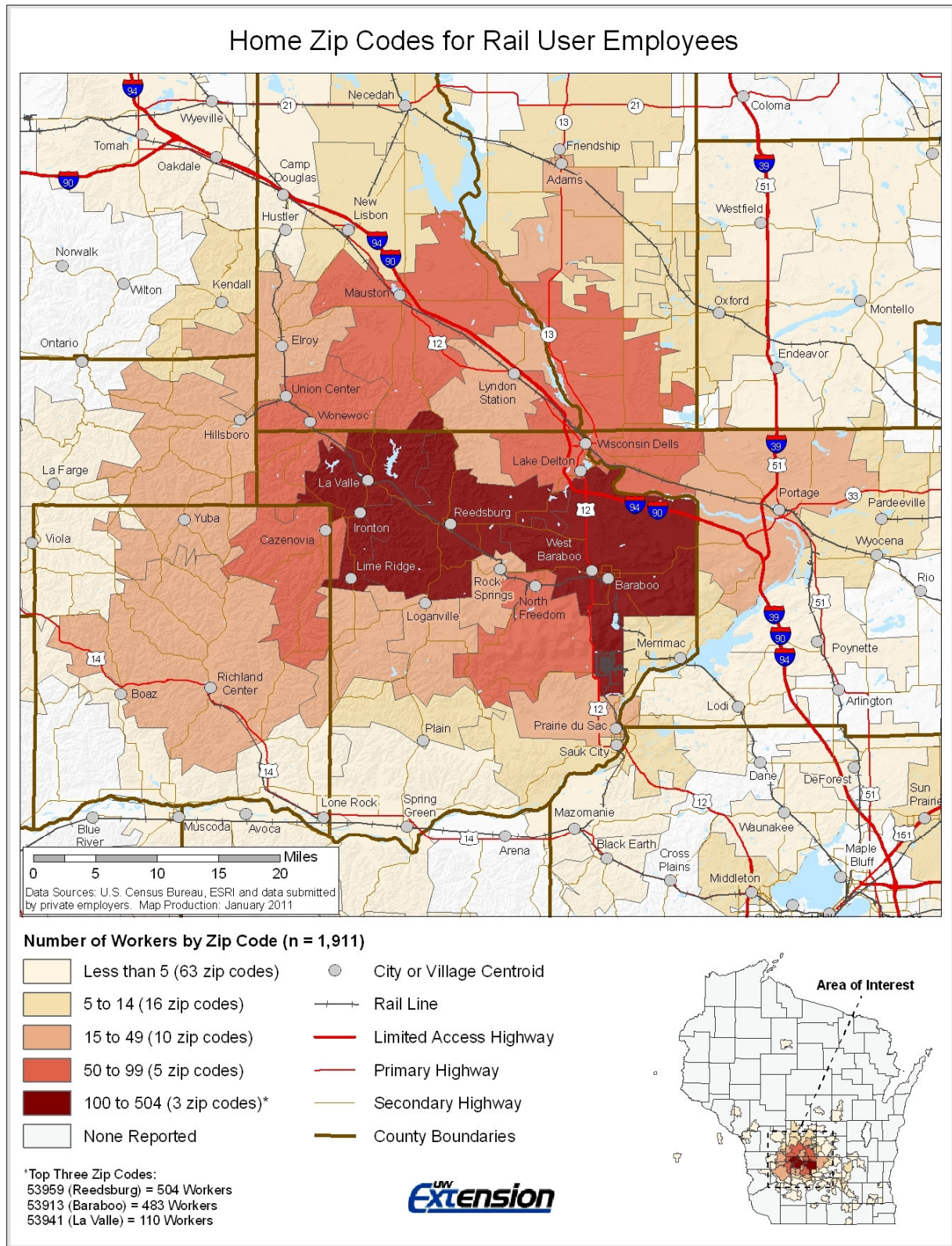
Five (50%) of the rail users indicated that it would be difficult or very difficult to shift from rail to truck (circled) and 3 (30%) indicated that it would not be difficult. Most businesses that utilized rail heavily shipped most material in by rail and out by truck.

Rail users were asked to comment on the impact of shifting from rail to truck on their transportation and labor costs. Three businesses said they would not be affected. The following are a few of the other comments:

- *“It would raise costs significantly \$300,000-\$400,000/year”*
- *“Continuous bulk trucks would be needed. Additional staff (\$500,000/year) to unload trucks manually”*
- *“Currently no room for trucks would have to change city’s infrastructure”*
- *“Four truck loads to every rail car so fourfold increase in delivery cost”*
- *“It would increase costs 15-20%, but we are physically able to convert to truck.”*

3.) Regional Impact of Rail Users

Figure 2.) 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 (GIS). It was estimated that 84% of the rail user's workforce live in Sauk County.



Economic Impact Analysis Model Assumptions

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.

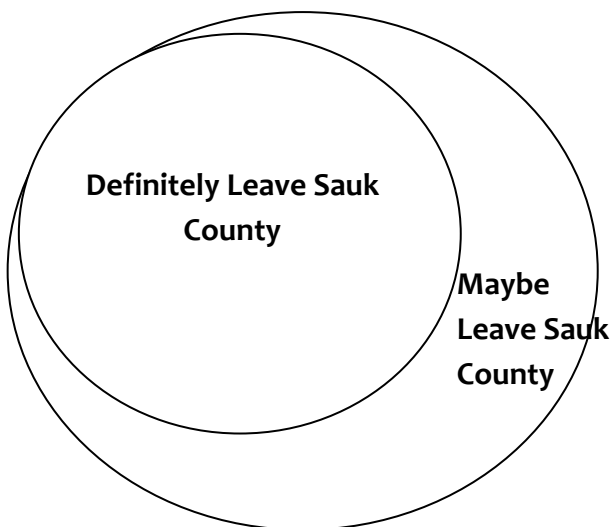


Figure 1.): Economic Impact Analysis Model Assumptions

Figure 1.) Rail users were grouped into two scenarios based on their responses to questions one and two for the economic impact analysis.

1.) **Conservative Scenario:**

Definitely Leave Sauk County: Rail users that indicated that rail was important or very important to their business AND it would be difficult or very difficult to switch from rail to truck. These rail users are circled on the graphs for questions one and two.

2.) **Worst Case Scenario:**

Includes the Definitely Leave Sauk County listed in the first scenario PLUS the Maybe Leave Sauk County: Rail users that were less certain how they would adjust to the loss of rail were included in the maybe leave Sauk County. For example, rail users that indicated rail was very important to their business, but could easily transfer to truck.

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

This analysis utilizes the 2008 IMPLAN® database. 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 or may not leave if the rail ceases to exist. The indirect is the business-to-business transactions, and the induced is tied to labor spending wages or income in the local economy.

The analysis results have been adjusted to reflect only the impacts associated with the 84% of rail user employees that live in Sauk County.

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

Table 1.) Assuming the conservative scenario, 2,753 full and/or part time jobs would be lost along with \$152 million in labor income in Sauk County.

Table 1.) Conservative Scenario: The impact on employment and labor income as a result of the businesses that would “definitely leave Sauk County” if rail ceased to exist.		
Impact Type	Employment Loss (full and part time)	Labor Income Loss
Direct Effect	1,525	\$103,459,174
Indirect Effect (business to business transactions)	548	\$26,182,010
Inducted Effect (labor spending in the local economy)	680	\$22,636,773
Total Effect	2,753	\$152,277,957

Table 2.) Assuming the worst case scenario, 2,972 full and/or part time jobs would be lost along with \$162 million in labor income in Sauk County. 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 are not much different than the conservative scenario.

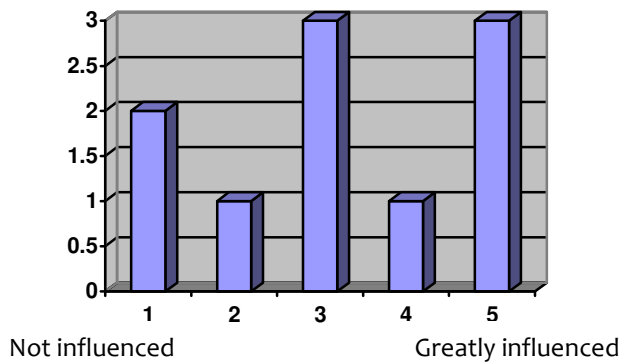
Table 2.) Worst Case Scenario: The economic impact on employment and labor income as a result of businesses that would “definitely leave Sauk County” AND “maybe leave Sauk County” if rail ceased to exist.		
Impact Type	Employment Loss (full and part time)	Labor Income Loss
Direct Effect	1,672	\$110,556,238
Indirect Effect (business to business transactions)	576	\$27,458,032
Inducted Effect (labor spending in the local economy)	724	\$24,094,735
Total Effect	2,972	\$162,109,005

Table 3.) 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.

Table 3.) State and local government revenue loss estimates if the rail ceased to exist.		
	Definitely Leave Sauk County	Definitely Leave AND Maybe Leave Sauk County
Sales Tax Loss (from businesses and employees)	\$4,098,553	\$4,345,062
Property Tax Loss (from businesses and employees)	\$5,417,402	\$5,743,541

Rail Uncertainty

Rail users were asked how the current uncertainty regarding the long term future of the Madison to Reedsburg line influenced their business’s investment and expansion decision in Sauk County.



Additional Comments:

- “All competitors have access to rail.”
- “Haven't considered the future without rail.”
- “The loss of rail would place a major portion of the supply chain at risk.”
- “We are not currently considering any new investments in the future.”
- “Growth would not occur here without rail.”
- "No service is not an option."
- “As the price of fuel increases rail becomes even more economical.”



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