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rail POTENTIAL

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Planning Organization*



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A proposed rail loading facility in Des Moines would provide new shipping options for Central Iowa businesses

BY JOE GARDYASZ

Moving goods in and out of Des Moines by rail soon could become easier and less costly.

By late next year, Des Moines officials hope to have a rail transloading facility, or railport, operating on the city's east side along the Southeast Connector corridor. The proposed facility would be served by four railroads, which planners say would significantly improve Greater Des Moines' capacity for moving freight and spur future industrial growth.

The Des Moines Area Metropolitan Planning Organization recently released a feasibility study that shows such a railport facility would be viable, and could be operated with little or no initial capital outlay by the city. The MPO has also found significant interest from both the railroads and potential shippers that would use it.

"The MPO is always looking for ways to improve the transportation system," said Todd Ashby, Des Moines Area MPO executive director. "This provides a needed service for our businesses in the metro area. It will benefit not only the freight system, but it will also benefit the highway system in that it is pulling some of those trucks off the Interstate system. Not a large number, but not an insignificant number, either."

Des Moines currently has just one transload facility within the city, which is served solely by the Union Pacific Railroad and which primarily is used by one commercial client, according to the study. That facility, however, has limited track and material handling capabilities, according to the study.

To access the Des Moines MPO study online, go to:
<http://tinyurl.com/len97gw>



This map shows the proposed layout of the Des Moines Railport, which would be located just north of the Southwest Connector with a main truck entrance at Southwest 15th Street.

What is transloading?

Transloading involves the transfer of goods from semitrailers and trucks onto rail cars. It combines three disparate industries: trucking, warehousing and rail. Each of these operations requires specific types of facilities and material handling equipment to be highly productive. Different commodities have varied material handling techniques, storage requirements and truck loading requirements.



What's the cost advantage?

When a transload facility has access to only one railroad, it is considered "closed" or "captive." When more than one railroad operates at a transload facility, the serving railroad agrees to switch cars into and out of the facility for other railroads for a fee, enabling quicker pricing and service for their customers. With two or more railroads operating at an "open" transload facility, freight rates are typically one-third to one-half lower than at a captive facility.

KEEN INTEREST

The feasibility study, conducted by Clive-based McClure Engineering Co., noted that only 25 percent of transload sites nationally provide access to more than one of the major "Class I" railroads. The proposed site, located just north of the planned Southeast Connector and east of Southeast 14th Street, would provide access to three Class I railroads - BNSF Railway Co., Norfolk Southern Railway and Union Pacific Railroad - as well as to Iowa Interstate Railroad Ltd., a smaller Class II railroad.

Two years ago the City of Des Moines purchased the 28-acre site, which had been an auto salvage yard. The transload facility would be located on about 13 acres on the north side of the property; the city also plans to build a new municipal services center at the site.

Soon after the property was cleared of the hundreds of junked vehicles that had been on it, the city began getting inquiries from companies around the country that operate rail transload facilities, said Rita Conner, Des Moines' economic development coordinator.

"Since the (MPO) study has gone on, we've had additional calls from other operator companies around the country," she said. "We could conceivably have 10 to 15 companies interested in bidding (to operate the facility)."

With its location adjacent to the Southeast Connector now under construction - which will provide a new east-west connection between Southeast 14th Street and U.S. Highway 65 - the proposed railroad would provide a new truck-rail access point connection to Des Moines' industrial parks as well as to downtown.

The high level of interest shown by potential third-party operators validates the project's viability, Conner said.

"These operators look for these type of logistics, with the convergence of rail on this site," she said. "Getting the best deal for business is our goal; we know there are companies out there working with just one rail line."

Additionally, the city has lost opportunities with companies seeking to expand into Des Moines because it hasn't had a multi-railroad transload facility, she said.

MORE CUSTOMER CHOICE

Ashby said officials with each of the railroads have expressed interest in serving the transload facility.

"It provides an opportunity for them to do different things in the market, and there are some businesses that are interested in this because it provides a different transportation option," he said. "Currently, businesses that want to ship by rail generally are loading their stuff up on trucks and going to Chicago, Omaha or Kansas City. This would save a lot of time and effort to get it on rail here in Des Moines and on its way to markets."

A primary advantage of the transload facility would be more choice for the customer, said Jerome Lipka, president and CEO of Iowa Interstate Railroad. "If a customer wishes to negotiate a rate with us and with the railroad that goes beyond our boundary they can do that and not be captive to one carrier," he said.

Another advantage for shippers is that it could shorten the distance a company needs to truck goods to get them on rail, which might enable a company to make several trips in a day rather than one, Lipka said. "Moving goods short distances by truck and then longer distance by rail is generally going to be more economical than moving it by truck long distances," he said.

Though the study indicated that manufacturer Deere & Co. has expressed "significant interest" in a Des Moines transload facility for shipping its finished farm machinery from its Ankeny plant,



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Todd Ashby, Executive Director
Des Moines Area MPO

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COVER STORY

a company spokesman declined further comment. "We remain interested in all types of projects that will help improve logistics for manufacturers in Iowa," said Bill Klutho, manager of strategic public relations for Deere. "We're not going to make public statements at this time on this or any other projects," he said.

ACCESS TO OVERSEAS MARKETS

The transload facility could significantly boost access by Iowa meat processing companies to Asian markets, said CJ Morton, a board member of Des Moines Cold Storage Co. Inc.

"Iowa pork and American beef has become a premium for China," he said. "Once this facility is up and running, I expect it to be a substantial part of our business."

A key capability that Asian brokers are seeking is a facility that would enable the transfer of containers from one rail carrier to another, Morton said.

Among the inquiries they've received was a large supermarket chain in China, he said. "I know that (demand) is going to increase and that having that capability is going to be very important," Morton said.

Des Moines Cold Storage is also interested in building and managing a cold storage facility for the city at the transload facility to provide that service for shippers that can't immediately transfer perishable goods from one car to another, Morton said.

A transload facility would also open up more competitive recycling markets, said Mick Barry, vice president of Greenwaste LLC, which does business as Earthwise Disposal. The company, formed earlier this year by Barry and other seasoned waste management and recycling experienced executives, currently ships all of its recycled materials by truck.

Other rail freight projects in Iowa

- 1 In June 2013, Cedar Rapids-based Iowa Northern Railway Co. announced plans to develop the Upper Midwest Transportation Hub in Manly to provide shippers and producers in the region with a new logistics and intermodal facility. Manly is the location of a significant interchange with Union Pacific Railroad and close to interchanges with Canadian Pacific and Canadian National Railway Co.
- 2 In April, the City of Davenport approved construction bids for an \$11.3 million transload facility that will serve the Quad Cities at the Eastern Iowa Industrial Center. The transload facility will be served by the Canadian Pacific Railway.

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By the numbers



Estimated cost to build the facility

\$4.2 MILLION



Estimated annual rail carloads handled (by third year)

2,451 RAIL CARLOADS



Estimated annual reduction in trucks on highway (by third year)

11,000 FEWER TRUCKS

"Not being able to ship by rail is a death knell for recycling companies, because you can't ship to the international markets," said Barry, who is vice president of the National Recycling Coalition.

The vast majority of cardboard stock needs to go out by rail to reach the paper mills that are concentrated in the Southeast, Southwest and Mexico, he said. "If you don't have rail at your facility, you're basically eliminating your marketplace from the market plan and not being able to give your customer maximum value for the product."

Having access to a local transload facility would enable Earthwise Disposal to expand its small recycling operation, Barry said. Additionally, the company's principals have had experience in operating a transload facility and plan to bid for that contract, he said. "We understand the transloading arena; we understand the boon it could be for Des Moines," he said.

NEXT STEPS

The Des Moines City Council is expected to formally receive the study in October, and Conner said she hopes to have a request for proposal for operators finalized by early December.

One question yet to be determined is whether the operating company would purchase or lease the land. Also to be decided is whether the operator would construct the facility or if the city would build it and then lease it out, Ashby said.

The Iowa Transportation Commission is scheduled to vote in October to award a \$1.7 million, 10-year, no-interest loan to offset investment costs related to the development of the transloading facility, which is estimated at \$4.2 million.

"If everything lines up right, we could have at least the initial piece of the facility operating by the fall of next year," he said. ■



JOE GARDYASZ

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HAVE AN IDEA OR TIP?

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Check out Joe Gardyas's *Insiders' Extra*. Why mid-sized cities want
transload facilities at BusinessRecord.com/Insider.

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