

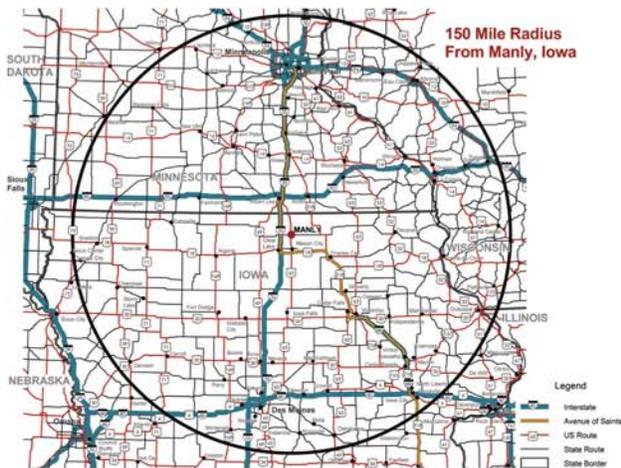
UPPER MIDWEST TRANSPORTATION HUB MANLY, IOWA

A rural intermodal freight rail/truck transportation project located in north central Iowa (Manly in Worth County, IA) that will serve the northern half of Iowa and the southern one-third of Minnesota.

Grant Funds Requested: \$ 14,586,397

Supporting Documents: www.iowadot.gov/tiger14-freight

Type of Project: Capitol



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Table of Contents

Application and all appendices are available at www.iowadot.gov/tiger14-freight

Executive Summary	1
I. Project Description	5
a. Objective	5
b. Location	5
i. Transportation Connectivity	6
c. Statement of Work	7
i. UMTH – North	7
ii. UMTH – South	8
d. Project Schedule	8
i. UMTH-North	9
ii. UMTH-North	9
e. Project Budget.....	9
f. Existing and Future Infrastructure Investments	10
i. UMTH-North Existing Investment	10
ii. UMTH-South-Existing Investment.....	10
iii. UMTH-IANR Manly Yard Existing Investment	10
iv. Future Private Investments at UMTH.....	11
g. Flexibility of UMTH – Past, Present, and Future	11
h.Span of Influence	12
i. Transportation Challenges Met by the Project	12
i. Lack of Intermodal Facilities	12
ii. Container Imbalance	13
iii. Trucking Industry Capacity Shortages	13
iv. Access to world-wide markets	15
v. Transportation of ag products from the Upper Midwest	16
II. Project Parties	17
a. Investment Partnerships	17
III. Grant Funds and Sources/Uses of Project Funds	18
IV. Selection Criteria	19
a. Long-Term Outcomes.....	19
i. State of Infrastructure and Good Repair	19
ii. Economic Competitiveness.....	20
iii. Livability	24
iv. Sustainability.....	24
v. Safety	25
vi. Project Readiness	25
b. Innovation.....	26
c. Partnership	27
d. Results of Benefit-Cost Analysis.....	27

V. Planning Approvals, NEPA and other environmental reviews/approvals28
 VI. Federal Wage Rate Certification29
 Summary29

Appendices

Appendix A Site Plan
 Appendix B Project Schedule
 Appendix C Project Budget
 Appendix D Investment Table
 Appendix E Cost Benefit Analysis
 Appendix F Span of Influence Project
 Appendix G Letters of Support and Endorsement
 Appendix H Project Partner Letters
 Appendix I Iowa Freight Advisory Counsel
 Appendix J Distressed Areas
 Appendix K Iowa DOT Planning Processes
 Appendix L FRA Categorical Exclusion Worksheet
 Appendix M Federal Wage Rate Certification
 Appendix N Why Manly?

List of Figures

Fig. 1 –Manly, Iowa: Strategic Location for UMTH..... 5
 Fig. 2 – IANR Network and Connecting Railroads..... 6
 Fig. 3 – UMTH Overview 7
 Fig. 4 – UMTH-North Site 7
 Fig. 5 – UMTH-South Site 12
 Fig. 6 – 150 Mile Radius from Manly, Iowa 13
 Fig. 7 - Connectivity with UMTH and North American Intermodal Facilities 15

List of Tables

Table 1 – Total Project Costs 1
 Table 2 –Long Term Outcomes and Benefits..... 3
 Table 3 – B/C Analysis Results 4
 Table 4 – Project Budget Summary..... 9
 Table 5 - Extrapolated Import and Export Value Ratios 13
 Table 6--Total Truck Moves to and from Iowa-Minnesota 14
 Table 7 – Total Project Costs..... 18
 Table 8 –Project Partner Contributions toward Match 18
 Table 9 - Projections of activity and savings as a result of UMTH 22
 Table 10- Project Spending and Job-Year Estimates..... 23
 Table 11- Summary of Monetized Benefits 28
 Table 12 – Overall Results of the Benefit Cost Analysis 28
 Table 13 – Long Term Outcomes and Benefits..... 30

Executive Summary – Upper Midwest Transportation Hub

This TIGER grant application is for infrastructure construction for the Upper Midwest Transportation Hub (UMTH) Project at Manly, Iowa. The project consists of a full-service intermodal facility with equipment for loading containers on railcars and trucks, a container staging area, a transload (container loading) facility, and track infrastructure and security systems to support the operation.



Objective

The project presents an innovative solution to an intermodal service dilemma and promotes regional economic development in the Upper Midwest. Currently, shippers and receivers of freight in the region have limited access to intermodal service. The north central Iowa location will draw customers from a 150-mile radius encompassing north central Iowa, southern Minnesota, and a portion of western Wisconsin, with a population of over 7 million. The UMTH will be an independent full-access facility located on a rural short line railroad that interchanges with six railroads (including four Class I railroads) and through other routing alternatives with the remaining three Class I's.

Request

The Iowa Department of Transportation (Iowa DOT) requests a grant of \$14,586,397 for completion of the UMTH. Matching funds of \$8,780,426 or **37.6 percent** are pledged for the cost of the improvement. The project is in a state of readiness and leverages prior continuous public-private investments and represents the latest phase in the development of an existing transportation hub where support services, a fully rehabilitated rail yard, and other transportation infrastructure already exist.

Statement of Work

The project request includes:

UMTH-North: Construction of infrastructure for a full service intermodal facility and container yard, including a second loop track, diagonal tracks, earthwork, pavement, security systems and acquisition of lift equipment and other components.

UMTH-South: Construction of infrastructure that will support transloading of highway trailers and shipping containers, including construction of one track, earthwork to handle initial startup intermodal business for container storage and movements on a 28-acre area, pavement, security systems and acquisition of lift equipment and other components.



Project Schedule

A fully funded TIGER grant and the associated matching contribution will be expended over an 18-24 month period. The schedule assumes a rapid construction schedule, but is contingent on the date of awards and the obligation of funds.

Project Budget

TABLE 1 – TOTAL PROJECT COSTS

Source	Amount	Percentage
TIGER grant request	\$14,586,397	62.4%
Matching funds	\$8,780,426	37.6%
Total Project Cost:	\$23,366,823	100%

Transportation Challenges Met by the Project

- **Lack of intermodal service** - The lack of a full service intermodal facility to serve the Iowa/Minnesota region limits the region's ability to preserve existing industries and to attract new industry.
- **Container imbalance** – Iowa currently has a severe shortage of inbound containers while Minnesota has excess inbound containers. Regionally, consolidation of freight container shipping of the two states would provide an almost even match of inbound to outbound containers.
- **Trucking industry capacity shortages** - The Upper Midwest region currently has an over reliance on long and medium range trucking and growing capacity constraints in the trucking industry will have a greater impact on this region. The lack of a regional intermodal terminal prevents the diversion of long haul truck moves to intermodal options.
- **Access to worldwide markets** - The largest volumes of Iowa and Minnesota commerce are with the U.S. eastern seaboard, Texas/Mexico, and California. No direct, competitive, time-sensitive intermodal service to these destinations exists today from the Upper Midwest region.

Project Partners

The Iowa Department of Transportation is the project applicant. There are three parties that would be sub-recipients: 1) Iowa Northern Railway Company (IANR); Manly Terminal LLC (MT); and Manly Logistics Park LLC (MLP). A significant presence at Manly has already been developed by the three parties. Matching funds are committed by the project partners, IANR, MT and MLP.

The project is strongly supported by Governor Terry Branstad as well as federal, state and local officials. The Minnesota DOT supports the project, recognizing the value to the Upper Midwest region. Additionally, the Iowa Motor Truck Association and Union Pacific Railroad support the project's value to the multimodal transportation network

Selection Criteria

The project's public benefits accrue to freight shippers and receivers and consumers. This viable, cost effective intermodal solution provides a wide range of options and opportunities for the region and the nation and aligns well with TIGER selection criteria.

TABLE 2 – LONG TERM OUTCOMES AND BENEFITS

Long-Term Outcomes	Benefits
State of Infrastructure and Good Repair:	<ul style="list-style-type: none">• The UMTH will be a state-of-the-art fully functional independent intermodal center with full access to the United State’s vast rail network.• Prior private and public investments in the existing yard facility, expanded track structure, and other infrastructure improvements provide the facility and operational foundation with a limited investment needed for new infrastructure.
Economic Competitiveness	<ul style="list-style-type: none">• Reduces transportation costs for intermodal shipments, increasing profitability for regional producers.• Increases access to both domestic and export markets that were previously unavailable or cost prohibitive for the region’s agricultural and manufactured products.• Encourages competitive pricing because of the multiple rail connections at or near the Manly location.• Facilitates the growth of agricultural exports from one of America’s prime farming regions by providing a better shipping option for specialty foods and grains, identity-preserved grains, origin identified foods and dried distiller’s grain (a high protein animal feed that is a byproduct of Iowa’s large ethanol industry.)• Encourages regional growth in warehousing and distribution centers where intermodal service is critical.• Mitigates an emerging trucking capacity shortfall and encourages more cooperation among trucking and rail firms to grow their business together, utilizing the strengths of each mode.• Provides options to “long haul” trucking, which can be more expensive and is less attractive to today’s workforce.
Livability and Community	<ul style="list-style-type: none">• Removes truck traffic from highways, limiting congestion and highway maintenance and rebuild costs.
Sustainability and Environmental	<ul style="list-style-type: none">• Decreases fossil fuel dependence and reduces emissions due to fewer truck miles and more efficient rail miles.• Avoids adverse environmental impacts by using an existing site and existing rail lines.
Safety	<ul style="list-style-type: none">• Increases safety with the modal shift from truck to rail.
Project Readiness	<ul style="list-style-type: none">• The project will meet the obligation date of September 30, 2016 and can proceed quickly to construction.

Overall results of the Benefit Cost Analysis are shown in Table 3.

TABLE 3 – B/C ANALYSIS RESULTS		MILLIONS OF 2013\$	
Project Evaluation Metric	7% Discount Rate	3% Discount Rate	
Net Present Value	\$1,042.8	\$1,649.7	
Benefit / Cost Ratio	5.66	5.84	
Payback Period (years)	4		

Conclusion

Approval of the UMTH grant would enhance the capacity and efficiency of the Upper Midwest’s transportation infrastructure leading to growth in new markets and bolstering the regional and national economy. These economic benefits are further supplemented by reductions in transportation related emissions, improvements in transportation safety and savings in transportation maintenance costs.

The Iowa DOT, in coordination with other state agencies and a variety of regional stakeholders, is grateful for the opportunity to present this application for a TIGER Discretionary Grant pursuant to the Consolidated Appropriations Act, 2014 (Pub. L. 113-76, January 17, 2014).

The Iowa DOT will be the grant recipient. Through an agreement with the Iowa DOT, grant funds will be dispersed to the sub-recipients. The UMTH is the next and near final component of a major regional transportation hub at Manly, Iowa. The Iowa DOT is confident the project can meet all local, state, and federal requirements prior to September 30, 2016.

This application addresses each of the selection criteria for project selection included in the Notice of Funding Availability (NOFA.) Additionally, this project will benefit a region of the Upper Midwest with multiple economically distressed areas. Public benefits for the project include lower transportation costs for producers and shippers and lower prices for consumers. Opportunities for middle-class farmers and small business owners in a rural area will be strengthened through increased profitability and lower consumer prices.

I. PROJECT DESCRIPTION

a. Objective

The UMTH will be an independent full-access intermodal and transload facility¹ located on a rural short line railroad that interchanges with six railroads (including four Class I railroads) and through other routing alternatives with the remaining three Class I's. The project presents an innovative solution to an intermodal service dilemma and promotes regional economic development in the Upper Midwest. Currently, shippers and receivers of freight requiring intermodal service in the region typically truck commodities to intermodal centers in Chicago, Kansas City, Council Bluffs (Iowa's only intermodal hub), or Minneapolis (which has limited routing options) where they enter the national rail network. The north central Iowa location will draw customers from a 150-mile radius, with a population of over 7 million.

b. Location

The UMTH, located in rural north central Iowa at Manly (see Fig. 1), is situated on the Iowa Northern Railroad (IANR), a rural short line railroad. The immediate area served by the hub includes north central Iowa, southern Minnesota, and a small portion of western Wisconsin. The hub will increase availability to intermodal service to a region that is currently underserved. The location will increase cost effective access to intermodal hubs throughout the national rail system.



Fig. 1 – Manly, Iowa: Strategic Location for UMTH

The geospatial location is 43°17'55"N; 93°12'24"W

¹ **Intermodal freight transport** involves the transportation of freight in an intermodal container or trailer, using multiple modes of transportation (rail, ship, and truck), normally without any handling of the freight itself when changing modes. The method reduces cargo handling, and so improves security, reduces damage and loss, and allows freight to be transported faster. Intermodal freight using a combination of truck and rail reduces costs over only road trucking and is the key (and substantial) benefit for domestic and international use, as well as reduced greenhouse gas emissions. **Transloading** involves the initial loading of a trailer or container.

The UMTH is not located in an urbanized area as defined by the U.S. Census Bureau and is thus eligible to be classified as a rural project; however, this project requests over \$10 million and includes a significant 37.6 percent local, private match.

i. Transportation Connectivity

Of major significance for the UMTH is IANR’s ability to safely and efficiently accommodate railcars of all types on its network and its many strategic connections to other rail carriers. The new independent UMTH at Manly will be open for IANR’s connecting carriers and all other Class I railroads via multiple routing options. The UMTH will serve as an independent facility for all types of logistical needs with a wide variety of options available to its customers. Clearances on the present IANR main line between Manly and Cedar Rapids, Iowa, are sufficient to handle double-stack container equipment and railcars with a maximum gross weight of 286,000 lbs. The IANR network and the location of its connections with other rail carriers are shown in Fig. 2 and explained below.

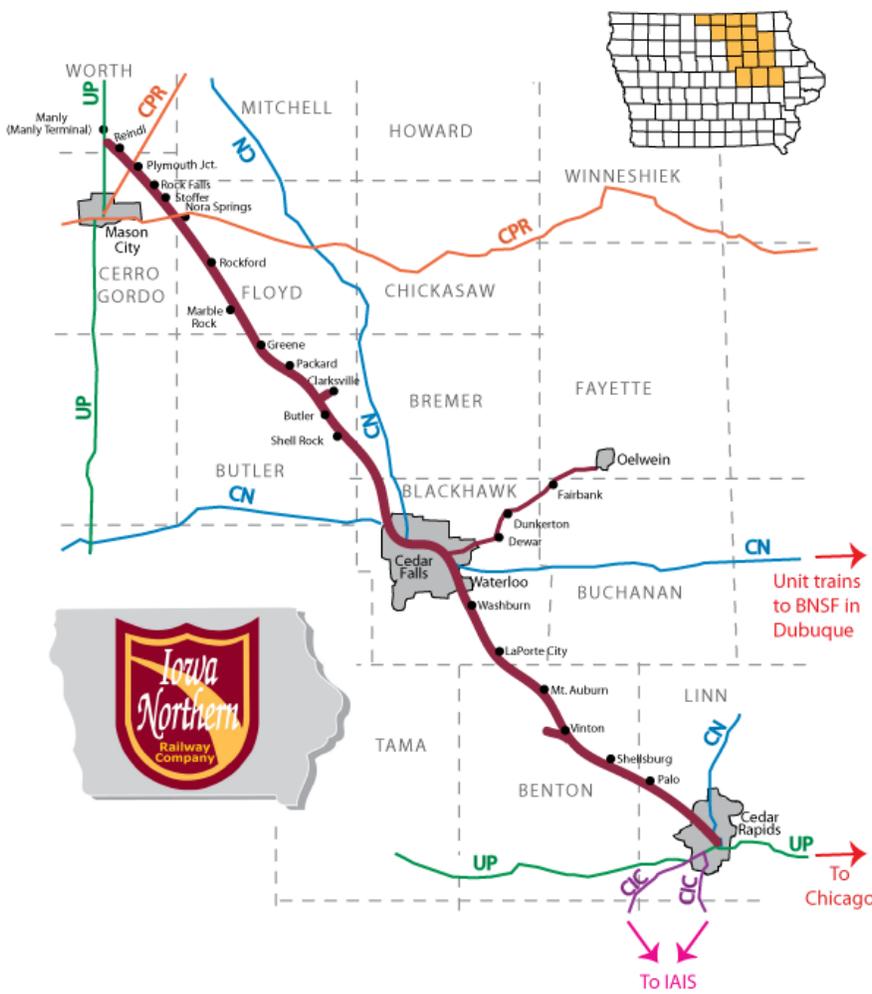


Fig. 2 – IANR Network and Connecting Railroads

Union Pacific Railroad (UP) direct interchanges at Manly, Waterloo, and Cedar Rapids, Iowa.

Canadian National Railway (CN) direct interchanges at Waterloo and Cedar Rapids, Iowa.

BNSF Railway (BNSF) interchanges through haulage agreements with CN for IANR-BNSF unit train traffic between the IANR at Waterloo, Iowa, and the BNSF at East Dubuque, Illinois.

Canadian Pacific Railway (CPR) direct interchanges at Plymouth Junction and Nora Springs, Iowa.

Cedar Rapids & Iowa City Railway (CIC) direct interchange at Cedar Rapids, Iowa.

Iowa Interstate Railroad (IAIS) interchanges through CIC at Cedar Rapids, Iowa.

Three other major carriers – CSX Transportation (CSX), Kansas City Southern Railway (KCS), and Norfolk Southern Railway (NS) – can be accessed via numerous route options over the carriers that connect directly with IANR. Each carrier has distinct routing, market, and service strengths, so allowing access through all interline connections will provide customers greater leverage in securing desired service, equipment, and pricing.

Manly is situated at the crossroads of three major national highway corridors with access to the UMTH intermodal facility: Interstate 35 between Duluth, Minnesota, and Laredo, Texas; Interstate 90 between Boston, Massachusetts, and Seattle Washington; and The Avenue of the Saints between St. Paul, Minnesota, and St. Louis, Missouri. The UMTH is also served by a rich network of primary and secondary highways that feed freight to and from the facility.

The UMTH will work closely with regional and national trucking firms to support the roadway component of the intermodal and transloading operations. Truck bases will be encouraged to locate nearby to facilitate handling intermodal and transload trailers and containers to and from the facility.

c. Statement of Work

The UMTH encompasses 350 acres and includes three distinct functional units (see Fig. 3). Full site plans for the UMTH are included in Appendix A.

The full vision for UMTH will be realized through concurrent development of UMTH-North (160 acres) and UMTH-South (100 acres). The benefits included in this application are predicated on completion of the entire UMTH project. The IANR Manly Yard (90 acres) serves to fully support the operations of the completed intermodal development at UMTH-North and UMTH-South. The yard has previously undergone extensive rehabilitation and expansion. No TIGER grant funds are requested for the yard.



Fig. 3 – UMTH Site Overview

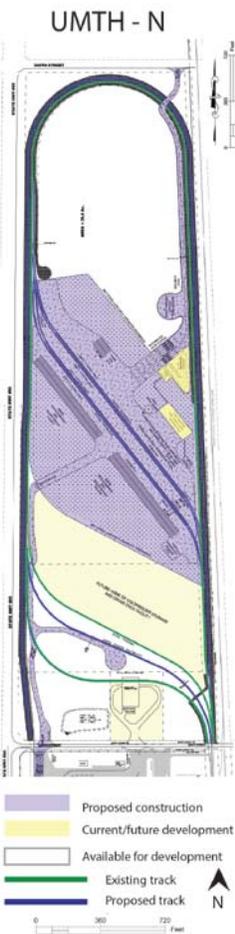


Fig. 4 – UMTH-North

i. UMTH-North

A diagram of UMTH-North is shown in Fig. 4 and included in Appendix A. Development of full-scale intermodal services with the capacity for rapid growth can commence upon completion of UMTH-North.

The TIGER grant will help realize the vision for UMTH-North as a complete, full-service intermodal facility by contributing to the cost of construction. Project construction includes:

- Land acquisition
- Earthwork, pavement and utilities
- Installation of a second loop track to accommodate added volume and to improve the velocity and efficiency of railroad operations
 - Additional interior tracks and an intermodal yard for staging railcars during container/trailer loading and unloading operations
- Lift equipment for loading containers on railcars and trucks
- Container/trailer storage yard
- Facility security and communications systems

ii.UMTH-South

A diagram of UMTH-South is shown in Fig. 5 and included in Appendix A. The UMTH-South project will construct an interim intermodal facility and eventual transload location where containers can be filled for intermodal shipments and includes:

- Earthwork, pavement and utilities
- Construction of one additional track
- Facility security and communications systems
- Lift equipment

Limited intermodal service can begin at UMTH-South with minimal improvements while UMTH-North is under construction. Improvements at UMTH-South include the upgrade of a 28-acre area, currently in use for heavy dimensional shipments, for container storage and operations. One new track segment will handle initial startup intermodal business. This portion of the project includes completion of paving, fencing, gate management and security, and acquisition of lift equipment and other components

Upon completion of UMTH-North, UMTH-South will convert the initial interim intermodal operation into a container loading operation that will expand options to regional producers and increase the number of potential intermodal lifts. Commodities loaded, primarily for export, include specialty foods and grains, identity-preserved corn and soybeans, edible beans, and distiller's grains (a high protein animal feed that is a valuable byproduct of Iowa's burgeoning ethanol industry that has helped improve the global competitiveness of Midwestern beef production). Little or no further expense will be required to transition UMTH-South to a container transload facility

A quick start up at UMTH-South with an interim intermodal operation will attract freight forwarders and shippers needing intermodal services and allows the establishment of rates, routes, and service to get new intermodal business underway. It is anticipated that the startup operation will accommodate intermodal services until the larger and more efficient UMTH-North facility is complete. However, UMTH-South on its own will be too small in scale to accommodate projected demand for any significant time.

A major component of the project (and included as a portion of the matching funds) will include the acquisition of the specialized equipment that will be necessary to load and unload trailers and containers, transfer loads and empties within the confines of the UMTH facility, and to load bulk materials into containers. Best practices from newer and larger intermodal terminals have been taken into consideration during the design of UMTH to allow for quick turns for trucks dropping off and picking up loads at the terminal.

d. Project Schedule

A fully funded TIGER grant and the associated matching contribution will be expended over an 18-24 month period. A rapid construction schedule is assumed, but is contingent on the date of awards and the obligation of funds.

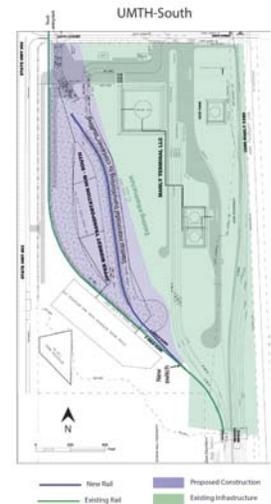


Fig. 5 UMTH South

i. Schedule UMTH-North

Final plans, preparation of contract documents, and requests for quotes for rail, ties, turnouts, and other track materials will be issued during December 2014 and January 2015. Contractors and vendors will be selected, contract documents executed, and purchase orders issued to procure materials by March 2015. Reach stackers, yard tractors, and other equipment necessary for intermodal operations will be selected by July 2015 and secured under contract for January 2016 start-up of operations. Site preparation work will begin in April 2015. Work related to drainage, storm water system installation, retention ponds, grading, preparation of roadbed for track, intermodal pad construction, access roads, and parking lots will start in June 2015. Track work, including construction of the second (outer) loop and the diagonal intermodal loading tracks will be complete by November 2015. Installation and/or construction of lighting, fencing, access roads, sewer/septic, electrical, gas, potable water, and communications and security systems will begin in April of 2015. The intent is to have the UMTH-North facility in service by January 2016.

ii. Schedule UMTH-South

Final plans, preparation of contract documents, and requests for quotes for rail, ties, turnouts, and other track materials will be issued during August-September 2014. Contractors and vendors will be selected, contract documents executed, and purchase orders issued to procure materials by October 2014. Reach stackers, yard tractors, and other equipment necessary for intermodal operations will be selected by late October 2014 and secured under contract for a 2015 start-up of UMTH-South operations. Preparation of roadbed and track construction will begin in October 2014. Installation of storm water drainage system, granular sub-base stone, and a reinforced concrete slab intermodal pad will begin in March 2015. Construction of a gate house and control point, lighting, and security fencing will start in April 2015. The intent is to have the UMTH-South facility in service by July 2015.

A diagram of the overall project schedule is included in Appendix B.

e. Project Budget

A detailed project budget is included as Appendix C and summarized below.

<u>UMTH-North</u>	<u>Total</u>	<u>Project Partner Match</u>	<u>TIGER Grant Request</u>
Land acquisition	\$3,224,000	\$3,224,000	\$0
Earthwork, drainage & pavement	6,745,778	\$0	6,745,778
Security, communications & utilities	584,400	0	584,400
Intermodal equipment & support	2,853,540	2,803,540	50,000
Track construction & surfacing	4,358,505	834,558	3,523,948
<i>UMTH-North Total</i>		<i>\$6,862,098</i>	<i>\$10,904,125</i>
<u>UMTH-South</u>			
Earthwork, drainage & pavement	3,169,944	5,000	3,164,944
Security, communications & utilities	167,910		167,910
Intermodal equipment & support	1,841,860	1,841,860	
Track construction & surfacing	420,885	71,468	349,417
<i>UMTH-South Total</i>		<i>\$1,918,328</i>	<i>\$3,682,271</i>
TOTAL		\$8,780,426	\$14,586,397

f. Existing and Future Infrastructure Investments

Over \$45 million has been invested at the 260-acre transportation campus and 90-acre support facility, providing a significant foundation in infrastructure and expertise to support an intermodal facility. Other logistics infrastructure is underway and planned to broaden the array of commodities to be handled at UMTH. A TIGER grant investment of \$14,586,397 would provide about 16 percent of the over \$88 million current and planned investment in the transportation hub. Appendix D provides details on the investment amounts summarized below.

i. UMTH-North Existing Investment

UMTH-North² is a 160-acre industrial park with an existing 15,000-foot loop track. A steel distribution facility for Sukup Manufacturing of Sheffield, Iowa, is currently under construction at the south end of UMTH-North. Supporting investment in UMTH-North to date totals over \$9 million in work completed and in progress and approximately \$1.5 million in land acquisitions. Included are investments of \$3 million from the State of Iowa and \$1.5 million from Worth County, Iowa. The balance of investment came from principals involved with segments of the project and various customer-funded projects.

ii. UMTH- South Existing Investment

UMTH-South³ is a 100-acre terminal that includes 5.5 million gallons of liquid commodities storage and the infrastructure for the transfer of, liquid commodities, such as fuels and fuel components, chemicals, feed additives, and other liquids used in manufacturing processes throughout the region. UMTH-South also includes a 28-acre lay down yard designed for the handling of heavy dimensional shipments, such as wind turbine components. Private infrastructure investment in UMTH-South since opening in 2007 totals approximately \$25 million.

The prior ground preparation for heavy wind components was funded by private investment and provides a suitable basis for the initial intermodal operation described above and the eventual container loading, at a much lower entry cost. Only minor surface improvements will be required to facilitate the efficient movement and loading/unloading of containers and trucks.

iii. UMTH- IANR Manly Yard Existing Investment

Supporting the developing UMTH intermodal yard and terminal facility is IANR's adjacent 90-acre railroad yard known as Manly Yard (MY)⁴. The yard includes 11 classification and switching tracks with adjacent car repair facility, grain staging tracks, engine house, maintenance-of-way material yard, support tracks, and several other customer transload areas, including a new food grade rail-to-truck transfer station. Manly Yard⁵ is the critical support yard for IANR interchange with Union Pacific

² UMTH-North is owned jointly by principals of IANR and the Halfman Family LLC (HF). Land is being conveyed by HF as the construction progresses for the new facility. The land is committed to the project and will have a perpetual ownership between at least the two named parties.

³ UMTH-South is owned jointly by principals of IANR, L B Transport (LBT), and Keenan Advantage Group (KAG), the latter two firms being regional and national trucking companies, respectively

⁴ Manly Yard is owned jointly by IANR and Manly Terminal LLC

⁵ Manly Yard was originally built in 1918 by the Chicago, Rock Island & Pacific Railroad (CRI&P) for a newly created railroad terminal at the midpoint of railroad operations between Des Moines/Cedar Rapids, Iowa, and Minneapolis/St. Paul, Minnesota. The yard was used continually by CRI&P until about 1980 when the railroad liquidated following bankruptcy. The Trustee of the Rock Island conveyed the property and remnants of the railroad yard (only three of 20 tracks then remained) to the IANR when the IANR purchased the line in 1984. IANR has since restored and lengthened the yard to handle modern day rail equipment and volumes

Railroad (UP)⁶ and provides track support for the UMTH to receive inbound traffic and prepare outbound traffic for departure. **No TIGER grant funds are requested or needed for IANR's Manly Yard.**

Infrastructure in the yard has been extensively rehabilitated and expanded using private and public funding and is capable of providing critical operating support and capacity to UMTH immediately. Recent investment has included approximately \$4.2 million to completely restore Tracks 2 through 9, construction of two major bridges to allow yard track expansion, and auxiliary tracks and buildings. Replacement of a wooden bridge under Tracks 10-11-12 with a modern concrete ballast deck structure and rehabilitation of Tracks 10-11-12 will be completed by IANR during summer 2014 at a cost of approximately \$1.42 million. The 2014 improvements are jointly funded by the Iowa DOT, IANR, and Worth County.

iv. Future Private Investments at UMTH

Development of a new \$20 million cold and freezer storage warehouse and cross-dock facility by Florilli Logistics – a refrigerated trucking and logistics firm based in West Liberty, Iowa – is planned within the loop and is expected to provide major economic impacts and significant shipping advantages to regional meat producers and processors through reduced shipping costs and new shipping options for cold chain products. Construction of the cold and freezer storage facility with private funding is anticipated once the funding to complete UMTH-North is in place. This facility, contingent on development of TIGER project, is anticipated to create an additional 165 *direct* jobs during construction and 19 during ongoing operations and maintenance per the economic impact included in Appendix E. **No TIGER grant funds are requested or needed for construction of the cold storage facility; however, these additional benefits are *not* likely to occur without an award to the UMTH.**

Similarly, a major fertilizer storage and transload operation is planned on property adjacent to the IANR Manly Yard, which will bolster regional freight growth. The operation will be independently financed and transportation will be provided by IANR. **No TIGER grant funds are requested or needed for construction of the fertilizer facility.**

g. Flexibility of UMTH – Past, Present and Future

The UMTH-South is currently, and will continue to be, a flexible transportation facility providing service to Iowa's changing freight needs. For example, until 2011 when the blender's tax credit expired, large volumes of ethanol were handled through the facility (8,600 carloads from late 2007 through the end of 2011). Currently, increases in corn oils, liquids, and chemicals used in the manufacturing of bio-fuels and animal feed ingredients have replaced much of the ethanol volume. UMTH-South also is now a storage and distribution center for large scale wind turbine components, an important industry in the state that is helping to significantly reduce emissions from electricity production. UMTH-South handled 5,375 carloads of wind turbine components between mid-2008 and the end of 2012. The wind energy component market is expected to have smaller future volumes. UMTH will be able to stage limited quantities of wind energy components concurrent with future intermodal operations

⁶ Manly Yard also accommodates the interchange of some grain trains between UP and Canadian Pacific Railway (CPR) and is a major consolidation point for fractionation sand originating on UP in Minnesota and Wisconsin. UP operates some trains from Chicago, Council Bluffs, and Kansas City to Manly, where IANR switches and reclassifies them for furtherance to Minneapolis/St. Paul and Duluth on UP; IANR may handle additional UP business of this type in the future. These activities have been caused by traffic congestion at other regional facilities used by CPR and UP

In the near future, storage facilities to house propane gas are being planned at UMTH-South to fill the gap in the supply chain for this commodity that is critical for agriculture and rural household heating. The gap in the supply chain was created when the transportation of propane via the Cochin Pipeline was terminated in favor of a more lucrative commodity used in the Canadian oil fields. That pipeline previously supplied about 40 percent of southern Minnesota and northern Iowa with natural gas. Increased transportation of propane by rail is expected to meet grain drying and home heating demands in the Upper Midwest. The propane shortage was a significant national issue this winter that required extensive coordination at the local, state, and national levels, including the U.S. DOT.

h. Span of Influence

The project is expected to serve communities within a 150-mile radius of Manly (see Fig. 6 and a larger map included as Appendix F.) The project will contribute to improved regional economic performance through more efficient and cost effective transportation and jobs. The immediate benefits will extend to construction trade workers and suppliers during the project's construction and long-term benefits to the many communities (both on rail and off) within the radius (and perhaps beyond) once intermodal service begins. The 150-mile radius contains a population of over 7 million and reaches nearly or beyond the South Dakota and Wisconsin borders and includes Des Moines, Iowa (pop. 600,000), Minneapolis/Saint Paul, Minnesota, (pop. 3.4 million), as well as the following communities that exceed 50,000 in population: Rochester and Lakeville, Minnesota; Cedar Rapids, Waterloo, Ames, Dubuque, and Iowa City, Iowa; and LaCrosse and Eau Claire, Wisconsin.

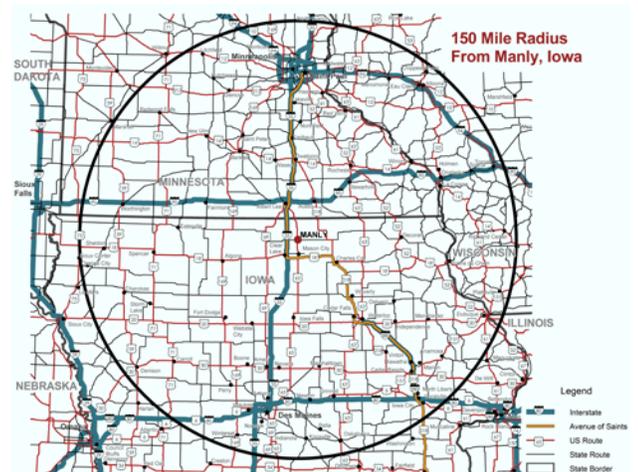


Fig. 6 – 150 Mile. Radius from Manly, Iowa

Over the long-term there will be beneficial impacts to shippers, receivers, communities, suppliers, and others who rely on transportation services, and ultimately consumers. The proximate access to a major intermodal facility will have a positive impact on the value of regional commodities and manufactured goods.

The UMTH is located approximately 14 miles south of the Iowa / Minnesota border and has gained the support of the Minnesota Department of Transportation (Minnesota DOT) as part of a regional solution. Commissioner Zelle has included a letter of support in Appendix G.

i. Transportation Challenges met by the Project

i. Lack of intermodal facilities

The region served by UMTH suffers from a lack of nearby intermodal infrastructure and service. In 1980, Iowa had 23 facilities located in 15 cities that were capable of handling intermodal containers or trailers on flat car. Today, due to trends toward larger intermodal centers in major metropolitan areas, the state of Iowa has a single facility located on the western border of the state in Council Bluffs, which is approximately 250 miles southwest of Manly.

The availability of efficient international and domestic containerization of freight dictates the success or failure to many producers and shippers. Efficient logistical access can be a key factor in locating a new

business or expanding an existing one. The development of a full service intermodal facility to serve the Upper Midwest region will help preserve existing industries by providing better logistical solutions and enhance the ability of the region to attract new industry.

For example, a manufacturer in northern Iowa or southern Minnesota shipping to California must pay for an empty container to be drayed from Chicago (nearly 400 miles), load the container, and then pay for draying the loaded container back to Chicago for loading into a container train destined for California, which will actually move through Iowa on a container train en route to California. This can increase the cost to that shipper by up to \$1,200 per container. The alternative is to directly truck the product to California, nearly 1,900 miles, generally at a premium cost.

ii. Container imbalance

Iowa is a small-consumption state from a global trade standpoint, so it has an imbalance of inbound vs. outbound international shipping containers. According to U.S. Census Bureau data, the 2011 ratio of non-bulk international commerce (statewide) in Iowa is 1:3, inbound to outbound. This creates a severe shortage of empty containers available to Iowa producers for loading. Empty containers must be shipped or drayed into Iowa to meet demand. This dramatically increases cost and due to the extra dray, also increases highway, safety, and environmental impacts. Increasing the efficiency of Midwestern exports is also a key component for advancing toward President Obama’s national export growth goals.

Minnesota’s international commerce is the opposite. The 2011 ratio of non-bulk international commerce (statewide) in Minnesota is 6:5, inbound to outbound. Taking a regional approach with consolidation of major portions of the two states provides an almost even match of 7.2:7.6, inbound to outbound, or 1:1.

TABLE 5 - EXTRAPOLATED IMPORT AND EXPORT VALUE RATIOS

Value of international Commerce (in millions of dollars)				
	Imports	Exports	Ratio Imports:Exports	
Iowa	8,240	13,307	8:13	
Less bulk shipments	-6746	-10,411		
Net intermodal -IA	1,494	2,896	1:3	
Minnesota	33,124	20,319	33:20	
Less bulk shipments	-27,456	-15,654		
Net intermodal - MN	5,668	4,665	6:5	
Combined Intermodal Net – IA/MN	7,162	7.561	7.2:7.6 or (1:1)	

Source: U.S. Census Bureau Foreign Trade Statistics, 2011

A new, efficient, independent regional intermodal terminal at Manly can draw inbound and outbound container loads from a widespread region including much of Iowa and southern Minnesota.

By capitalizing on this balance of containers within the Upper Midwest region, shippers can eliminate the serious competitive disadvantage and gain access to the containers they need.

iii. Trucking industry capacity shortages

Since the region currently has an over-reliance on long and medium range trucking (either to final destination or the Chicago area) current and growing capacity constraints in the trucking industry have a great impact. As the recession recedes and shipments increase, the capacity constraints are only expected to grow. The Iowa DOT’s Freight Advisory Council (FAC) has identified driver shortages as one of the

seven major challenges facing freight movement in Iowa. *Challenges and Options for Improved Freight Movement in Iowa*, prepared on behalf of the FAC is attached as Appendix I. There are a number of issues that contribute to the trucking problem, as described below.

- According to the Bureau of Labor Statistics, in 2013, over 53 percent of the truck drivers are over the age of 44. More significantly, 25 percent of the drivers are over 54, meaning that a large number are approaching retirement age.
- Relatively low pay for truckers (especially for independent operators) fails to attract replacement drivers, especially considering the sacrifices to home and family life that a long-haul trucker experiences. U.S. Bureau of Labor Statistics wage data indicates U.S. tractor-trailer driver wages averaged \$40,940 in May 2013. This roughly equates to the average wage of all skilled and unskilled wage earners in Iowa.
- Recent changes in federal hours of service regulations reduce the hours truckers can drive and require drivers to take more breaks. While this may be beneficial for safety, long-haul truckers who are paid by the mile are on the road longer with little or no additional pay, essentially cutting wages and making the profession even less attractive.
- These same regulations mean that more drivers are required to deliver the same amount of freight due to an estimated 3 to 5 percent loss of productivity⁷. Mandatory overnight rest periods will also take trucks off the road during the most productive and least congested times of day.
- The need for appropriate training and a clean driver and criminal record limits the candidates qualified to drive trucks.
- Driver quality regulations such as the Compliance Safety Accountability (CSA) program will remove some truckers from the industry.
- Cultural shifts make home and family more important to younger workers. A trucker’s lifestyle can be unhealthy and carries a high level of risk. These factors make recruiting new drivers and generating interest in driving as a career a difficult sell to younger workers.

Looking at domestic truck moves to and from Iowa and Minnesota illustrates the difficulty shippers in the Upper Midwest face to remain competitive in the growing global marketplace and the impact that a mounting driver shortage, less bidding on long-haul freight moves by trucking firms, and increased transportation costs may have. The following table details a high level of inbound and outbound truck traffic and the forecast increases. These moves include a large, undefined volume of container moves in both directions from and to intermodal facilities in the Chicago area.

TABLE 6-TOTAL TRUCK MOVES TO AND FROM IOWA-MINNESOTA

	2011 inbound truck moves	2011 outbound truck moves	2020 inbound truck moves	2020 outbound truck moves	Expected growth by 2020
Iowa	1,906,045	2,405,102	2,480,244	2,806,890	Inbound 30% Outbound 17%
Minnesota	2,477,518	2,443,055	2,957,892	3,235,884	Inbound 19% Outbound 32%
Combined Iowa and Minnesota	4,383,563	5,102,644	5,438,136	6,042,774	Inbound 24% Outbound 18%

Source: FHWA Freight Analysis Framework, Version 3

By diverting long-haul moves to intermodal and eliminating the current dray to Chicago for a portion of shippers, the current capacity in the regional trucking industry can be stretched. By partnering with

⁷ Cargo Business News, *Tough Timing*, February 2014.

trucking firms to develop shorter haul fleets, the recruitment of new drivers will be enhanced. UMTH will invite trucking firms to create a more comprehensive approach to doing business together.

The Iowa Motor Truck Association recognizes the severity of the truck capacity shortfall and is supportive of the UMTH project. A letter of support is included in Appendix G.

iv. Access to worldwide markets

Minneapolis/St. Paul has a moderate level of direct intermodal service, but only to the coasts of Canada and the Pacific Northwest of the U.S., lacking direct intermodal service to/from Texas/Mexico and California. The intermodal facilities in the Twin Cities are land locked, open to customers for a limited number of hours per day, and are located on congested and high-density, urban streets. Many potential shippers are in the area between the Twin Cities and Manly (many are closer to Manly) so this new access to the international freight network is attractive. With the UMTH in a rural area, loads will be tendered or picked up quickly, without the inherent congestion experienced in the larger metropolitan areas.

The greatest volumes of commerce for both states are with the U.S. East Coast, Texas/Mexico, and California. No direct, competitive, time-sensitive intermodal service to these points exists today from the region; therefore, the primary movement of goods to and from the region generally requires the expensive and time-consuming truck or dray moves of containers and trailers to and from Chicago to enter the international intermodal network.

With the expansion of the Panama Canal, larger container ships are expected to use the new capacity to connect Asia with U.S. East Coast ports. This is expected to provide lower costs for many commodities, yet increases the need for more container loads for return trips. The concept of inland ports recently developed east of Chicago by CSX and NS can be enhanced with regional intermodal facilities in the Upper Midwest that can be reached through Class I interline agreements. This allows the growing eastern ports to access the Upper Midwest directly by rail instead of unloading in Chicago and draying freight by truck, at added cost, to the Upper Midwest.

The UMTH facility will broaden the reach of Upper Midwest agricultural, food, and manufactured products, while providing easier and cheaper access to containerized consumer goods. The multiple railroad connections offered by IANR to the UMTH will provide nationwide access, as well as to intermodal facilities in Canada and Mexico, our increasingly important NAFTA trade partners (see Fig. 7.)

After full implementation of the TIGER grant project, the intermodal transload capacity for the UMTH-South portion will be about 15,000 lifts, growing to 38,000 lifts annually, in 2035.

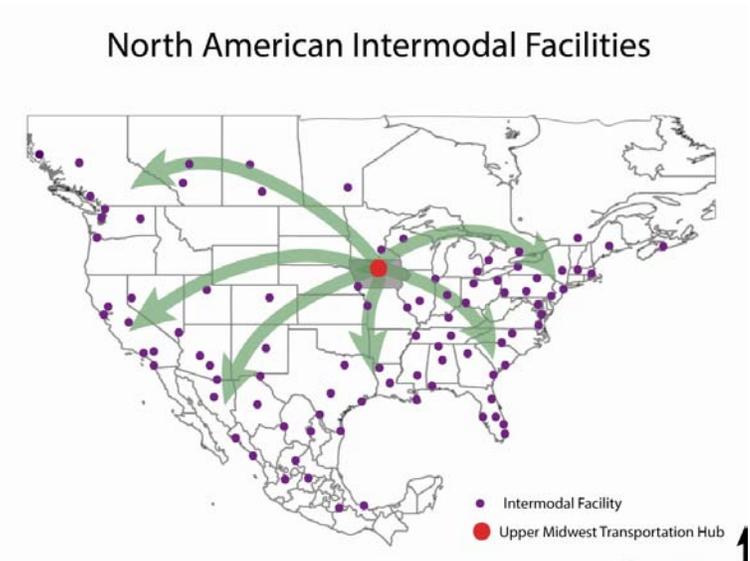


Figure 7 – Connectivity with UMTH and North American Intermodal Facilities

UMTH-North will be about 60,000 lifts, growing to 327,000 lifts in 2035 annually for a combined total capacity to the UMTH of about 75,000 to 365,000 lifts annually. Based on forecast data from the U.S. DOT's Freight Analysis Framework (year), the completed UMTH should be able to handle 1 percent of the total estimated Iowa and Minnesota truck volumes.

The improvements on 28 acres of UMTH-South will allow an initial startup of intermodal service in a short time frame while construction of the larger intermodal infrastructure at UMTH-North is under construction. Once the UMTH-North facility is open and equipped for intermodal service, UMTH-South will be used mainly as a container/trailer loading site for bulk commodities and will also have lift capability to load the containers on trucks directly onto intermodal flat cars. This will open up further service alternatives to shippers who do not have the ability to load containers on site.

UMTH lifts will be supported by IANR at the existing Manly Yard to prepare outbound trains for Class I connections. If UMTH-South is not funded, implementation of any meaningful volume of intermodal lifts would be delayed until full completion UMTH-North and without the supporting container-loading capability at UMTH-South, the flexibility and ability to serve smaller customers would be curtailed.

v. Transportation of agricultural products from the Upper Midwest

The agricultural and food products produced in the region need access to major consumption and port centers around the world where these products are in demand.

The Upper Midwest Iowa-Minnesota region served by UMTH is one of the largest food and biofuels production regions in the U.S. The biofuels industry is helping to diversify our nation's energy portfolio, improve our nation's energy independence, and reduce transportation fuel emissions. The area served includes parts of Iowa, Minnesota and Wisconsin.

Manly is in the center of one of the highest production regions in the entire country for corn, soybeans, edible beans, distiller grains, corn oils, and food production that needs efficient and reasonable cost transportation options. The 150 mile-radius around Manly includes:

- 2.4 billion bushels or 61 percent of all corn production in the three states⁸
- 423 million bushels or 57 percent of all soybean production in the three states⁸
- 5.5 billion gallons of ethanol production (39 percent of the national production)⁹

Iowa is also the largest producer of eggs in the U.S. having 54 million laying hens that produced over 14.5 billion eggs in 2012⁸ with much of the production within 100 miles of Manly. New USDA rules will also now allow egg content in frozen foods exported from the U.S., which will encourage more frozen food processing in the region. Currently, egg products are nearly exclusively trucked, but trucking capacity problems have brought the egg companies to Manly, looking for alternatives which would open up a new opportunity for more cost competitive shipment.

This infrastructure project addresses the needs of this high production rural region of the Upper Midwest. This TIGER grant will allow UMTH to serve beyond the direct rural areas of current operations and develop opportunities for those rural communities and major population centers within 150 miles of Manly. By addressing the current transportation challenges, the project will help regional

⁸ U.S. Department of Agriculture

⁹ Renewable Fuels Association

shippers be more competitive, more profitable, and in turn, reinvigorate the rural economy and provide opportunities currently not available to a number of smaller communities.

II. PROJECT PARTIES

There are three parties that would be sub-recipients of this Iowa DOT TIGER grant application: 1) Iowa Northern Railway Company (IANR); Manly Terminal LLC (MT); and Manly Logistics Park LLC (MLP). A significant presence at Manly has already been developed by the three parties.

Iowa Northern Railway Company (IANR) is a short line or Class III railroad formed in 1984 following the liquidation of the assets of the Chicago, Rock Island & Pacific Railroad Company (CRI&P).

IANR was incorporated in Iowa on February 22, 1984, by a group comprised mostly of grain elevators located along the line and a few outside investors. In July 1984, INRC, Inc. (INRC), an Iowa Northern affiliate, purchased from the CRI&P Trustee the railroad line between Cedar Rapids and Manly. In November 1994, the Iowa Northern Acquisition Company (INAC), a Delaware corporation, owned by several investors including IANR President Daniel R. Sabin, purchased IANR and INRC and merged both into the Iowa Northern. In 2010, The Andersons (ANDE) of Maumee, Ohio, became minority equity investors with IANR principals.

The IANR network includes 253 route miles of main and branch line trackage in Iowa, including 116.74 miles owned by IANR and approximately 85.26 miles of trackage rights or leases. IANR's main line runs diagonally from northwest to southeast, between Manly (Worth County) and Cedar Rapids (Linn County). IANR also operates two branch lines: Oelwein to Waterloo (Fayette and Buchanan Counties and Forest City to Belmond (Winnebago, Hancock, and Wright Counties).

Manly Terminal, LLC (MT) was organized in Iowa on April 12, 2006, and became a Delaware company on May 18, 2007. The owners are Zephyr-Rocket, LLC, a firm owned by principals of IANR, L. B. Transport, a Kiewiet family-owned regional trucking company from Buffalo Center, Iowa, and Keenan Advantage Group (KAG) a national trucking company based in Canton, Ohio.

Manly Logistics Park (MLP) was organized as an Iowa limited liability company on August 28, 2008. MLP is owned by Zephyr-Rocket LLC, an affiliate of IANR, and Halfman Family LLC, previous and current owners of the properties to encompass UMTH-North, residing in Manly.

a. Investment Partnerships

The infrastructure in place at the Manly location will provide significant support to the expansion into intermodal markets. Without the existing rail yard support and infrastructure in place, development of a greenfield intermodal facility of this magnitude would be over double the estimated cost of this TIGER project application. A greenfield, large intermodal operation would require additional land acquisition, grading, trackage, and other improvements beyond those included in this application.

The owners of the Manly location and UMTH have developed and improved the facilities since 2006 with a combination of internally-generated funds and grants and loans from the Iowa DOT, Worth County, and the FRA.¹⁰

¹⁰ IANR was the recipient of an FRA Railroad Rehabilitation and Improvement Financing (RRIF) Loan totaling \$25.5 million in 2007. Loan recipients undergo a rigorous assessment of their current financial status and ability to repay

The project partners do not currently have the resources available to complete a project of this scope. The Iowa DOT has limited funds for rail improvements, at the discretion of the state legislature (average of \$2 million annually). No other funding sources have been identified at this time. The State of Iowa has invested approximately \$1 million in incremental costs for road improvements on Iowa Highway 9 and U.S. Highway 65 directly related to increased truck traffic at the facility. Worth County has also invested \$215,000 in road improvements. These improvements include improved access and capacity to the facilities, turning lanes, increased pavement strength, and facility access roads.

The entities involved in development of the UMTH have demonstrated an entrepreneurial business approach, continuous improvements to infrastructure driven by private investment, positive responses to changing commodity cycles and economic conditions, and the ability to market their services, giving the Iowa DOT confidence that the intermodal facility will be a good investment of public funds to increase transportation options, reduce costs to Iowa shippers and consumers, and stimulate economic growth.

An investment table details the past and future investments in the entire facility in Appendix D. Matching funds for the TIGER grant are committed by the project partners – IANR, MT and MLP.

III. GRANT FUNDS AND SOURCES/USES OF PROJECT FUNDS

This application requests \$ **14,586,397** in TIGER grant funding.

Source	Amount	Percentage
TIGER grant request	\$14,586,397	62.4%
IANR-MT-MLP funds:	\$8,780,426	37.6%
Total Project Cost:	\$23,366,823	100%

Significant and continuous investments have been made to UMTH facilities to date. When considering the overall past investments in the UMTH, the project portion funded by the TIGER grant will represent less than 25 percent of the total investment at UMTH over the last six years.

The project partners have committed the match and have provided a letter indicating their participation in Appendix H.

Source	Amount	Percentage
Iowa Northern Railroad	\$ 0	0%
Manly Terminal LLC	\$ 1,918,328	21.8%
Manly Logistics Park, LLC	\$ 6,862,098	78.2%
Total	\$ 8,780,426	100%

IV. Selection Criteria

a. Long-Term Outcomes

i. State of Infrastructure and Good Repair

The new construction at UMTH will be a state-of-the art logistics facility that will provide a wide variety of services to producers, shippers, receivers, and consumers. It will be built at a high standard of construction that will provide decades of reliable and efficient transportation support to the region.

The UMTH is well positioned to add intermodal services to an already diverse selection of transportation services. IANR's initial purchase in 1994 was of a badly deteriorated rail line which handled less than 15,000 revenue cars annually and at an average track speed under 10 mph. Derailments were common and had to be eliminated. IANR has since rehabilitated the line and built a thriving franchise that is now handling approximately 60,000 revenue cars annually at an average speed of 25 mph. Derailments have been dramatically reduced and operating safety and efficiency increases each year.

The line has become a vital piece of the regional rail transportation system. IANR has relentlessly pursued new business and business opportunities, including the development of the existing infrastructure at UMTH utilizing outside investors, when needed, to provide needed capital. IANR, MT, and MLP have demonstrated the ability to raise equity for significant improvements and their operation and upon completion, the parties will market and maintain the intermodal facility improvements to become another key element of the overall transportation system.

The existing yard facility, expanded track structure, highway/railroad crossing signals, and other infrastructure improvements provide the facilities and operational foundation for a fully functioning intermodal center with a limited investment for new infrastructure.

IANR has rebuilt and rehabilitated Manly Yard, which is immediately south of the UMTH. These tracks will be essential in supporting the expanded rail operations at the UMTH intermodal facilities as well as to better serve other customer requirements.

The primary risk of extreme weather events in the Midwest is flooding. The UMTH is not located in an area that is prone to extreme flooding. Because much of the existing infrastructure at the UMTH and adjoining rail yard has been either built or rehabilitated in the recent past, the construction is expected to be resilient and withstand weather-related events.

In addition to normal maintenance and repair of the highway system, Iowa DOT and Worth County have invested over \$1.2 million in highway improvements to accommodate heavy truck traffic in the area.

An avoidance of heavy trucks on the highway system reduces highway maintenance costs, particularly pavement resurfacing and maintenance costs. Typically, this benefit is realized in terms of increased cycle times between maintenance work orders. The Economic Analysis provided by HDR Decision Economics and included in full as Appendix E, estimates a savings of \$171.7 million in reduced pavement maintenance costs over a 20 year period of operation.

ii. Economic Competitiveness

The Iowa DOT's Freight Advisory Council, composed of shippers, carriers, and commodity organization representatives, undertook an exercise in 2013 to identify impediments to freight transportation in Iowa. The Committee identified seven key issues. Two of them – a lack of intermodal and transload facilities in Iowa and a shortage of truck drivers – were singled out as issues that impacted the competitiveness of Iowa's producers and receivers. Higher transportation costs for products shipped or received via intermodal container affect the competitiveness of existing businesses and discourage new businesses from locating in Iowa. One of the effects of capacity constraints in the trucking industry is an increase in prices, when available trucking services can be obtained. The UMTH will address both of these identified issues in the region it will serve.

IANR is a leader in the development of new business handling transportation and distribution of clean, renewable energy commodities, such as wind turbines and related components, biofuels such as ethanol and biodiesel and bio-mass commodities, such as crop waste to fuel.

IANR is constantly working on creative and innovative approaches to business which encourages customers to build and expand their production and distribution facilities along the line to take advantage of rail shipping's lower rates. The short line possesses multiple connections to other rail carriers, allowing customers on IANR to reach the entire North American rail network easily and efficiently. IANR customers are provided the most competitive freight rates with the leverage that comes with multiple outlets to ship their freight.

A new regional transportation hub in the Upper Midwest will continue to be a critical answer to growing transportation cost increases and efficient access into the national and international shipping network. UMTH will be particularly unique, with reasonable access from a multitude of rail lines and trucking firms that can tap the strength of their own networks with a modern and efficient transportation center.

Distressed Areas

The location of this project is in Worth County, Iowa, which until this year was designated as a distressed area. Additionally, within the 150-mile radius that the UMTH project will serve, there are an additional 14 counties in Iowa, 11 counties in Minnesota, and 11 counties in Wisconsin that are classified as distressed. Providing opportunities for additional development and new markets for agricultural products in these 37 counties will have a significant impact in helping their predominantly rural economies. See Appendix J for a map and listing of designated distressed counties.

Benefits to shippers and receivers

Perhaps the most important benefit is the long-term economic benefits to the users of UMTH. The proposed project would contribute to enhancing the economic competitiveness of the area, region, and nation through improvements in the mobility of goods within and across the Upper Midwest area. The benefit cost analysis determined that over the lifecycle of the project, \$371.5 million would be saved in travel time and out-of-pocket cost savings due to the UMTH project. Shipper cost savings from modal switch and shorter intermodal routes accounts for **roughly 27.9% of the total benefits** generated with this project.

Assumptions that were used

Detailed base case information is not available on confidential freight rates, but certain assumptions have been made in an attempt to quantify the long term benefits to shippers. One key assumption is the source of the lifts for the intermodal operations. After numerous discussions with shippers, producers,

and trucking companies, an assumption has been made that 1) some existing intermodal moves will be diverted from more distant facilities, like the congested Chicago area, 2) there will be a conversion of current truck moves to intermodal as a consequence of the opening of UMTH, and 3) the existence of a regional intermodal terminal will provide “induced loads” that will originate because of the existence of the new intermodal facility.¹¹

The discussions also provided reasonable estimates of the logistics involved and potential savings as a consequence of establishing a major intermodal facility at UMTH in Manly.

A conservative approach has been taken on the truck-miles saved as a consequence of the opening of UMTH, with 1) existing intermodal moves netting a 250-mile savings and 2) conversion from other truck moves netting 750 mile savings. A sampling of various destinations was used to establish the number of miles in -mile savings. These same assumptions were used as a basis for truck ton-mile savings in calculating highway damage and build-sooner costs.

The same two categories require an estimate of actual freight savings vs. straight truck moves to existing intermodal facilities. One factor of consideration will be lower intermodal charges from high-density intermodal hubs like Chicago, so an estimate of net freight savings has been assumed with 1) diverted intermodal movements saving \$350 per lift, 2) conversion from straight highway move by truck saving \$450 per lift, and 3) new “induced” business would not provide meaningful truck savings.

Florilli Logistics, an Iowa based trucking company that handles large volumes of both refrigerated and dry freight within the region and the entire country, compared the assumptions with confidential traffic flow data in-house and confirmed that the assumptions were reasonable.

Using the above assumptions, the following table illustrates the projected lifts, truck miles saved and the assumed net freight savings *expressed in current dollars and not discounted*.

¹¹ In December 2006, Wellspring Management provided an assessment of the impact of Union Pacific’s construction of their Global III Intermodal Facility in rural Rochelle, Illinois (Ogle County). The presence of the intermodal activity provided an abundance of shipping containers that were otherwise being returned overseas empty. Considerable increases in commodity values were recognized quickly, and the origin-identity opportunity brought massive new market opportunities to the region. Most of the grain products converted to container loads had been trucked locally to river terminals for handling by barge, grain elevators for rail shipment, or delivered to local processors.

TABLE 9— PROJECTIONS OF ACTIVITY AND SAVINGS AS A RESULT OF UMTH

Year	Projected UMTH-South Lifts	Projected UMTH-North Lifts	UMTH Lifts Used in this BCA	Assumed Truck Miles Saved Per Year	Assumed Shipper Savings due to Modal Switch from Truck to Rail (Undiscounted)
2016	10,000	0	9,500	6,412,500	\$2,315,625
2017	15,000	60,000	63,750	39,843,750	\$16,335,938
2018	25,000	90,000	92,000	55,200,000	\$24,150,000
2019	25,625	108,000	100,219	56,623,594	\$27,184,336
2020	26,266	129,600	113,003	62,716,431	\$30,934,456
2021	26,922	155,520	129,534	71,243,705	\$35,621,852
2022	27,595	174,182	141,244	81,215,533	\$37,959,434
2023	28,285	195,084	150,774	90,464,645	\$39,578,282
2024	28,992	218,494	160,866	96,519,828	\$42,227,425
2025	29,717	244,714	178,380	107,028,041	\$46,824,768
2026	30,460	274,079	197,951	118,770,386	\$51,962,044
2027	31,222	279,561	202,009	121,205,191	\$53,027,271
2028	32,002	285,152	206,150	123,690,177	\$54,114,452
2029	32,802	290,855	210,377	126,226,384	\$55,224,043
2030	33,622	296,672	214,691	128,814,876	\$56,356,508
2031	34,463	302,606	219,095	131,456,737	\$57,512,322
2032	35,324	308,658	223,588	134,153,074	\$58,691,970
2033	36,207	314,831	228,175	136,905,018	\$59,895,945
2034	37,113	321,128	232,856	139,713,723	\$61,124,754
2035	38,040	327,550	237,634	142,580,367	\$62,378,911
20-Yr.	584,657	4,376,686	3,311,796	1,970,783,960	\$873,420,336

* Assumed freight savings shown in current dollars.

As stated, the cost benefit analysis did not take induced traffic into account in calculating savings. Induced business refers to some volume in lifts that is made up of lifts that aren't currently moving in the base case (i.e., "new" business or business in addition to existing demand). The presence of the UMTH intermodal hub at Manly will create new business opportunities through providing access to markets that were previously not cost effective. Any induced business will only add to the benefits.

A solution to truck capacity constraints

An evolution is underway, whereby trucking firms and railroads will be working closer together to tap the efficiencies of rail while helping to solve the serious capacity crisis that is befalling the trucking industry. More conversion to intermodal with railroads will be the key to offsetting the reduction in the trucking industry's capacity. With truck capacity constrained, many shippers are encouraged to shift more freight away from trucks to truck-rail intermodal service, even for shorter lengths-of-haul than in the past.

Intermodal trailer/container fleet increased by 4,500 units in 2012, with the total number of domestic containers in the U.S. – managed by either railroads, motor carriers, or third party logistics providers (3LPs) – of about 215,000 units, up 14,500 units from 2011. Most of the large intermodal providers have added significant volumes of domestic containers within the past few year s– with J.B. Hunt being the most significant – so a shortage of intermodal capacity should not develop.

UMTH is prepared to approach the opportunity in a unique way. By opening the facility to all interested stakeholders – Class I carriers, freight forwarders, independent and fleet trucking firms and creating a high capacity facility away from metropolitan congestion, a new era of logistics facilities will begin.

UMTH will receive revenue on a “lift” basis – and IANR will be compensated for the rail support with a portion of the lift charge and from being a primary equity player in the entire facility. The economies of scale for a facility of this size will keep costs down and provide the principals with on-going revenues to continue maintaining and upgrading the facility.

Short term economic impacts and employment in rural area

The number of long term employees will follow the container/trailer “lift” volumes of the UMTH facility. This estimate of lift growth utilized in the Benefit Cost Analysis is quite conservative and could actually be met in a much shorter time span.

Total employment at the IANR as of May 15, 2013, is 101 employees. Approximately 36 are in Transportation; 25 in Maintenance-of-Way; 15 in Equipment Maintenance; and 25 are members of the marketing, professional, and administrative staff.

The proposed project scope indicates that 10 direct, on-project jobs are expected to be created by IANR with approximately 12 full-time jobs after the project is underway, and additional positions added as the facility grows.

During the immediate period after award of a TIGER grant (between the award date and December 31, 2014) IANR and UMTH expect to have its construction contractors employ approximately 35-45 workers for the project.

The benefit cost analysis estimates over the lifespan of the project the following project spending and job-year estimates are noted in Table 11 below.

TABLE 10 - PROJECT SPENDING AND JOB-YEAR ESTIMATES WITH IMPLAN AND CEA METHODOLOGIES

	Spending (Millions of 2012 Dollars)	Employment Impacts (Job-Years)			
		Direct	Indirect	Induced	Total
IMPLAN *	\$23.37	165.2	90.1	139.4	394.7
CEA		194.4		109.4	303.8

*Note: * Employment impacts from IMPLAN should not be interpreted as full-time equivalent (FTE) as they reflect the mix of full and part time jobs that is typical for each sector.*

During the construction period (2014 Q3 to Q4 of 2015) a total added value to the economy in spending and jobs is estimated at \$31.57 million.

Included within these figures are certain employment and spending in key industries (during the construction period) employing low-income people, such as retail industries, services to buildings and dwellings, the hospitality and personal care industries and others. Estimated impacts in these industries are the creation of 64.8 job-years and labor income totaling \$1.96 million.

In a rural economy, this level of short and long term employment in the form of additional employment and spending will have a significant impact on the region, benefitting especially families with low or middle class incomes.

iii. Livability and Community

The UMTH project will contribute to enhancing livability and quality of life through the reduction in highway congestion by displacing heavy truck travel to rail. The reduction in congestion represents a time savings for the remaining on-road motorists that were quantified in the benefit cost analysis. The congestion savings from the modal switch and shorter intermodal routes is valued at \$107.5 million over the life cycle of the project.

Additionally, UMTH is a Midwestern logistics campus, run by Iowans and Midwesterners. Its sole purpose is to serve the customers in the communities in the rural, yet productive region it serves. Unlike the railroad experience of the past few decades, IANR is growing and creating new and creative economic opportunities for the region.

IANR and UMTH focus on a vision of what rural Iowa can do to enjoy economic vibrancy in the 21st century. With good rail transportation, good schools, a solid work ethic and affordable housing, small towns in Iowa and the Upper Midwest region will become more attractive to new industry. An expanded logistics infrastructure in the north central region of the nation becomes very important for the development of future economic rural development and additional employment opportunities.

The UMTH is located in rural, north central Iowa, and is consistent with local land use plans and policies. Existing surrounding land uses are row crop agricultural, with the Manly UMTH facilities zoned as light industrial.

The Iowa DOT also recognizes the importance of rail infrastructure on the continued economic health of rural Iowa by its support for short line and regional railroads (as well as Class I railroads) through its planning processes and a history of financial assistance available to railroads and rail-served industry, particularly in rural locations.

Any conversion from long-haul trucking to shorter drays for regional commodities will provide opportunities to attract new truck drivers to the profession. The ability to be “off road” for long periods of time will greatly impact the lifestyle of the trucking community, creating jobs where drivers can be home and fully participate in home and family life while earning a living in a rural location where attractive jobs can be scarce.

iv. Sustainability and Environmental

A long-term decrease in energy use and greenhouse gas emissions is expected to result from shifting freight from truck trips to rail. An estimate of the value of reducing greenhouse gas and critical air contaminants associated with transporting goods on rail as opposed to truck can be calculated. The Benefit Cost Analysis estimates a reduction in emissions valued at \$125.5 million, over the lifespan of the project, discounted at 7 percent. In addition, diverting shipments from intermodal facilities in Minneapolis/St. Paul and Chicago to the rural UMTH site is expected to reduce traffic congestion in those metropolitan areas which would also result in improved energy efficiency and decreased emissions of greenhouse gases.

The proposed project would be implemented using an existing site and mostly existing rail lines. Even the currently undeveloped portion of the UMTH-North site, where new track and other facilities will be constructed, is located in the infield of the existing loop track and has been disturbed by years of agricultural production. This avoids adverse impacts to water quality, wetlands, and threatened and

endangered species that would be associated with greenfield development because none of these resources is present on the existing site.

Iowa is also a leader in renewable energy production (wind energy and biofuels), which is helping to reduce emissions. This project will improve the competitiveness of Iowa's renewable energy sector by helping lower input and production costs through reduced transportation costs.

v. Safety

Fatality and injury rates per mile of freight carried by truck are greater than the fatality and injury rates for an equal volume of cargo when shipped by rail. The safety benefits over the lifecycle of the project are estimated at \$490.2 million. This is based on the less truck miles due to the modal shift, using the standard TIGER guidelines for accident values and based on accident rate data published by the U.S. DOT, Bureau of Statistics.

vi. Project Readiness

Iowa DOT is prepared to work vigorously with IANR, MT, and MLP to prepare agreements for disbursement of funding and obtain the required Categorical Exclusion (addressed in Section V below). IANR, MT, and MLP are prepared to commence this project as soon as funding is awarded, agreements are signed, and NEPA authorization is received.

Planning for the UMTH facility improvements has been ongoing and refined over the past few years. Railroad engineering for the project is expected to be done in-house by IANR personnel and reviewed by an outside engineering consultant that ensures a rapid path toward construction. The plan is to seek construction bids, and purchase supplies and equipment as quickly as possible. IANR will act immediately to spend or obligate the TIGER funds with the goal of having all funds expended by January 2016.

Partners will be working together to start intermodal operations at UMTH-South in a small-scale manner. The anticipated start-up costs and on-going operations of the intermodal side will be a rather small portion of the existing operation and will not place a financial burden at start-up. Hiring of staff and acquiring equipment will coincide with traffic levels and derived revenues.

The small-scale startup of intermodal operations at UMTH-South will allow the parties to maintain cost controls and establish a larger scale operation over a period of time, as the traffic scales up. Both UMTH and IANR have considerable experience in taking on new business and are confident that if the TIGER grant is approved, the entities will be in good position to scale up the activities of UMTH-North while having a solid base of operations and revenues in place with the early phases at UMTH-South.

The proposed project construction schedule is contained in Appendix B. The proposed schedule demonstrates that the UMTH project construction can begin quickly upon receipt of a TIGER Discretionary grant. The proposed schedule also indicates that once construction starts the TIGER funds will be spent steadily and expeditiously throughout the length of the project.

The proposed schedule (Appendix B) anticipates obligations of funds in August of 2014, which provides more than ample time before the preferred obligation date of September 30, 2016. Because this project is anticipated to have transportation and economic benefits that are far ranging and long lasting to the state and region, the Iowa DOT is prepared to assign additional resources to assure that the progress of the project stays on track.

IANR (a key player in all segments of the project) has demonstrated through past state and federally funded projects that they have the staff, ability, and willingness to shepherd this project and devote the necessary resources to it.

This project is consistent with Iowa DOT's 2009 Iowa Railroad System Plan and is included in the 2014-2017 Iowa Statewide Transportation Improvement Program (STIP) as an illustrative project (see letter from Iowa DOT Planning, Programming and Modal Division Director included in Appendix K). The Iowa DOT has long recognized that a lack of nearby intermodal facilities is a hurdle to further growth and constrains the freight shipment capacity and raises prices for Iowa shippers/receivers needing intermodal service. As early as 1997, the Iowa DOT contracted with a consultant to complete a study on intermodal facilities.

If awarded a TIGER grant for this project, the Iowa DOT will amend the 2009 Iowa Railroad System Plan to specifically include this project in the project investment section. The STIP will also be amended to move the project from an illustrative project to a funded project.

b. Innovation

By improving transportation economics for producers, shippers, and consumers, this project prepares the region for expected growth in commerce and freight movements while consolidating the strengths of the various modes of transportation in a productive manner.

This project is quite innovative as it provides a regional approach to solving growing problems in highway and bridge infrastructure repair and maintenance, (highway damage and build sooner costs); a growing crisis in long term capacity of the trucking industry; reduction in highway congestion; reduction in environmental concerns; limited access to many rural producers, shippers and receivers to cost efficient intermodal service; mitigating the higher costs of freight for a large number of freight purchasers.

This project will align with the continuing development of both national railroad and highway infrastructure. It is expected that rail will continue to be a major contributor to the economic well being of the nation in the coming decades by increasing efficiency, reducing fuel consumption, reducing congestion, reducing emissions and providing additional, safe, efficient and reliable transportation capacity for development.

The regional approach proposed in this grant proposal provides an innovative solution to the imbalance of containers. Whereas most intermodal facilities are located near large metropolitan areas, the proposed project capitalizes on the synergies between a rural economy that is a heavy producer and the Twin Cities and Des Moines metropolitan areas as well as a large concentration of smaller cities, some with significant production volumes.

This project addresses the imbalance of inbound and outbound international shipping containers that can be inherent to major intermodal facilities built in major metropolitan areas. For example, current international trade places large numbers of empty containers in consumption markets like Dallas-Ft. Worth, Memphis, and Indianapolis. Shipping lines may decide to use UMTM as a location to relocate some of those empty boxes for re-loading; otherwise the empty boxes are shipped back to Asia without backloads. Such system inefficiencies make America less competitive in a global economy. With

massive volumes of production, the region served by UMTH will almost always have a potential load for outbound movement.

The project also provides an avenue for future growth that is central to the logistical needs of the region, but away from the congestion and higher costs of a major metropolitan area. UMTH will provide a terminal with easier access to make more efficient use of the reduced capacity of the trucking industry and reduce negative environmental impacts. It will provide needed employment for areas that are normally limited in opportunities to keep young people in the area.

Though Manly at first glance appears an unlikely location for a new intermodal facility, all indications are that Manly is the most likely location in the Upper Midwest region to succeed. Appendix N addresses the issue of “Why Manly?”

c. Partnership

Since 1984 the State of Iowa, through the coordinated and combined efforts of the Iowa DOT, Iowa Railway Finance Authority, and Iowa Economic Development Authority, has provided loans and other support to assist IANR in bringing the rail line up to a safe and efficient operating condition.

The Iowa DOT and Worth County have made highway improvements to accommodate increased heavy truck traffic.

Both Iowa DOT and IANR have worked with the FRA on federally funded grants and are familiar with the processes and requirements of such grants. IANR was the recipient of two Railroad Rehabilitation and Repair Grants which are administered by the Iowa DOT.

The continued support and involvement of both federal and state administrative agencies and legislative bodies to assist IANR speaks volumes about the strong private-public partnership which exists. This project is an extension of that partnership to advance the public interest which IANR serves.

The IANR project is strongly supported by Governor Terry Branstad, Lieutenant Governor Kim Reynolds, the Iowa Economic Development Authority; the Iowa Department of Agriculture and Land Stewardship, the Iowa DOT; the Minnesota DOT and other federal, state, and local government officials. The Iowa Motor Trucker Association and Union Pacific Railroad support the project, as well as companies and economic development officials in the area. Letters of support to date are included in Appendix G, however since additional letters are expected, the current letters received can be viewed on the Iowa DOT’s web page www.iowadot.gov/tiger14-freight.

d. Results of Benefit-Cost Analysis

HDR Decision Economics was contracted by the Iowa DOT to conduct a rigorous analysis of the expected cost, benefits and the assumptions that went into the benefit cost calculations.

Many of the individual benefits summarized below (from the Cost Benefit analysis) have been discussed in the respective selection criteria. The benefit cost analysis has taken a conservative approach. Though A very modest investment of \$14,586,397 in TIGER funding, coupled with \$8,780,426 in private investment are expected to yield over \$1.2 billion (discounted) in benefits over the 22-year lifecycle.

TABLE 11 - SUMMARY OF MONETIZED BENEFITS, IN MILLION OF 2013\$

<u>Long-Term Outcomes</u>	<u>Benefit Categories</u>	<u>7% Discount Rate</u>	<u>3% Discount Rate</u>
State of Good Repair	Avoided Pavement Maintenance Costs	\$171.7	\$274.7
Economic Competitiveness	Shipper Savings due to Modal Switch from Truck to Rail	\$371.5	\$592.2
Livability	Reduced Road Congestion due to Modal Switch from Truck to Rail	\$107.5	\$172.0
Environmental Sustainability	Emission Cost Savings due to Modal Switch from Truck to Rail	\$125.5	\$128.4
Safety	Accident Cost Savings due to Modal Switch from Truck to Rail	\$490.2	\$823.5
Total Benefit Estimates		\$1,266.4	\$1,990.6

Note: * Excluding the short-term employment impacts of the project_

A positive benefit cost ratio is a prerequisite for consideration for an award. The project proposed in this application will see benefits exceeding 5 times the cost – a benefit/cost ratio of 5.66.

The tables below summarize the overall BCA findings. Annual costs and benefits are computed over the lifecycle of the project. As stated earlier, construction is of UMTH-South is expected to be complete by July 2015 and UMTH-North by the beginning of 2016. Benefits accrue during the full operation of the project and begin in 2016.

TABLE 12 - OVERALL RESULTS OF THE BENEFIT COST ANALYSIS, MILLIONS OF 2013\$*

Project Evaluation Metric	7% Discount Rate	3% Discount Rate
Total Discounted Costs	\$223.6	\$340.9
Total Discounted Benefits	\$1,266.4	\$1,990.6
Net Present Value	\$1,042.8	\$1,649.7
Benefit / Cost Ratio	5.66	5.84
Payback Period (years)	4	
<i>* Unless Specified Otherwise</i>		

V. PLANNING APPROVALS, NEPA AND OTHER ENVIRONMENTAL REVIEWS/APPROVALS

The proposed project is consistent with the existing light industrial zoning.

There are no bridges or waterways involved in the construction that will require state or local permitting.

There are no state legislative barriers to timely completion and the project is broadly supported on a regional, state and local level.

Iowa DOT consulted with an FRA environmental specialist in 2013, who advised the Iowa DOT to complete an initial environmental review and submit a completed FRA Categorical Exclusion (CE)

Worksheet with the application. Without a federal action (i.e. grant award), the FRA was unable to take further action toward completing the CE. The Iowa DOT's Office of Location & Environment and Office of Rail Transportation have previously worked with the FRA on other projects that require a CE and are fully familiar with FRA's NEPA requirements.

As recommend by FRA, the Iowa DOT conducted a desktop NEPA review of the project and is confident that the project will not have significant impact on the environment, either individually or cumulatively. The completed CE Worksheet is included as Appendix L. Of the 16 classes of action listed in the CE Worksheet, the Iowa DOT considered the applicability of three classes to the proposed project. However, it is unclear whether the proposed project fully meets the requirements of any of these three classes. The three classes are 1) Financial assistance for the construction of minor loading and unloading facilities, provided that proposals are consistent with local zoning, do not involve the acquisition of a significant amount of land, and do not significantly alter the traffic density characteristics of existing rail or highway facilities; 2) Minor rail line additions including construction of side tracks, passing tracks, crossovers, short connections between existing rail lines, and new tracks within existing rail yards, provided that such additions are consistent with existing zoning, do not involve acquisition of a significant amount of right of way, and do not substantially alter the traffic density characteristics of existing rail lines or rail facilities; and 3) Assembly or construction of facilities or stations that are consistent with existing land use and zoning requirements, do not result in a major change in traffic density on existing rail or highway facilities and result in approximately less than ten acres of surface disturbance.

If the proposed project does not meet the requirements of these three classes of action, the project would qualify for categorical exclusion under Section 4(e) of FRA's May 26, 1999, *Procedures for Considering Environmental Impacts*. Specifically, the proposed project will satisfy the seven criteria for exclusion of actions not excluded under subsection (c) and (d).

IANR will work closely with the FRA and the Iowa DOT's Office of Location & Environment, which is responsible for NEPA compliance, to complete the remaining requirements to obtain an approved CE, including obtaining a Clean Water Act Section 402 permit from the Iowa Department of Natural Resources, consultation with the State Historic Preservation Office on the results of the Phase I archaeological survey, and notification to the Tribes. Completion of these remaining tasks is not expected to cause significant delay to the IANR project schedule.

VI. FEDERAL WAGE RATE CERTIFICATION

The applicant will comply with the requirements of subchapter IV of chapter 31 of title 40, United States Code (Federal wage rate requirements), as required by the Recovery Act. A certification to that effect is included in Appendix I and may be found at www.iowadot.gov/tiger14-freight.

SUMMARY

The UMTH infrastructure project positively addresses the selection criteria outlined in the US DOT's TIGER grant Notice of Funding Availability. The project uses an innovative approach to solve regional problems. The UMTH is the last step to create a full service transportation hub that has been supported both financially and theoretically by a number of entities. The project is near "ready to go" and would be completed expeditiously.

The project is located in a rural area and will have impacts on a local level through increased jobs, wages, and development; in the region by lowering shipping costs and increasing transportation options; and on the nation by maximizing the reach and export potential of Upper Midwest products. The specific benefits are summarized below.

TABLE 13 – LONG TERM OUTCOMES AND BENEFITS

Long-Term Outcomes	Benefits
State of Infrastructure and Good Repair:	<ul style="list-style-type: none"> • The UMTH will be a state-of-the-art fully functional independent intermodal center with full access to the United State’s vast rail network. • Prior private and public investments in the existing yard facility, expanded track structure, and other infrastructure improvements provide the facility and operational foundation with a limited investment needed for new infrastructure.
Economic Competitiveness	<ul style="list-style-type: none"> • Reduces transportation costs for intermodal shipments, increasing profitability for regional producers. • Increases access to both domestic and export markets that were previously unavailable or cost prohibitive for the region’s agricultural and manufactured products. • Encourages competitive pricing because of the multiple rail connections at or near the Manly location. • Facilitates the growth of agricultural exports from one of America’s prime farming regions by providing a better shipping option for specialty foods and grains, identity-preserved grains, origin identified foods and dried distiller’s grain (a high protein animal feed that is a byproduct of Iowa’s large ethanol industry.) • Encourages regional growth in warehousing and distribution centers where intermodal service is critical. • Mitigates an emerging trucking capacity shortfall and encourages more cooperation among trucking and rail firms to grow their business together, utilizing the strengths of each mode. • Provides options to “long haul” trucking, which can be more expensive and is less attractive to today’s workforce.
Livability and Community	<ul style="list-style-type: none"> • Removes truck traffic from highways, limiting congestion and highway maintenance and rebuild costs.
Sustainability and Environmental	<ul style="list-style-type: none"> • Decreases fossil fuel dependence and reduces emissions due to fewer truck miles and more efficient rail miles. • Avoids adverse environmental impacts by using an existing site and existing rail lines.
Safety	<ul style="list-style-type: none"> • Increases safety with the modal shift from truck to rail.
Project Readiness	<ul style="list-style-type: none"> • The project will meet the obligation date of September 30, 2016 and can proceed quickly to construction.