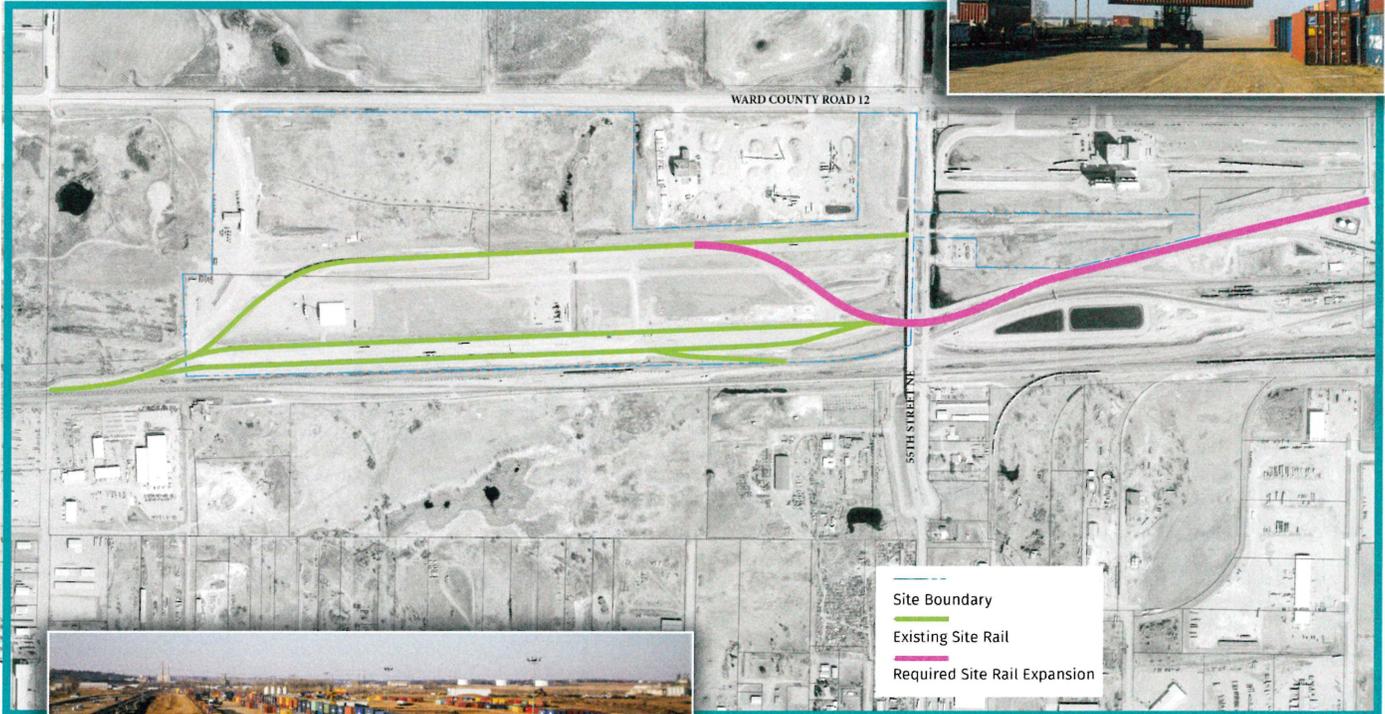


LOGISTICS PARK OF NORTH DAKOTA



Updated 3/11/2021

NORTH DAKOTA 67TH ASSEMBLY REQUEST

The Intermodal Transportation Assistance Program is an appropriation to the Department of Commerce for stable operation of intermodal service in North Dakota.

The proposed funds of \$10 million must be used for providing grants to an organization dedicated to the purchase and development of an intermodal transportation facility and expansion of intermodal infrastructure in the state. The total of approximately \$10 million is needed to fund the purchase of infrastructure assets from financial institutions (~\$8 M) and the expansion

of the intermodal site infrastructure into BNSF Railway's Gavin Yard (~\$2 M).

- In order to purchase the assets \$8.2 million is needed. This is the current offer that has been proposed to Minot Area Chamber EDC. This includes all buildings, structures, fixtures, and improvements including track, rail, other track material (OTM), ties and switches.
- The expansion of the intermodal site infrastructure into BNSF Railway's Gavin Yard needs to take place by August 1, 2021. It is estimated this expansion could cost somewhere between \$1.9M – 3.1M. Minot Area Chamber EDC is negotiating with all parties to complete the expansion as quickly and economically as possible. The Intermodal Assistance Program would provide for up to \$1.8 million to ensure the project can be completed. Minot Area Chamber EDC anticipates being able to work with the current

operator to cover some of the anticipated costs and cover additional expenses past the subsidy from the state.

As a reminder, Minot did not utilize the \$1.3 million subsidy the legislature provided for intermodal this past session. We are going to use the same fiscal responsibility under the Intermodal Assistance Program. The funds will not be reallocated to anything other than the intended purposes and if any anticipated costs change, the funds will be returned to the state. It could be that some of the equipment acquired may not be needed on site. If that is the case and the assets were auctioned off then these proceeds would be returned to the Department of Commerce.

INTERMODAL HISTORY & BACKGROUND

The State, the City, and the community have been working to secure intermodal activity at Minot for more than two decades.

- In the 1990's a committee spoke of this idea and concept.
- 2002 discussed as a possibility to locate the facility in Minot.
 - An advisory committee by Ward County recommended conducting a feasibility study for the potential of the facility.
 - Mayor's Intermodal Task Force was formed for the establishment of a municipal port authority.
 - Upper Great Plains Transportation Institutes at NDSU conducted a strategy freight analysis which included a definition of a seamless and continuous door to door transportation of freight utilizing two or more transportation modes that is truck train or train ocean; to compete in international markets.
- 2003 a port authority was established for the ownership and operation of the intermodal facility, after the ND Legislative Assembly passed enabling legislation for a port authority. The revenue for the port authority would have been primarily through a property tax of up to four mills.

- 2017 the port authority was repealed by the Legislative Assembly as part of a property tax reform initiative.
- 2019 the legislature appropriated \$1.3 million to assist in establishing a pilot program for intermodal container service at Minot. The \$1.3 million subsidy was in the form of a financial backstop that would be used in the event that the facility was forced to ship empty containers out of the port due to lack of shipping demand. The use of this subsidy was not necessary.

CURRENT NORTH DAKOTA INTERMODAL PROGRAM

Gov. Doug Burgum announced in October 2020 that North Dakota launched intermodal rail service – the culmination of more than two decades of effort to gain access to intermodal transportation to reduce shipping costs for the state's agricultural producers and other industries. Intermodal service is the movement of international containers so producers and processors can directly load containers and processors can directly load containers on rail in Minot to ship to international destinations.

The company contracted to operate has experience and has developed a network of intermodal facilities providing services to inland containerized export shippers. In cooperation with the railway, the operator currently operates two other intermodal ramps located in Fremont, Nebraska and Amarillo, Texas. Multiple ocean carriers reposition trainloads of empty containers from surplus locations in Chicago Illinois, Memphis Tennessee, Dallas Texas, and other origins offering extensive export capacity.

The operator is currently shipping approximately 220 forty-foot equivalent container units (i.e., one unit train) out of Minot per week. Through January, 11 full unit trains with over 2,000 containers have shipped out of the Minot facility. The initial focus is on providing access to new, more cost-effective markets for agriculture products.

WHY NOW

Currently, the present operator is conducting business under a PROVISIONAL arrangement with BNSF. The PROVISIONAL arrangement ends August 1, 2021 and at that time BNSF will evaluate the continuation of the arrangement.

The expansion of the intermodal site infrastructure into BNSF Railway's Gavin Yard needs to take place by August 2021. There is really only one feasible site for an intermodal operation in North Dakota. There is only ONE possible operator that can effectively operate. It has the potential to save our agricultural and manufacturing sectors hundreds of millions of dollars in drayage.

The title issues concerning the above ground assets need to be cleared up this summer to ensure the current operator is able to continue its intermodal logistics business at the site. The current lease is for one year, which started in October 2020. The lease was designed as an interim step to get the operator on site and negotiate a sale of the above ground assets. This is not picking winners. We are not choosing between multiple operators or even multiple options. We have one chance to get alignment and everything in place before the August 2021 provisional approval expires. There is only one operator we have found that can deliver and do this.

What we propose to do with the requested state funds is clean up title issues and make sure that additional infrastructure is built to support rail into Gavin Yards and secure long-term intermodal service. This infrastructure improvement is required by BNSF to move past the provisional approval.

DIRECT BENEFIT TO NORTH DAKOTA SHIPPERS

North Dakota has been attempting to develop an intermodal solution for nearly two decades without success. Introduction of intermodal service creates dramatic economic benefit to producers, processors, miners, and shippers of



everything from grains and minerals to industrial and manufactured products. All of these suppliers benefit from this newly created transportation option.

Direct shipments of containerized grains are only a small portion of the shipments moving through the Minot intermodal facility. Further, shipments of grain in 350,000-bushel shuttle trains and 4-million-bushel bulk vessels are far more economical than 850 bushel lots of grain in containers to international destinations, thus there is not put through margin to leverage. The value to agricultural producers is more indirect than direct, as increased shipping options promote growth of food grade, specialty, packaged, and processed grains throughout North Dakota. Investment in bulk grain handling facilities are not comparable to a multi modal transportation facility serving every shipper of goods to and from North Dakota.



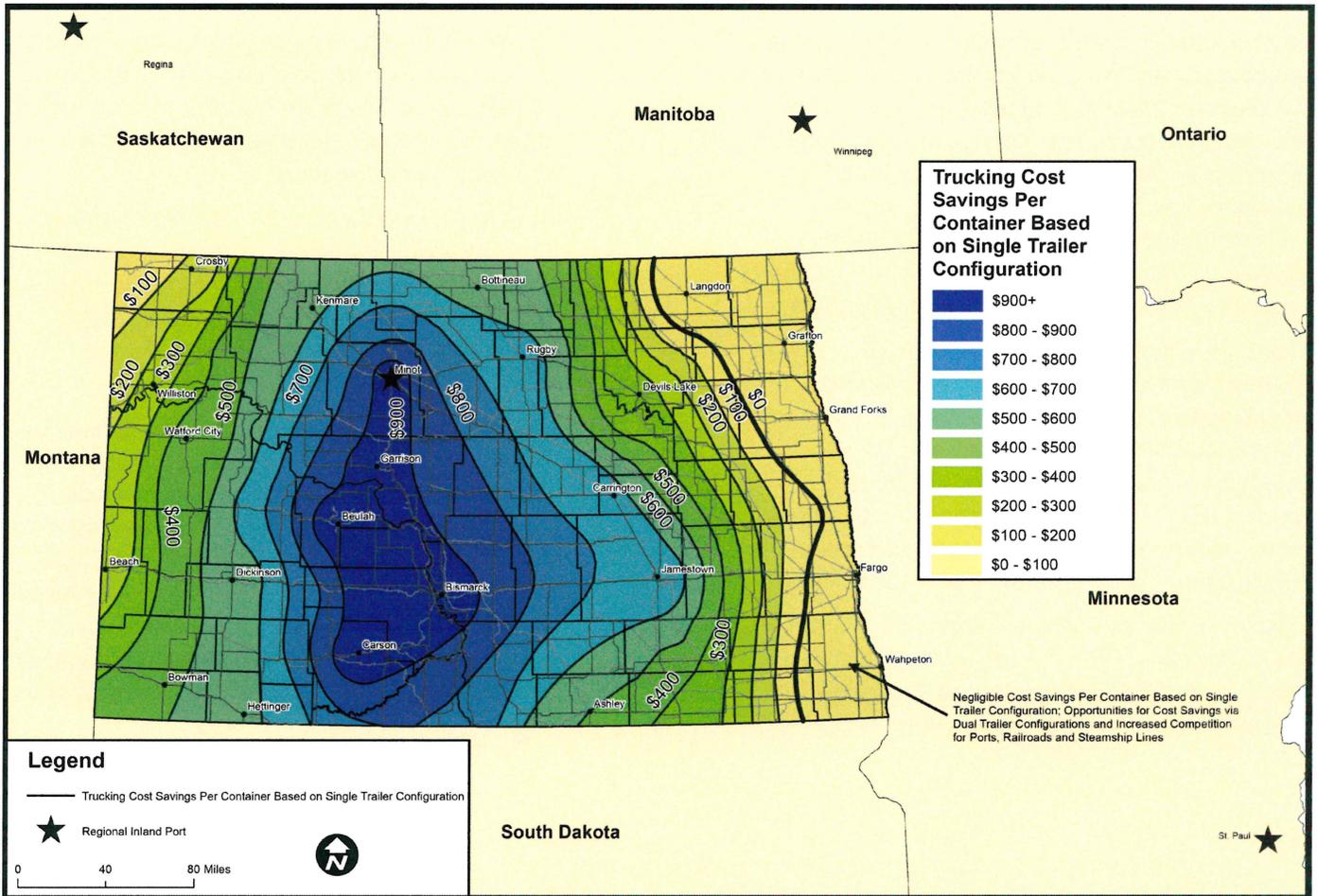
Promoting an economical and sustainable intermodal transportation opportunity for North Dakota creates tremendous long-term value to agriculture and economic growth throughout the region. It also anchors North Dakota on a competitive transportation level with Minneapolis, Chicago, and Kansas City.

The Senate Appropriations Committee heard in testimony that highlighted some of the benefits to shippers in North Dakota:

- The Department of Commerce, that by shipping a unit train a week this is saving producers at a minimum \$137,500 per week in drayage (trucking) costs. This isn't money that goes to the operator, this is money that farmers save in the very base case scenario.
- There are currently over 15 industrial shippers and commercial processors already shipping out of the port. In addition, farmers and small businesses throughout the state are also utilizing the site to ship ND goods and commodities.
- A small business in western ND that has been looking for containers can now access global markets for the first time with their product.

- A value-added pulse company shared that without the intermodal facility it makes it challenging to continue investing in further added production at their plant. The key to value added products is the ability to move the goods from origin to destination and maintain the IP of the product. The port has a positive impact on ND's ability to expand its value-added presence as it provides a tool for producers to move their goods from ND to the rest of the world. Without intermodal it makes it very difficult to attract further value-added investment in ND.
- An ethanol plant near Underwood shared they are currently shipping dried distillers grains through the intermodal facility. The facility has provided access to markets that they would have limited access to without the facility.
- One commodity company, on behalf of their farmer clients, has sold over \$12 million of grain through the facility in its first 3+ months of operation. Their farmer clients benefit greatly from the expanded market access that the facility offers.

While the facility is located in Minot, the benefits of the strategic location serve the entire state and region.



SIGNIFICANT INVESTMENT FOR STATEWIDE BENEFIT

City of Minot has invested approximately \$12 million over the past 15 years.

In addition, the federal government invested \$20 million in U.S. Department of Transportation funding for the \$26.4 million bypass project. The 55th Street Northeast Bypass is a seven-mile-long stretch of highway completed to help support intermodal shipping for growth for our state.

Operator has already over \$2M in equipment to operate the facility in North Dakota.

If approved, the State investment of \$10 million would be less than half of the total amount of the project.

LONG-TERM PLAN | OWNERSHIP

In order to have sustained intermodal service in North Dakota, two things need to happen:

- 1) Purchase infrastructure assets
- 2) Expand site infrastructure

A total of approximately \$10 million is needed to fund the purchase of infrastructure assets from financial institutions (~\$8 M) and the expansion of the intermodal site infrastructure into BNSF Railway's Gavin Yard (~\$2 M). The assets are being purchased by the Minot Area Chamber EDC to ensure that the site and its infrastructure will be used for sustained intermodal service.

Intermodal rail service launched with provisional approval by BNSF exclusively for RMG to operate on the main line. For long term sustainability of the program, operations need to move off the main line and a track expansion into BNSF Railway's Gavin Yard is required. To sustain intermodal service at the present site, BNSF Railway is requiring an expansion of the existing infrastructure be completed by August 1, 2021.

The current bill gives the Department of Commerce the ability to write the rules and regulations of the use of the funding. Reasonable restrictions on the use of the funding are appropriate to ensure that the project will (1) provide for intermodal operations in the state; and (2) allow the public access to the markets unlocked by the intermodal service.

The economic development arm under Minot Area Chamber EDC is a non-profit organization committed to building and supporting a resilient, sustainable, and diversified economy. Economic

development efforts strategically target primary sector industries, as defined by the Department of Commerce. The primary sector is the principal driver of economic development and is the foundation of an economy.

The funding would allow Minot Area Chamber EDC the ability to purchase the infrastructure assets to ensure the site remains focused on providing intermodal service. The next step would be to acquire ownership of the land, currently owned by the City of Minot.

The banks have a valuable asset. It can be sold, and it does not need to be used for intermodal. Prior to the current operator, the facility was being leased as a transloading facility. Following negotiations by Minot Area Chamber EDC, the lease was dissolved, and a new temporary lease was put in place for intermodal service. By acquiring the assets, we can ensure the focus on providing intermodal service is the primary focus.

Thank you for your hard work and commitment to keeping North Dakota globally competitive. This is a great opportunity to diversify the state's economy and bring a sustainable intermodal program to our state.



FOR MORE INFORMATION

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