

Wisconsin Freight Advisory Committee (FAC) Meeting 18

Meeting Minutes from Tuesday, October 29, 2024

9:30 a.m. to 3:40 p.m., Held in-person in Madison, Wisconsin

FAC Member Organization Representatives: David Bizot, Michael Bodoh, Shawn Brantmeier, Tom Bressner, Dr. Mei Cao, Maria Cartier, Jason Culotta, Glenn Fulkerson, Kirk Gill, Steve Griffith, Kari Heinrich, Chris Hiebert, Matthew Hovar, Peter Kammer, Neal Kedzie, Larry Krueger, Keith Langenhahn, Ernie Perry, Richard Pingel, Dean Prestegard, Henry Schienebeck, Sandi Siegel, Dr. Richard Stewart, Mike Sullivan, Aileen Switzer, Evan Umpir, Thomas Winker, Don Vruwink.

Additional FAC Member Organization Proxies Present: Mary Forlenza, Heather Graves, Mark Rhoda-Reis.

Wisconsin Department of Transportation (WisDOT) Members Present: Deputy Secretary Scott Lawry, Angela Adams, Stephanie Arduini, Brad Basten, Lt. Bill Berger, Ehren Bittorf, Joe Coughlin, John Etzler, Joel Gonzalez-Santiago, Mike Halsted, David Hubbard, Sara Husen, Dave Leucinger, Merrill Mechler-Hickson, Todd Merchant, Ben Mohlke, Jennifer Murray, Briant Novinska-Lois, Tim Olusegun, Hillary Pelton, Justin Shell, Sarah Simonson, Kamden Stark, Lisa Stern, Matt Sudac, Matt Umhoefer, Todd Van Fossen, Chuck Wade, Kassandra Walbrun.

Panelists/Guests Present: Aaron Annable, Ambassador Claudia Franco Hijuelos, Anastasia Austin, Juan Ayala, Francisco Carrillo, Mike Deegan, Jazmine Jurkiewicz, Libby Ogard, Bri Popkin, Elias Rivera, Brian Shea, Matt Sheedy.

Welcome (9:30 a.m.)

Chuck Wade, Division of Transportation Investment Management (DTIM)

Mr. Wade noted the ten-year anniversary of the FAC, welcomed attendees, and reviewed the agenda and contents of the meeting folders.

Opening Remarks (9:35 a.m.)

Scott Lawry, WisDOT Deputy Secretary

Deputy Secretary Lawry welcomed the FAC members and guests, noting the 3,200 staff members and \$8 billion annual budget for the agency. He expressed gratitude for the collaboration provided by the FAC members and thanked the WisDOT team for bringing the meeting together. He noted the agency was undergoing a number of changes, including the office he had only occupied for three weeks as of the FAC meeting. His first task involved educating himself on the budget process – when and how to submit.

On the horizon, Deputy Secretary Lawry noted the Bipartisan Infrastructure Law (BIL) has funded 7,400 miles of roadway improvements, and 1,780 bridge projects in Wisconsin. He emphasized the department's ongoing focus on safety, maximizing the dollars returned to the state, and use of technology. On technology, he expected there will be a great leap forward over the next decade.

One successful competitive grant application that is becoming a BIL-funded project is the Muskego Yard project in Milwaukee. The \$72.8 million will help fund construction of two bypass tracks for through-running freight trains, allowing them to avoid both the Muskego Yards freight operations and the Milwaukee Intermodal Station. Signal and bridge improvements will also be part of the project. This will allow for additional Hiawatha service and represents the largest rail grant received by Wisconsin.

Deputy Secretary Lawry also noted projects were funded to greatly expand truck parking in Sparta and in Manitowoc County. WisDOT is also continuing improvement projects on I-41, on I-43, and on the I-94 east-west corridor. In December, the Transportation Projects Commission will meet to review the study of the Madison – Wisconsin Dells I-94 corridor, and US 51 in Madison. He added that the Agricultural Roads Improvement Program (ARIP), to be discussed later at this FAC meeting, was continuing to support projects and most parties feel the initial round of awards was a good experience. There have also been positive efforts with updating timber routes and milk hauling permits.

Deputy Secretary Lawry said that he didn't realize the amount of international trade between Wisconsin and the two other North American nations – Canada and Mexico. He noted it amounts to \$12 billion each year, with almost equal values of products going each way. It was eye-opening to understand the effects and to know those effects are worldwide.

FAC Membership Update and Recap of the 17th FAC Meeting (9:40 a.m.)

Justin Shell, DTIM Administrator

Mr. Shell began by expressing pleasure at seeing so many people in attendance; he welcomed them all and noted that there was a lot of interest in the subject matter. He also noted one new member to the FAC: Keith Langenhahn, representing the Wisconsin Counties Association.

He then gave a brief recap of and observations on the 17th FAC Meeting, held on May 8, 2024. Those included summaries of the Voices of Industry, an initial presentation on ARIP, a presentation on Federal Discretionary Grants, a presentation and room discussion on the Update to the 2019 Intermodal Report, and a panel session examining preparations for freight electrification. That latter session included industry perspectives on standardization of technology, state and national efforts to build out an electrification network, and assessment of the challenges for freight electrification within the larger realm of vehicle electrification.

For a full summary of that meeting, please reference the Meeting 17 minutes.

Voices of Wisconsin's Freight-Related Industries (9:55 a.m.)

Steve Griffith, National Electrical Manufacturers Association (NEMA)

Steve Griffith provided a brief update on NEMA's electrification guidance. He noted the reorganization of the Mobility Sector to include newly defined sector strategies. Among these are state engagement, to ensure that charging transactions are consistent – that the customer gets what they paid for. Other initiatives include standards for EV-ready buildings, including establishing facts on fire hazards from chargers. NEMA is also examining electrification of other freight sectors. Another issue is the use of distributed power and ensuring transformers can manage the flows; NEMA is working for uniform specifications to move those efforts forward. Overall, NEMA sees opportunities for more electrification at ports and on rail corridors (which would feature shared corridors with utilities).

Matthew Hovar, Federal Motor Carrier Safety Administration – Wisconsin (FMCSA)

Next, Matthew Hovar from FMCSA spoke, noting ongoing efforts to improve safety and reducing truck fatalities through the drug and alcohol clearinghouse – which gets drivers with issues off the road and into programs where they can regain their CDLs by following a consistent series of steps. He also noted the apprentice driver program for younger drivers, which is being phased in around the nation.

Neal Kedzie, Wisconsin Motor Carriers Association

Neal Kedzie began his remarks by noting that trucking is starting to come out from the freight recession. On the positive side, inflation is down to 2.7% over the past twelve months. There has been a decline in the number of registered carriers, so fewer companies are chasing the existing freight. But residential housing construction has been flat, so fewer loads are being generated. And insurance rates are up 12.5% over the past year. Even as diesel fuel costs have fallen to around \$3.60 / gallon (from as high as \$5.81), operating costs are up 22%. The American Trucking Association (ATA) survey noted the economy as the number one concern; it's difficult to make up on rising costs when margins are \$.01 to \$.05 per mile. There is also the longshoreman strike on the East Coast, the impact of hurricanes, and a lot hinging on the federal election.

The ATA survey also found the number two concern to be truck parking, so Mr. Kedzie said it's welcome news to hear of the projects in Sparta and Wrightstown. This is a concern across the country, so he and his organization advocate for a federal Truck Parking Improvement Act. The number three concern of ATA is lawsuit abuse – there have been some verdicts that are well in excess of \$10 million. Virginia has capped the maximum; Wisconsin passed a cap but it was vetoed. These verdicts lead to higher insurance costs and lack of availability. In turn, that lowers the compensation that can be paid in wages and leads to reduced fleet size.

Mr. Kedzie also noted detention and congestion as issues, although Milwaukee is now off of the Top 20 list of congested roadways – the one location, the Marquette, is at #95 on the national congestion survey – a great improvement following reconstruction. But nationally, in 2023 there were 135.9 million hours lost to congestion – that's a \$15 billion cost to the economy.

Larry Krueger, Lake States Lumber Association

Mr. Krueger noted half the state is woodland; these hardwood trees are mostly used for flooring and cabinets. He observed the sector is facing some of its worst times on record; hardwoods are at their lowest production volumes since 1950. Many companies have closed even as facilities in other countries are expanding. He noted the decline in freight rail service, and how products must now be brought in and shipped out by truck. This is far costlier than rail.

Mr. Krueger then discussed the virtues of intermodal containers for shipping that they are efficient and cost-effective. 90 million containers are moving every day around the world. This would be an important service to Wisconsin but there is only one active public terminal, in Chippewa Falls – terminals in Green Bay, Neenah, and Stevens Point all closed years ago. Goods from northeastern Wisconsin need to be trucked to Minneapolis or Chicago. He said that all the conditions he spoke of at previous meetings still held true and that he can't compete with lumber producers in other states because of Wisconsin's poor rail infrastructure. He again asserted the need for another intermodal facility in Wisconsin, and the need for class I railroad cooperation to haul for Wisconsin customers. Mr. Krueger said that in his discussions with railroads, they want to run a lot of cars for long distances. They don't want to give up their current profit margins. They seek full 100-car trains.

Mr. Krueger then said there is a location in Wisconsin that has great opportunity – the CPKC yard in Portage. The yard has 12 tracks and can handle the demand if the state companies can give them the business. The state has a lot of products it produces; the need is to find importers bringing products into the state. He asked for help in identifying those other partners who are importing products into Wisconsin and incentivize the railroads with their business.

Dean Prestegaard, Wisconsin Economic Development Association (WEDA)

Next, Dean Prestegaard offered observations from his role in economic development from WEDA. He said that in the conferences he's attended, a consistent theme has been entrepreneurship – building businesses and helping them grow in Wisconsin. He asked how the freight sector could provide service to help this development. His suggestion is to look at innovative efforts in broadband technology and the state's pursuit of regional hubs as a model. He noted the National Science Foundation has dubbed these locations as "Regional Engines" that have a common focus in a defined geography.

These are related industries, such as Milwaukee's Water Council that brings together a strategy of supporting water and energy technology, bringing in grant money. These efforts bring together manufacturing, universities, and the public sector. This coalition is seeking \$160 million over ten years as part of a Phase 2 implementation strategy. There is also a hub development to support sustainable agriculture, and another to support quantum computer technology (the latter in collaboration with Illinois and Minnesota). Mr. Prestegaard said that relevant to freight the U.S. Economic Development Administration is seeking to grow the biotech sector, and developing a tech hub for this sector should include freight considerations. The use of Artificial Intelligence to solve freight transportation issues is another opportunity. Further, he noted the challenge of workforce housing as an issue throughout the country.

Sandi Siegel, M.E. Dey

Representing freight forwarder M.E. Dey, Sandi Siegel offered an update on international trade. She said the industry had expected that the international freight markets to calm down; instead, they have been up this year, peaking in July. There has been extra demand, especially on the U.S. West Coast. The pricing is driven by reroutes from the Red Sea and Suez Canal, and the East Coast longshoremen's strike and threats. There have been delays; still, demand is up and there is still a backlog of containers at ports. In addition, Ms. Siegel added there is a strike at ports in Montreal and the Canadian railroads had a stoppage. The International Longshoreman's Association agreement on wages is only a partial settlement that expires in January. There's a lot of uncertainty.

Ms. Siegel added that tariffs – if implemented – will add charges to the consumer. Importers have staged high volumes of exports, especially from China, to avoid the tariffs – and that has raised shipping prices. One positive she noted is that the liner services are adding capacity with new vessels – as much as 25 percent in 2025. That may help to balance rates.

Matthew Sheedy, Schneider National

Mr. Sheedy, a guest and panelist, noted that Cargo Security should be considered for an agenda topic. He noted a large number of thefts, including tires and electronics.

ARIP – Wisconsin Agricultural Road Improvement Program (ARIP) – Round 2 (10:10 a.m.)

Merrill Mechler-Hickson, WisDOT

Hillary Pelton, WisDOT

Tom Winker, Vice-Chair, Wisconsin Towns Association

Merrill Mechler-Hickson next spoke on the status of the first and second rounds of Agricultural Roads Improvement Program (ARIP) grants. He acknowledged the program manager, Hillary Pelton; and FAC member Tom Winker, who co-chaired the project selection committee. He also provided an overview of staffing in the Local Programs & Finance Section.

Mr. Mechler-Hickson said that the legislature authorized a one-time \$150 million program funding for the 2023-25 biennium from the Segregated Fund. Eligible roads identified include Class B and other weight-restricted roads in rural areas that are critical for the movement of agricultural freight. Award recipients are eligible to receive up to 90 percent of their costs covered by the state share. Recipients would need to sign contracts within three years of being awarded the grant, and projects would need to be completed within five years. He noted additional eligibility criteria was available at the department's ARIP web page.

Ms. Pelton then reviewed the two rounds of applications. Round One was open from February 6 through April 5, 2024, with \$50 million available. Round Two was open from July 31 through September 30, 2024, with \$100 million available. In Round One, 153 eligible applications were received, requesting \$226.8 million on state cost share. From these, 37 projects in 28 counties were awarded funding. In Round Two, 220 eligible applications were received; 74 of these were unsuccessful "roll-overs" from Round One. \$333.5 million in state share was requested; applications covered 490 miles of agricultural roads serving 725 producers with over 639 billion pounds of ag products and \$21 billion in annual sales. All WisDOT regions saw more applicants under Round Two; Southwest, North Central, and Northwest were the regions with the largest increases. These applications would be under review through the end of October; grant awards are expected to be finalized by the end of 2024.

The committee making the determination includes 19 members – ten from municipal groups, seven from the agricultural sector, and two from the forestry / timber sector. The committee had to evaluate the applications using seven criteria outlined in state statute, which include items such as the number of producers benefitting from the improvement, degree of economic impact, the fiscal limits of the local government, and mileage/trips saved by the improvement. The successful applicants will have the grants administered through a new "ARIPWeb," online reimbursement platform.

Tom Winker added that he has multiple business interests and roles on various boards and expressed his thanks for being allowed to serve on the ARIP selection committee. He noted with gratitude that a push from Tim Fiocchi at the Farm Bureau to the state legislature was essential for this funding to be approved. Timber, tourism, and agriculture are three of the state's top sectors; this program improves transportation for all three. Mr. Winker expressed his hope that the program would be continued in the next biennium.

Intermodal Report Update – Presentation (10:25 a.m.)

Sarah Simonson, WisDOT

Dave Leucinger, WisDOT

The next presentation updated the FAC on progress towards the department's update of the 2019 Intermodal Freight Report. Sarah Simonson noted a revised outline to the report, which will funnel information from broader international and North American data and activities, through the regional changes in volumes and service, to the facilities in Wisconsin and immediately adjacent states. She noted that the update process is now in the latter stages, with publishing of the final report slated for April of 2025.

Dave Leucinger continued the presentation by identifying some of the key changes from the previous report. One of these is the price of importing containers, which spiked under Covid, and after modest declines spiked again in May and June of 2024. The factors included vessel attacks in the Red Sea, East Coast labor stoppages, concerns about satisfactory warehouse supplies, and beating potential tariffs. This has led to rail dwell times at ports significantly increasing. Another update includes the publishing of two regional studies. The East Central WI RPC study found some potential opportunities, leading to a Phase II study now underway. The North Central WI RPC study covered Wisconsin and eastern Minnesota and found multiple pairings for balanced domestic intermodal freight. Both reports support the findings of the 2019 WisDOT report, including the needs for lane balance, sufficient and sustainable volumes, and local project champions.

Mr. Leucinger added that the CPKC Railway merger marked another significant change, opening single-line rail service between the Midwest and Mexico. As Mexico's industrial base expands, that merger – and other collaborative services (such as the UP / CN Falcon service) are strengthening the north – south flow for rail and intermodal freight.

Break (10:45 a.m.)

Consular Perspectives on North American Cross-Border Trade: Canada (11:00 a.m.)

Aaron Annable, Consulate General of Canada in Chicago

Mr. Annable, the Consul for Foreign Policy and Diplomacy at the Consulate General of Canada in Chicago, began his presentation by introducing the audience to the role he serves. In addition to promoting the trade of products between Canada and the three states in the Chicago office's coverage area, he helps encourage direct U.S. investment in Canadian businesses as well as Canadian investment in the Midwest. His engagement includes work with WMC and others.

Mr. Annable then offered a brief summary of Canada's economy. Canada's unemployment rate is higher than the U.S., but the inflation rate is lower. Economic growth at present is slower than the U.S., but still positive; Canada is expected to have the strongest growth rate of the G7 nations in 2025. Canada's population reached 41 million by September 2024; 96 percent of Canada's population growth in 2022 came from immigration. Canada's population is projected to be 50 million by 2043. With that population growth, there are challenges – specifically, housing availability in big cities. The government has adjusted its immigration targets downward to allow the housing markets to catch up.

In looking at trade between the U.S. and Canada, Mr. Annable noted how “colossal” the volumes are – with an average of \$2.7 billion in goods and services crossing the border every day. The Great Lakes are

a prosperous region, with governors, premiers, and mayors all collaborating on cross-border organizational governance addressing economic development and environmental improvement. Canada and the U.S. share security under the North American Aerospace Defense Command (NORAD), using enhanced Arctic patrols to monitor threats. Mr. Annable noted there has been progress as well with border crossing information sharing and integrated security. One example he cited was expansion of pre-clearance for cargo and people at the Toronto airport.

Between Wisconsin and Canada, the annual two-way trade amounts to \$14.5 billion, and Wisconsin actually has a trade surplus of around \$1 billion. Agricultural products, forest products, pulp and paper, and plastics are some of the items that comprise this trade. Canada also maintains close trade relations with other Midwest states and governments. Mr. Annable noted Wisconsin's WEDC had conducted a trade mission to Toronto and Winnipeg.

Mr. Annable then discussed the United States-Mexico-Canada Agreement (USMCA) trade agreement, which (along with a separate Canada/EU trade agreement and other agreements) covers 61 percent of Canada's GDP. Built on the earlier North American Free Trade Agreement (NAFTA) between the three countries, USMCA has been a foundational part of trade growth across North America. The USMCA negotiation process provided an opportunity to modernize NAFTA's provisions and reduce red tape. The process started in August of 2017 and the agreement went into effect in August of 2020. Elements that were updated include working conditions and wages and rules of origin for products; there is also a new chapter covering digital media. In 2023, Canada saw its highest level of trade ever with the U.S. and Mexico at \$1.4 trillion, which is five times the value from 1993.

In 2026, USMCA has a mandated review process to allow each of the parties to request changes – or seek to exit. Canada's position will be to review the agreement, but not to renegotiate it. The Canadian government has just finished a consultation process with its key industries. Mr. Annable asserted that it is essential that the USMCA is functioning and stays in place. The level of economic integration across the three nations has grown, and that is a success story. Supply chains have integrated as well. As examples, Mr. Annable identified the sources of components in a transformer (from multiple provinces and states) and a hamburger (also with multiple sources).

While emphasizing the mutually beneficial elements in USMCA, Mr. Annable said that he took issue with domestic content measurements and the "Buy American" legislation. The "Buy American" criteria in the Bipartisan Infrastructure Law is inflationary; it creates problems for any business that needs to source products from Canada and runs counter to the spirit of USMCA. Concerns over sourcing shouldn't lead to negative reactions within supply chains.

Regarding agricultural trade, Mr. Annable noted \$72 billion in two-way trade, and that the U.S. is Canada's top export market. He noted that potash for fertilizer is a strategic resource in Canada. He also acknowledged disagreements between the nations over dairy products, noting that the USMCA hearing court ruled in Canada's favor. He expects the challenges to be continued. However, he emphasized that these disputes are what the USMCA is in place to help resolve – to keep trade free of longer-term disputes. Mr. Annable then presented a map displaying the locations of critical mineral deposits across Canada. Of the 60 types of minerals identified by Canada, 19 are listed as critical. Canada is the only nation with deposits for all the minerals needed for EV batteries. He said the Canadian government is working with indigenous groups on mining projects on their territories. The goal is to build a North American critical mineral supply chain, thereby moving away from heavy reliance on Chinese sourcing.

Mr. Annable then noted the importance of Canada's two railroads, CN and CPKC. Both railroads cover a vast area of central North America; each has connections to Canadian ports and to Wisconsin and the upper Midwestern region. With the merger between CP and KCS, there is truly a USMCA railroad – one company serving all three nations. Canada has five major marine ports for ocean vessels; Vancouver is the fifth largest in North America; it handled 3.1 million TEUs in 2023. Prince Rupert also handles Pacific Coast traffic, while Montreal is the largest Canadian port with Atlantic access via the St. Lawrence Seaway. In 2022, the Green Shipping Corridor Program was introduced. Its goal is to move towards zero emissions from the maritime sector on Canada's coastal waterways and within the Great Lakes / St. Lawrence Seaway (GLS) system. Adam Tindall-Schlicht, former director at Port Milwaukee, is one of the leaders of this effort. There are many engaged voices and ports on this initiative.

Finally, Mr. Annable showcased the new international bridge between Windsor, Ontario and Detroit – the Gordie Howe Bridge. Once opened in September of 2025, it will allow an uninterrupted corridor using Canada 401 and I-75 – a clear link between Montreal and Miami via Detroit. The U.S. side will feature 160 acres for clearing Customs. At present, the Detroit-Windsor crossing is the location of 2/3 of the cross-border trade (by value) between the U.S. and Canada.

North American Cross-Border Trade: Canada and Wisconsin - Panel Presentation and Discussion (11:20 a.m.)

- Moderator: Mark Rhoda-Reis, Wisconsin DATCP
- Panel Members:
 - Jazmine Jurkiewicz, Great Lakes – St. Lawrence Seaway Development Corporation (GLS)
 - Mike Deegan, CPKC Railway
 - Brian Shea, M.E. Dey

In a brief introductory presentation, Mark Rhoda-Reis added some brief statistical information on export trade from Wisconsin. The state's total exports are \$28.1 billion; Canada and Mexico are the number one and two markets, respectively. Those two nations comprise 47 percent of all the state's exports. Industrial machinery, electrical machinery, agricultural and food products, and motor vehicles are top export items. Agriculture comprises 18 percent of the exports by value; within that category, crop products (including grains, wood, and ethanol) comprised 72 percent of the total. Meat products comprised 21 percent, and dairy comprised seven percent. Since Covid, exports to Canada have been strong, with 2023 exports increasing by \$953 million over 2013.

Jazmine Jurkiewicz, GLS

Ms. Jurkiewicz began with a brief background on the GLS. The System extends over 2,000 miles inland through all the Great Lakes, connecting to the Atlantic Ocean via the St. Lawrence Seaway. The system is seasonal, but open most of the year. The anticipated closure date this season is January 5, 2025; reopening is anticipated for March of 2025. The season has been trending longer but is based on ice coverage and the need to perform maintenance on the locks. During the open season, the locks have a greater than 99 percent reliability.

The vessels on the GLS System include U.S.-based "lakers" (vessels that operate only within the Great Lakes), Canadian "lakers," international "salties" (vessels that enter from / exit to the Atlantic Ocean), and tug and barge operations. Together, these comprise a large-scale economy – \$36 billion in economic activity, supporting 240,000 jobs that generate \$18 billion in wages. If the region were an independent country, its economy would be the third-largest in the world.

The GLS is the smallest administrative unit within the U.S. DOT and works to promote increased maritime traffic in the system. At current capacity, traffic could be doubled and there would still be room for growth. Ms. Jurkiewicz noted it is a fully binational system; a vessel can cross the international border up to 27 times from end to end. GLS duties include the infrastructure on the U.S. side, including locks in New York, Vessel Traffic Control, and economic development. GLS also has a Canadian counterpart and together the two entities conduct bi-national management of the system. The Canadians conduct inspections of foreign flagged vessels in Montreal. Both nations are working on developing and promoting greener supply chains.

Through September 2024, Ms. Jurkiewicz noted traffic on the system (by tonnage) was down by 3.3 percent, year-over-year. Salt and coal comprise 80 percent of the traffic; both have seen reduced demand in the past year. Vessel transits are down by 4.21 percent; however, some cargoes are up substantially. These include grain (overall up 4.24 percent; U.S. grain exports are up 55 percent), liquid bulk (up 16.71 percent), and general cargo (up 18.78 percent; steel and iron are up 26 percent). Potash is one of the large inbound commodities.

One emerging opportunity on the GLS is containerized shipping, with Customs clearance. Ms. Jurkiewicz said the first operation was provided by Spliethoff in Cleveland, starting in 2014 with connections to Europe. Spliethoff added a service to Duluth in 2022. Beginning in 2025, a new service has been approved to operate at Monroe, Michigan (near Detroit), while in 2026, service has been approved and is expected to begin in Burns Harbor, Indiana (near Chicago). The next goal of the system will be to bring service to Toronto and if that were to open, the two largest markets on the system would have maritime container operations. Toronto could be a valuable connection point for a feeder service from other Atlantic ports (Halifax and St. John).

Mike Deegan, CPKC Railway

Mr. Deegan's presentation provided an overview and details on CPKC's post-merger operations and strategy, which is looking to capture a greater portion of the cross-border trade with Mexico. He noted Wisconsin's position in the CPKC network is strategic and allows "disciplined growth opportunities." He also noted the importance of short line rail partners to help with development (especially for transload operations) and of ports; CPKC serves over 30 ports. Grain movement is one of the critical carload cargoes, as are cars related to energy (sand). Year-to-date for 2024, more than 50,000 cars have moved through Wisconsin, including 3,000 from Canada to Wisconsin. Intermodal freight is also important to CPKC; Mr. Deegan notes that 60 percent of the traffic is between Vancouver and Toronto. But the Upper Midwest is also important, as Bensenville (Chicago) and Minneapolis together comprise 23 percent of cross-border intermodal traffic.

CPKC is looking to market land it owns for development, including growth of carload traffic. One firm that has been an important partner is Americold, which is working with CPKC on projects in other states. Mr. Deegan asserted that three main pieces will determine growth opportunities in Wisconsin. The first opportunity would come from organic growth – the expansion of existing customers. Second would be new builds; in those cases, the service would need to be profitable and sustainable. The third opportunity is through transloads; there are a number of different transload models.

Brian Shea, M.E. Dey

As a freight forwarder, Mr. Shea directed his presentation towards the logistics and compliance elements in cross-border trade and freight transportation. He noted that 30 percent of Wisconsin's exports are destined for Canada. One practice he notes is drop shipping, where Canadian customers

ordering from a U.S. business get products directly from the manufacturer, which saves on warehousing and transportation costs. He noted that the similarity of trade policies between the two nations has facilitated development of cross-border trade.

Mr. Shea said that 90 percent of the cross-border shipments arranged by M.E. Dey are by truck. Trucks are generally the most efficient means, and the loads range from paper pulp to hazmat. The key to any cross-border shipping is good advance documentation of the load and the clearances needed. He noted that 5.5 million trucks cross between Canada and the U.S. every year. The crossings at Detroit alone account for more than 28 percent of the crossing volumes.

In defining the process of cross-border freight transportation, Mr. Shea likened the role of a freight forwarder to being a “travel agent for cargo.” The border crossing process starts with sending a commercial invoice and bill of lading and follows a set process that includes pre-clearance with Customs. One essential element is that the paperwork needs to have the Customs broker named and listed. Advance communication is also essential for sales to Canada, including requirements with other clearance steps to determine the importer of record. For Wisconsin businesses, they need to be registered as Non-Resident Importers with Canada for purposes of duties, taxes, and other measures. Canadian Customs Brokers will also need to be part of the coordination.

As of October 2024, Mr. Shea noted a new process for clearance into Canada – CARM – short for the Canadian Border Services Agency (CBSA) Assessment and Revenue Management Project. It ensures a streamlined process for collecting duties and taxes through an online portal and applies to all companies importing into Canada. In closing Mr. Shea emphasized the importance of accurate and complete invoices, bills of lading, and packing lists; of knowing the rules of USMCA before signing a Certificate of Origin; and to clearly identify the Customs Broker in Canada.

In the Questions and Answers session, Mark Rhoda-Reis noted the brief Canadian rail strike and asked the panel about any impacts on Wisconsin transportation. Mike Deegan said it was devastating from a customer growth viewpoint – by taking reliability away it causes new or potential customers to pause their willingness to use rail. It affects the fluidity of the network. Jazmine Jurkiewicz added that it highlights the need for a redundant and resilient supply chain – to have an alternative when what customers are used to doesn’t work. There are discussions for a feeder container service on the Great Lakes; this could be an option in the future if there are problems. It’s important to explore options for resiliency. Brian Shea said when Covid hit, it changed so much in supply chains, requiring creativity in freight movement that included a lot of transshipment between truck and rail. There was a scramble to reroute when the strike happened, and M.E. Dey rerouted shipments to avoid Montreal. Then M.E. Dey needed to reroute to avoid the East and Gulf Coasts. He added he would love to use an intermodal terminal in Milwaukee, if there was an option for that.

Aaron Annable added that through the pandemic, successes happened through collaboration. The border was not closed as Canada worked with the U.S. on crossing clearances. It was also a reminder of what happened after 9/11 and the grounding of aviation. There was realization that just-in-time was a problem, and that higher truck volumes would have increased delays. The rail labor action disrupted the freight movement in the St. Lawrence Seaway. There was intense pressure on the Canadian government – including from U.S. companies directly contacting the Consulate and Prime Minister – to impose a solution. The government quickly imposed binding arbitration to bring the employees back to work, and both railroads are back to full operations.

Larry Krueger asked how old the St. Lawrence Seaway is. Jazmine Jurkiewicz replied it was completed in 1959 but undergoes regular maintenance and improvement projects. The latest asset improvement program item is the deployment of hands-free mooring of vessels in the locks. Rather than the older method of ropes that need to be tied between the lock sides and the vessels, the new technology uses large “suction cups” to hold vessels in place. The locks allow vessels up to 740 feet long with a draft of 26 ½ feet to enter and exit the Great Lakes. At this time, a video was shown. Dave Leucinger then asked about the status of the second Poe Lock at Sault Ste. Marie. Ms. Jurkiewicz said the lock has now been fully funded by the federal government and construction is underway. Mark Rhoda-Reis asked how Cleveland was chosen as the location for container service. The response was that Cleveland has bonding authority and used \$20 million to invest in helping the service start up.

North American Cross-Border Trade: Canada and Wisconsin – Tabletop Discussions (12:00 p.m.)

This information has been collected in a separate document.

Lunch Break (12:40 p.m.)

Consular Perspectives on North American Cross-Border Trade: Mexico (1:30 p.m.)

Ambassador Claudia Franco Hijuelos, Mexican Consulate in Milwaukee

Ambassador Franco Hijuelos introduced herself and the primary role of her office in Milwaukee, which is to provide documentation services for citizens of Mexico. There are 300,000 people of Mexican ancestry living in the Milwaukee area – from first to fourth generation. The Mexican Consulate is the only foreign consulate in Wisconsin.

October 1, 2024 saw the start of a new administration in Mexico under President Claudia Sheinbaum.

For total U.S. – Mexico trade, in 2023 Mexico was the top trade partner of the United States - \$799 billion, just ahead of Canada at \$774 billion. Mexico has been the top trade partner for the past two years. In 2023, The U.S. imported \$476 billion in goods from Mexico, while \$323 billion in products came into Mexico from the U.S. But Ambassador Franco Hijuelos noted that many exports and imports each cross the border multiple times in manufacturing; 50 percent of trade is intermediate goods – components that are used to manufacture larger products. In 2024, cross-border trade has increased 5.5 percent; NAFTA and the USMCA are the instruments that have led to this growth.

Ambassador Franco Hijuelos noted that Mexico is a major market for many U.S. products, including semiconductors and electrical components. Mexico buys 16 percent of U.S. exports; 5 million U.S. jobs depend on this trade. Mexico’s importance to the U.S. economy has grown since NAFTA took effect in 1994. Before the treaty, only Arizona and Texas were the top states for trade to Mexico. In 2023, Mexico was the largest or second largest export partner for 27 states; six states have Mexico as their top export destination. Laredo is the largest international crossing, with 70,000 trucks and 300,000 vehicles crossing each day. Many Mexicans come as tourists to the U.S.

The Wisconsin / Mexico trade mirrors the greater U.S. / Mexico trade, Ambassador Franco Hijuelos said. Medical equipment and supplies are the top exports from Wisconsin to Mexico; electrical equipment and components have a large trade in both directions. Mexico’s overall trade growth with Wisconsin was 20 percent between 2022 and 2023, with some categories growing by even higher rates including HVAC (up 28 percent) and electrical equipment (up 27 percent). Several individual Mexican companies have invested in Wisconsin production facilities, including Nemak (automotive components), Bimbo

(baking), Cemex, and Alfa. Mexican investment in U.S. companies has grown by 37 percent over the past three years, from \$42 billion in 2020 to \$57.7 billion in 2023.

As factories in Mexico become more modernized, there has been a maturing of production processes. Mexico is now the top exporter of automobiles to the U.S. and is the top Latin American exporter of high-tech products. Ambassador Franco Hijuelos noted that of the products exported from Mexico to the U.S., those products average 40 percent U.S. content. The two countries have their manufacturing integrated and are producing together, she stated. She also noted that with these trade movements, nearshoring has grown, which is a priority of the incoming Sheinbaum government as it seeks to strengthen ties to the U.S. Specific targets include substituting Asian imports to source or make products in concert with U.S. manufacturers, to prepare for the 2026 review of the USMCA, and to welcome direct foreign investments. Among the sectors to be emphasized are automotive, aerospace, electronics and semiconductors (including mineral production), medical equipment, and textiles.

Another target is to decrease Chinese imports because the balance of trade is currently lopsided. Ambassador Franco Hijuelos noted the strength of USMCA in that 80 percent of Mexico's exports go to the U.S. and Canada. She also noted the USMCA review would be led by Secretary of the Economy, Marcelo Ebrard. He will be consulting local governments, business associations, and alliances. Among the modernization efforts for trade, Mexico has created the Agency for Digital Transformation and Telecommunications, which allows for efficient tax collection from importers and exporters, as well as streamlined electronic bills of lading and other permits that are interconnected with the tax agency for a single customs platform.

One recent positive development Ambassador Franco Hijuelos noted was a meeting in Mexico in October with major U.S. businesses. This has led to commitments of \$6 billion in investment for 2025 and 2026, including an investment from Royal Caribbean of \$1.5 billion. One other company committed to a liquefied natural gas (LNG) plant in Chihuahua. There has also been designation of more than 100 industrial parks and greater electrification and production capacity. She also gave an overview of passenger rail system plans for Mexico. From an economic standpoint, Mexico will work to keep the minimum wage greater than the inflation rate. Finally, Ambassador Franco Hijuelos praised the work of Wisconsin's WEDC and the trade missions they have conducted, including one scheduled for February 2025 to Guadalajara and Mexico City. Wisconsin has designated trade offices in Mexico. She also noted the October 2024 North Capital Forum in Mexico City, which also brought together investors with project developers.

In the Question-and-Answer session, Glenn Fulkerson asked how the multiple cross-border component moves are tracked and counted. Is any double-counting happening? Ambassador Franco Hijuelos replied the tracking is complicated but is governed by the domestic content provisions in the USMCA. Mexico's Economic Ministry tracks these moves and products move back and forth several times. The question of how far an item is transformed is critical – for example, if CPKC ships steel from the U.S. to Mexico, but it comes back as a car, that's a transformation. Dr. Stewart asked about opportunities for expansion of trade via water, and if maritime trade has grown proportionally with total trade. The Ambassador said the long land border has multiple road and rail crossings and those are more advantageous. Matt Umhoefer noted the Mexico City drought concerns and how Milwaukee is positioned as a leader for water technology. The Ambassador replied that she is aware of this, as she has visited the Freshwater Institute and that it has ties to Mexican schools. Francisco Carrillo added that WEDC works with the Water Council every year and there have been many discussions on opportunities. Tom Bressner asked what the current minimum wage is in Mexico. The Ambassador said that it is tiered

by region, but for Mexico City, it amounts to around \$10 per day. Inflation is around six percent, so the policy is to keep that minimum wage rising faster than inflation. Finally, Elias Rivera asked about opportunities to create inland ports to allow Custom clearance away from congested border areas. The Ambassador said that is an intended policy, which will involve investment and an emphasis on seaports.

North American Cross-Border Trade: Mexico and Wisconsin - Panel Presentation and Discussion (2:00 p.m.)

- Moderator: Francisco Carrillo, Wisconsin Economic Development Corporation
- Panel Members:
 - Anastasia Austin, CPKC Railway
 - Matt Sheedy, Schneider Trucking
 - Elias Rivera, Schreiber Foods

Francisco Carrillo, in his introduction of the panelists, noted the exponential growth of trade between Wisconsin and Mexico, and the role played by reshoring and near-shoring in that process.

Anastasia Austin, CPKC

Ms. Austin's presentation by quantifying the enormity of USMCA trade – \$1.5 trillion across the three nations in 2023. The current (2022) mode split for those freight flows is 63 percent truck, 14 percent rail, 10 percent vessel, and 13 percent other. These statistics show there's room for rail to grow its share. Trade across the USMCA partner nations grew by 28 percent between 2019 and 2023; by comparison, trade with China grew by only three percent. Much of this growth was aided by capital investment, driven by nearshoring and reshoring. CPKC has strong traffic from Wisconsin in the automotive sector and industrial sand; Ms. Austin expressed hope that North America receives protection from tariffs.

Next, Ms. Austin highlighted the strengths of CPKC's system – noting that previous speakers had used the CPKC system map to illustrate North American trade. CPKC's system extends across 20,000 miles, serves 30 ports and more than 30 automotive facilities. By operating as a single line, four days of transit time has been eliminated for rail traffic between the Midwest and Mexico. She noted CPKC is ahead of the industry in capital expenditure rates, including Mexican capacity expansions at Queretaro, San Luis Potosi, and Monterrey. The company is also building a second bridge over the Rio Grande at Laredo, a \$100 million project that will open in 2024.

Technology was another theme highlighted by Ms. Austin, including detection systems that ensure rail cars are free of riders or other concerns. By using in-motion detection systems, velocity is maintained to help to improve security to better than 99.9% success. The efforts combine technology, human capital, and infrastructure. One key collaboration involving both U.S. Customs and Border Protection and the Mexican counterpart, Servicio de Administracion Tributaria, allows for international crew movements – Mexican crews are allowed to take trains nine miles into the U.S. before making the crew switch.

Ms. Austin highlighted supporting customer growth, with more than 90 customer construction or expansion projects along its system. These projects represent grain and bulk, energy and steel, automotive, and intermodal sectors. She added that intermodal services between the Midwest and Mexico, carload services for lumber, steel, and paper, and automotive services are all areas of growth and emphasis for CPKC. A CPKC company video was then shown.

Matt Sheedy, Schneider Trucking

Mr. Sheedy began by complimenting CPKC's collaboration with Schneider on intermodal service, likening it to the first-class service from an airline. He also was pleased and excited to learn about the schedule for the second bridge at Laredo.

His presentation was tailored to demystify the process of importing and exporting into Mexico. He said that with a team of experts to help guide shippers, the process isn't that difficult. Schneider has had operations and a presence in Mexico for 32 years, and like CPKC, it's an international company. Mr. Sheedy discussed the Mexico-Midwest Rail Partner service with CPKC that extends from Minneapolis and Chicago to Monterrey, San Luis Potosi, and Toluca in Mexico. This partnership began in April 2023, with Schneider receiving priority placement on CPKC. The advertised transit time was supposed to be slightly longer than truck shipping – but the 4- to 5-day transit for trucking applies to situations when all goes well. In practice, the CPKC service has performed better than trucking.

Mr. Sheedy notes that CPKC and Schneider are cooperating to support new manufacturing in Mexico, including the growing industrial center of San Luis Potosi. In comparing truck moves with rail, one critical concern is the security of loads. With truck crossings at Eagle Pass, there were several disruptions with closed crossings and Schneider lost a lot of products there. The Laredo crossing hasn't closed and it is notably more difficult to interfere with moving trains.

Elias Rivera, Schreiber Foods

Mr. Rivera started with a brief background on Schreiber Foods. Schreiber was founded in Green Bay in 1945 and has grown to having operations in 40 countries with customers in 95 countries. Schreiber makes products from milk and cheese – from cream cheese to processed cheese to yogurt and more – all under private labels or for institutional customers. Schreiber has several Wisconsin plants; the products are perishable, so distribution relies on safe, fast, and efficient routes.

In his experience with trade to Mexico, Mr. Rivera said there are a few key considerations. First, know the classification of the item being exported, so that it abides by the terms of the USMCA and the Mexico tariff schedule. Next, have the required documents and processes all prepared and checked for accuracy. For food products, there are extra items beyond Customs and Permits, including samples and plant/product registration. Compositional standards – including labeling and additive disclosure – are also essential. Finally, know the Incoterms – who takes custody at what point and who pays for which stages of transportation and documentation.

Schreiber has one plant in Mexico at present – in Silao. It's five minutes from the airport and five minutes from an international port, according to Mr. Rivera, and their operations must comply with regulations and certifications required by the Mexican government. But in a city that has an industrial base that's mostly automotive, Schreiber has built the largest plant for individually wrapped cheese in the world. Some of the product is exported to the U.S. Schreiber would like to add more perishables to their product line in Mexico; the proximity to Customs is important to clear them close to the factory.

Francisco Carrillo, WEDC

Mark Rhoda-Reis, Wisconsin DATCP

Mr. Carrillo closed out the session with an overview of WEDC and how it helps Wisconsin businesses connect with the world. He noted that 95 percent of potential customers – and 92 percent of economic growth – happens outside of the U.S. Specific to Mexico, half the population is 29 years old or younger. Wisconsin's GDP is around \$400 billion, and exports account for \$28 billion – a growth of \$1.8 billion

over the past ten years. Wisconsin ranks 13th in the nation for exports by state, with the top five categories of exports being industrial machinery, agricultural products, electrical machinery, medical and scientific instruments, and vehicles and parts. 60 percent of Wisconsin's exports to Mexico are in these top categories.

Mr. Rhoda Reis continued by looking at the longer-term export cycle of top exports to Mexico. Trade rose to 2018, then declined across all categories through 2020. Since then, trade has risen steadily and current trade in just the top categories was \$1.8 billion higher in 2023 than in 2013. Among the strong markets to Mexico is bio-health, while crops are also a strong export commodity.

Mr. Carrillo returned to point out WEDC's tools to help exporters, including ExporTech and trade missions. ExporTech teaches prospective exporters all the aspects of all trade elements. For trade missions, companies just pay for the flight, and the schedule includes two to four meeting per day with prospective customers. Market assessments are also provided. Businesses may also apply for International Market Access Grants, and there are a large number of allowable expenses.

Question and Answer Session

In the Question-and-answer session, Mr. Carrillo asked about the security issues at the border; the new administration has focused on some specific locations. He asked Ms. Austin for some details on how CPKC protects freight. Ms. Austin replied that velocity creates security, so maintaining a fluid network is a critical element. CPKC used a range of other elements – cameras, security staff, and drones to monitor theft-prone areas. Anticipating issues is also important, so the practice of pre-scanning of loads ensures anything that shouldn't be there is identified and removed.

A question was raised on C-TPAT (Customs-Trade Partnership Against Terrorism) cargo carriers – what do these companies need to achieve that certification? The reply was that it starts with electronic paperwork vs. paper – paper forms that show contents provide a “shopping list” for thieves. Proper locks are also essential. But there are operational things that can also work – like placing loaded / high value containers in the bottom of the well of double-stacked rail cars, where the doors can't be opened. Diligence is key.

A question was raised on where the fastest growth is in Mexico. The response was that major lanes are at the crossings, especially Laredo – that's where rail traffic is concentrating. C-TPAT truck lanes also are important. On the U.S. side, Texas is growing rapidly. Manufacturing operations that are growing in Mexico include food production, tires, and electronics. Along CPKC, the traffic growth in Monterrey is 8 to 10 percent; Nuevo Leon and San Luis Potosi are also growing quickly.

Mr. Rivera commented that doing business in Mexico is like doing business in the U.S. – put the agreements in place that define the sales terms. Make sure you divide the seller and buyer responsibilities to be clear on who pays what part of the transaction, including transportation and Customs. But people generally know their business.

In response to a question on CO₂ reduction, Ms. Austin noted that moving freight by rail already lowers emissions. In railroading, 75 percent of the emissions come from locomotives, and that's where CPKC is using technology for the future. By 2030, the company goal is to reduce emissions by 39 percent as older locomotives are rebuilt or phased out. The company has also built three prototype hydrogen-powered locomotives – two are in yard service; one is used in longer-distance trains. She then showed the CPKC video of the origin of these locomotives and the team behind their creation. Mr. Sheedy added

that procurement contracts can help to move decision-makers. Sustainability needs to be in the room with procurement.

Mr. Rivera added one further observation – marketing may need to be different in different countries – for example, what Schreiber markets in the U.S. as a “Mexican Cheese Blend” is called a “Four Cheese Blend” in Mexico.

North American Cross-Border Trade: Mexico and Wisconsin – Tabletop/Breakout Discussions (2:45 p.m.)

This information has been collected in a separate document.

Closing Remarks (3:25 p.m.)

Matt Umhoefer, WisDOT

In his closing remarks, Mr. Umhoefer thanked attendees and panelists for sharing their time and information with WisDOT, noting the importance of the FAC in informing the agency on current and emerging issues.