

Wisconsin Freight Advisory Committee (FAC) Meeting 15

Meeting Minutes from Wednesday, June 14, 2023

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

FAC Member Organization Representatives: Brian Baughman, David Bizot, Shawn Brantmeier, Mark Brehmer, Mei Cao, Maria Cartier, Ron Chicka, Tim Fiocchi, Glenn Fulkerson, Dean Haen, Chris Hiebert, Matthew Hovar, Jamie Julian, Neal Kedzie, Jeff Kitsembel, Mike Kozak, Larry Krueger, Ken Lucht, Kristi Luzar, Sean Parker, Eric Peace, Dr. Ernie Perry, Richard Pingel, Henry Schienebeck, Mike Semmann, Dr. Richard Stewart, Carl Suhr, Mike Sullivan, Aileen Switzer, Thomas Winker, Don Vruwink

Additional FAC Member Organization Proxies Present: Jada Bigham, Heather Graves, Kari Heinrich

Wisconsin Department of Transportation (WisDOT) Members Present: Secretary Craig Thompson, Deputy Secretary Paul Hammer, Assistant Deputy Secretary Joel Nilsestuen, Angela Adams, Alyssa Barrette, Brad Basten, Bill Berger, Ehren Bittorf, Hannah Brown, Rebecca Burkel, David Hubbard, Sara Husen, Rich Kedzior, Dave Leucinger, Andrew Levy, Justin Litscher, Alex McMurtry, Todd Merchant, Jennifer Murray, Ben Rouleau, Lee Sensenbrenner, Ethan Severson, Justin Shell, Sarah Simonson, Lisa Stern, Matt Sudac, Matt Umhoefer, Chuck Wade

Panelists/Guests Present: Djakaridja Bamba, Aleda Bourassa, Craig Briess, Ruth Girmscheid, Ken Harwood, Shauna Marquardt, Kristin Moe, Chuck Nicholson, Sandi Siegel, Jon Solberg, Brian Stenquist, Joe Tullius, Lydia Underdahl, John Duncan Varda, Charlie Zidek

Welcome (9:30 a.m.)

Chuck Wade, Director, Bureau of Planning and Economic Development, Division of Transportation Investment Management (DTIM)

Mr. Wade welcomed attendees, noting the FAC has many new members. He also reviewed the contents of the folders with attendees.

Opening Remarks (9:35 a.m.)

Craig Thompson, WisDOT Secretary

Secretary Thomson welcomed the FAC members and guests. He noted the FAC had many reappointments and many new appointments, reflecting the expanded interest in hearing about freight challenges from a wider range of economic sectors and modes. The meeting also marked the transition to the new *State Freight Plan*, which attendees would hear more about later in the morning. The final draft Wisconsin Rail Plan 2050 was available for public review and comment, with the comment period closing July 10. Once adopted, the plan will ensure Wisconsin is competitive in applying for certain types of Federal rail funding. Adoption of the plan is anticipated for Summer 2023.

The legislature has been very freight-friendly in recent budgets; he hoped the same for the pending biennial budget, which was before the Joint Finance Committee that morning. Most of the freight items were kept in, per reports Secretary Thompson had received. The budget included a provision to direct

the sales taxes on electric vehicles (EVs) towards the Transportation Fund, which was a proposal from Governor Evers that stayed in. The legislature also included a \$75 registration fee increase for EVs. Additionally, a new program was created that provided \$150 million in one-time authorization from the Transportation Fund for an Agricultural Road Improvement Program.

The Blatnik Bridge project in Duluth-Superior is expected to cost \$1.6 billion. Under the 50/50 joint grant agreements from the Federal government, states are responsible for \$800 million, meaning that Minnesota and Wisconsin would each be responsible for \$400 million. Minnesota approved its share earlier; the new Wisconsin Biennial Budget includes bonding approval for the \$400 million share for Wisconsin.

The Harbor Assistance Program (HAP) had been funded at \$8 million per year; WisDOT proposed an increase of \$2 million per year. The funding for HAP is now all segregated funds at \$20 million for two years, a positive step. Transit has been moved to the General Fund and has been given a two percent increase. The budget is generally positive for freight; bonding levels have been increased.

Secretary Thompson outlined the upcoming topics of discussion, including: freight forwarders who arrange shipments of freight around the globe; Watco's efforts on its freight rail service in northern Wisconsin; and collaboration and cooperation efforts along the Minnesota/Wisconsin border – a corridor for transportation and the environment.

Secretary Thompson noted that FAC meetings provide information, but it's really the interaction among everyone present that provides the "secret sauce" for better freight planning. The FAC members inform each other – and those of us at WisDOT. He thanked the FAC for their engagement and commitment to improving our transportation system.

Recap of the 14th FAC Meeting and FAC Membership Update (9:50 a.m.)

Justin Shell, DTIM Administrator

Mr. Shell thanked Chuck Wade and the DTIM staff for putting together the FAC meetings, and thanked the other divisions and other state agencies for their support of the FAC. In a recap of the 14th FAC meeting, he discussed how that meeting featured discussion of the Freight Plan update – what the process would involve, what the plan would look like, and how it fit under the "umbrella of plans" structure established with *Connect 2050*, the Multimodal Long-Range Transportation Plan. That meeting also featured a panel on E-Commerce and its impacts, which have become more significant in the wake of Covid – from costs, to workforce issues, to mode choices. Of note, UPS said the number of stops it made had increased more than package volumes – as fewer retail stores took deliveries of multiple deliveries. There was also discussion of distribution centers – how some were smaller in size but greater in number; others were larger and handling large, centralized operations. He recalled discussion of the urban traffic issues, including street parking and repurposing of some of those parking spaces. This created new challenges to existing first- and last-mile freight movement.

Mr. Shell also noted the presentations from DATCP on the Wisconsin Initiative for Agricultural Exports (WIAE) and the Wisconsin Agricultural Export Council (WAXC); the goal is to increase the state's agricultural exports by 25 percent. There was also a presentation from the Mississippi River Regional Planning Commission and a consultant on their efforts to establish a designated Port Statistical Area along a 150-mile segment of the Mississippi River, in order to accurately capture the volume and significance of bulk product movement through those collective ports. The second panel session of the

14th FAC featured discussion of Resilience, and Environment, Social, and Governance (ESG) evaluations of business operations, which examined everything from structural impacts to alternative fuel use and mode choices.

Mr. Shell then noted that the FAC had seen a renewal and expansion, with both new organizations and new members from existing organizations. The new organizations (and representatives) recognized included:

- Gina Balke, FaB Wisconsin
- Sean Parker, Council of Supply Chain Management Professionals – Twin Cities Roundtable
- Eric Peace, Lake Carriers Association
- Mike Semmann, Wisconsin Grocers Association
- Carl Suhr, Kwik Trip
- Mike Sullivan, Federal Maritime Administration (MARAD)
- Brian Zielinski, UPS Northern Plains District

The new representatives recognized from continuing organizations included:

- Dan Bahr, Wisconsin Counties Association
- Shawn Brantmeier, Wisconsin Paper Council
- Mei Cao, UW-Superior
- Maria Cartier, Madison International Trade Association
- Matt Coffelt, U.S. Army Corps of Engineers – Rock Island District
- Tim Fiocchi, Wisconsin Farm Bureau Federation
- Steve Griffith, National Electrical Manufacturers Association
- Dean Haen, Wisconsin Commercial Ports Association
- Chad Hoffman, Wisconsin Economic Development Corporation
- Shirley McGuire, Federal Motor Carrier Safety Administration
- Benjamin McKay, SEWRPC
- Aileen Switzer, Wisconsin DATCP
- Don Vruwink, Office of the Commissioner of Railroads

One FAC member was recognized in a new status:

- Dr. Richard Stewart, Emeritus Member

Voices of Wisconsin's Freight-Related Industries (10:05 a.m.)

Mike Kozak, Specialized Carriers & Rigging Association / Dawes Crane

Next, the meeting turned to the Voices of Industry segment. Mike Kozak of Dawes Crane and Rigging, representing Specialized Carriers and Rigging Association (SC&RA), briefly discussed the company – with four operational locations (Elk Mound, Kaukauna, Madison, and Milwaukee). His company's expertise is in movement and construction of crawler cranes – the large, tall crane platforms used to build large structures. He noted it takes four to 60 truckloads – all oversize – to build one crane. The smaller cranes require a minimum 10' width and the larger units require 12' width as well as 100,000 pounds gross vehicle weight (GVW). He said Wisconsin is one of the best states for oversize load permitting and routing. The challenges his business and industry face are that many states stick to existing rules rather than moving to uniformity. He noted that he can move equipment from Wisconsin through Illinois on existing axle loads, but upon reaching Missouri, he needs to add axles, and in Kansas, add even more axles. Then, once reaching Oklahoma, the requirements are the same as Illinois and Wisconsin – and

continue through into Texas. He wants the rules for OS/OW to be harmonized. Mr. Kozak also noted the challenge with an aging workforce and driver shortage – the average age of heavy haul drivers is 56. Dawes was one of the original members of SC&RA and is glad to have them as the voice of their industry. Consistent membership issues include state inconsistencies with allowable weights and the travel time windows given for OS/OW operation. The positive is that more public officials are now attending SC&RA meetings and learning about these challenges.

Eric Peace, Lake Carriers Association

The next voice was Eric Peace of the Lakes Carriers Association (LCA). His organization represents the U.S.-flagged vessels on the Great Lakes. While the focus on freight leans towards rail and trucks, maritime is an effective means for movement of freight. Some of the statistics for Wisconsin's share of Great Lakes maritime activity that he cited: the maritime sector supports 7,484 jobs, handles 27 million tons of cargo, represents \$1.4 billion in economic trade, and generates \$480 million in income. In Wisconsin, Frasier Shipbuilding in Superior and Fincantieri in Marinette and Sturgeon Bay are critical facilities for winter repairs to the fleet. One key effort of LCA is emphasizing decarbonization. One ton of material can be moved 607 miles by vessel on one gallon of fuel; one vessel contains 700 rail cars worth of bulk products. The LCA supports greater investment in and use of ports. The new agricultural export terminal at Port Milwaukee will extend state exports overseas. Through the use of the Great Lakes, there are also opportunities to move more cargo into the Heartland of the United States.

Maria Cartier, Madison International Trade Association

Following Mr. Peace, Maria Cartier of the Madison International Trade Association (MITA) spoke. She is also with Port Milwaukee and added more details on the Agricultural Export Maritime Facility for The DeLong Company. The facility is a \$40 million investment that incorporated \$6 million in Harbor Assistance Program (HAP) support. It also used \$16 million in funding from the Federal Port Infrastructure Development Program (PIDP). When at full operation, the terminal will handle \$60 million in exports each year, leveraging all modes. Commodities will be brought in by rail and truck. Dry Distillers' Grains (DDGs) will be one of the main exports, with Europe, the Middle East, and Northern Africa as primary destinations. The first loaded vessel is due out at the end of June 2023, going to Ireland. This facility will help improve the balance of inbound and outbound freight at Port Milwaukee.

Dean Haen, Wisconsin Commercial Ports Association

Continuing the maritime theme in the Voices of Industry, Dean Haen, President of the Wisconsin Commercial Ports Association (WCPA) spoke next. He noted Wisconsin is bordered by water on three sides; it has 13 commercial ports, ship building, ferries, and a diversified cargo base. Three of the ports – Superior, Green Bay, and Milwaukee – handle international cargoes. Mr. Haen is also with Brown County and the Port of Green Bay and discussed the major project at that port. It is situated on the site of a former utility plant – and really is a “Holy Grail” site – with a deep-water draft and rail access. The property was purchased in 2021; the repurposing will use \$30 million in grants – from HAP, MARAD, the PIDP, and more. The redevelopment project is in the engineering phase currently; construction is anticipated to begin in 2024.

Michael Semmann, Wisconsin Grocers Association

New member Mike Semmann spoke next. He represents a new organization on the FAC, the Wisconsin Grocers Association. The organization has 1,900 members, including both retailers and warehouse operators. Groceries employ more than 30,000 people, with an annual payroll of \$1 billion and \$12 billion in annual sales. The average size of a grocery store is now more than 50,000 square feet. In the U.S., the top ten grocery chains have around 50 percent of overall grocery sales. Fortunately, Wisconsin

has several good independent operators. Mr. Semmann said that the supply chain issues from the pandemic are getting better, anecdotally. Some products, like watermelons, might have occasional shortages. He said that the costs for worker wages had pushed prices to rise, but that a hidden driver of price increases is credit card fees. He said that fees charged by card companies are now the third-highest cost for grocers, an even higher cost than employee health care costs. There are still some anomalies among the members in terms of incomes falling.

Neal Kedzie, Wisconsin Motor Carriers Association

Following Mr. Semmann, Neal Kedzie from the Wisconsin Motor Carriers Association updated his message from the previous FAC meeting. He stated there is still a shortage of drivers; there has been an increased number of drivers, but he sees it as a short-term trend. The average age of Wisconsin commercial vehicle drivers is 46; the U.S. average is 41. Trucking accounts for 11 percent of the Vehicle Miles Traveled (VMT) on Wisconsin highways; manufactured goods are the primary loads. Trucking companies are working with intermodal services to provide better shipping alternatives. And he agreed with Mike Semmann that the supply chains are flowing more smoothly. There has been legislation proposed to toll trucks only; this has been defeated but it is under appeal.

Henry Schienebeck, Great Lakes Timber Professionals

Henry Schienebeck from the Great Lakes Timber Professionals expressed concern that forests are being cleared to install large-scale solar panels. Since trees sequester carbon, he questions if that defeats the purpose. He said he's seeing a lot of conversion of land from forests to farmlands; he's trying to get statistics on how much is being converted to look at the overall environmental health. He thinks the statistics on what has been "deforested" may only be counted when forest is converted to agriculture. It's not counted as such when it's harvested. Mr. Schienebeck also noted the benefits of biomass and biofuels from forestry.

Larry Krueger, Lake States Lumber Association

Larry Krueger from the Lake States Lumber Association added to the forestry discussion, noting 49 percent of the state is wooded. He said that the lumber sector saw higher prices for their products under Covid, but that prices are currently lower than before the pandemic. Some mills will be going out of business after their contracts are done. The forest products sector needs efficient and cost-effective freight transportation to get the products to market. He said there need to be places to load containers in Wisconsin – better intermodal availability. Just in drayage the cost to move a container from Valders to Chicago is \$800.

State Freight Plan Status Update (10:25 a.m.)

Matt Umhoefer, Chief, Economic Development Section, DTIM

The next segment featured Matt Umhoefer discussing the status of the State Freight Plan (SFP). He noted how feedback from FAC panels on E-Commerce and Environmental Impacts gave tangible and helpful results for the development of the updated plan. He discussed the plan's vision and goals, why the updated plan was important, what resulted from the first SFP, and the scope of the updated SFP. There were more than 70 policies identified – some mode-specific; others that bridged modes and topical areas. At least 60 experts reviewed these policy statements to provide consensus. The requirements for the SFP include a map of projects to be funded by National Highway Freight Program funds. Since those projects need to be on the designated system, it limits locations for where those funds can be applied.

Break (10:35 a.m.)

Freight Forwarders - Panel Presentation and Discussion (10:50 a.m.)

- Moderator: Dave Leucinger, WisDOT
- Panel Members:
 - Ruth Girmscheid, International Customs Service
 - Sandi Siegel, M.E. Dey & Company
 - Charlie Zidek, SEKO Logistics

After a break, the first panel of the day gave insight on the roles and value of freight forwarders in the import and export of freight. Moderator Dave Leucinger began by recapping the history of freight engagement at WisDOT – how it evolved from executive to executive, to talking to company logistics managers, to going directly to freight forwarders. That understanding has helped build institutional knowledge and gave insight for the Intermodal Report on import/export operations. With DATCP having a goal of increasing agricultural exports by 25%, it is important to learn more about the processes and requirements of international trade.

Ruth Girmscheid, International Customs Service

Ruth Girmscheid of International Customs Services (ICS) began by noting the importance of following trade compliance at the start and the end of the transaction: companies may save money up front, but may incur penalties and fees after the fact. It's extremely important to have all your "ducks in a row."

ICS doesn't do importing/exporting or clear customs for its customers but works with brokers and freight forwarders to facilitate the move through use of a data management tool. That tool solicits suppliers for critical information, such as harmonized tariff schedules, certificates of origin, and free trade agreements. Within the origin determination for manufactured goods, ICS will look at the materials used to determine origins and determine free trade agreements that, if qualified, will save shippers and consignees significant amounts of money – potentially, into the millions.

If a business gets audited by any customs authority (U.S. or foreign) and the paperwork and records are in good shape, it will likely pass the audit. ICS also assists customers with documentation. Harmonized tariff schedules and instructions for crossing borders are all part of good documentation.

Denied party screening refers to rules that prevent shipping certain items to certain countries. For example, regulatory requirements for shipping to China and Russia have become much more complicated. ICS helps customers research any denied parties so they can get appropriate export licensing.

Another service ICS offers is assistance with temporary importation. As an example, one customer regularly moves rental equipment into Canada for a year and then moves it back to the U.S. Use of temporary importation saves money by avoiding paying duties or value-added taxes, which can be substantial. An audit by U.S. Customs or foreign agencies can be prepared for by conducting an internal audit.

Duty drawback is a term used to file a claim with Customs on an imported product that is only temporarily in the country. When that product is used for manufacturing another product that is then exported – or is exported without transformation – importers can get back virtually all the duties they paid. One thing all parties need to do is keep up with regulations. Some of the main regulations include

Customs and Border Protection, Section 232 and 301 duties (most relevant to Chinese imports and exports); anti-dumping and countervailing duties (additional duties that can be as much as 600 percent of product value); regulations enforced by the Bureau of Industry and Security, who regulate all exports from the United States; and regulations set by other organizations.

ICS coordinates with freight forwarders, legal advisors, and customer attorneys on audits; the company obtains rulings from Customs and maintains customer confidentiality.

Dave Leucinger asked how ICS was at the vanguard of the digital wave, even as other businesses in trade were trailing – and also what digitization requires of customers.

Ms. Girmschied described the software the company developed, called ICS Compliance. Customers input supplier information, data for their vendors' parts, the vendor names and addresses, and part numbers. The software takes that information and does an automatic solicitation – even with 100,000 parts, the system can produce a solicitation to suppliers in 30 minutes. Previously, companies did this work manually, using printed spreadsheets. ICS has serviced companies from medium size to Fortune 100 level. That information is saved into the ICS system, year over year. If the customer gets audited, that data is readily available. ICS keeps electronic copies of all the documents with links to part numbers. This has saved their customers millions of dollars; one audit realized \$4 million in successful cost avoidance, another was \$13 million. Both audits were on exports to Mexico, and the fact that customers won both audits is unusual.

ICS also uploads that data information to customer Enterprise Resource Planning (ERP) systems, so when the information is shared with the freight forwarder, everything appears there – verified to be correct, based on the regulations – and with free trade agreement certification, if qualified.

Sandi Siegel, M.E. Dey & Company

Mr. Leucinger asked Sandi Siegel to comment on automation in her operation. She said it's part of "survival mode." A few Customs commissioners have spoken that their agenda is "automate or die." Customs simply could not otherwise keep up with the increase in imports and exports. Customs was on a ten-year program to demand everyone in the industry automate and transmit data; now it's a completely paperless environment. The past six years have focused on getting other government agencies onboard to automate as well. There are at least 50 government agencies who have an interest in imports, including the Environmental Protection Agency, U.S. DOT, and the National Highway Traffic Safety Administration. The Food & Drug Administration is the largest partner government agency, along with USDA, depending on commodities. Automating more information allows the other agencies to do their jobs, their screening, and security measures with that information. That speaks to the compliance portion.

On the freight side, M.E. Dey is in the information business – customers want to know, "where is my freight?" They want to see the dot on the screen that shows where the shipment is, with real-time information, using GPS. M.E. Dey has Electronic Data Interchanges (EDI) with some of their customers, uploading into their customer service portals to aid with tracking delays – especially during supply chain congestion.

Ms. Siegel continued, noting the history of M.E. Dey as a freight forwarder and customs broker. The company started and is based in Wisconsin and was founded in 1907 by Mae Elizabeth Dey; it remains family-owned and operated. While the main office is in Wisconsin, the company handles freight imports and exports across the nation. Ms. Siegel's presentation focused on the Wisconsin customers. She

started in the business forty years ago in investment banking and saw a lot of challenges and changes. The company's core customers are diverse and represent the major sectors/industries of the state (e.g., machinery, ag equipment, medical supplies, furniture, consumer goods, food & food products, supplements, automotive goods, leisure goods). Most of the freight handled is finished goods (rather than raw material) moved through intermodal shipping, using all modes – air, ocean, rail, and truck.

M.E. Dey handles cargo through all entry ports around the U.S., has an office on the West Coast, and has many customers outside of Wisconsin. For the customers inside the state, most of the imports have final entry through customs at Chicago. There was a time when 100 percent of the entries filed were through the Ports of Green Bay, Racine, and Milwaukee – those entries were based on where the physical brokerage and regulatory locations were based. Today the broker can handle freight anywhere in the nation. Today, less than five percent of entries filed by M.E. Dey for Wisconsin clear at Wisconsin facilities. She mentioned being in concurrence with Larry Krueger (Lake States Lumber Association) that more [intermodal] service facilities are needed in Wisconsin. A comparison is like not having direct international airline service – to have to go through a different terminal in another state.

Beside Chicago, Minneapolis is another port (Customs entry point) M.E. Dey has used for customers. Additionally, the discharging (unloading) data for ports such as New York reflects responses to the congestion during the supply chain crunch. Air transit, unloading, reloading, and trucking became more expensive during challenging times of the pandemic.

For export cargo, the top destination for M.E. Dey customers is Canada; Canada is one of the Wisconsin's top trading partners overall. For full intermodal containers, the top customer destination by volume is Australia. Several European nations – Belgium, Germany, the United Kingdom, and the Netherlands – are also primary destinations for M.E. Dey customers.

Ms. Siegel said it was a really interesting couple of years under Covid for supply chains and freight forwarders. During Covid, there was great revenue for freight forwarders but also challenges, and overall that was not sustainable. Rates were never higher; costs for moving a container out of China increased from \$3,000 to \$20,000. The media had numerous pictures of the vessels offshore at Los Angeles and Long Beach waiting for a berth. There were a lot of stories about severe congestion at the ports; Chicago was also particularly bad. For all the freight moving through Chicago for Wisconsin customers, it was a challenge. There were instances of not being able to get freight out of the terminals there, literally for months. Ms. Siegel said the sad part was that cargo owners were still being charged fees for the freight sitting there, even when the customer didn't have access to their freight. Fortunately, this brought some regulatory attention and discussion of reform to address some of the carrier behavior in those situations.

The Midwest was hit especially hard because there was higher demand that affected the availability of containers, and because rates were so high many carriers would not allow loaded containers into the Midwest. Cargo had to be terminated on the West Coast or East Coast, so the carriers could send the container back to China to be reloaded. M.E. Dey arranged for transloading on the coasts for Wisconsin customers. The company also had to move freight to different terminals because it didn't have the desired access; the company used a lot of creative solutions when congestion was severe.

Additionally, rising fuel prices led to fuel surcharges from truckers. Truckers also added a lot of fees because of the long waits in line they encountered at the Chicago rail terminals, or the Chicago airports

– congestion fees and waiting times that increased the landed costs for deliveries. This also added to trucker shortage issues.

On the labor side, M.E. Dey needed more staff – not only did the volumes pick up, but each piece of freight was much harder to move. The company literally had people on the phone all day to find a trucker to pick up one container at the rail terminal, because everyone was so backlogged and to try and avoid the storage fees levied on unclaimed containers. The business addressed the needs by redesigning office space, dedicating two new staff solely to trucking dispatch, and, for the first time ever, going offshore to get administrative help for data entry, making calls, updating information, and tracking loads.

That was the “roller coaster” that was happening the last couple of years – the revenue was great, until freight volumes fell off. Freight rates were expected to drop last year – but nobody expected them to fall off a cliff like they did. Rates are mostly back to 2019 levels, or a bit higher, and many people are benchmarking the pricing at those levels. Most of the truckers have dropped the accessorial fees – the waiting fees – as congestion has improved; however, fuel costs remain high. So far in 2023, volumes are close to those of 2019. There are many variables pulling on the economy now – political situations with China, the war in Ukraine – making the second half of this year difficult to predict.

Ms. Siegel was surprised to hear statements about trucker shortages still. She said M.E. Dey receives a call each day from truckers looking to find business as work fell off. Considering the company added two staff to look for truckers last year, it’s interesting that there are truckers looking for work now.

Automation is a big thing for the freight forwarding sector. When the supply chain congestion hit, people finally understood the profession – and it got the attention of the government. The Federal Reserve Bank of New York created the Global Supply Chain Pressure Index (GSCPI) to track the variables and disruptions in the supply chain. The Bipartisan Infrastructure Law (BIL) also focused on freight and how vital it is to the nation’s economy. According to Ms. Siegel, one of the best things coming out of the BIL was encouraging the freight transportation sectors to talk to each other; although railroads and ocean carriers still don’t have great connectivity. With digitization and data, sharing information should be easier and more frequent. She noted the high degree of automation on the West Coast has challenged longshoremen’s negotiation of their labor contracts.

On the regulatory side, changes include The Ocean Shipping Reform Act. Its creation was driven by the congestion and egregious fees placed on shippers, which received attention from Federal agencies including the Federal Maritime Commission, regulatory boards and commissions, and the Maritime Board. It addresses reversing charges on the egregious fees when customers were denied access to their freight, as those costs get passed along to the consumer.

Ms. Siegel related offered a “worst case” story with one of their customers. The customer had 13 containers shipped from Europe and then delivered to Nashville via rail. However, In Nashville, there were no chassis available to transport the containers by truck, so the containers couldn’t be loaded. The ocean carrier operated under a rule/policy was that only their chassis could be used, and they would not allow a trucker to enter with a different empty chassis. These 13 containers remained at the terminal until they accrued \$130,000 in storage fees. M.E. Dey called every day and was denied access every day; meanwhile, the customer lost their selling season on the goods in the containers. The ocean carrier prohibited M.E. Dey from picking up the containers without paying the \$130,000. Lawsuits have been filed regarding this shipment, and the Federal Maritime Commission has taken interest. Ms. Siegel

believes there is still need for more regulation and more attention to these carrier fees and the record-breaking revenues of the carriers.

Dave Leucinger asked both Ms. Girmscheid and Ms. Siegel – what are the biggest misconceptions that your customers have about imports and exports? What are the biggest mistakes they make? Ms. Girmscheid replied that it's trying to go with a cheaper product classification to save money on tariffs. But that will open the shipper up to an audit. Just because you have a lower rate of duty, doesn't mean that it's correct. Every product that is imported and exported from the U.S. has a classification under a harmonized tariff schedule, and shippers must classify their goods properly. There are many ways to accurately classify products, using rulings and explanatory notes from world customs organizations. Every classification has a rate of duty that you pay. There may also be additional duties for anti-dumping or the special Section 301 duties (China). What some people have done is misclassify the goods – drop it just a bit so that they don't have to pay the Section 301 duties. That action may result in a 15 to 25% difference on the tariff – which is a significant dollar amount. But that will open the shipper up to an audit. Misclassification may seem advantageous, but if a company is audited and it is found to be intentional the penalties can be extremely high.

Another thing that Ms. Girmscheid has seen are errors on submissions by engineers for both imports and exports because they don't necessarily know or understand that trade compliance really matters. Ms. Girmscheid's firm will go into customer offices, conduct an internal audit, and train the different departments on what they need to do.

Ms. Siegel agreed; she and her firm have seen many of the same things. In terms of mistakes and misconceptions, companies sometimes don't do their homework. Shipping internationally – import or export – is very different than domestically. She noted the questions she fields are surprising. There are many resources available, including consultants or agencies across Wisconsin. Companies need to research who they are buying from and who they are shipping to. It's a huge misconception, even from experienced importers and exporters. With the increased attention to security and protecting national borders and forced labor concerns around the world, it's expected that companies visit all the factories and visit suppliers to know who they're doing business with. E-commerce was a driving factor for this expectation.

The verification issue even entered the M.E. Dey offices, as business inquiries came via their website. There were conversations that if there isn't a face-to-face meeting with those businesses, how do they check their credentials? It becomes more difficult for companies to vet who they're doing business with for on-line transactions. Customs and other enforcement agencies expect businesses to conduct research and do their due diligence – they need to know the supply chain in its entirety and know if there is forced labor. Knowing all the details of the transaction requires a lot of homework and a lot of responsibility, whether importing or exporting.

Dr. Richard Stewart asked about the new Incoterms – have they had any impact on shipping or caused issues with letters of credit and related operations. Ms. Siegel said in general, yes, they impacted everyone in understanding the nuances – as when anything changes. One of the most common things she sees – from both importers and exporters – is that they don't really understand Incoterms.

Ms. Siegel explained that Incoterms are an internationally agreed-upon framework that defines each transaction or sale. They define who is paying for what and where the transfer of risk happens. Incoterms cover who is paying for the transportation and who is arranging the shipping – does the supplier take the freight all the way to the port? Or all the way to the customer destination? Businesses

really need to understand Incoterms if they are buying or selling internationally. The details matter when you're arranging the export, freight movement, the insurance, the delivery, and other unplanned charges. When the Incoterms definitions changed, many parties had some misunderstandings on what the new terms meant.

Mr. Leucinger asked the panelists what government agencies can do to help the sector, and what should governments be aware of and monitor in the next few years? Ms. Siegel said she will echo her previous statements about needing more access for freight and activity at Port Milwaukee. She recalled when there was a lot of intermodal freight that came in by train; the ease of moving cargo into and out of the yard was tremendous. She is a big advocate for restoring intermodal operations. There is the CFS plan to build a new air cargo terminal at the old military base at Mitchell International; that's exciting on the air freight side. She hopes for more infrastructure throughout the state in Wisconsin, and it's important to address the severe congestion.

While the transportation part isn't her area, Ms. Girmscheid works with groups and freight forwarders to get things across borders. One thing for government agencies – and in general, all public agencies – is an easier way to do certification. Some places, like Saudi Arabia, require an actual paper document and getting the document can be a convoluted process. There are tools which provide electronic certification, but places like Saudi Arabia will not accept those. She believes certifications could be made easier not just for Wisconsin, but also from global necessity.

Charlie Zidek, SEKO Logistics

Charlie Zidek from SEKO Logistics spoke next. SEKO is a global third-party logistics (3PL) and freight forwarder firm; the company started in 1976 doing traditional freight forwarding but branched out into 3PL and has grown to 140 offices globally. A recent acquisition has strengthened the company's operations in the Middle East and Northern Africa.

Mr. Zidek echoed Ms. Siegel's observations on how carriers had the upper hand on supply and demand during Covid, sending ocean rates to unprecedented heights. For a while, SEKO thought the carriers would try to hold the rates high, but rates have dropped in 2023. In 2022, demand dropped while capacity was still there, and the ocean carriers started wanting to work with freight forwarders. They have become friendlier than in the recent past.

During Covid, the ports globally couldn't handle the demand – evidenced by when the ships were pictured waiting outside of L.A. and Long Beach. Then forwarders started to be charged by the carriers for costly drayage (the transportation of shipping containers by truck to its final destination) and costly demurrage (a charge payable to the owner of a chartered ship in respect of failure to load or discharge the ship within the time agreed). Now, the market has shifted. It's a buyer's market. Forwarders have a different relationship with carriers; they're more open to communication and negotiation.

Ocean carriers are one part of the equation for ocean freight imports. There also is drayage with the trucking lines, and then the people who actually handle the goods at the ports, represented by unions. It's all part of a very complicated puzzle. The labor negotiations bear watching, but things seem friendlier and more accommodating than in the past. What the longshoremen do on the West Coast sets the trend for every other region in the U.S.; L.A./Long Beach, Oakland, Seattle all vote, and as they go, the rest of the unions follow.

When Covid hit, SEKO started chartering their own ocean carriers, moving products on their own vessels, and moving arrival ports for customers from Los Angeles to the South and Southeast (e.g., Mobile, AL; Savannah, GA; and Jacksonville, FL). The shipping time on water was longer, but the overall

transit times – including picking up containers in and out of the yards – saved SEKO a huge amount of time, and financially it was good for the customers.

SEKO also did shipments that combined modes between ocean and air. They brought goods into South Korea, loaded them on planes using weekend rates and SEKO's partnership with United Airlines and American, then flew the goods into Los Angeles for the final overseas move, then breaking it down and moving the cargo out from there.

Wisconsin's market for air freight exports is very strong; air freight moves out of the state every day. SEKO handles more than \$22 billion plus per year globally; the company has multinational customers that have products move through key gateways of Chicago O'Hare, Los Angeles, JFK in New York, Miami, and Atlanta. The company uses load consolidation and have great relationships with transcontinental carriers. SEKO's operations touch all Wisconsin's key sectors – manufacturing, food production, medical products. It's a great mix for both exports and imports.

Currently, freight contract opportunities are fluid – forwarders can negotiate with everyone on the ocean and air sides. Spot quotes, such as Requests For Proposals (RFPs) and Requests For Quotes (RFQs) are common and SEKO advises their customers to sign quarter-to-quarter or even month-to-month contracts, rather than sign up for a year, because the market is changing so quickly. The percentages are huge in comparing the long- and short-term rates; spot quotes now dominate. That may change in 12 months, but for now he recommends the fairest deals for both customers and forwarders are month-to-month contracts.

The truck driver shortages are real – whether less-than-truckload (LTL), truckload (TL), or deliveries. People are retiring and the sector is not getting the backfilling of people who want to drive. He used an example of his children – they don't want to drive a truck, or to unload trailers or carry heavy pool tables to basements, and then take away the trash at the end. LTL carriers are like ocean and air carriers – they are hungry for business. It's been a long time since forwarders had this position. It's good for their customers.

Wisconsin has several resources for international trade: the Metro Milwaukee Chamber of Commerce (MMAC); World Trade Association (WTA); the Council of Supply Chain Management; and the Department of Commerce [ed. - now Wisconsin Economic Development Corporation] and their export group. The latter is a free resource with information that can guide you through all types of questions. No question is too dumb to ask.

Mr. Zidek said he gets excited about exporting and the global supply chain. It's a great industry; it's not going away. It's integral to everything that the FAC membership does.

Freight Forwarders – Tabletop/Breakout Discussions (11:35 a.m.)

This information has been collected in a separate document.

Lunch Break (12:10 p.m.)

Watco – Update on Rail Infrastructure and Service Restoration Across Northern Wisconsin (1:10 p.m.) *Ken Lucht, Watco*

After lunch, Ken Lucht of Watco gave an update on his company's "project" across Northern Wisconsin – the lines acquired from Canadian National (CN). Watco is a diversified railroad and terminal operator,

including inland ports on the Illinois and Ohio Rivers. The new railroad created from the acquired lines, Fox Valley & Western (FOXY) has 250 active miles and 212 inactive miles in Wisconsin; other mileage is in Michigan and Ontario. On most of the segments that are inactive, they were out of service due to storm damage and other weather-related issues. Business activity on these corridors, even before the storms, had not offered enough traffic to sustain freight rail service. Business relations had worsened and shippers used other options.

Watco sees the acquisition as having a multi-decade payback. While the startup happened in the winter – a poor time for transition – the traffic after the first 12 months was strong. The segments handled 20,000 carloads in 2022 – a greater volume than in 2021. Some of the challenges faced included labor costs (there was a lot of overtime) and fuel costs. But Watco believes the system will see organic carload growth, which will help bring back inactive segments. Currently, the system has two clusters of operations – one centered around Green Bay and Appleton; the other centered at Wausau. These are all “island” operations; all the traffic enters and exits on CN. Over time, Watco would like to increase out-of-state business by talking with current and potential customers about their suppliers and customers. Watco is also looking at local traffic opportunities that don’t require interchange with CN.

The advantage for Watco is that as a short line operator, the company is more nimble on operations – the company can adjust service, or add switches, spurs, and rehabilitate lines. But railroading comes down to volume. Dialog with customers is key. Watco wants to align with their expectations of service. There are several rehabilitation projects completed or in progress to address weight restrictions. One was around the 3M plant in Wausau; three bridges needed to be improved to the 286,000-pound standard. With the improvements, 3M now has two switching operations a day (not just one) and rail cars operate at their maximum capacities. In the Fox Cities, there are three bridges– including one swing bridge – that are given low ratings due to current 263,000-pound rail car capacities. There’s a lot of traffic there, which makes those bridges important. FOXY has shops in Appleton and Wausau, and transloading facilities in Park Falls and Merrill – with other opportunities being explored. Mining and forestry have been the primary sectors served in the area; the opportunities are marginal at present for mining. Any mining operation faces multiple challenges and would take decades to develop. Mr. Lucht then discussed, segment by segment, the out-of-service lines. Those are the White Pine branch (Marengo Junction to White Pine Mine, MI), the Ashland Sub (Park Falls to Ashland), Bradley West (Prentice to Tony), and Bradley East (Rhineland to Goodman). On White Pine, there are many bridges that are out, and poor roadbed. The rail is only 80 lbs. The total cost to rehabilitate this segment is \$30.7 million with current rail; \$40.5 million if upgraded to 115-lb. rail. Mining operations will dictate the viability of restoring this line. On the Ashland Sub, there were many washouts and damaged bridges, many from a large storm several years ago. Michigan Tech assessed the cost to rehab at \$23.5 million. For Bradley West, most of the line is in good shape; a few washouts would need to be addressed. There is lots of potential, depending on CN operations and restrictions. Of note, there is no current road access to the siding at Hawkins. The Bradley East segment connects to E&LS at Goodman. Brush cutting has been done; sidings need repair. Estimated costs are \$13.5 million. If changes were to come to E&LS, it could make restoring this segment more attractive.

Going forward, Watco looks for organic growth along the active northern lines. There will be capital expenditures for both routine maintenance and for growing the customer base. Benefit/cost analysis will be involved in any investment decision. Some lines will need public assistance where the benefit/cost analysis is more marginal.

Environmental Collaboration with Minnesota (Planning/Project Level) - Panel Presentation and Discussion (1:30 p.m.)

- Moderator: Alyssa Barrette, WisDOT
- Panel Members:
 - Jon Solberg, Minnesota DOT
 - Bill Clark, Wisconsin DNR
 - Shauna Marquardt, U.S. Fish & Wildlife Service
 - Brian Stenquist, Upper Mississippi River Basin Association
 - Kristin Moe, U.S. Army Corps of Engineers, St. Paul District
 - Lydia Underdahl, BNSF Railway

Jon Solberg, Minnesota DOT

Following Mr. Lucht, the second panel session of the day was held. The theme was environmental collaboration between Minnesota and Wisconsin on transportation projects. Jon Solberg of MnDOT opened with an overview of the engagement from early planning to projects, blending planning and environmental efforts. He discussed the statewide freight engagement through MnDOT's FAC, and how that group helps determine how Minnesota uses its freight funds. There are also annual border bridge meetings. Minnesota has also developed District-level industry studies / freight plans that more directly inform projects, shaping 4- and 10-year plans. MnDOT uses a process called Planning and Environmental Linkages (PEL) that consider environmental impacts 10 to 5 years before a project starts. This connects with the NEPA process. PEL considers transportation project impacts on all environmental factors – from wetlands to cultural and historical resources. This helps move the NEPA evaluations faster through the approval process and reduces the time and money spent on projects.

Minnesota has a unique process of using early notification memos – both internal and external – for coordination. Recipients are asked if there are any “red flags” in the project area. Minnesota also has monthly meetings with U.S. Army Corps of Engineers (USACE), and regular tri-state meetings (MN, WI, and IA). Of interest, there is an environmental liaison from the Minnesota DNR who is dedicated solely to transportation projects with the position funded through MnDOT staffing. That person works on the PEL notifications in conflict areas and where the state has differences on impact analysis. One example would be noise mitigation – going to the neighboring property owners at a project and asking them directly if they want a wall or not.

At the project level there are multiple coordination points. For interstate bridges, there are border bridge agreements between Minnesota and Wisconsin where everything is laid out. There is one unified contract for project delivery. There is one NEPA project team. Where there are differences between the states – on funding, or the environment, or real estate – each state applies and meets its own requirements.

Bill Clark, Wisconsin DNR

Next, Bill Clark from the Wisconsin DNR spoke on the staff roles, interagency agreement, and partnerships. His office in northwestern Wisconsin has six staff members covering 28 counties, working with WisDOT. There are three managers, and there's always something new – such as a recent project of DOT/DNR wetland mitigation, in which a small dam was removed and wetlands restored. Four staff members work on issues along the Wisconsin-Minnesota border. Some of the biggest projects are Interstate Highway bridges; the Blatnik Bridge is the next big project, and there's deep engagement on that. There are also discussions on barge traffic along the Mississippi, shipping into and out of the

Duluth-Superior harbor, and a review of the proposed Northern Lights Extension (NLX) for passenger rail service returning to the Twin Ports.

As a liaison to WisDOT, Mr. Clark provides a single point of contact between the agencies; through those efforts he conducts internal coordination through his staff. Some of the singular issues that have arisen include old wells and asbestos contamination at project sites. In other cases, the coordination on a project is from start to finish – not just with WisDOT, but for local/municipal projects as well – for counties, towns, cities, and villages. Another connection point with WisDOT is on railroads – the state administers several rail corridors. He also works on aviation projects and environmental reviews of HAP projects.

The key working piece is the interagency cooperative agreement between WisDOT and WDNR. In it, both parties commit to work together collaboratively on projects and establish a final concurrence that all parties agree to. In these efforts along the border, many other partners are involved, including other Wisconsin state agencies, Minnesota agencies such as MnDOT and MnDNR, and Federal agencies such as USACE, Fish and Wildlife Service, MARAD, the National Park Service, and FHWA. He works with independent organizations such as the Wetlands Association and has important interactions with the tribes on issues such as wild rice and water quality.

Shauna Marquardt, U.S. Fish and Wildlife Service

Shauna Marquardt of the U.S. Fish and Wildlife Service (USF&WS) Ecological Services Section next spoke about her office's efforts on transportation, renewable energy, review of Federally funded projects, and endangered species. Her agency has a broad mission and vision, and her unit has a broad role. Her area has three regional offices – one in Madison, one in Green Bay, and the main office in Bloomington, Minnesota – adjacent to the Minnesota Valley National Wildlife Refuge. There are also Refuge properties along the Mississippi River.

One of the primary focus areas in her agency is the recovery of endangered species. USF&WS conducts consultation under Section 7 (Federal lands) of the Endangered Species Act, as well as under Section 10 (private lands). Some of the other initiatives they are involved in include the Natural Resource Damage Assessment, the Great Lakes Restoration Initiative, Tribal Coordination, Hydro power (especially in Wisconsin), and spill responses – they are not the lead agency, but they provide technical assistance.

USF&WS's operational policy is early and frequent coordination on projects to avoid surprises. Part of that is the development of a threatened and endangered species map – it's essentially a heat map that shows the probability of the presence of a listed species. This awareness helps reduce the impacts on projects through saving time and making special adjustments as needed. Knowing where these species have habitats allows USF&WS to develop a framework for their recovery.

Efforts along the Upper Mississippi include coordination with USACE on navigation. Their projects have direct impacts on mussels; coordinating the dredging operations can facilitate habitat restoration. Ms. Marquardt noted her agency partners with Federal and state DOTs, and some of the projects are interesting – such as surveys of bat populations under bridges or developing bridge designs that provide habitat. Her agency also works collaboratively on spill responses and supports opportunities to improve processes – with one conversation for all. There's a lot of funding out there under the Navigation and Ecosystem Sustainability Program. The keys for collaboration in the Minnesota-Wisconsin area are following best management practices and creating individualized concurrence documents.

Brian Stenquist, Upper Mississippi River Basin Association

Next, Brian Stenquist of the Upper Mississippi River Basin Association (UMRBA) took a poetic view of the corridor and its multiple uses, following the theme of “Freight is Fundamental.” He focused on the important principles of strategies, and how the Mississippi River serves as a nationally significant environmental and freight corridor. The principles he articulated can be summed as “work together” – inform, consult, and collaborate. Integrate costs, mitigate damages, and build a better bottom line. Search for win-win-win options. Embrace diversity. Use the power of digital transformation to be more accessible to each other and to all the stakeholders. The Navigation and Ecosystem Sustainability Program (NESP) is a good example to follow. It seeks to improve both navigation and ecosystems. Some of its goals include new locks and mooring facilities, along with projects to reconnect and restore flood plains to enhance fish passage. UMRBA is a five-state compact (MN, WI, IA, IL, MO) that facilitates and provides a forum for interstate water resource management. The association has five current program areas: Ecosystems, Floodplain Resilience, Hazardous Spills, Navigation, and Water Quality.

Kristin Moe, U.S. Army Corps of Engineers, St. Paul District

Kristin Moe of USACE spoke of the Corps’ many missions – from regulation of the Clean Water Act, promoting environmental sustainability, public land stewardship, and Upper Mississippi River restoration. The USACE also has the critical mission of maintaining navigation – statistics show 17 million tons of goods passed through the lock at Guttenberg, Iowa. The St. Paul District Office covers 284 miles of the Mississippi River from St. Paul to Guttenberg, encompassing 13 locks and dams. The navigation channel is maintained to a 9’ depth. The office also maintains navigation on portions of the Minnesota, St. Croix, and Black Rivers.

With regard to current challenges, she noted the NESP is good but has unknown future funding. Another challenge is the fluctuation of water levels – from highs in spring resulting from melted snow runoff, to lows in drought periods. There is also the big issue of the maintenance backlog. Most of the locks and dams are at or near 90 years old – the end of their life expectancy. The current structures have \$1 billion in backlogged maintenance. There are dredging requirements that get higher each year; there is a lot of management required for river sand. At the end, the goal is to sustain a resilient, relevant, reliable system of inland waterway navigation. NESP should be seen as an opportunity for globally marketing the region’s crops, supporting rural areas, making infrastructure investments, and jobs creation.

The top challenge is what to do with the dredged material – more innovative uses are needed. Perhaps moving sand by rail to where it’s needed is one option. Communication, coordination, and partnerships are critical. The bridge crossing project at Lansing, Iowa could have been better; outreach was later than it should have been. One positive effort is the River Resources Forum, which meets three times per year.

Lydia Underdahl, BNSF Railway

Concluding the panel, Lydia Underdahl of BNSF spoke of the railroad’s interaction with and presence along the Mississippi River. The company operates across 32,500 miles of track across the western 2/3 of the United States, so it has a lot of different environments with which to deal. One challenge was air quality at Superior in the handling of taconite. There is also the Mississippi River corridor of operations – BNSF runs along the eastern shore of the river in Wisconsin – entering from East Dubuque, IL and existing at the crossing of the St. Croix River in Red Wing, MN. All of these areas are environmentally sensitive.

One of the strategies BNSF has used is a risk reduction program, including billions in capital expenditures - \$3.96 billion in 2023 projects across the system; \$40 million in Wisconsin.

Rail crossings and pedestrian safety is an area of concern as well. In recent years, more deaths on railroads have been to pedestrians than to occupants of vehicles at crossings.

When there are incidents on the BNSF, the company makes information on the contents of the shipment accessible to the first responders to help them mobilize. The company also has hazmat training programs for first responders. The company has pre-positioned response equipment at 150-mile intervals to expedite team efforts after incidents. In Wisconsin, that equipment is managed by local governments and located in La Crosse and Prairie du Chien. BNSF has also been testing and adopting locomotive technologies that reduce emissions.

Question and Answer Session

In the Question and Answer session, OCR Commissioner Vruwink praised BNSF for collaboration and response after a recent derailment along the Mississippi River.

Henry Schienebeck asked if the dredged sand could be moved with the idled frac sand rail cars; the response was yes, it's already being done on a limited basis. The least costly option is to use it locally. There are tight regulations on where the material can be used. But there are opportunities for reuse.

Lisa Stern asked about the trespass issues along the BNSF corridor – the USF&WS and the USACE have a lot of property; access remains a concern. She asked to restart conversations to address those issues. All agreed to move forward on new conversations.

Eric Peace noted dredged materials are a big problem on the lakes as well, and there is a need to find collaboration on reuse. The USACE has a contractual requirement to maintain navigation.

Break (2:45 p.m.)

Environmental Collaboration with Minnesota (Planning/Project Level) – Tabletop/Breakout Discussions (2:55 p.m.)

This information has been collected in a separate document.

Closing Remarks (3:25 p.m.)

Paul Hammer, WisDOT Deputy Secretary

In his closing remarks, Deputy Secretary Hammer noted the heightened energy level in the room. The FAC is the oldest standing committee within WisDOT, and this meeting showed it's stronger than ever. The freight industry is dynamic, and changes are always happening – so these meetings help everyone stay up to date. He praised the commitment of the group to inform each other and WisDOT, in the past, present, and future. He was impressed by the wide range of material covered at the meeting, including hearing directly from freight forwarders – the experts on exports.