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MEMORANDUM

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To: Senior Analyst: Rail Projects
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From: Earle W. Orr, Jr., Ph.D. EWO
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Subject: A proposal of the Dakota, Minnesota and Eastern
Railroad Corp. to build 280 miles of new track from Wall,
S.D. to Wyoming's Powder River Basin — and to upgrade
600 miles of existing track — at an estimated cost of
two billion dollars.

Date: March 23, 2006

This proposal is a foolhardy boondoggle which
could only have been cooked up by an executive with a
passionate penchant to become a later-day "empire builder"
(a-la-James J. Hill), but one who lacks an accurate
knowledge of economic and transportation geography.

The new line would be built through the formidable
bulwark of the Black Hills to reach the Powder River
Basin^(PRB), which is now amply served by the Union Pacific and
the BNSF. Adding another rail line to the area would be
even more counterproductive than the storied faux pas,
"hauling coal to Newcastle." 1/

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1/ Newcastle, England is (was) surrounded by coal mines. It's

E1-1968

Jim 82 and hobbled
by arthritis. I
apologize for the
icky format
below

"New famous" of Brown d.c.
now

On the other hand, that the big shots at the DME are gung-ho and hell-bent to expand their railroad is both understandable and commendable. But their current plan would amount to a gross misallocation of monetary (and real) resources — a goof which we economists were born to preach against. The two-billion bucks can be spent much more productively and ^{hence} profitably, as outlined below. First, as to the coal business.

Several years ago, the U.S. News & World Report stated that there are very promising deposits of coal in the vicinity of Ashland, Montana. It also stated that a rail line in the Tongue River valley from Sheridan, Wyoming to Miles City, Montana (both on the BNSF) by way of Ashland, was under study. Studied, but not built. The DME should extend its Colony, Wyoming line to Ashland and nearby Colstrip (the latter is ^{now} served by BNSF) through rolling-prairie terrain. This extension would be shorter than the one proposed to the PRB. But there is much more to the story.

The line should be extended beyond Ashland to reach Hardin on the BNSF line to Billings, where it connects with the Montana Rail Link (MRL) which runs trains all the way to Spokane. The DME should be extended eastward (almost entirely on extant railroads) to reach Sheldon in north west Iowa, the western terminus of the Iowa, Chicago & Eastern, its "sister" in the Cedar American Rail Holdings Co., of which Kevin Schieffer has been president and CEO. The following "empire" would emerge. (Arrows indicate some connecting lines)

future extension? Sand Point (Arrows indicate some connecting lines) emerge

Seattle Tacoma Milw. Spokane Plummer Missoula Billings Rapid City Mitchell Canton Sioux Falls Sheldon Marquette Dubuque Savanna Chicago

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The sketch below focuses on an alternate route to the DM&E's main line between Rapid City and Winona (via Pierre, Brookings, Mankato, Waseca and Rochester). It shows a route via Canton to Sheldon for coal trains and a "loop line" I/ via Sioux Falls for merchandise trains.



Sioux Falls is one of the fastest-growing cities in the U.S. In 2000 it and nearby Brandon had a combined population of 129,668. It has substantial manufacturing and is a growing administrative center for the private sector. It is a mystery to me why the I&M Rail Link (which morphed into the I&E) did not opt to serve Sioux Falls on the existing Milwaukee Road right-of-way (or via the Illinois Central).

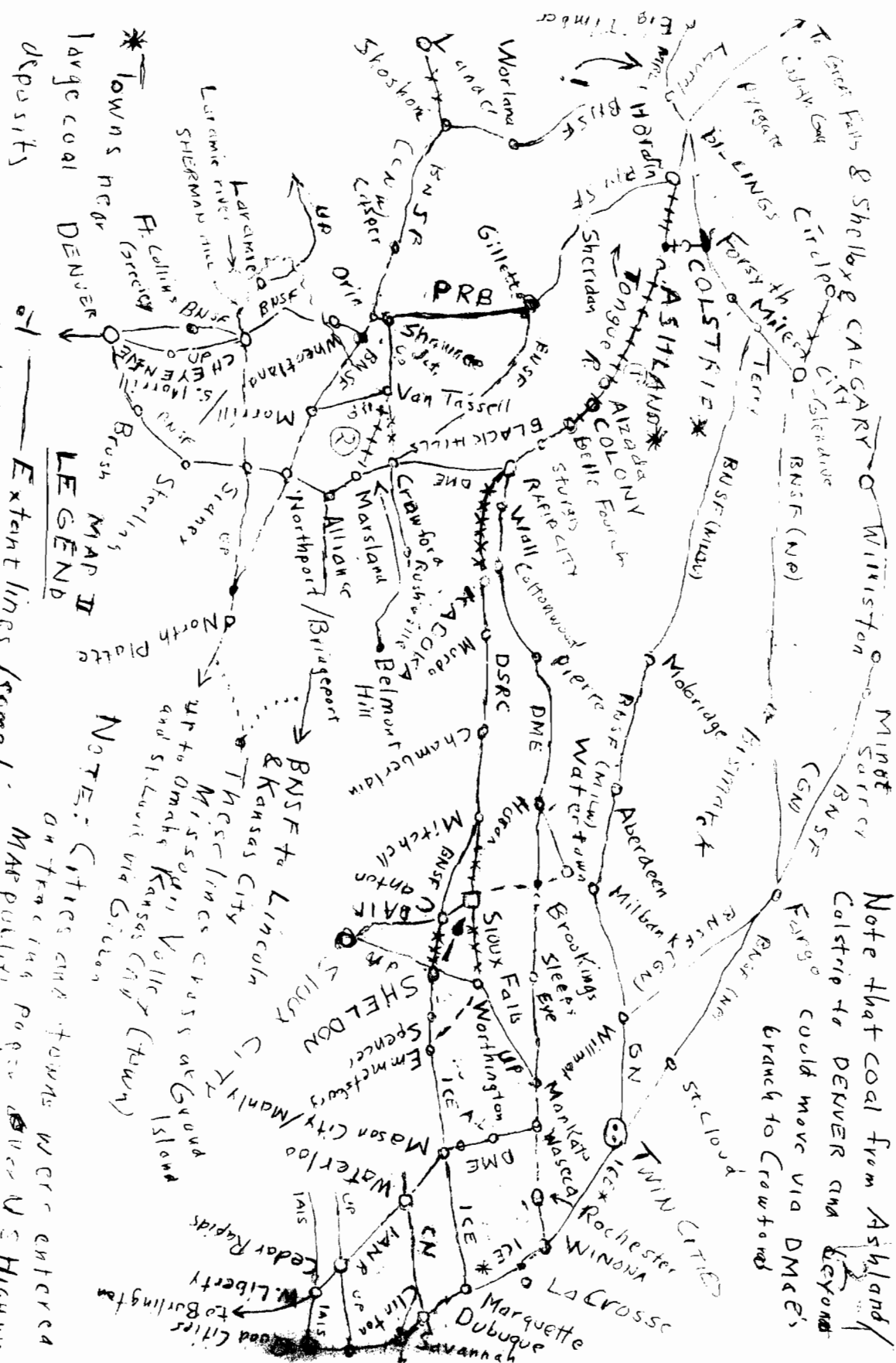
Map I and Map II (enclosed) give a broader perspective of the pertinent territory. If the DME obtains moth ball its line from Pierre to Cottonwood in the Bad River Valley where it has encountered some unstable subsoil. Also fewer coal trains near Mayo Clinic. I/c term used by pipeline companies. OVER

4.

Don't you agree? It's not the
form, but the substance that
really matters!

EWJ

Railroad executives
should be required to have at
their elbows some highly accurate
maps of the property they manage, such
as (1) road maps published by Rand McNally
or American Map Co. and
(2) Highway-cum-Transportation maps
published by ~~the~~ ^{many} state D.O.T.'s.



Note that coal from Ashland/
Colstrip to DENVER and beyond
FARGO could move via DMG's
branch to Crowtoad

LEGEND

o- Extant lines (some lines not shown)
+ Proposed lines
x Abandoned lines
DSRc Dakota Southern RR Co
PRB Fowles River Basin
MRL Montana Rail Line
DAIR DAKOTA IRR
LANF Iowa Northern Ry

on tracing papers used by R and Mc NALLY