



**Testimony of Bruce Ridley
Mill Manager, Tomahawk Mill
Packaging Corporation of America**

**On behalf of Wisconsin Manufacturers & Commerce and
The Wisconsin Paper Council**

**Before the Special Committee on Wisconsin's Transportation
Network Infrastructure
(Senator Ted Kanavas, Chairman)**

Good morning, Chairman Kanavas, members of the committee and committee staff. My name is Bruce Ridley, and I am the mill manager for the Tomahawk Mill of Packaging Corporation of America. I am here today on behalf of Packaging Corporation of America, Wisconsin Manufacturers & Commerce and the Wisconsin Paper Council. Thank you very much for allowing me to appear before you.

Packaging Corporation of America is a world-class manufacturer of containerboard and corrugated packaging. Our focus on a single line of business not only differentiates us from our major competitors, but also helps us achieve levels of operational excellence that are highly respected within the industry. With 2003 net sales of \$1.7 billion and 7,900 employees, PCA produced 2.2 million tons of containerboard and shipped 28.1 billion square feet of corrugated products.

I manage PCA's Tomahawk Mill, where we manufacture over 500,000 tons of mediumboard, annually. Our mill has over 450 employees, of which 370 are hourly employees. Our hourly employees make an average annual wage of over \$47,000, with many hourly employees making over \$60,000 a year. These are good, family-sustaining jobs in northern Wisconsin. The Tomahawk Mill also pays \$500,000 a year in property taxes, in addition to contributing \$60,000 a year to local charities.

Wisconsin has been the number one paper making state for over fifty years, but global competition, skyrocketing energy costs and a cumbersome and costly regulatory structure in this state are hindering our ability to compete on a worldwide basis. Everything that can be done in this state to remove cost barriers must be done. We truly appreciate the steps the Legislature took last session to change state laws regarding energy taxes and regulatory reform. These measures were definitely a step in the right direction in improving Wisconsin's business climate.

As a heavy manufacturing industry, Wisconsin's paper industry faces many challenges including several challenges with respect to transportation infrastructure and, ultimately, the state's long-term economic health. Strong, robust multimodal transportation networks help keep Wisconsin stores open, factories running, and payrolls being made. But this most basic component of our economy cannot be taken for granted. For Wisconsin manufacturers, a key issue is access to certain and reliable shipping and receiving services, while meeting such needs in the most efficient and cost-effective manner possible. Wisconsin is at a geographical disadvantage when it comes to transportation so maintaining a variety of low-cost transportation systems is vital to our state's economic well-being.

Quality rail service, in particular, is vitally important for Wisconsin manufacturers, allowing us to receive raw materials and supplies, access markets for our products and to get our products into customers' hands. Rail service, for many of our needs, has traditionally been more cost effective than, say, trucking. At PCA, for example, we currently use rail to bring in coal, chemicals, fuel, pulpwood and recycled fiber and to ship outbound rolls of finished product.

Regarding Canadian National, many of us shippers in northern Wisconsin are very concerned about the continued availability of quality service, the service upon which we rely on to receive raw materials and to get our goods to our customers. We're concerned about Canadian National's long-term business plan for Wisconsin, and the extent to which they are interested in providing quality service to manufacturers in Wisconsin. A recent WDOT study of the economic impact of rail service in northern Wisconsin details how important affordable rail transportation is for our area.

At the Tomahawk Mill, for example, over the past year or so the Canadian National Railroad has taken 23 of the area's pulpwood loading sites out of service. Some of the customers that we ship to have had their days of service reduced from 5 days to 3 days, usually these changes come about with little to no communication. Many of us in the area have seen the quality of cars received to be deteriorating and sometimes hard to get. Our facility has seen the rates for shipping within a 500-mile radius increase substantially. Trucking these loads adds several complications; some of our rolls are of the size that they have to be shipped by rail. It takes 2.5 trucks to haul the load of a rail car, so when we reduced our rail shipments over the last few months by over a 100 cars a month, that puts 250 more trucks on the road each month. Scheduling additional trucks hasn't been easy, but trying to find drivers is a national issue right now. At one time we have had over 70 trailers in our lot waiting for drivers. And then there is the issue that some of our customers aren't set-up for unloading trucks. I'll be visiting one of these customers tomorrow to see what we can work out.

These are issues common now in the paper industry in Wisconsin. There are similar issues with other manufacturing; there are additional issues with the distribution and sales businesses, other issues with the feed mills and depots, two of Wisconsin's intermodal facilities have also been shut down, etc. Reducing rail service by the only rail option in the area is having a significant financial impact on a lot of businesses. Moreover, this is about more than retaining the jobs we have in Wisconsin. This is about the creation of new jobs in Wisconsin. I was talking to the Executive Director of the Economic Development Corporation of a neighboring county and he claims there is currently \$50 million dollars of new capital on hold because of the uncertainty of the rail service in that area.

Overall, PCA, Wisconsin Manufacturers & Commerce and the Wisconsin Paper Council are interested in working cooperatively and proactively with all of the railroad companies providing service in Wisconsin, state and federal authorities, others who purchase and rely upon railroad services, and any other interested parties to help ensure Wisconsin businesses have access to quality rail service. Specifically, if this study committee identifies ways that the state can help ensure quality rail service is available in Wisconsin, we are quite interested in being part of that effort.

And I want to stress that we are keenly interested in working in a positive and productive manner with the Canadian National Railroad, upon whom PCA and many other Wisconsin businesses rely on to meet our shipping needs. We're interested in being good customers and working together to maintain access, via rail, to our suppliers and customers.

While many factors contribute to a good business climate - such as low taxes, a predictable and consistent regulatory climate, reasonable health care costs — no one can argue that access to reliable, predictable transportation services are an absolute necessity for our jobs, our economy and our families.

Thank you for this opportunity to offer testimony. I have copies of my testimony available for distribution. With that I'd be happy to attempt to answer any questions.



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FOR FURTHER INFORMATION CONTACT:
R.J. Pirlot, (608) 258-3400
Pat Schillinger, (920) 722-1500

December 14, 2004

Railroad Uncertainty Jeopardizes State Business Climate Manufacturers Pledge to Find Solutions

MADISON - Rail service uncertainty in Wisconsin is hampering economic development, particularly for manufacturers needing to deliver products and receive raw materials, manufacturers told a legislative committee Tuesday.

"Many of us shippers in northern Wisconsin are very concerned about the continued availability of quality service, the service upon which we rely on to receive raw materials and to get our goods to our customers," said Bruce Ridley, mill manager of the Tomahawk Mill for Packaging Corporation of America. Ridley said a \$50 million in new capital is on hold in one Wisconsin county due to uncertainty about rail service.

Ridley testified Tuesday before the Special Committee on Wisconsin's Transportation Network Infrastructure chaired by Senator Ted Kanavas.

Ridley said recently Canadian National Railroad has cut services to northern Wisconsin communities, and that has hurt manufacturers in the paper industry and other industries.

"Over the past year or so the Canadian National Railroad has taken 23 of the area's pulpwood loading sites out of service," Ridley told the committee in prepared testimony. "Some of the customers that we ship to have had their days of service reduced from 5 days to 3 days, usually these changes come about with little to no communication. Many of us in the area have seen the quality of cars received to be deteriorating and sometimes hard to get. Our facility has seen the rates for shipping within a 500-mile radius increase substantially."

Ridley testified on behalf of Wisconsin Manufacturers & Commerce and the Wisconsin Paper Council.

The groups "are interested in working cooperatively and proactively with all of the railroad companies providing service in Wisconsin," Ridley said. "If this study committee identifies ways that the state can help ensure quality rail service is available in Wisconsin, we are quite interested in being part of that effort."

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s fees but pulls back from cutting service

es on the Canadian National Railway Co. and an aborted move by the railroad to cut re questioning the firm's commitment to northern Wisconsin.

nation of an informal coalition of rail users and a state f the railroad in the region.

when Canadian National, a publicly traded company that eversed course on plans last summer to trim service in o three.

atives and others fear they presage cutbacks down the line.

re of rail in Wisconsin and particularly in northern said Patrick Schillinger, president of the Wisconsin Paper ulp and paper industry.

e state's largest railroad with its \$1.2 billion purchase of rs ago, says it is committed to northern Wisconsin.

lobbyist Kevin Soucie said rail lines have a future only if

ey were making money now, Soucie said some of the nes, when CN acquired them, were not viable over the

like them work financially," he said.

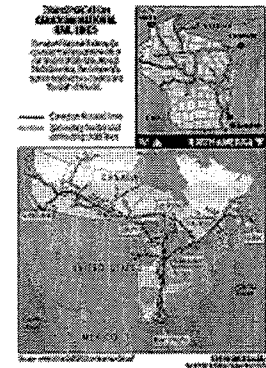
:: If costs aren't cut enough, or rates aren't high enough, time, service reductions and price increases can prompt he reduced freight volumes further undercutting the

ndonment of lines - is what some business people fear re director of the Lincoln County Economic

road across much of the region and is crucial to many

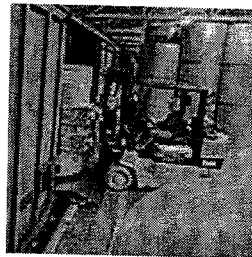
per industry, there is no cost-effective replacement for

This summer, CN raised rates on short routes and reduced service to the mill.



Canadian National Rail Lines

Transportation



Photo/Rick Wood

Mark Lemke, an employee at Packaging Corp. of America in Tomahawk, loads rolls of paper onto a railroad car Wednesday to be shipped to various markets by Canadian National Railway Co.



Photo/Rick Wood

A Canadian National Railway Co. train moves logs and products through Tomahawk on Wednesday.



Photo/Rick Wood

The Packaging Corp. of America paper mill in Tomahawk ships specialty cardboard paper by Canadian National trains.

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The mill ships some of that to the company's cardboard box plant in Colby, about 120 miles southwest of Tomahawk, by rail. The mill used to send medium via the CN - about 20 carloads a month. But in mid-summer, Ridley said, the railroad raised rates for the company on hauls of less than 500 miles and cut service to Colby from five days a week to three.

Ridley wouldn't quantify the change in rates other than to say they were raised "significantly." The rate increase was enough to make it cheaper for Packaging Corp. to ship to the box plant by truck, which it now does, Ridley said.

He said the company had cut back rail shipping elsewhere, too, because of changes on the CN. Since January, Ridley said, the Tomahawk mill has gone from shipping out more than 650 rail cars a month to about 550.

It takes 2 1/2 trucks to haul the same tonnage as a single rail car, and making the switch isn't necessarily simple, Ridley said. Nationwide trucking capacity has been strained by a lack of drivers, and some of the plants the Tomahawk mill ships to aren't equipped to handle trucks, he said.

Ridley also said the number of sites where logs can be loaded onto rail cars had been reduced, hurting pulpwood producers financially.

Bill Johnson, owner of Johnson Timber Corp., a forest products company based in Hayward, told an Assembly committee in August that "CN is continually threatening to close rail spurs due to lack of volume, or even more disheartening, hiking prices at these spurs to price themselves out of the marketplace."

Concerns such as Ridley's and Johnson's have spurred affected businesses to meet informally as a group and prompted the state Department of Transportation to analyze the economic impact of rail service in northern Wisconsin.

In early November, the department surveyed 13 businesses that use rail. Without that service, the responding companies said, their annual shipping costs would increase by 33% to 500%. The largest of the businesses estimated it would have to pay an additional \$5.8 million a year to ship by truck, the report says.

In October, the federal government granted CN's request to abandon a 37-mile line between Saukville and Kiel. CN said the line's economic potential didn't justify the cost of upgrading it. The state is looking into acquiring the line and leasing it to another railroad.

CN has no plans to abandon any rail lines in northern Wisconsin, Soucie said. But he added that every line "is under constant review" for its financial viability, and that the company owed as much to its shareholders.

"The people who trust us with their money depend on us to make wise decisions with their investments," Soucie said.

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**TRANSPORTATION
CANADIAN NATIONAL
RAIL LINES**

Canadian National Railway Co. operates the largest network of rail lines in Wisconsin. Across North America, the company's system reaches two oceans and the Gulf of Mexico.

- Canadian National lines
- Secondary, feeder and connecting short lines

