



STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR

October 31, 2012

South Dakota Railroad Board

Dear Members,

The South Dakota Railroad Board at this special meeting is set to consider a decision that is very important for many in South Dakota – the future of the Napa to Platte state-owned rail line. My staff and I have had the chance to visit with many South Dakotans, both individually and in groups, regarding their thoughts and desires as to the best future for the line. Unfortunately, while I am not able to be with you today as you consider various proposals for the future of this line, I want to take this opportunity through my staff to share my thoughts on this issue with you.

The Napa to Platte rail line is a significant asset for the region, and restoration of reliable rail service is vitally important to agricultural producers, economic development, and growth in the area. Restoration of rail service should be our number one priority! In considering the various proposals for moving forward with the line, it is my understanding the Board is faced with two primary options in choosing to either sell the line to private parties or retain ownership and lease the line through the Napa Platte Regional Rail Authority. I believe that each of these options has both pros and cons.

Continued state ownership of the line, with a lease to an operator through the regional rail authority, would allow the state to exercise control over the line and potentially better protect the benefits to shippers and operators on the line obtained through the core line sale to the Burlington Northern Sante Fe railroad. Unfortunately, the line requires major rehabilitation before reliable operations can occur. This rehabilitation will require significant state resources which are simply not available at this time. In addition, I am always hesitant to invest large sums of taxpayer funds in projects that only provide regional benefit, as opposed to those investments which generate benefits for all citizens in the state. Therefore, continued leasing of the line may well result in frequent rail operations not returning to the line for a considerable period of time to the detriment of existing and potential shippers in the area.

Sale of the line to a private entity or group may allow rail service to be restored in a much quicker time frame, thereby spurring further economic development along the line and benefitting both existing and potential future business. Private enterprise may be able to provide the financial resources necessary for rehabilitation much sooner than

public resources may become available. Should the Board choose to pursue a possible sale of the line, I believe there are some important considerations that must be taken into account:

- ✍* The ability of Dakota Plains Ag Center to proceed with their proposed development along the line should not be impeded in any way,
- The proposed Wagner Native Ethanol project, should it ever come to fruition, must be guaranteed reliable rail service to its facility,
 - Protections must be put in place that assure the state that rehabilitation and operations will progress on the line at a reasonable pace,
 - If a proposed purchaser abandons effort at restoring service on the line or otherwise fails to follow through on the terms and conditions of any agreement deemed appropriate by the Board, the state must retain the ability to assume ownership of the line again, and
 - Most importantly, the Board must ensure that the terms of any proposed sale of the lines protects and continues all of the benefits currently in place as the result of the core line sale agreement.

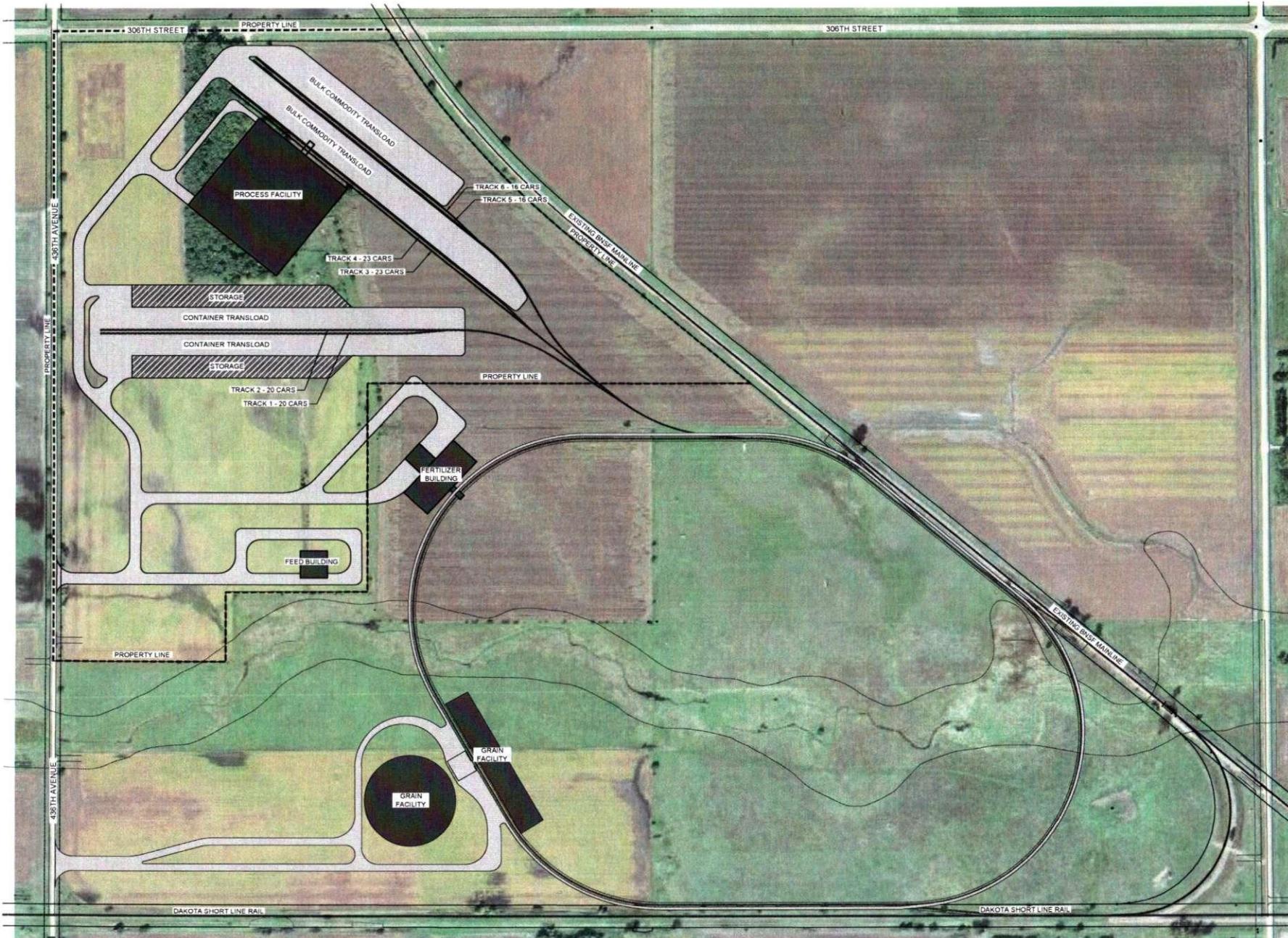
If all these conditions can be met, as well as all others deemed appropriate by the Board, possible sale of the line and returning it to private ownership may be the quickest and most beneficial to local shippers, ag producers, and the local economy.

Sincerely,



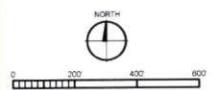
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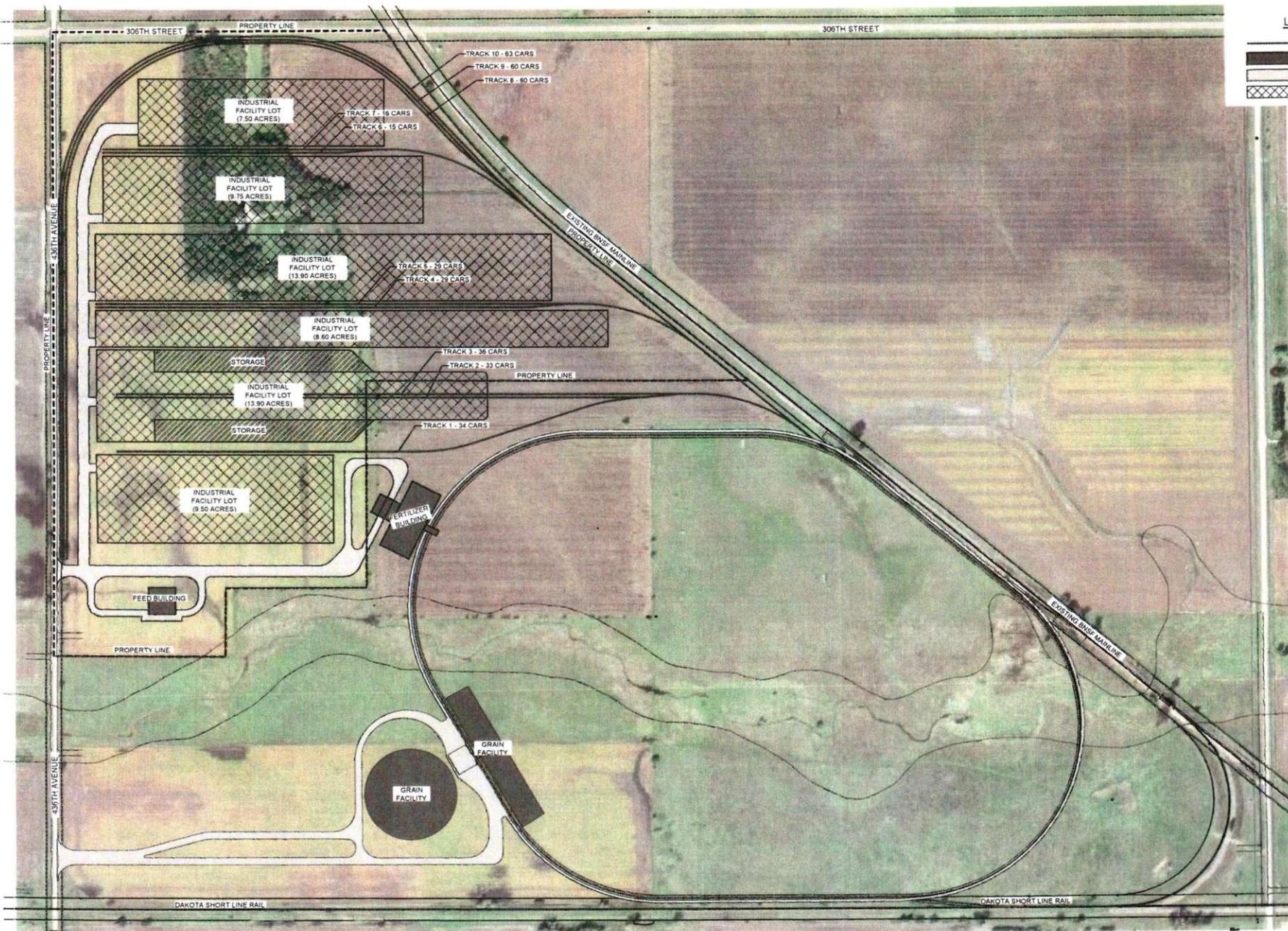
LEGEND

	PROPOSED TRACK
	PROPOSED BUILDING
	PROPOSED GRAVEL PAVING
	PROPOSED STORAGE AREA



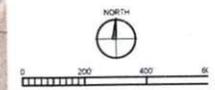
YANKTON AG / IND PARK
CONCEPT PLAN (EX2)





LEGEND

-  PROPOSED TRACK
-  PROPOSED BUILDING
-  PROPOSED GRAVEL PAVING
-  INDUSTRIAL LOTS



YANKTON AG / IND PARK
CONCEPT PLAN (EX)



