



2024

THE VALUE OF KINGMAN TERMINAL RAILWAY



An Economic Research Study by
REDC at Yavapai College



Introduction

The Kingman Terminal Railroad (KGTR), situated within the Kingman Municipal Airport & Industrial Park (MAIP), connects Kingman's industrial sector to the broader national and international markets. Owned by City of Kingman and extending over three track miles, KGTR is primarily a terminal railroad and transload facility. It plays a crucial role in integrating local businesses with the major BNSF railway line, thereby positioning Kingman as a strategically competitive hub for business and industry.

This report investigates the economic impact of rail access for businesses in Kingman, exploring both its current contributions and future potential. Over half of the businesses utilizing the rail facility participated in interviews for this study, providing invaluable insights that are detailed within. Additionally, the report examines the implications of recent developments, including the expansion of rail services and the designation of the I-40 TradePort Corridor. By delving into these areas, this study aims to articulate the enduring value of KGTR in enhancing the economic landscape of the Kingman region.





“Rail transport is critical for our supply chain, allowing us to receive large shipments essential for our production.”



Lyle Winter
Plant Manager



“Transloading offers the ability to transfer large volumes of freight [between] railcar to truck. This enables businesses to keep their transfer times quick and gives them greater quality control over the process.”



Bennett Bratley

Director of Economic Development – Kingman, AZ



“Rail is vital to our business in Kingman. Access to transload facilities is a huge draw for the Kingman Airport & Industrial Park.”

- Tom McKellar
VP Transportation & Materials





Recent Developments & Economic Impact

Recent investments made by Patriot Rail, owner of the Kingman Terminal Railroad (KGTR), have significantly enhanced the railroad's capabilities and infrastructure.

Expansion of Facilities: In early 2023, a substantial investment of \$2.25 million was allocated to expand the transload facilities. This expansion includes an additional nine and a half acres featuring two new tracks totaling 1,400 feet, and the capacity to handle an extra 1,000 carloads annually.

Shawn Mindrup, Patriot Rail's Regional Vice President of Business Development – West Region, noted that the new facilities "are designed to allow easy transfer of shipments between trucks and rail, accommodating commodities like liquid energy, aggregates, and industrial products. This makes it a prime location for serving industries in northwestern Arizona, Las Vegas, and southern California markets." This strategic enhancement is expected to bolster the supply chain, supporting both local



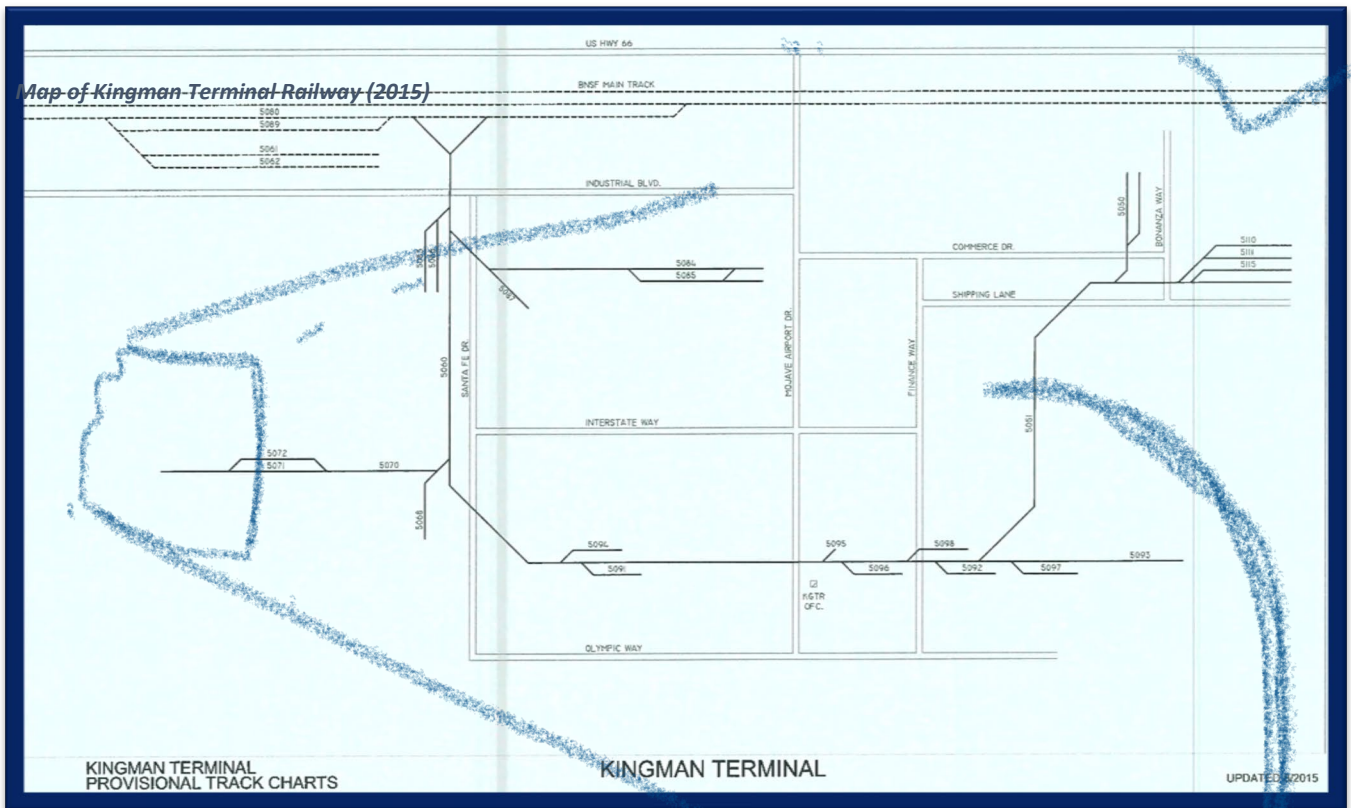
Map of current KGTR tracks alongside BNSF line (ACA 2023)



BNSF Network Map (2022)

Map of Arizona's rail network (2021)

businesses and regional communities.



TOTAL ECONOMIC IMPACT OF BUSINESSES THAT USE KGTR

Businesses that use
KGTR



15

During 2022-23

Local Jobs
Supported



622

Direct & Indirect

Payroll Supported



\$33 M

Direct & Indirect

Total Economic
Impact*



\$214 M

Rail Operations &
Businesses that use
KGTR

**The 'Total Economic Impact' includes the operations of the terminal railroad and the total impact of business that use KGTR; it is not the effect directly related to rail activities.*

Source: R. Jones, Economist, REDC at Yavapai College.

Operational Efficiency Improvements: In 2016, Patriot Rail invested \$335,000 in constructing a "runaround track"—a double-ended siding that allows crews to switch between different sets of cars, change travel direction, and enhance operational flexibility and efficiency.

Economic Impact and Employment: Approximately 13% of businesses in the Kingman Municipal Airport & Industrial Park (MAIP), equating to 15 companies, depend on KGTR's services. Projections for 2024 indicate that these companies will account for over 2,400 carloads, marking a 20% increase from the previous year. These businesses collectively employ close to 400 individuals, with a combined payroll exceeding \$27.3 million. The access to rail has been a significant factor in their decision to establish operations within MAIP, with many citing the crucial role of rail access in their daily operations and overall profitability.

Wider Economic Contributions: The direct employment of 398 individuals by rail-dependent businesses supports an additional 224 jobs, contributing \$10.7 million in payroll. Collectively, companies affiliated with KGTR support 622 full-time equivalent positions, generating \$33.3 million in labor income. The total economic output, reflecting contributions to local GDP including direct, indirect, and induced impacts, is

estimated at \$214 million. While these figures highlight KGTR's influence, it is important to recognize that the railroad is not the sole contributor to these outcomes.

Additional Contributions to the Community: KGTR actively supports the local community through direct financial contributions. In April 2012, KGTR signed an agreement with the Kingman Airport Authority, which later transferred its responsibilities to the City of Kingman. This agreement provides KGTR with exclusive access to the park's railroad facilities for 25 years. As a term of the agreement, KGTR commits to contributing 4% of its annual earned revenue to the City of Kingman. In fiscal year 2023, this contribution amounted to approximately \$85,000. Over the life of the agreement, the total net present value of KGTR's contributions is projected to reach around \$2.4 million, based on financial projections.¹



“We would not be in Kingman without access to rail.”

-Kendra Bennett
QC/Materials Manager



¹ Net Present Value (NPV) Calculation: NPV was calculated by discounting future cash flows from 2012 to 2037 to their present value as of May 2024 using a 2.0% annual discount rate. Initial cash flows were set at \$50,000 annually for ten years, followed by adjustments in 2022 and 2023, and a 5% annual growth rate thereafter. Each cash flow is discounted based on the number of months from May 2024 to adjust for the time value of money, summarizing the total present value of these future earnings.

TOP 10 BENEFITS of access to RAIL



01. Cost Savings

Rail transport reduces shipping costs by 10-40%, enhancing the appeal for businesses reliant on bulk shipping. Current users save up to 50%.

Rail access can increase industrial investment interest by up to 50%, with Kingman being a strategic choice for businesses exiting California.



02. Enterprise Attraction



03. Property Value

Rail connections can increase industrial property values by up to 20%, enhancing economic activity and property attractiveness.

Areas with rail access see a 10-15% increase in industrial employment, with Kingman's job growth surpassing the US' due to enhanced transportation efficiencies.



04. Job Growth



05. Supply Chain

Rail enhances supply chain reliability, providing alternative transport modes and reducing the need for large on-site storage, thus lowering logistics costs.

Rail access boosts investment by 15-25% and attracts more government incentives, furthering regional economic development.



06. Investor Appeal



07. Big & Heavy

Rail facilities at Kingman enable handling large volumes of goods, crucial for businesses in manufacturing or wholesale.

The Kingman transload facility connects rail and truck freight, with potential air transport integration, enhancing logistical efficiency and reducing costs.



08. Logistics Integration



09. Business Expansion

Rail connectivity supports business growth by facilitating market access expansion without significant logistics investments.

Rail is safer for transporting hazardous materials and reduces local traffic and environmental impact by decreasing truck reliance, enhancing community quality of life.



10. Safety & Traffic



The Value of Rail: A 'Top 10' List

#1

Cost Savings

Rail transport can reduce shipping costs by 10-40% compared to road transport, depending on the cargo and distance. This substantial reduction can make a location more attractive for businesses that rely on shipping large volumes of goods, such as manufacturing and distribution centers. From “considerable” to “50%” off, KGTR’s current users are saving big by using rail. Check out some client quotes here.

Source: RSI Logistics. *Comparing the Costs of Rail Shipping vs Truck.* Retrieved from [RSI Logistics](#)

“We save **50% off** freight costs with rail [in some cases].”

Eric Wagner
Unit Manager



“Trucking costs us **1.5x more** [than rail], roughly speaking.”

Adam Kanthack
Plant Manager



#2

Attraction of Larger Enterprises

Regions with rail access are often more likely to attract large-scale industrial investments. In fact, studies have shown that industrial areas with multimodal transportation options, including rail, can see up to a 50% increase in interest from large corporations looking to expand or relocate, due to the logistical efficiencies and cost benefits. Well positioned to absorb business looking to leave California, and certain other western states, Kingman offers a competitive choice and promising future.

Source: AASHTO (American Association of State Highway and Transportation Officials). (2016). *Freight Railroads: An Economic Engine for America's Communities.*

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Kendra Bennett
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#3

Increase in Property Values

The presence of a rail connection can significantly boost industrial property values, often resulting in up to a 20% increase. Businesses value the logistical advantages that direct rail access offers, including reduced transportation costs and improved supply chain efficiency. This access makes properties more attractive to potential buyers and investors who are willing to pay a premium for the strategic benefits it provides. As a result, areas with rail connectivity not only see enhanced economic activity but also experience substantial appreciation in property values, contributing to overall economic growth.

Source: Federal Reserve Bank of Atlanta. (2010). *The Economic Impact of Railroads.* Retrieved from [Federal Reserve Bank of Atlanta](#).

#4

Employment Growth

Regions with rail access typically experience enhanced employment growth rates in the industrial sector. The development or upgrading of rail infrastructure significantly boosts job opportunities, often resulting in a 10-15% increase in industrial employment compared to regions without similar access. While not necessarily a direct cause, Kingman's job growth outpaced the nation's by 33% over the decade leading up to 2023. This increase in employment is largely attributed to the expansion of industries that depend on efficient transportation for their operations. Consequently, rail access not only stimulates direct employment through new job creation but also indirectly supports the wider community by fostering a robust local economy, drawing additional businesses and enhancing the overall economic vitality of the area.

Source: ASLRRRA. (2018). *The Economic Benefits of Short Line Railroads*. Retrieved from [ASLRRRA](#).

#5

Enhanced Supply Chain Reliability

Rail access improves supply chain reliability, a critical benefit for industries that depend on timely and predictable delivery schedules. The availability of rail as an additional mode of transportation is particularly valuable for mitigating potential supply chain disruptions, ensuring that businesses have alternative options when other forms of transportation face challenges. Additionally, rail cars can serve as mobile storage units for raw materials, reducing the necessity for large on-site storage facilities. This flexibility in storage solutions can significantly lower logistics costs and inventory space requirements, further increasing a region's competitiveness by making it a more viable option for industries that require robust and adaptable logistics solutions.

Source: Jüttner & Chandra. (2014). *The Impact of Geopolitical Events on Supply Chain Resilience*. Retrieved from [Taylor & Francis](#).

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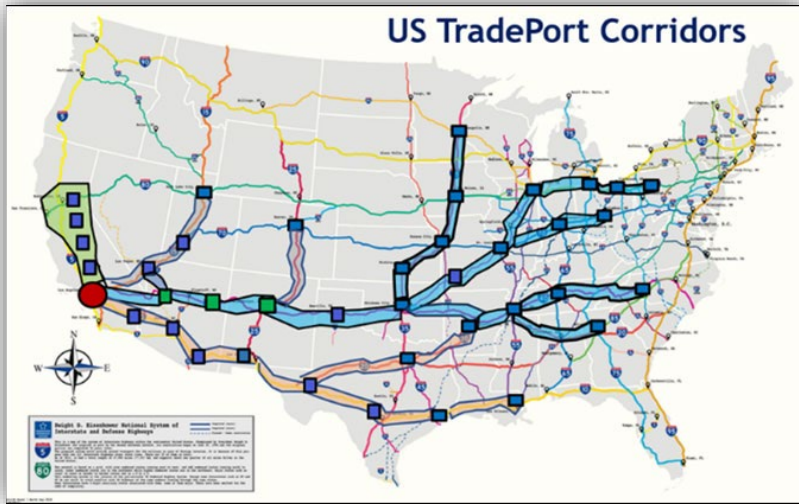


Lyle Winter
Plant Manager



#6

Broadening of the Investor Pool & Government Incentives



Rail access significantly enhances the appeal of Kingman for both businesses involved in transportation and investors seeking robust infrastructure to support diverse economic activities. This strategic asset, such as a transload facility, can increase overall investment in the area by 15-25%, underscoring its pivotal role in regional economic expansion.

Additionally, regions with comprehensive transport infrastructures, such as those featuring rail connections, often attract more government grants and subsidies. These financial incentives are designed to stimulate local economies and enhance the competitiveness of the area, facilitating further

growth and development. The development of the I-40 TradePort Corridor, which aims to enhance this existing infrastructure, is expected to significantly boost these advantages. It could potentially increase investment and government support even further, transforming Kingman into a major logistical hub that connects the southwestern United States to other national and international markets, thereby increasing its strategic importance and attractiveness to a wider range of investors and industries.

Sources:

Association of American Railroads. (2021). *Railroads: Powering America's Economy*. Retrieved from [AAR](#).

Infogroup Consulting. (2018). *The Economic Benefits of Rail Infrastructure Investment*. Retrieved from [Rail Delivery Group](#).

#7

Handling Bulk Shipments

The ability to handle larger volumes of goods via rail is a significant advantage for businesses dealing with bulk products, such as those in manufacturing or wholesale, located at the Kingman Industrial Park.



"Each rail car holds six times more material, which translates into **transport savings** and **easier unloading**."

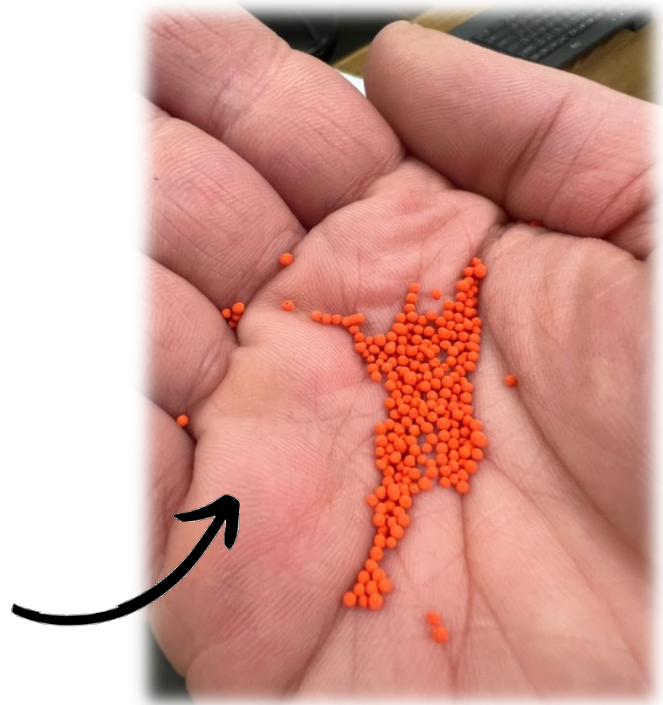
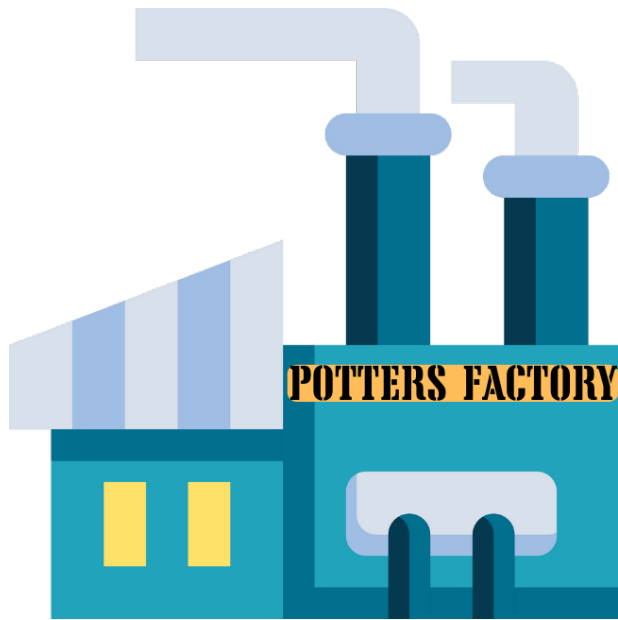
Adam Kanthack
Plant Manager



"For large quantities of raw materials, rail is essential."

Eric Wagner
Unit Manager





#8

Enhanced Logistics Integration

The rail transload facility at Kingman provides vital links to other transportation networks, crucial for businesses at the Kingman Airport & Industrial Park that rely on multi-modal logistics solutions. Currently, it facilitates connections between rail and truck freight, with potential future integration with air transport to form a comprehensive logistics hub. The development of the I-40 TradePort Corridor will further enhance these capabilities, improving access to major national routes. This advancement will streamline supply chains more effectively, reducing transit times and logistics costs, thereby boosting operational flexibility and driving economic growth for businesses in the region.

"The rail facility enhances the logistical capabilities of the entire area, which benefits the Kingman Airport & Industrial Park through improved economic activity and accessibility."

Doug Breckenridge
Airport General Manager



#9

Business Growth Support

The scalability of rail transport can support the growth ambitions of businesses at Kingman Airport & Industrial Park, allowing them to expand operations without the immediate need for massive additional investments in logistics. Additionally, Rail connectivity at the Kingman facility opens up wider market access, both nationally and regionally, helping businesses at the park to expand their reach and explore new market opportunities.

"Without access to rail, our business operations would be *extremely difficult*."

Adam Kanthack
Plant Manager



Sources:

World Bank. (2014). *Logistics Performance Index*.

Association of American Railroads (AAR). (2021). *Railroads: Powering America's Economy*. Retrieved from [AAR](https://www.aar.org).

#10

Safety and Reduced Local Traffic Impact

Rail transport is widely recognized as one of the safest methods for shipping goods, especially hazardous materials. It offers a significant reduction in the risk of accidents and spillages compared to road transport. Furthermore, by shifting freight from trucks to trains, Kingman benefits from decreased congestion and reduced wear and tear on local roadways. This shift not only enhances safety but also improves the quality of life for residents by minimizing the environmental and infrastructural impact of heavy truck traffic. Notably, rail transportation in Kingman prevents approximately 14,400 truck deliveries each year, significantly alleviating the potential for traffic jams and contributing to a cleaner, quieter, and safer environment.

On rail: "We want more."

Kendra Bennett
QC/Materials Manager

CANTEX

Sources:

Federal Highway Administration. (2020). *Freight Facts and Figures*. Retrieved from [FHWA](#).

Federal Railroad Administration. (2023). *Railroad Safety Statistics Annual Report*. Retrieved from [FRA](#).

Jones, Ryan. *REDC at Yavapai College* (2024)

