

**RAIL SERVICE COMPETITION COUNCIL (RSCC)
MEETING MINUTES
January 9, 2014
Helena, Montana**

Attendance

RSCC Members: Chairman Michael O’Hara, Carla Allen, Mike Tooley, Mayor Jerry Jimison, Russ Hobbs, Rep. Ryan Lynch, Ron de Yong, Mike Kadas, Walt Ainsworth, Doug Miller

Montana Department of Transportation (MDT) Staff Support: Christopher Dorrington, Hal Fossum

Other Government Agency Representatives: Joel Clairmont, Kim Falcon, and Greg Stordahl, Montana Department of Agriculture (AGR); Ron Schumacher, U.S. Department of Agriculture National Agricultural Statistics Service

Public: Frank Schoonover and Terry Whiteside, Montana Wheat and Barley Committee; Barbara Ranf and Katie Hofmann, BNSF Railway Company; Kathy Fasso, Port of Montana; Jim Lewis, Montana Rail Link (MRL); Ryan Larsen and Dan Harbeke (by phone), Union Pacific Railroad (UP)

RSCC Administrative Support: Mary Vandebosch

Call Meeting to Order, Introductions

Chairman O’Hara welcomed everyone and called the meeting to order. Following introductions of the RSCC members, other attendees were introduced.

Approval of Minutes

Carla Allen moved to approve the minutes of the November 12, 2013 meeting, as written. Motion carried.

Pending Council Appointments

Montana Department of Transportation (MDT) Director Mike Tooley and Montana Department of Agriculture (AGR) Director Ron de Yong reported on their communications with the Governor’s Office regarding appointment of RSCC members. The Governor’s Office is working on appointments. Although some Council members have not yet been reappointed, they are legally considered appointed until replaced or reappointed.

Financial Report

Hal Fossum reviewed the RSCC budget and distributed a document entitled “Report of FY 2014 funds and expenditures, December 31, 2013.”

Project Updates

Greg Stordahl, AGR Commodity Services Bureau, explained that he is responsible for auditing the records of all commodity elevators in Montana. Pulse crops have been incorporated into the survey process since August and reports on pulse crop movement have been increasing. Based on current reports, 75 % of pulse crops are transported by rail and the remainder are transported by truck.

Chris Dorrington mentioned that he had just received a nominated research proposal related to agriculture, transportation and economic development. He will provide additional information to the RSCC.

Subcommittee Reports

Agriculture Subcommittee Chair Carla Allen reported that the subcommittee met on the morning of January 9. The subcommittee agreed to recommend that the World Trade Center Study (*Montana Freight Assessment -- Trends and Opportunities to Improve Access and Create Freight Efficiencies for Montana Companies, 2012*) be condensed to help subcommittee members identify potential shipping opportunities. The subcommittee discussed current concerns about shipping. In particular, the agriculture community has had problems with deliveries in the last few months. Shippers are losing business at their final destinations. The Agriculture Subcommittee recommends opening a dialogue with the railroads to discuss the status on a weekly basis. This function could be handled through a subcommittee. It is taking more than 30 days for peas to get to Portland, requiring renewal of sanitary certificates.

Chair Walt Ainsworth reported that the Ports/Intermodal Subcommittee recommended that the RSCC spend funds to condense the World Trade Center study to identify the most relevant importers and exporters. He noted that there is a lot of information in this study. He emphasized opportunities for railroads to grow their business. Subcommittee member Kathy Fasso also suggested looking at the recommendations in the World Trade Center study. The Port of Montana would offer to take a leadership role in approaching shippers and receivers.

Chair Jerry Jimison reported that the Energy Subcommittee did not meet. He plans to schedule a meeting. Jimison identified current issues related to energy shipping, including safety concerns in light of the Casselton, North Dakota incident. Two shippers in eastern Montana have raised concerns that delays in getting empties back to reload is killing their bottom line. Turnaround times have increased to 17-20 days. He noted these are top of the line unit trains built and bought for a specific company for oil delivery.

Walt Ainsworth moved to spend up to \$1000 on condensing the World Trade Center Study to stack rank Montana importers and exporters. The motion carried.

Russ Hobbs reported that the Industrial/Forest Products, Paper/Minerals Subcommittee is waiting to learn the outcome of the effort to provide a forum for railroad/shipper dialogue. The

subcommittee previously surveyed industrial shippers. If the RSCC creates a forum for railroad/shipper dialogue, this subcommittee would contact these shippers and let them know about the venue.

In response to questions and concerns raised about service issues, representatives of railroads noted the following:

- A huge corn harvest in the Midwest is one reason for service problems. Locomotive power is another reason.
- Railroads don't give priority to Midwest corn; shipping is based on the market and booking.

Railroad Updates

Jim Lewis, MRL presented an update. Montana Rail Link was formed in 1987 and is one of the Washington companies. Montana Rail Link was named railroad of the year by *Railway* magazine. Key facts about MRL highlighted by Lewis are listed below.

- 937 miles of rail line from Jones Junction to Sandpoint, Idaho.
- 65,000 carloads shipped from Montana shippers annually.
- Spend an average of \$70 million per year with Montana businesses and contractors.
- 2013 train volume 17 trains/day. 5.5 coal trains per day.

In response to a question about the line in the Bitterroot Valley, Lewis explained that there was not sufficient volume to operate that line. Only one shipper reached a volume commitment.

Ryan Larsen, UP highlighted the following facts about the Union Pacific Railroad:

- One train travels three times weekly to Silver Bow.
- Assembled autos were the top commodity offloaded at Silver Bow in 2012.
- Wheat and petroleum products were the top two commodities shipped in 2012.
- UP has 20 employees in Montana.

Barbara Ranf, BNSF, noted that she did not have 2013 numbers but will present them at the next meeting. The National Transportation Safety Board is leading the investigation.

Dialogue with Railroads re: Improving Rail Shipping Opportunities

The RSCC discussed developing a forum to facilitate shipper dialogue with railroads and others. Chairman O'Hara noted that economic development is the driver and the RSCC would like to build a culture of cooperation. Russ Hobbs explained that the goal of the effort is to ship goods to market. The RSCC discussed a draft charter for a possible subcommittee:

An RSCC Committee is established to promote economic development in Montana by improving Montana shipper competitiveness in intermountain and western states. To accomplish that goal, the committee shall:

- Engage representatives of shippers, rail and motor carriers, economic development organizations, transportation and distribution facilities, and other affected interests in a collaborative dialogue. Committee members will be solicited from these interests and appointed by the Chairman.
- Establish ground rules, develop a work plan, and report to the RSCC at least quarterly. The work plan shall include the following elements:
 - Investigate routing alternatives to target markets, including: Salt Lake City, the Los Angeles Basin and Phoenix.
 - Identify Montana shippers with target market opportunities.
 - Select a test case to validate the process for collaboration.
 - Publicize committee activities.
 - Establish an ongoing process to assist Montana shippers with developing opportunities to improve competitiveness.

Representatives of BNSF, MRL, and UP said they would need time to review the draft charter and consider the goals of the initiative before responding to the RSCC about participation in such a forum. Jim Lewis, MRL, and Katie Hoffman, BNSF, explained that these railroads support and are engaged in, economic development in Montana. It may be helpful for the RSCC to understand what they are already doing. Jim Lewis noted the following: freight is moving through Silver Bow on UP; trucks and railroads compete against each other; there are opportunities with transload and intermodal; and the gathering area for Montana is vast, making it difficult to get the volume to make a unit train. Barbara Ranf, BNSF, noted that the railroads may need to have private conversations with shippers.

Chairman O'Hara asked for feedback about who should participate in such an effort. He indicated that he and Russ Hobbs would lead the effort. They will send a formal request for a response from the railroads. RSCC members expressed an interest in reaching out to shippers to understand their needs.

Railroad Topics Briefing

Terry Whiteside, Whiteside & Associates, presented information on a Surface Transportation Board (STB) proceeding regarding rail transportation of grain and a BNSF rule that affects 48-car shippers.

On December 9, 2013, the STB opened a new proceeding entitled *Ex Parte No. 665 (Sub No. 1) Rail Transportation of Grain, Rate Regulation Review*. The STB invites public comment on how to ensure the Board's rate complaint procedures are accessible to grain shippers and provide effective protection against unreasonable freight rail transportation rates.

Whiteside presented his perspective on new BNSF Railway rules that affect 48 car shippers – the 48/55 rule. Whiteside asserted that shippers must marry up with other 48 car shippers to utilize 48/55 car rates.

Whiteside noted the following concerns:

- Shippers are being forced to cooperate with their competitors.
- The grain industry is in turmoil because of the inability to ship grain.
- The policy does not affect all operations the same.
- Elevators may focus on profitable crops and drop lesser valued crops.
- Elevators are “plugged.” They don’t have trains to take grains.
- Many elevators indicated that no one from the BNSF had contacted them to get their views on this issue.

He presented a slide showing the financial impact on “less than shuttle” elevators.

Katie Hofmann stated that BNSF had been communicating with affected interests, including the Montana Grain Growers and Grain Elevators, for eight years. Jim Lewis explained that the rule offers a volume discount, similar to the trucking industry. The rule provides an opportunity to reduce shipping costs for those who can make that choice.

In RSCC discussion, it was noted that the rule requires shipping twice as many cars to get the same volume discount. A question was raised about how the rule would impact the capitalization of pulse crops. The RSCC asked if the railroads would reconsider this rule.

Next Council Meeting

Council members expressed interested in discussing shipping delays. Mike Tooley reviewed some of the issues that are causing delays at the ports:

- Ports are at or above capacity.
- Deeper ports are needed to accommodate bigger ships. Tooley serves on the National Freight Advisory Committee, which has urged use of a \$9 Billion fund to construct deeper ports.
- The first and last mile of highway into ports is not adequate.
- Containers are not available.

The RSCC requested an update on shipping through ports.

The RSCC identified four potential meeting dates: March 18, 19, 24 and 26. Vandenbosch will poll members about availability.

Adjournment

With no further business to discuss, Chairman O’Hara adjourned the meeting.