

**Rail Service Competition Council (RSCC)
Meeting Minutes**

March 16, 2017
10:00 am – 1:07 pm

MDT Commission Room
2701 Prospect Avenue
Helena, MT 59624

RSCC Members Present:

- Jerry Jimison, Chairman
- Representative Mike Lang
- Walt Ainsworth
- Mike Tooley, Director, Department of Transportation
- Eric Doheny
- Benjamin Thomas, Director, Department of Agriculture
- Dylan Boyle, Director, Whitefish Convention & Visitor Bureau
- Ken Fichtler, Chief Business Development Officer, Governor's Office

Other Attendees:

- Jeremiah Langston, Montana Public Service Commission (PSC)
- Matt Jones, BNSF Railway (BNSF)
- Maia La Salle, BNSF Railway (BNSF)
- Jim Lewis, Montana Rail Link (MRL)
- Collin Watters, Executive Vice President, Wheat and Barley Committee
- Zach Coccoli, Attorney, Department of Agriculture
- Kraig McLeod, Montana Department of Transportation (MDT)
- John Althof, Montana Department of Transportation (MDT)
- Katy Callon, Montana Department of Transportation (MDT)
- Blair Fjeseth, RSCC Administrator

Call To Order, Introductions

Chairman Jimison welcomed everyone and called the meeting to order at 10:02 a.m.

Approval of the November 18, 2016 RSCC Meeting Minutes

Eric Doheny offered a motion to approve the November 18, 2016, minutes as presented. Director Thomas seconded the motion. The motion carried by unanimous voice vote.

Financial Report

Kraig McLeod presented the financial report and distributed a document entitled "Rail Service Competition Council Financial Report as of February 28, 2017". Kraig explained that the RSCC budget for FY 2017 is \$32,380, and the remainder after incurred expenses is \$29,253.

Public Comment

Chairman Jimison called for public comment. No public comments were made.

RSCC Subcommittee Reports

Agriculture Subcommittee - Eric Doheny

Eric Doheny gave the subcommittee report. Key points included:

- Pulse crops are moving quickly out of state.
- Wheat is also moving steadily.
- Fertilizer has been coming in state steadily by truck and rail.
- Eric attended a Pulse Crop meeting where expansion of pulse crops was discussed.
- At that same meeting, it was also discussed that much of Montana's pulse crops are being exported to Mexico and Canada. Eric noted that there is concern about the fragility of exports, given the current uncertain international border relationships.
- Eric discussed the agriculture industry's need to expand its in-state processing capabilities. He noted that shipping out a finished product could present a tremendous opportunity for Montana.

RSCC Committee Discussion

Walt Ainsworth asked what the Department of Agriculture or the RSCC committee could do to help? The committee discussed the need for single car rail.

Eric Doheny mentioned that farm deliveries seem to be coming in on truck quite frequently and that it seems more cumbersome than rail delivery. He noted that the rail industry should look at building a service to meet those needs.

BNSF representative Maia La Salle noted that the company sees the opportunity and is starting to do more single car rail service. They are also meeting with folks regularly to discuss areas to expand and help the agriculture industry.

Energy Shipping Subcommittee –

Chairman Jimison mentioned that a new chair would be needed for the Energy Shipping Subcommittee; the committee decided that they would wait to appoint this subcommittee chair until after all the vacancies with the RSCC were filled.

Chairman Jimison noted his observations that Eastern Montana is seeing a lot of shipping movement with the Bakken and coal and asked the rail representatives for an energy shipping report.

Matt Jones, BNSF representative, and Jim Lewis, MRL representative, gave a brief update on energy shipping. Key points included:

- Crude oil shipping has not decreased significantly.
- Matt noted that the Dakota Pipeline is going to provide more product to the market.
- In the Western U.S. petroleum is down 11% year-over-year due to declining production in the Bakken.
- Coal traffic is up for BNSF 19% year-over-year.
- 2016 was a difficult year for coal and oil due to the increase in natural gas.

- Jim noted that coal accounted for 24% of MRL's traffic in 2016.
- Jim noted that because of the increasingly cold winter coal is seeing an increase in shipping and use.
- With new EPA regulations power plants are moving away from coal and switching to natural gas.
- Jim is forecasting that domestic coal will go down. Market forces are predicting that people are switching away from coal.

RSCC Committee Discussion

The committee discussed the new solar plant in Reed Point.

Dylan Boyle asked Matt Jones what percent of BNSF shipping in Montana is crude. Matt Jones said that system wide it's less than 2%.

Jeremiah Langston, Public Service Commission staff member, asked about the status of the EPA regulations for coal shipments and plant conversions. Jim Lewis noted that while things are changing with regulations, plants and shippers have already started the long and expensive process of transitioning to green energy practices.

Representative Lang mentioned that with the closure of Colstrip Units 1 and 2, Montana will be down 15 million a year in tax revenue. Jeremiah Langston noted that a coalition was being put together to help find solutions to economic loss caused by the closure of Colstrip Units 1 and 2.

Chairman Jimison asked about coal decreases and which region has taken the largest hit. Matt mentioned that the Appalachian coal industry has taken the hardest hit.

Economic Development Subcommittee – No Report Given

Railroad Reports

Union Pacific (UP)- Not Present

BNSF – Matt Jones and Maia La Salle

Matt Jones gave the BNSF report. Some key points included:

- U.S. rail shipping is up 4.5% year-over-year. BNSF is seeing its fourth consecutive month of growth, which is the largest growth period in over two years.
- Half of what BNSF is shipping is consumer products.
- The industrial sector is seeing growth after 16 months of decline.
- BNSF has had a challenging winter due to floods, avalanches, landslides and heavy snow. The company is working diligently to mitigate delays.
- BNSF rail was shut down near Glacier National Park for four days due to avalanches.
- The 4,500 furloughed employees in OR, WA and MT have been called back.
- BNSF just announced their capital plan and is planning on investing 100 million dollars this year.

- The company is putting on HAZMAT trainings this year; they are working with government agencies and the national parks to expand those receiving training.
- The Montana National Guard and BNSF are doing a training exercise in northeastern Montana in April per the recommendations from the Public Service Commission audit.

Maia La Salle gave a BNSF Agriculture report. Some key points included:

- BNSF is foreseeing a strong agriculture-shipping year.
- 1.1 million units were shipped last harvest period.
- BNSF has 7,700 shuttles doing agriculture shipment.
- 200 employees in northeastern Montana were brought back to work to help with shipping demand.
- Only 300-grain cars are currently being stored which is significantly less compared to the 1,700 stored cars from the last time Maia presented.

RSCC Committee Discussion

The committee discussed the recent Montana legislators train tour. Jim Lewis reported that they had an attendance of 470. Chairman Jimison inquired about the Helena location and asked if it was a depot or an office. Jim Lewis noted that the Helena office is MRL's main office in town and that the company has spent significant funds to renovate it and get the old clock working again.

Zach Coccoli, Department of Agriculture staff member, asked about the Washington coal dust lawsuit. Matt Jones noted that the lawsuit was settled for a million dollars. As part of the settlement BNSF is performing a coal dust impact study, however the railroad is not able to push regulations onto customers. Regulations are made federally and not by each company when it comes to issues like coal dust and containers. There are no other pending coal dust lawsuits of which he is aware.

Chairman Jimison asked about storage and if BNSF has locomotive shortages. Matt Jones talked about the surplus of locomotives and cars in storage and that BNSF is able to deploy a full fleet of rail if shipping surges.

Walt Ainsworth asked about intermodal volumes this year compared to previous years. Matt Jones mentioned that domestic intermodal was up 5.5% in February year-over-year, while international intermodal was down slightly.

The council discussed double wall shipping containers for crude oil. Matt Jones mentioned that BNSF does not own any ethanol or crude oil containers, the ones you see on the rail are all customer owned. The council discussed the Federal rule on tank cars that requires them to be double walled. The phase out period for old cars was three years and most cars you see today are the new grade cars.

Chairman Jimison asked Matt Jones if the avalanches near Glacier National Park this year are unusual compared to previous years. Matt Jones noted that BNSF actively monitors all avalanche areas and have protocols to adjust traffic based on avalanche situations. BNSF works with Glacier National Park and the Montana Department of Transportation to trigger potential avalanches and then clean them up so that travelers are safe

Montana Rail Link – Jim Lewis

Jim Lewis gave the MRL report. Some key points include:

- MRL has over 937 road miles and serves over 150 local Montana Businesses.
- MRL employs over 1,200 employees.
- They paid around \$10 million in property taxes.
- In 2016 MRL shipped 385,000 total carloads of freight.
- MRL ran an average of 18.2 trains per day.
- 32% of shipping is grain shipping, 24% is coal and 29% is industrial products.
- MRL has stepped up their safety practices and have seen 86% fewer accidents since 1997.
- New tanks are being stored and ready to deploy.
- MRL called back all 120 furloughed employees.
- This year MRL is putting in 300,000 new railroad ties and building 20 miles of new rail and resurfacing 300 miles of rail. A total of 40 million in maintenance is being spent in Montana.
- In 2016 MRL had three cars derail. HAZMAT was not called in, and there were no injuries.
- Jim noted that he thinks autonomous trains and trucks are going to be closer in our future than people like to think.

RSCC Committee Discussion

The council discussed autonomous transport and that it might help fill the driver shortage we have in the country, but that it might also eliminate many trucking jobs. The council also talked about that rail is more closely regulated, and while trucking has started to become autonomous, the FRA is regulating all rail has two man crews.

Eric Doheny asked if MRL uses helicopters or drones for rail line inspection. Jim Lewis noted that they do use drones for track and bridges.

The committee discussed the intermodal train from Seattle to Dallas. They questioned whether a stop in Montana was feasible. MRL and BNFS rail representatives said at the current time, it isn't feasible with the time commitment and the possibility of missing delivery dates.

Central Montana Rail – No representative present

Montana Rail-Highway Grade Crossing Update –John Althof

John Althof gave an update on MDT's upcoming Rail Safety conference. The conference will be held in Helena at the end of August. The goal of the conference is to provide local government entities, tribes and MDT the opportunity to network with the rail industry.. The conference received a \$6,000 grant from the Federal Highway Administration and is also partnering with BNSF to offer multiple workshop sessions.

RSCC Committee Discussion

The committee discussed the tentative agenda and need for this type of conference.

Chairman Jimison asked John Althof about the crossing crash in Idaho. John Althof mentioned that they are investigating it.

Other Agenda Items:

Potential Future Projects

Chairman Jimison mention that typically in the past the RSCC budget has gone to fund studies or projects. Currently RSCC has no studies or projects on the books.

Walt Ainsworth requested that Terry Whiteside present to the RSCC on rail in the United States. The committee decided to invite Mr. Whiteside to the August meeting to present. Both BNSF and MRL requested that they be present for the presentation as official representation of rail in Montana.

Chairman Jimison mentioned that the council should look at the merger of class-one rail companies. He noted that a merger would then only leave two class-one rail companies. The committee discussed that though there was talk about a merger a while ago, nothing panned out. Chairman Jimison requested that Kraig McLeod research news of mergers and report his findings during the August meeting.

Dylan Boyle offered to present on behalf of Amtrak during the August meeting so that the RSCC council could hear more about passenger rail service in the state.

The Council discussed the current RSCC vacancies and re-appointments that needed to be made. It is anticipated new RSCC appointees will be announced prior to the summer meeting.

The committee decided to fill sub-committees during the August meeting.

Next RSCC Meeting

Blair Fjeseth stated that the next meeting has been scheduled for August 3rd, 2017. Subsequent to the meeting, the summer meeting date was changed to July 25, 2017. The meeting will be held in the MDT Auditorium.

Comments from RSCC Members

Dylan Boyle gave a quick update on the joint marketing campaign between Amtrak and the City of Whitefish. The marketing campaign targets skiers and snowboarders and offers a 20% discount on Amtrak fare as long as the rider stops in Whitefish. The campaign is hosted at onthesnow.com and they use Facebook to target customers. The campaign November-February saw 600 bookings and 11,000 passengers. The campaign will run through spring and will target bicyclists and the Going to the Sun road.

Adjournment:

Chairman Jimison adjourned the meeting at 1:07 p.m.