

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

March 20, 2018

MDT Commission Room  
2701 Prospect Avenue  
Helena, MT 59624

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**RSCC Members Present**

- Jerry Jimison, Chair
- Craig Gilchrist
- Eric Doheny
- Senator Tom Facey
- Kathy Fasso
- Representative Vince Ricci
- Walt Ainsworth
- Dylan Boyle (via webinar)
- Director Mike Tooley
- Director Mike Kadas
- Ken Fichtler

**Other Attendees**

- Matt Jones, BNSF Railway (BNSF)
- Todd Graetz, BNSF
- Chris Christiaens, Montana Farmers Union
- Kraig McLeod, Montana Department of Transportation (MDT)
- John Althof, MDT
- Katy Callon, MDT
- Mary Vandebosch, RSCC Administrative Support
- Nathan Anderson, Union Pacific (UP) (via webinar)
- Jim Lewis, Montana Rail Link (MRL)
- Kim Mangold, Montana Department of Agriculture (MDA)
- Robert Eaton, Amtrak (via webinar)

**Call to Order, Introductions**

Chairman Jimison called the meeting to order at 10:10 a.m., and all present were introduced.

## **Approval of Minutes**

Motion by Sen. Tom Facey, seconded by Craig Gilchrist, to approve the minutes of the November 1, 2017 RSCC meeting, as written. Motion carried unanimously.

## **Financial Report**

Kraig McLeod presented the “Rail Service Competition Council Financial Report as of February 28, 2018” for Fiscal Year (FY) 2018. The budget for FY 2018 is \$31,041. The balance after expenditures is \$24,653. There are no anticipated obligations.

Motion by Director Kadas, seconded by Kathy Fasso, to approve the financial report. Motion carried unanimously.

## **Public Comment**

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

## **BNSF Unmanned Aerial Systems Program**

Todd Graetz, BNSF Director of Technology Services, presented information about BNSF’s Unmanned Aerial Systems program, which he is responsible for. In addition to operating under commercial regulations, BNSF began a partnership with the Federal Aviation Administration (FAA) in 2015 and is currently utilizing experimental and research authorities.

BNSF is emphasizing return on safety rather than return on investment with this program. Drones supplement the work of human employees. The imaging equipment can detect changes better than the human eye; employees are then sent to fix the problem. Examples of safety applications include: bridge inspections, and detection of tie degradation, potential misalignment, and trackside vegetation. Other applications include investigation of claims, and customer inventory. BNSF is talking to government agencies about data sharing.

Workflow is automated to ensure the data collected are analyzed and used. For example, if severe tie degradation is detected, a three-page report with necessary data is generated and distributed.

BNSF selected three subdivisions to fully activate in 2018, including the Milk River subdivision in Montana. This subdivision, located between Havre and Glasgow, was selected due to the extreme cold and snow. There is a flight control center located in a general office building in Havre.

Matt Jones, Montana and Idaho Director of State Government Affairs, BNSF, explained that the FAA regulates the airspace from the ground up, not just above 400 feet. There are also private property rights within the useable space and local and state regulations. He stated that it would be unworkable to comply with completely different regulations across all jurisdictions.

Jim Lewis noted that MRL had recently started using two drones. Director Tooley mentioned that MDT is starting to use smaller drones for bridge inspections.

### **Montana Essential Freight Rail Loan Program**

Kraig McLeod, Multimodal Bureau Chief, MDT, distributed a handout entitled “Frequently Asked Questions: Montana Essential Freight Rail Loan Program.” McLeod explained that, under state law, the RSCC is charged with providing advice and recommendations to MDT on MDT’s activities related to this program.

Eligible applicants for low-interest loans from the revolving loan fund include railroads, cities, counties, companies, rail authorities, and port authorities. Available balance in the revolving loan fund is currently \$413,000. Matching funds are required. In addition to principal and interest payments, funds are statutorily appropriated.

Applications are solicited periodically. The most recent solicitation process was conducted last fall. Only one application was received. The Montana Transportation Commission has final decision making authority regarding applications.

The Port of Montana plans to submit an application at the end of the week.

Kathy Fasso, General Manager, Port of Montana, explained that the Port of Montana is a port authority established by the Butte-Silver Bow government. The Port of Montana is a transload facility located at the intersection of Interstates 90 and 15 and is served by BNSF and UP railroads. The primary outgoing product is asphalt. Automobiles are the primary incoming product. There is a lot of interest in shipping bulk liquids through the facility. They are authorized to handle oversized cars carrying wind turbine parts. Fasso highlighted successful economic development examples of manufacturing and transportation facilities taking advantage of the Port’s transportation facilities.

The Port of Montana has partnered with the Montana Connections Business Park in an expansion project. The Port of Montana’s facility has 7 tracks, which means that multiple commodities are on the same track. Also, the layout of the facility is congested, leading to inefficiencies. For example, cars, etc. need to be moved to get to the diesel exhaust fluid. The Port has planned a three phase expansion.

Phase 1 includes rail realignment and 2,135 track feet of rail. The Port of Montana is seeking a \$400,000 loan from the MEFRL program for Phase 1 of the expansion. The Port will contribute \$654,042 in matching funds. They want to break ground in late summer or early fall. Additional rail track is planned for phases two and three.

Sen. Facey recommended reducing the balance in the fund; otherwise, the Legislature may appropriate the money for other purposes.

## **Railroad Reports**

### **Union Pacific**

Nathan Anderson -- UP Public Affairs Director for Idaho, Montana, Nevada and Utah -- presented an overview of UP operations in Montana. UP has 125 track miles, providing access to Portland, Long Beach, and Los Angeles via Pocatello and Salt Lake City. Union Pacific is working with the Port of Montana on its expansion. There were substantially fewer shipments into and out of Montana on UP in 2017. He noted that the demand for shipping building materials has gone up across the system. With 75% of global purchasing originating outside of the system, UP is concerned about any factors that affect trade, including tariffs and efforts to dismantle the North American Free Trade Agreement (NAFTA).

### **Montana Rail Link**

Jim Lewis, Chief Sales/Marketing & Information Officer, MRL, presented statistics for the railroad. Overall, 2017 volumes were up 6 % over the previous year. Trains-per-day increased from 18.2 in 2016 to 20.1 in 2017. Bridge traffic – shipments that do not originate or terminate on MRL – is up 10%. The railroad has experienced strong growth rates due to grain exports, coal exports, intermodal traffic, and shipping of vehicles and merchandise.

Lewis compared the winter of 2017/2018 to the winter of 2013/2014. In 2013/2014, shipments were delayed. The Surface Transportation Board held hearings regarding rail delays. Record snowfall was recorded in parts of Montana during the winter of 2017/2018. In spite of the severe winter, statistics for car velocity, train velocity, and terminal dwell have improved. He attributed this to railroads investing in capacity, including capital investments and employees.

Lewis explained that BNSF started a new intermodal service between Seattle and Dallas. This is fifth-morning service that competes with trucks. Montana Rail Link capacity-building projects could result in more than 30 trains-per-day in the next five years.

MRL has not implemented Positive Train Control (PTC). The federal mandate applies to Class I railroads, not Class II railroads like MRL. Montana Rail Link wants to invest in PTC.

### **BNSF Railway**

Matt Jones reported that 2018 shipments to date are up 4.4% overall, year-over-year (YOY). Terminal dwell is down more than 4.5% compared to March 2017. The company will be investing \$130 million in Montana in 2018. Positive Train Control has been implemented for every mandated section of track. An important part of BNSF's capital plan is building a second bridge over Lake Pend Oreille at Sandpoint, Idaho. Currently, rail traffic is bottlenecked at the single one lane bridge over this lake. The public comment period is now open. BNSF has applied for a permit package. He emphasized that the bridge is needed to accommodate current traffic and is not tied to an increase in any particular commodity.

Shipping consumer products – which represents more than half of BNSF’s business – requires higher reliability and consistency at every point in the supply chain.

Throughput at larger intermodal hubs and ports is a key focus for BNSF. The company is testing automated trucks and other equipment in yards. BNSF has been trying to permit a new intermodal facility in southern California for ten years.

## **Amtrak**

Robert Eaton, Government Affairs Director, Amtrak, presented a two-page handout. He anticipates that Amtrak will be funded at levels authorized under the Fixing America’s Surface Transportation (FAST) Act. Ridership on the Empire Builder increased 6.3 % in February 2018, in comparison with February 2017. With respect to Customer Service Index scores, the Empire Builder Route was one of the top routes in the Amtrak system.

Amtrak has invested in improvements at several Montana stations, primarily addressing ADA requirements.

Montana station ridership statistics comparing October-February FY 2018 YOY with FY 2017 vary significantly by station, due in part to high snowfall and severe weather.

Station ridership increased 8% YOY for Whitefish. Dylan Boyle, Executive Director, Explore Whitefish - Whitefish Convention and Visitors Bureau, attributed this to skiers taking advantage of abundant snowfall. Lodging occupancy increased significantly in February 2018 vs. February 2017.

## **RSCC Subcommittee Reports**

### **Economic Development Subcommittee**

Walt Ainsworth, Economic Development Subcommittee Co-Chair, reported that the subcommittee had met twice since the last RSCC meeting. The subcommittee began exploring the possibility of loading containers with pulse crops to be shipped to ports. They decided that box cars might be a better option. Ainsworth explained that the pulse crop shipments must be tracked and need to meet a ship.

Eric Doheny stated that Columbia Grain, Stricks Ag and Mountain View Co-Op are shipping pulse crops in box cars from the Hi-Line/Golden Triangle region to Seattle.

Kim Mangold, Deputy Director, MDA, explained that federal grain inspection is required for pulse crops because the crop goes directly into the mouth of consumers. They inspect bagged lots or rail cars.

Ainsworth explained that shipping pulse crops by truck is faster; however, the pricing for shipping by box cars may be better. Preliminary information shows prices to be about equal. He requested assistance from BNSF in obtaining ballpark price information.

## **Agriculture Subcommittee**

Eric Doheny, Chairman of the Agriculture Subcommittee, reported that freight rates have increased since the fall. Planting will be late this year due to snow and flooding.

Kim Mangold stated that the MDA is not bullish on agriculture. Pulse crop prices are at the tipping point. The only bright spot is canola. A new oilseed processing center near Great Falls will be operational this summer. Concerns include losing markets due to withdrawal from the Trans-Pacific Trade Partnership (TPP) and renegotiation of NAFTA.

Chris Christiaens explained that Cargill hopes to contract 100,000 acres for canola.

## **Energy Shipping Subcommittee**

Craig Gilchrist, Chairman of the Energy Shipping Subcommittee, summarized current trends: coal shipments are down, oil shipments are about the same, and shipments of frac sand are still increasing. The price of oil is close to the point where production will increase in the Bakken region again.

## **Comments from Members**

Motion by Walt Ainsworth, seconded by Eric Doheny, authorizing Chairman Jimison to write and sign a letter on behalf of the RSCC, supporting construction of a second bridge over Lake Pend Oreille at Sandpoint, Idaho. A draft of the letter is to be distributed to RSCC members for input and editing. Motion carried unanimously.

## **Next RSCC Meeting**

Tentative dates for the next meeting are July 10, 11, and 12. Walt Ainsworth expressed interest in holding the next meeting in Havre. He is interested in touring the UAV flight center and meeting with BNSF's Agriculture Ombudsman, Maia LaSalle. Matt Jones will investigate the possibility of touring BNSF facilities and Mary Vandenbosch will poll members about their availability to meet before confirming the date.

Chairman Jimison adjourned the meeting at 2:42 p.m.