

**RAIL SERVICE COMPETITION COUNCIL
COUNCIL MEETING
MINUTES**

Wednesday, April 4, 2012
10:00am – 3:00pm

Transportation Commission Room
2701 Prospect Ave.
Helena, Montana

RSCC Committee Members Present: Mike O’Hara, Chair; Tim Reardon, Russ Hobbs, Pat Wise for Evan Barrett, Walt Ainsworth, Carla Allen, Doug Miller, Dan Bucks, Joel Clairmont for Ron de Yong, and Ron de Yong.

RSCC Committee Members via Conference Call: Jerry Jimison

RSCC Committee Members Absent: Rep. Tom Berry, John DeMichiei, Sen. Jonathan Windy Boy

State Staff: Hal Fossum, Doug McBroom, Chris Dorrington, Cort Jensen

Support: Terry Whiteside, Whiteside & Associates (Montana Wheat & Barley Committee); Gloria O’Rourke, MEDS, PLLC

Audience: Kathy Fasso, Port of Montana; Larry Wilbert, Hardin; Andre Giles, Montana Flour; Frank Schumacher, Black Eagle; and Rick Morris, Mayor of Ft. Benton.

1.0 Call Meeting to Order (Chairman Mike O’Hara)

2.0 Roll Call

3.0 Introduction of Audience

3.1 Election of Chair. Pat Wise moved for Mike O’Hara to continue to serve as Chair. Carla Allen seconded the motion. Motion carried. Carla Allen was appointed Vice Chair.

4.0 Review the Purpose of the RSCC. Chairman O’Hara reviewed the purpose of the RSCC. Dan Bucks commented on one of the RSCC’s objectives which is to reevaluate the state’s taxation practice while minimizing any transfer of tax burden. Dan has new information regarding the taxation of railroads and would like to present the information at the next RSCC meeting.

5.0 Review of Strategic Plan and Progress to Date. The committee reviewed the RSCC Strategic Plan which was last updated in January of 2009. Chairman O’Hara would like to continue to use the plan as much work and effort went into it.

6.0 Review of Sub-Committees. Jerry Jimison moved to elect subcommittee chairs as listed below. Russ Hobbs seconded the motion; motion carried. Carla Allen moved to change the name of the Coal subcommittee to Energy Shipping, which would include coal, oil and natural gas. Russ Hobbs seconded the motion; motion carried.

6.1 Russ Hobbs, Chair, Forest Paper and Industrial Products Shipping. Doug Miller will serve on this committee. Terry Whiteside will serve as a resource person.

6.2 Evan Barrett, Chair, Energy Shipping (Coal, Oil, and Natural Gas). Jerry Jimison, Tim Reardon and Dan Bucks will serve on this committee. Terry Whiteside will serve as a resource person.

6.3 Carla Allen, Chair, Agriculture. Andre Giles and Frank Schoonover will serve on this committee. Terry Whiteside will serve as a resource person.

6.4 Walt Ainsworth, Chair, Ports and Intermodal Shipping (including wind).

Prior to the next RSCC meeting, each committee is to meet to review and update the working draft of the RSCC Strategic Plan. It is expected that some issues will overlap all committees. Terry Whiteside offered to assist each committee.

7.0 Report from Terry Whiteside (MWBC) on Montana Transportation Issues Affecting Shippers

Terry Whiteside, Whiteside and Associates representing the Montana Wheat & Barley Committee, shared a presentation starting with a brief history of rail in Montana, and the present rail structure in the U.S. and Montana. He then outlined the latest rail news and identified issues of importance to Montana. Terry pointed out that there are new challenges since the RSCC last met that will need to be addressed by the committee - namely the coming rapid increase in coal and oil movements by rail through the state,.

8.0 Oil vs. Grain in Eastern Montana. A brief discussion was held on how coal, oil and grain shipping are all intertwined. As capacity becomes tighter and tighter on the railroad, it is quite possible that rationing or tightening of rail capacity will cause the price of rail transportation to increase. Concern was also expressed by several about the long term impacts of access to rail service for smaller facility such as less than shuttle facilities, fertilizer dealers, bulk shippers of pulse and rotational crops.

9.0 Project Updates – MDT Staff

9.1 Shelby Multimodal Facility. Doug McBroom, MDT reporting. Doug reported on TIGER funds, an economic stimulus program that came out of ARRA. Shelby has received \$9.9 million for completion of new multi-modal facility which includes a laydown yard for wind energy turbines. The facility will also be used for sand shipments to be used in oil production.

9.2 MWTC Intermodal Study. This study reviewed a matrix of needs, trade flow and trade share, as well as containerized shipping. The study identified shipping barriers, observed what other states have done and lessons learned. The principle investigator will be invited to present the study's findings for the next RSCC meeting.

9.3 Tongue River Rail. While progress is being made, this project is still under review.

9.4 Discontinuance-of-Service Rail

9.4.1 Bitterroot. The STB has been sent two applications from MRL for discontinuance; one for the line from Missoula to Darby, the other is the line north of Dixon to Polson. The paperwork was filed on October 31, 2011. Doug Miller has a timeline regarding the process to date.

9.4.2 Ft. Benton. Andre Giles, Montana Flour and Grains; Frank Schumacher, Mountain View Coop; and Rick Morris, Mayor of Ft. Benton provided photos and information regarding a BNSF spur line that is essential for operations in the Ft. Benton area. Currently, due to a washout, the line is not useable and the BNSF is not providing service over the line. The group, including Larry Wilbert of Hardin, requested assistance from the RSCC to reinstate the line as serious business impacts are occurring due to lack of rail service.

Action Steps:

- Pat Wise and Cort Jensen will contact the Governor's Office.
- Larry Wilbert will receive an estimate of repair costs from a non-rail entity.
- Rick Morris will provide information on the volume that could be carried on that line as well as past business and future business activity.
- The specific problem needs to be defined including a formal written response from BNSF as to their plans regarding the spur line.
- Once the specific problem has been identified, engage public relations.

10.0 Rail Updates.

10.1 Union Pacific. Kathy Fasso will report at the next meeting.

10.2 Canadian Pacific. Terry Whiteside reported the Canadian Wheat Board is continuing to market in the current year but wheat marketing is undergoing fundamental change in Canada during 2012. The Canadian Wheat Board will no longer be the sole marketer of wheat and barley in Western Canadian (single desk trader) and will be dissolved by mid-September and operate in general as a marketer of grain. There has and continues to have speculation that the northern States may see an influx of Canadian wheat into Montana and North Dakota as Canadian producers attempt to sell into U.S. markets. More likely it appears that Canadian grain marketing companies may ship trainload transaction into the U.S. As a result, Canadian Pacific expects to see more wheat crossing the border into the US by rail.

10.3 Montana Rail Link. A representative will be contacted prior to the next RSCC meeting.

10.4 BNSF Railway. Barbara Ranf could not attend today's meeting.

10.5 **Central Montana Railroad.** Carla Allen reported drastic changes to the CMR due to flooding last spring from the Judith River. Among the damage is a large steel trestle has been damaged by the flood and finding funding to make the \$3.5 million repair has been a challenge. A TIGER grant was submitted by Kathie Bailey of Snowy Mountain Development and was ranked Highly Recommended in the last round. CMR / Snowy Mountain Development has updated and resubmitted for the TIGER Grant in the current round. CMR will know in a few months if the project will be funded.

10.6 **Watco, Yellowstone, Mission Valley,** other short lines. Representatives will be contacted prior to the next RSCC meeting.

11.0 Next Council Meeting

11.1 **Meeting Date and Location.** Gloria will send a meeting doodle to determine the best date for a June meeting. Hal Fossum handed out travel reimbursement forms to committee members.

11.2 Agenda Items for Next Meeting

11.2.1 Dan Bucks rail tax presentation

11.2.2 Subcommittees review strategic plan and report back to full committee

11.2.3 MWTC study report

11.2.4 Ft Benton progress

12.0 Comments or Issues from Council Members. None.

13.0 Formal Public Comment Period. No comments from the public.

14.0 Adjournment

ACTION ITEM	WHO	WHEN
Update RSCC Strategic Plan	Gloria and All Committees	Prior to June meeting
Timeline of process regarding discontinuances in Bitterroot on MRL line	Doug Miller	Prior to June meeting
Action Steps regarding Ft. Benton spur line	Pat, Cort, Larry, Rick	Prior to June meeting
Legislative Report	Gloria and RSCC Committee	January 2013
Reimbursement of Subcommittee members	Doug McBroom	04/06/12
Contact absent members for subcommittee participation	Gloria	04/20/12