

**RAIL SERVICE COMPETITION COUNCIL
COUNCIL MEETING MINUTES**

Thursday, June 7, 2012
10:00am – 3:00pm

Transportation Commission Room
2701 Prospect Ave.
Helena, Montana

RSCC Committee Members Present: Mike O’Hara, Chair; Carla Allen, Ron de Yong, Dan Bucks, Walt Ainsworth, Russ Hobbs, Jerry Jimison, Evan Barrett, Doug McBroom for Tim Reardon, Pat Wise for Evan Barrett; John DeMichiei via conference call.

RSCC Committee Members Absent: Doug Miller, Sen. Windy Boy, Rep. Tom Berry

State Staff: Hal Fossum, Doug McBroom, Chris Dorrington

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

Audience: Kathy Fasso, Port of Montana; Frank Schumacher, Black Eagle; Chad Lee, MT Dept. of Agriculture; Collin Watters, MT Dept. of Agriculture; Jim Lewis, MRL; Jessie Luther, BKB&H/BNSF; Frank Schoonover, MWBC; Nicole Hagerman, Montana World Trade Center

1.0 Welcome

Chairman Mike O’Hara welcomed everyone and called the meeting to order.

2.0 Approval of April 4th Minutes and Review of Action Items

Jerry Jimison moved to approve the April 4th minutes with the correction of Walt Ainsworth listed in attendance. Russ Hobbs seconded the motion; motion carried.

3.0 Strategic Plan Subcommittee Update Reports

3.1 Agriculture – Carla Allen, Chair

Carla reported on an Ag Subcommittee meeting held May 8th in which the group updated its segment of the draft strategic plan.

3.2 Forest, Paper, Industry – Russ Hobbs, Chair

Russ reported on the Forest, Paper, Industry Subcommittee’s meeting held May 15th. In updating the strategic plan, a key issue will be to address paper barriers. Identifying paper barriers, recognizing impacts and various options will require research; an estimate will be obtained.

3.3 Energy Shipping – Jerry Jimison, Chair

Jerry reported on the Energy Shipping Subcommittee meeting held on May 24th. The subcommittee discussed current availability and capacity of rail spurs and rail lines, oil shipping needs, and the necessity of expanding port facilities on the west coast to move coal overseas. The subcommittee was uncertain if it could include action items addressing community impacts due to increased rail traffic in the strategic plan. After Evan Barrett met with Governor Schweitzer to discuss the issue, the Energy Shipping Subcommittee met again on June 1st. Evan shared Governor Schweitzer felt the RSCC should be a helpful voice in addressing the impacts communities may experience based on increased rail traffic. The subcommittee will meet again to draft goals and objectives for the strategic plan.

3.4 Ports and Multi-Modal – Walt Ainsworth, Chair

Walt reported the Ports and Multi-Modal Subcommittee met on May 23rd and is anxious to receive the study compiled by Montana World Trade Center to write goals and objectives based on that information. The subcommittee will meet in the near future to begin drafting goals and objectives.

4.0 Rail Tax Presentation

Dan Bucks, Montana Dept. of Revenue Director, will present details at the next RSCC meeting as he is awaiting additional information. Dan said Montana is one of two states with a state wide valuation system and will explain the cause-and-effect of various actions on such a system.

5.0 Montana Freight Study Update

Nicole Hagerman Miller, Montana World Trade Center, gave a presentation on a study that was designed to:

- Identify and collect data on importing and exporting companies in MT (based on both volume and value)
- Compile a modal analysis of destinations, origins and shipping mode
- Categorize shipping barriers and opportunities
- Identify best practices and lesson learned in similar freight environments/markets (i.e. captive shipping, rural)
- Provide recommendations on strategies (both short term and long term) to improve freight access and reduce cost for MT shippers

Nicole said meetings were held with anchor shippers and exporters; it was learned they are interested in an integrated freight strategy.

Nicole indicated that she would provide a copy of her PPT presentation to Gloria for distribution to the members of the RSCC.

Next steps may include:

- Using North Dakota as a model, build an association.
- Gather different industries and identify volumes that could be made available.
- Compile a business plan/model to present to the carriers.

6.0 Update on Ft. Benton

Mike O'Hara shared a letter which was received in response to a letter written by the Governor's Office, requesting BNSF to address the out-of-service rail between Ft. Benton and Kershaw. There are no plans at this time for BNSF to repair the track, but BNSF will send Kevin Kaufman, BNSF Group Vice President, Ag Products, the end of June to meet with stakeholders. Mike said he is hopeful a solution will be found, but volumes must be evident for BNSF to repair the track.

7.0 Project Updates – MDT Staff

Doug McBroom reported on Montana Department of Transportation projects related to the work of the RSCC. Doug said MDT is receiving program applications for TIGER grants and will soon be meeting with key partners to review the applications.

8.0 Shelby Port of Northern Montana Multi-modal Facility Presentation

Larry Bonderud, Mayor of Shelby, gave an interesting presentation on the multi-modal facility operating in Shelby. The Port of Northern Montana was formed in the early 1980's and used the

Butte model to begin. There are now over a dozen ports in Montana but only Butte and Shelby ports are used for actual shipping. The Port of Northern Montana manages a 15,000ft. loop of rail.

9.0 Montana Transportation Issues Affecting Shippers

Terry Whiteside, Whiteside and Associates, Montana Wheat & Barley Committee, provided a preview of a study that will be made available later in June or early July. The study is on coal movement, now and in the future. The research involved using the announced volumes of coal for nine proposed coal export facilities on the coast and backed the numbers into Montana to figure the volumes required. The study outlined impacts on rail segments and also identified where tracks will need to be upgraded before coal can be transported on the rail.

10.0 Rail Updates

- 10.1 Union Pacific – Kathy Fasso, Port of Montana, provided a handout that contained facts of Union Pacific activities across the state. Top five commodities shipped in 2011 by volume include: wheat and food grains, petroleum products, coal, coal and petroleum coke, and sulphur.
- 10.2 Canadian Pacific - Terry Whiteside reported the ownership of the Canadian Pacific changed about three weeks ago. The railroad is dealing with labor (strike) and management issues. The Canadian parliament has forced labor and the railroad back to work and subject to binding arbitration.
- 10.3 Montana Rail Link - Jim Lewis, MRL Director of Sales and Marketing, provided an update on MRL. Jim explained the decision to close Polson and Bitterroot branch lines was due to flooding. Repairs would have been made once MRL received volume commitments from customers in the area. As Ravalli County agreed to fill the funding gap; service resumed on May 16th in the Bitterroot. In the meantime, the county has applied for a TIGER grant that would be matched by MRL. Polson is still under discontinued service but is exploring ways to resume service.

Regarding the topic of increased coal traffic on MRL lines, Jim explained the company has limited capacity and can only run so many trains on its lines; the issue is the helper units required over the passes and through the tunnels (Bozeman and Mullan passes). Hundreds of millions of dollars would be needed to build MRL infrastructure to handle the projected capacity. MRL realizes its capacity limitations, and could in reality increase their current trains from 15 per day to 23 or about 8 more trains a day.
- 10.4 BNSF Railway – Jessie Luther, Attorney, representing BNSF with the firm Browning, Kaleczyc, Berry and Hoven. Jessie provided a snapshot of BNSF activities for 2011. There are 2,185 Montanans employed by BNSF; 100 more are to be hired in the near future. To prepare for increased rail traffic, BNSF is investing millions of dollars in infrastructure and over three billion dollars system wide. BNSF currently has adequate capacity but is preparing for the future to meet customer demand.
- 10.5 Central Montana Railroad – Carla Allen, reporting. Carla said there is no news regarding funding for the bridge repair. The Charlie Russell Choo Choo is now operating and CMR is open and actively providing storage space for rail cars.
- 10.6 Watco, Yellowstone, Mission Valley, others – no report.

11.0 Next Council Meeting

- 11.1 Dan Bucks moved to hold the next RSCC meeting on July 12th from Noon to 5:00pm. Walt Ainsworth seconded the motion; motion carried.
- 11.2 Agenda items for the next meeting will include the presentation by Dan Bucks, an RSCC financial report, RSCC Strategic Plan update, and a discussion on compiling a report for the legislature.

12.0 Comments or Issues from Council Members

Chairman Mike O'Hara appointed Terry Whiteside, Whiteside & Associates (representing Montana Wheat & Barley Committee) to each of the RSCC Subcommittees to provide resource to the Subcommittees.

13.0 Formal Public Comment Period – no comments.

14.0 With no further comments, Jerry Jimison moved to adjourn the meeting; Russ Hobbs seconded the motion; motion carried.