

**RAIL SERVICE COMPETITION COUNCIL
COUNCIL MEETING MINUTES**

**Thursday, July 12, 2012
Noon – 5:00pm**

**Transportation Commission Room
2701 Prospect Ave.
Helena, Montana**

RSCC Committee Members Present: Mike O’Hara, Chair; Walt Ainsworth, Doug Miller, Ron de Yong, Jerry Jimison, Evan Barrett, Doug McBroom for Tim Reardon, and Dan Bucks.

RSCC Committee Members Absent: Russ Hobbs, Sen. Windy Boy, Rep. Tom Berry, Carla Allen, and John DeMichiei.

State MDT Staff: Doug McBroom, Hal Fossum, and Chris Dorrington.

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

Audience: Barbara Ranf, BNSF; Nicole Hagerman Miller, MWTC; Jim Lewis, MRL; Cort Jensen, MT Dept. of Agriculture; Dan Kidd, MGGA – NBGA; Gene Walborn, MT Dept. of Revenue; Kory Hofland, MT Dept. of Revenue; and Pat Murdo, Legislative Services.

1.0 Call Meeting to Order

Chairman Mike O’Hara called the meeting to order and requested introductions from the audience.

2.0 Approval of June 7th Minutes

Ron de Yong Moved to approve the June 7th RSCC minutes; Jerry Jimison seconded the motion. Motion carried.

3.0 RSCC Financial Report

Doug McBroom shared an RSCC Financial Report. Balance remaining as of 6/30/12: \$42,241.00 (Fiscal Year End Balance)

4.0 Strategic Plan Subcommittee Update Reports

4.1 Ag Shipping –

Ron de Yong shared the subcommittee met on July 10th to discuss options regarding Fort Benton rail service. The outcome of the meeting is to begin the discovery process to see who the players would be and what the business plan would look like to provide service in the Fort Benton area.

4.2 Energy Shipping – Jerry Jimison

Jerry Jimison shared updates from recent conference calls this subcommittee held. Jerry reviewed the goals and objectives compiled thus far. Jerry Jimison moved to approve the draft of the Energy Shipping committee (with suggested edits). The motion was seconded by Walt Ainsworth. Motion carried.

As part of the Energy Shipping Strategic Plan, one objective includes addressing community concerns regarding increased train traffic due to increased energy transportation (primarily coal and oil). A letter was drafted by the subcommittee for the RSCC to use in response to communities concerned. The letter indicates that both increased energy needs can be met as well as community challenges; the RSCC is available to listen to community representatives and refer them to appropriate authorities and resources to address the issues.

Public comment: Jim Lewis said MRL is working with the communities already addressing concerns and does not feel a letter is needed. Barbara Ranf shared statistics that show train traffic volumes are not yet up to 2006 levels.

Members of the RSCC felt the letter is needed for the state to provide a response and provide a communication venue. Evan moved for Chairman O’Hara to be allowed to send this letter on behalf of the RSCC to any community that is expressing concern. Jerry Jimison seconded the motion; motion carried.

4.3 Ports and MultiModal – Walt Ainsworth

Walt Ainsworth reported on progress this subcommittee has made on the Ports and Multimodal Strategic Plan goals and objectives. The MWTC study compliments the goals and objectives of this segment.

4.4 Forest and Industry Shipping – Russ Hobbs

An update will be available for the next RSCC meeting.

5.0 Discussion of need for Legislative Report

In the past, Montana State Code requested a report. Currently, the law does not require a report, thus one will not be prepared for the legislature but a report for internal use will be generated.

6.0 Rail Tax Presentation – Dan Bucks

Dan Bucks, State Director, Montana Department of Revenue, provided a presentation handout on railroad taxation. The RSCC is commissioned by statute to “reevaluate the state’s railroad taxation practices to ensure reasonable competition while minimizing any transfer of tax burden. The reevaluation of the state’s railroad taxation practices should include but is not limited to a reevaluation of property taxes, taxes that minimize highway damage, special fuel taxes, and corporate tax rates.”

Dan explained railroads, similar to other centrally assessed properties, are subject to the “unit valuation” approach to property assessment. However, unlike other types of centrally assessed property the unit value of railroads is established not through an annual appraisal of market value, but through a formulary approach to determine a railroad’s assessed value.

As a sale took place with the BNSF, an indicator was given of its market value. Dan emphasized this indicator does not pertain to any other railroad. If BNSF were valued at an estimated market value (sales price minus statutory adjustments) the railroad would be valued almost twice as much as the formula value. Approximately 35 states use the unit-value method, based on appraisal; Montana uses a unit method, but with a unique formula. The Montana State Legislature could change this formula; more data would be needed to determine if a change would be feasible and/or effect rail competition. The RSCC has reviewed the data and taxation information, but information is inconclusive.

7.0 Project Updates – MDT Staff

Three loan grant applications are currently under review; an internal team will meet next week.

8.0 Fort Benton Update

Please see Ag Subcommittee report above.

9.0 Montana Transportation Issues Affecting Shippers –Terry Whiteside, Montana Wheat & Barley Committee

Terry Whiteside reported on the study titled “Heavy Traffic Ahead” released on July 10th and is now available to the public. The Western Organization of Research Councils commissioned the study to examine how much coal will move over the BNSF and on which rail lines in Montana in the near future (segment by segment analysis). A few cities will have all of the trains going through them, one of which is Billings. The report is available at <http://www.heavytrafficahead.org> Many areas will require major upgrading and expansion of existing rail tracks and related infrastructure. Intermodal/Container transit times are going to be strained if the volume of coal reaches 75-150 million tons in the next ten years. Even if all 9 proposed PNW Export terminals are not built to completion, it is important for Montanans to understand that the ports at Cherry Point and Longview which are both being permitted at the present time will represent increases in coal volumes of over 100 MM ton/year.

Terry pointed out for context that all of the agricultural products that move to and off the PNW (wheat, corn, soybean, dry beans, dry peas, cottonseed, barley, pulse crops, etc.) represent shipments of about 38-40 MM ton/year. So the 100 MM tons of coal on the rail system will potentially cause a great deal of transition trauma. The Washington DOT in their 2009 Freight Rail Plan stated that the northern BNSF line called the Cascade tunnel line and the BNSF rail line running down the Columbia river (north side of the river) in 2010-2013 are 'at' or 'near' capacity and that was without the introduction of 100 MM more tons of coal.

10.0 Rail Updates

10.1 Montana Rail Link

Jim Lewis reported coal volumes for MRL are lower than last year as domestic demand is decreasing, but export demand is increasing. MRL employs 950 people from Billings to Sand Point, Idaho. Average employee wage is \$67,000 plus benefits. MRL is a contributor across the state to a variety of charities in an amount over \$200,000/year. If MRL invested substantially into its infrastructure, it could increase train traffic by eight full and eight empty trains per day. BNSF is currently MRL's largest customer. MRL is holding community meetings to discuss concerns should coal train traffic increase.

10.2 BNSF Railway

Barbara Ranf reported BNSF is continuing to invest in its infrastructure to make sure it has enough capacity to meet all of its customer transportation needs. BNSF is a partner in Otter Creek Coal development and is working to develop transportation needs responsibly.

11.0 Next Council Meeting

11.1 Meeting Date and Location

Walt Ainsworth moved for the next meeting of the RSCC to take place on Wednesday, September 5th, 10:00am to 3:00pm in Helena in the DOT Conference room. Jerry Jimison seconded the motion; motion carried.

11.2 Agenda Items

- 11.2.1 Feedback from letters to communities
- 11.2.2 Jim Carlson, Missoula Public Health, regarding tests on coal dust
- 11.2.3 Approaching legislative funding request;
- 11.2.4 Presentation on September 11th to Economic Affairs Committee

12.0 Comments or Issues from Council Members

12.1 Items to take to the Legislature

- 12.1.1 The Ports and Multimodal Subcommittee may have items for the legislature to consider.
- 12.1.2 Consider a report to provide to the new Governor.

13.0 Formal Public Comment Period

- 13.1 Pat Murdo shared the Economic Affairs Committee will meet September 11th and welcomed public comment from the RSCC at that meeting. The meeting begins at 8:30am. Revenue and Transportation are meeting July 19th and 20th in Billings and September 13th and 14th. It is possible the RSCC future reporting and funding oversight could be changed to the Transportation committee.

14.0 Adjournment

Jerry Jimison moved to adjourn; Ron de Yong seconded the motion. Motion carried.