

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

November 1, 2017

MDT Commission Room
2701 Prospect Avenue
Helena, MT 59624

RSCC Members Present

- Jerry Jimison, Chair
- Walt Ainsworth
- Dylan Boyle
- Senator Tom Facey
- Craig Gilchrist
- Director Mike Tooley
- Eric Doheny
- Todd O’Hair

Other Attendees

- Matt Jones, BNSF Railway (BNSF)
- Ross Lane, BNSF
- Zach Rogala, Montana Public Service Commission (PSC)
- Chris Christiaens, Montana Farmers Union
- Kraig McLeod, Montana Department of Transportation (MDT)
- John Althof, MDT
- Mary Vandenbosch, RSCC Administrative Support

Call to Order, Introductions

Chairman Jimison called the meeting to order at 10:05 a.m. and all present were introduced.

July RSCC Meeting Minutes

Motion by Craig Gilchrist, seconded by Sen. Tom Facey, to approve the minutes of the July 25, 2017 RSCC meeting as written. Motion carried.

Financial Report

Kraig McLeod presented the “Rail Service Competition Council Financial Report as of September 30, 2017” for Fiscal Year (FY) 2018. The budget for FY 2018 is \$31,041. The balance after expenditures is \$27,866. The state fiscal year ends June 30, 2018. He noted there were no anticipated obligations or projects.

Motion by Walt Ainsworth, seconded by Eric Doheny, to approve the financial report. Motion carried.

Public Comment

Chairman Jimison called for public comment on items not on the agenda. Except as noted under agenda items, no comments were received.

MDT Update

Montana Freight Plan

Kraig McLeod noted that MDT reached out to stakeholders and the general public for public comment on the draft Montana Freight Plan; however, no comments were received. The Montana Freight Plan will be provided to federal partners, mostly likely by the end of the month.

Montana Highway-Rail Safety Conference

John Althof presented information about the Montana Highway-Rail Safety Conference that was held in Helena at the end of August. He circulated a program, attendee list, and brochure. There were 160 attendees from Montana and other states, including representatives of local governments, railroads, engineering firms, state government and tribal governments. The agenda for the conference was based on the results of a survey of representatives of these groups. A grant from the Federal Highway Administration, contributions from sponsors, and the efforts of the conference planning committee were key to the success of this conference.

RSCC Chairman Jerry Johnson and Matt Jones, BNSF, noted that the conference was extremely valuable.

Todd Graetz, BNSF, presented information at the conference regarding Unmanned Aerial Vehicle (UAV) applications. Matt Jones and Ross Lane discussed the data obtained from railroad inspections and the resultant enhancements to the maintenance program and emergency response efforts. John Althof noted there is a potential for application to the highway system.

PSC Update

Montana Public Service Commission attorney Zack Rogala reviewed the history of railroad regulation in Montana and presented an overview of the PSC responsibilities with respect to rail transportation. Since 1970, most of the PSC's regulatory authority has been preempted by the federal government. The two current areas of responsibility are:

1. General supervision over intrastate railroads. Montana Rail Link is considered an intrastate railroad, even though it operates in Idaho.
2. Inspection. They have two employees located in Laurel and Helena that conduct Motive Power & Equipment (MP&E) inspections. The federal government has delegated

authority to the PSC to conduct these inspections. He noted that deficiencies are usually addressed without the need for enforcement.

In discussion, Matt Jones, BNSF, explained that the railroads are required to make inspections. One role of the state inspectors is to look at the railroads' inspection procedures. Jones and Ross Lane explained how technology has changed inspections. There was discussion among RSCC members and BNSF representatives regarding the need to change the regulations to accommodate modern technology.

Railroad Reports

BNSF Railway

Matt Jones, BNSF, reported that the railroad has experienced significantly better demand for freight rail transportation nationwide in 2017 to date, compared to 2016. There are two overarching factors that contribute to this increase in demand: an increase in coal shipping and improving conditions in the broader economy and the industrial sector. Key points include the following:

- Coal shipments are up 14% year over year (YOY).
- U.S. businesses have worked through their inventory overhang, which lasted from 2014 to 2016.
- Agricultural volumes are up about 2% (YOY). There is strong demand for export shipments of high protein winter wheat.
- A record number of agricultural shuttles have been sold.
- Intermodal shipping is strong on the domestic side, which is closely tied to retail demand. Domestic intermodal shipping is growing faster than international intermodal shipping.
- International intermodal transportation is affected by instability in streamliner transportation.
- Volumes can change quickly from quarter to quarter.
- Business levels remain below 2006, which was the peak year prior to the recession.

Ross Lane, BNSF, reported on BNSF activities in Montana. Highlights of his report include:

- BNSF awarded the Heritage Community Award to Havre, Montana for their contributions to freight rail.
- Winter preparedness plans are completed and more equipment has been prepositioned in the Hi-Line and Flathead regions.
- BNSF has invested \$100 million for 2017 for track improvements and repairs in Montana.
- Positive train control is over 90% complete and will be completed across the network by the end of the year.

Lane also described current demands for domestic intermodal transportation. Customers expect same-day delivery. This means that the last mile of rail transportation is critical and investment in technology is important.

Amtrak

Dylan Boyle, Executive Director, Explore Whitefish - Whitefish Convention and Visitors Bureau, presented an update on Amtrak. He noted that Amtrak Government Affairs Director Rob Eaton sends his regrets. Key points include:

- Amtrak ridership for Montana (total) is up 0.2% for July-Sept 2017 compared to the same quarter from last year and up 1.2% for January-Sept 2017 compared to the same time frame from last year.
- The top 3 stations for ridership on the Empire Builder in Montana are Whitefish, East Glacier, and Havre.
- The bicycle program is important for tourism in Whitefish. The program has been very successful. For federal FY '17, 510 bicycles were carried in Montana; 45% of them were carried on the Empire Builder.
- Amtrak appointed a new president and chief executive officer, Richard Anderson, during the summer of 2017.
- Amtrak is not currently providing any marketing funding.
- Amtrak is still offering 20% off for travel to Whitefish as the end destination.
- Amtrak is fully funded for the current fiscal year.

Boyle discussed marketing campaigns planned for the winter. In response to a question, after the meeting Boyle reported that bicycles are loaded and unloaded only at staffed stations. Boyle agreed to follow up on a question regarding whether Amtrak has data for skis, snowboards, or other large sports equipment carried on the Empire Builder in Montana.

Other Railroads

No reports were received from Union Pacific, Central Montana Rail, or Montana Rail Link. Matt Jones, BNSF, reported that Montana Rail Link is extremely busy.

RSCC Subcommittee Reports

Agriculture Subcommittee

Eric Doheny, Chairman of the Agriculture Subcommittee, reported that things are moving smoothly: rail transportation is on time and shuttles are working well. The number of elevators handling pulse crops has increased significantly over the last five years, from approximately two or three elevators to approximately 15 elevators. They all want shuttles. Singles are slow to obtain, and they need more singles.

Energy Shipping Subcommittee

Craig Gilchrist, Chairman of the Energy Shipping Subcommittee, reported on current trends. Highlights of his report include:

- Both BNSF and MRL report a decrease in shipping of petroleum products; BNSF reports a decrease of 15%.
- BNSF reports a 14% increase in coal volumes due to natural gas prices.
- In western states, crushed stone traffic, which includes frac sand, is up 25% this year, due largely to increased drilling activity in the Bakken.

Todd O’Hair, Cloud Peak Energy, discussed current and projected trends in the coal industry. Key points include:

- Demand for coal is affected by demand for electricity and the price of competing fuels, especially natural gas.
- Last year was a bad year for coal. Contributing factors include weather, elimination of aluminum smelting plants in the Pacific Northwest, and low natural gas prices. The Asian market dried up last year.
- Over the long term, they don’t expect growth in demand for coal. New coal-fired electricity generating plants are not being built.
- The Trump Administration has taken actions that are good for the coal industry over the long term; however, climate change will likely continue to be a concern. Investors are reluctant to invest in coal-fired generating plants due to regulatory uncertainty.
- China is still a large market, and Japan, South Korea and Taiwan are building coal-fired generating plants. However, the western United States supplies only a fraction of this coal.

Economic Development Subcommittee

Walt Ainsworth, Economic Development Subcommittee Co-Chair, reported that the subcommittee had not met since the last meeting. He sees opportunities to help agricultural shippers with containers.

Comments from Members

Committee members discussed the role of the RSCC. Highlights of the discussion included the following:

- Members appreciate the networking opportunity and information shared through the RSCC; however, some members questioned whether legislative authorization and appropriations were necessary to continue this communication. Periodic forums could be facilitated by MDT or BNSF. Todd O’Hair and Walt Ainsworth emphasized that taxpayers should receive a return on their investment.
- Todd O’Hair suggested that the RSCC could act proactively on policies, including decisions of communities or states that affect the ability to export Montana commodities,

or changes in regulations. Other members questioned whether or not the RSCC could have an impact on decisions in other states.

- Several members noted that the RSCC played an important role during the rail shipping crisis that affected agricultural producers and shippers in 2013-2014. The RSCC facilitated communication and can play a role in averting or mitigating potential crises.
- Chairman Jimison emphasized that rail transportation is key to economic development. However, other members noted there are plenty of economic development organizations in Montana. Some members expressed interest in facilitating the development of intermodal facilities.
- Chairman Jimison also noted that the RSCC had commissioned some significant studies.

Chairman Jimison stated that the RSCC can discuss this topic further during the remainder of the biennium.

Matt Jones noted that BNSF has changed how they work with stakeholders since the RSCC was first established. BNSF would be happy to facilitate further communication.

Next RSCC Meeting

The RSCC decided to hold the next meeting during the last two weeks of March 2018. Staff will poll members about availability. Chairman Jimison requested that Todd Graetz, BNSF, be invited to the next meeting to make a presentation on UAV applications.

Chairman Jimison adjourned the meeting at 2:07 p.m.