

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

November 8, 2018

MDT Commission Room
2701 Prospect Avenue
Helena, MT 59624

RSCC Members Present

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

Other Attendees

- Matt Jones, BNSF Railway (BNSF)
- Ross Lane, BNSF
- Chris Christiaens, Montana Farmers Union
- Kraig McLeod, Montana Department of Transportation (MDT)
- Katy Callon, MDT
- Mary Vandebosch, RSCC Administrative Support
- Jim Lewis, Montana Rail Link (MRL)
- Kim Mangold, Montana Department of Agriculture (MDA)

Call to Order, Introductions

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

Approval of Minutes

Motion by Craig Gilchrist, seconded by Eric Doheny, to approve the minutes of the July 11, 2018 RSCC meeting, as written. Motion carried unanimously.

Financial Report

Kraig McLeod presented the “Rail Service Competition Council Financial Report as of October 31, 2018 (State Fiscal Year 2019).” The budget for FY 2019 is \$31,041. The balance after expenditures is approximately \$28,000. Motion by Todd O’Hair, seconded by Walt Ainsworth, to accept the financial report. Motion carried unanimously.

Public Comment

Chairman Jimison called for public comment. Chris Christiaens raised the topic of malt barley exports to Mexico. Christiaens and Kim Mangold explained that transportation is a barrier to shipping malt barley to Mexico; Montana cannot currently compete with Canada and other countries. Mangold and Eric Doheny stressed the importance of investigating improved transportation of malt barley to Mexico, in order to take advantage of potential market opportunities. Doheny offered to follow up with Mangold and requested that this topic be included on the next meeting agenda.

Railroad Reports

Montana Rail Link

Jim Lewis distributed two brochures: one for MRL and one for the Washington Companies. He reported the following year-over-year statistics for 2018 in comparison with 2017:

- Volumes have increased by 7%.
- Grain shipments have increased by 92%.
- Shipments of industrial products have increased by 11%.
- Intermodal shipping has increased by 14%.
- Coal shipments have decreased by 4 percent.
- Trains per day have increased from 20.1 to 21.1.

Lewis noted the following with respect to current and future shipping trends:

- Record volumes of corn and soybeans are going into storage this year, due to trade policies.
- BNSF has been running 142 grain shuttles since February.
- The intermodal sector is a huge growth sector for all U.S. railroads.
- Coal shipments are not as high as 2014 levels; two domestic power plants are planning to stop using coal completely in 2022.

Montana Rail Link has received a President's Safety Award for the Pacific Northwest Region from the American Short Line and Regional Railroad Association. Montana Rail Link will be among the first Class II railroads to voluntarily implement Positive Train Control (PTC) technology.

Montana Rail Link invested \$68 million in maintenance this year; the proposed budget for 2019 is \$83 million. The railroad continues to place a priority on growing its labor force, which has increased by 181 employees since 2013.

BNSF Railway

RSCC members thanked the BNSF representatives for the tours of the BNSF facilities in Havre.

Matt Jones and Ross Lane discussed BNSF's use of shuttles. A shuttle train is auctioned for a period of time. The customer who purchases the shuttle determines where the shuttle is used. The purchaser can sell the shuttle on the secondary market at any time. BNSF and MRL are not involved in the secondary market. Shuttles are a means for BNSF and MRL to improve scheduling.

Other railroads, including Union Pacific and CSX, are moving to implement a precision scheduled railroading model to achieve efficiency. BNSF places a priority on efficiency but has been using other methods to achieve efficiency. Some aspects of PSR would not work well for BNSF. The PSR model was first implemented at CN and Canadian Pacific by Hunter Harrison. Jim Lewis recommended the book *Railroader*, about Harrison's life.

Jones reported the following statistics for BNSF for 2018:

- Exceeded 200,000 units on a weekly basis for more than 35 weeks.
- Running 1,600 trains per day on the network. A unit is a car, container, or trailer.
- Velocity is down 7% compared to 2017.
- Invested \$120 million in Montana this year. Significant improvements have been made to the Flathead tunnel.

Jones provided an update on the status of the Sandpoint Connector Project, which is one of BNSF's top expansion priorities. He presented a short video on the project and reminded members that the project will alleviate a bottleneck created by a one-lane-only bridge over Lake Pend Oreille. Due to the bottleneck, trains are backed up into Washington and Idaho. Jim Lewis explained that the bottleneck is a big issue for MRL. It can take 6 hours to travel the final 43 miles into the Hauser yard.

The Idaho Department of Lands issued a permit to BNSF and was sued. The railroad is waiting for a decision from the Coast Guard regarding whether or not an environmental assessment (EA) or environmental impact statement (EIS) will be required.

Chairman Jimison noted that the RSCC sent a letter in support of the Sandpoint Connector Project.

Jones highlighted leadership changes at BNSF: Executive Chairman Matt Rose will retire in April; Katie Farmer is the new Chief Operating Officer.

The railroad has been pulling locomotives out of the surge fleet to meet demand and has a strong hiring plan. Incentives must be offered to meet the demand for workers.

RSCC Discussion

Agricultural Shipping

Kim Mangold noted that wheat production was 110% of normal this year. Because 20% was stored in bins from last year, there was 130% of the normal amount in August, and there is only room to store 100%. She has not seen wheat moving out of Montana due to low prices and the large volume of wheat produced. The Montana Department of Agriculture is looking for new markets in Asia, Europe, and Mexico. Eric Doheny stated that wheat is moving rapidly in the Golden Triangle due to farmers needing cash flow.

Both Mangold and Doheny anticipated that the pulse crop acreage planted will be reduced in 2019.

Hemp is a significant new crop. The Department is anticipating that 60,000 acres of hemp will be planted.

Chris Christiaens asked if BNSF is tracking how new crops will affect the demand for rail. Matt Jones explained that BNSF has an agricultural marketing group, which tracks global trends. They also get information from states and customers.

Eric Doheny stated that rail shipping of the harvest went well. Shippers were able to get trains on time, and singles are working well.

Participants discussed concerns about losing markets due to trade policies and emphasized the need to address the situation before markets are lost for the long term.

Energy Shipping

BNSF representatives informed the committee that crude oil shipping in the U.S. is fairly stable; however, there is a significant increase in Canadian crude moving by rail.

The RSCC discussed the impact of pipelines on transport of oil by rail.

Todd O'Hair stated that the export market for coal is very good; however, it can change dramatically and quickly. His company has a wonderful relationship with BNSF.

Economic Development

Vu Pham announced that a new bypass will be built in Billings. Big Sky Economic Development has completed a feasibility study for a new rail park adjacent to the bypass and the I-90/I-94 interchange. The rail park would be served by MRL. The rail park project was a result of an infrastructure assessment study commissioned by the RSCC.

Matt Jones stated that BNSF has certified transload facilities in Shelby, Great Falls, and Libby. The railroad worked with the city of Kalispell to move customers from downtown to an industrial park north of Kalispell.

Chairman Jimison discussed economic development and transportation in the Glendive area. Highlights include:

- Glendive is on the fringe of the Bakken oilfield, as well as the Oneok and TransCanada pipelines.
- Fisher Sand and Gravel north of Glendive has been designated as a pipe offloading center.
- Glendive is on its way to becoming the largest Thatcher Chemical facility in the United States.

Next RSCC Meeting

Chairman Jimison requested that Mary Vandebosch poll members about their availability to meet in late February.

Comments from Members

Senator Facey announced that he will not be serving in the Legislature next session due to term limits. He noted that the Economic Affairs Interim Committee approved a committee bill draft request to terminate the statutory authorization for the Rail Service Competition Council. He stated that there will be opportunities for public comment on the bill during the legislative session. Senator Facey emphasized that the Council meetings were informative and reviewed the reasons for his support of the bill: the state does not have authority over rail service competition; MDT can convene a committee without statutory authority; the Wheat and Barley Committee can address many of the issues.

Several members and other participants commented on the issue of statutory authority for the RSCC. Key points include:

- Periodic information sharing and collaboration is valuable.
- Statutory authority may not be necessary to share information and collaborate.
- The RSCC initially played an important role in improving relationships between shippers and BNSF. It may not be necessary for the RSCC to continue in that role.
- Walt Ainsworth expressed his opinion that the RSCC is not providing the taxpayers with a return on their investment. While the RSCC had a big impact initially, it is time to shut down the committee and let the shippers work through their own issues.
- Chairman Jimison discussed the benefits of the RSCC, stressing the importance of convening the various interest in the same room to address the issues.
- Matt Jones emphasized that BNSF has improved its efforts to communicate and is committed to continuing to communicate whether or not there is a publicly funded forum in which to do so. He noted that the Main Street Montana Project includes a Transportation Key Industry Network (KIN). He raised the possibility that interested

parties could participate in that forum. The railroad has various customer advisory boards and would be happy to participate in organizing stakeholder meetings.

- Director Tooley explained that there are several options that do not require a line item in the MDT budget. An appropriation for the RSCC is included in the MDT budget request. The Department's position is informational only.
- Vu Pham emphasized the efficiency of rail transport and expressed his opinion that the work of the organization should continue in some venue.

Adjournment

Chairman Jimison adjourned the meeting at 2:25 p.m.