

1.0 Overview

1.1 INTRODUCTION

Background and Purpose

With more than 3,200 miles operated and 3,000 employees living in the State, rail has a strong presence in Montana from a transportation and economic perspective. The State began its rail planning efforts in 1979 and this document serves as an update to the Montana State Rail Plan, which was previously updated in 2000. The multiple goals of this plan include:

1. Providing an overall update to elements of the 2000 Rail Plan which focused on the State's role in rail planning, retaining eligibility for Local Rail Freight Assistance (LRFA) funding, updating the description of Montana's rail system, and examining the feasibility of new passenger rail service;
2. Providing an in-depth exploration of passenger rail feasibility along the Southern Rail Corridor of the State;
3. Examining the potential impacts of grain car consolidation facilities in the State; and
4. Discussing the issues and implications of recent Federal legislation on Montana's rail planning efforts.

Federal Basis for State Rail Planning

Federal rail planning requirements are outlined in 49 Code of Federal Regulations Part 266 (49 CFR 266). One of the original intent of the regulations were to provide clear and concise directions for states to compete for LRFA funds (which have not been appropriated by Congress since 1995). Section 266.15 outlines the Federal requirements for state rail plans and prescribes that they should be "based on a comprehensive, coordinated, and continuing planning process for all transportation services within the State and shall be developed with an opportunity for participation by persons interested in rail activity in the State and adjacent states where appropriate."

The Code also specifies format and content of the State Rail Plan. Aside from various funding assistance eligibility requirements, rail plan content is to achieve the following:

- Describe the planning process participation of local and regional governmental bodies, the railroads, the railroad labor, rail service users, and the public in general;
- Describe the overall planning process for all transportation services in the State;
- Contain an illustration of the State's entire rail system on suitable scale maps with a written description of service on each line; and
- Identify lines by class of service in the State (abandonments, potential abandonments, assistance eligible, etc.).

Among the elements that State Rail Plan *Updates* are to include:

- An update of information in previous submittals which is no longer accurate as a result of plan implementation, action by a governmental entity or railroad, or changed conditions;
- An update of maps and line descriptions;
- Changes in agency responsibility and/or authority; and
- Revisions in the State's policies, objectives, or long-range expectations.

Montana State Rail Planning History

Montana's state rail planning process began in the 1970s with the advent of the Federal government's local rail assistance (LRSA) funding. The first state rail plan was released in 1979, with updates published in 1982, 1984, 1993, and 2000. State rail plan supplements were published in 1980, 1983, and 1985-1986; an addendum produced in 1990, and an Amendment was published in 1997.

Responsibility for state rail planning has shifted among departments since the initial plan. In 1979 the Montana Department of Highways published the plan, while the Montana Department of Commerce was responsible for state rail planning functions from 1981 until 1991. Montana law MCA 60-11-101 designated the Montana Department of Transportation (MDT), also established in 1991, as the state rail planning agency. The 1993 and 2000 Updates have been produced by MDT, Rail and Transit Planning Division.

Throughout its history, Montana has faced a host of rail planning issues. While the State has traditionally had a strong rail presence, the 1970s and 1980s brought rail line service preservation concerns as the Milwaukee Road, operating over a major east-west interstate route in Montana, faced bankruptcy. Rail service competition has also been a long-standing issue in Montana, given that the vast majority of rail mileage has been owned by a single operator; originally Burlington Northern (BN) and subsequently the merger combination of Burlington Northern and Santa Fe (BNSF).

As a response to this market dominance, Montana utilized Federal funding to both preserve and increase rail competition. Montana administered LRSA grants and loans in the 1980s, until Federal funding sources became exhausted. At that

point Montana shifted toward loans as opposed to grants, with funding concentrated toward branch lines. As an example, the Moccasin-Geraldine line is now operated by Central Montana Rail, Inc (CMR). In this case the rail right-of-way is owned by the State of Montana. The State also acquired the Butte Hill Line, a short-line in Butte, which was in turn donated to the Butte Historic Parks Railroad. The State utilized \$1.7 million in LRSA funds at Silver Bow to construct a 52-car grain loading terminal as a means of promoting competition on the Union Pacific (UP) line.

In sum, \$4.4 million in LRSA funds have been invested in the Moccasin-Geraldine line, and have translated into reduced highway impacts which would have resulted from truck shipment, as well as socioeconomic impacts caused by the closure of the branch line.

Also, \$3.7 million was loaned to BN to improve the Power-Choteau-Fairfield and Conrad-Valier branch lines between Great Falls and Shelby. The loan has since been repaid and reallocated.

LRSA became the Local Rail Freight Assistance (LRFA) program in 1989. The Whitetail line rehabilitation, beginning in 2000, has been the only federally funded rail project in the State since the 1980s. The LRFA has not received congressionally appropriated funds since 1995, though Montana continues to reallocate loan repayments.

1.2 PROJECT APPROACH

The 2010 Montana State Rail is based upon six primary tasks which seek to provide an update of previous planning efforts while exploring key contemporary freight and passenger rail topics in detail:

Task 1 - Rail System Description

This task is a result of coordination with MDT staff and rail operators in order to begin developing a geographic information system (GIS) which contains data and attributes of Montana's rail lines from a combination of sources, including Federal, state, and rail operators. This plan also provides descriptions of rail lines operating in Montana at the subdivision level based on information obtained from the railroads and other sources.

This task also provides a historical perspective of rail planning in the State and summarizes changes in the rail system since the last update, describes Montana's current passenger rail service, and the status of the construction of new lines, including the Tongue River Railroad and the Bull Mountain Rail Spur (Global Rail Spur).

Task 2 - Analysis of Passenger Rail Along Southern Corridor

In coordination with projections and estimates by Amtrak, this analysis includes estimates for capital costs for intercity passenger rail service from Billings to

Missoula, as well as an operating cost analysis at a scale similar to the operating analysis for the Missoula to Billings route in the 2000 Rail Plan Update (referred to as Tier 1 in this State Rail Plan). The task also involves a high-level assessment of the conditions along rail lines for intercity service through southern Montana, from Williston, North Dakota to Sandpoint, Idaho. This task also describes regulatory and financial issues associated with passenger rail operations on private rail lines and provides a summary of potential funding sources for expanded passenger rail service.

This task also includes a history of passenger rail service in Montana, and proposals to reinstate passenger service along Amtrak's former North Coast Hiawatha route.

Task 3 – Grain Car Consolidation Facility Impact Analysis

In order to deliver the 110-car unit trains preferred by Class I railroads, a number of private firms have constructed grain elevator/train loading facilities capable of consolidating grain shipments from a variety of shippers into unit trains. The 2004 Rail Competition study described this phenomenon and the likely affects on other smaller grain elevators and rail branch lines.

This task also discusses grain production patterns, historical and projected, based on statistics from the Montana Department of Agriculture, and determines how the consolidation facilities are handling grain harvests (including any regions not being adequately served by the current facilities). This includes an assessment of how these facilities have impacted rail access (not necessarily the price) for grain shipments. Further, this task graphically depicts global grain distribution patterns from Montana points of origin.

Task 4 – Discussion of Implications of Other Montana Rail-Related Studies and Plans

This task considers the role and implications of rail-related studies that have been completed since the 2000 Rail Plan Update. This includes a 2008 intermodal study, *Research in Support of Container/Trailer on Flatcar in Intermodal Service on Montana's Mainlines*, the 2004 *Montana Branch Line Study, Phases I and II*, the *Montana Rail Freight Competition Study (provided Montana S.B. 315)*, as well as available data, resources, interviews, and other sources regarding pending issues facing the State's freight and passenger rail service.

Task 5 – Identification of Potential Abandonments

Using information from previous tasks and the 2004 Montana Branch Line Study this task serves to identify rail lines that are potentially threatened with abandonment due to declining or nonexistent traffic volumes and/or infrastructure deficiencies. The task also provides a high-level summary of methods that could be pursued to either preserve rail service on these lines or preserve the right-of-way

if they are abandoned through the purchase of the rights-of-way by the State or through other means.

Task 6 – Summary of Rail Program Funding Procedures

This task provides a summarization of project application, review, and selection procedures for rail programs administered by MDT, including the Local Rail Freight Assistance Program (LRFA) and the Railroad and Intermodal Transportation Facility Loan Program.

1.3 ORGANIZATION OF THIS REPORT

The 2010 Montana State Rail Plan is organized as follows:

- **Section 2.0, Freight Trends** – This section discusses Montana freight trends in the context of nationwide freight flows, and goes on to analyze state freight rail characteristics in detail; including commodity flow information and external factors which influence goods movement in the State.
- **Section 3.0, State Rail Planning** – This section addresses the basis for rail planning in Montana, featuring in-depth descriptions of the physical and operating characteristics of railroads within the State, including the subdivision level.
- **Section 4.0, Passenger Rail Service** – This section describes current and historical passenger rail service in Montana. The section also involves an analysis of possible new service once served by the Amtrak North Coast Hiawatha route discontinued in 1979. This section includes analysis of capital and operating costs provided by Amtrak.
- **Section 5.0, Grain Car Consolidation Facility Impact Analysis** – This goal of this section is to thoroughly portray wheat and barley market, shipping, and distribution trends for producers in Montana, and to analyze the emergence of 110-car shuttle facilities and their resultant impacts.
- **Section 6.0, Summary of Rail Funding Procedures** – This section outlines historical rail funding provided by MDT, and outlines other Federal funding programs possible for rail projects.
- **Section 7.0, Montana Rail Issues** – This section explores several contemporary issues pertaining to rail transportation: rail competition in Montana, Federal rail re-regulation, intermodal service in Montana, coal transportation, rail infrastructure investment and funding, railroad safety and at-grade rail-way-highway crossings, preparing for potential modal shifts due to energy costs, and environmental implications of rail service in Montana.