

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

July 11, 2018

BNSF Havre Diesel Shop
903 1st ST
Havre, MT 59501

RSCC Members Present

- Jerry Jimison, Chair
- Walt Ainsworth
- Eric Doheny
- Craig Gilchrist
- Todd O’Hair

Other Attendees

- Nathan Anderson, Union Pacific (UP)
- Chris Christiaens, Montana Farmers Union (MFU)
- Lochiel (Lochy) Edwards
- Matt Jones, BNSF Railway (BNSF)
- Ross Lane, BNSF
- Maia LaSalle, BNSF
- Jim Lewis, Montana Rail Link (MRL)
- Kim Mangold, Montana Department of Agriculture (MDA)
- Kraig McLeod, Montana Department of Transportation (MDT)
- Alan Merrill, Montana Farmers Union
- Mary Vandembosch, RSCC Administrative Support

Call to Order, Introductions

Chairman Jimison called the meeting to order at 12:47 p.m. Lochy Edwards introduced himself as the chairman of the arbitration committee between BNSF and Montana growers.

Chairman Jimison thanked BNSF for hosting the RSCC meeting and tour.

Approval of Minutes

Motion by Walt Ainsworth, seconded by Craig Gilchrist, to approve the minutes of the March 20, 2018 RSCC meeting, as written. Motion carried unanimously.

Financial Report

Kraig McLeod - Multimodal Bureau Chief, Planning Division, MDT - presented the "Rail Service Competition Council Financial Report as of June 30, 2018" for Fiscal Year (FY) 2018. The budget for FY 2018 was \$31,041. The balance after expenditures was \$20,268.

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

Public Comment

Chairman Jimison called for public comment. No comments were received.

RSCC Statutory Authorization

Kraig McLeod reported that the Economic Affairs Interim Committee voted to request that a committee bill be drafted to repeal the statutory authority for the RSCC. He listened to the committee's discussion and paraphrased some of the points that were made. Senator Facey and Representative Ricci both stated that participation in the RSCC is informative; however, statutory authorization is not necessary. If the statutory authority is repealed, the Governor or MDT have the option to establish a stakeholder group. McLeod noted that the Interim Committee's meeting archive is available online for anyone to listen to. McLeod distributed a draft bill (LCRSCC) and explained that the committee bill must be approved by the Legislature and signed by the Governor before it becomes law. In response to a question, he confirmed that the RSCC has funding - \$31,000 - through FY '19, which ends June 30, 2019. Chris Christiaens, MFU, stated that anyone who wanted to create a stakeholder group would need to obtain appropriations.

Railroad Reports

Union Pacific

Nathan Anderson - UP Public Affairs Director for Idaho, Montana, Nevada and Utah - explained that UP is focused on its network resilience plan. Velocity has decreased as a result of various factors, including weather, a Canadian embargo, labor shortages, a tunnel collapse and fires. The tunnel collapse provided an opportunity to divert resources to complete unscheduled maintenance in Montana. Crew supply continues to be an issue; UP is offering hiring bonuses.

Union Pacific continues to be concerned about factors that affect trade; in addition to transporting commodities for the export market, UP purchases materials from foreign countries that cannot be purchased in the U.S.

BNSF Railway

Maia LaSalle, BNSF Agriculture Ombudsman, reported that BNSF is transporting close to record volumes. Agricultural products are up 6.4% year-over-year (YOY) and consumer products are up 6.2% YOY. Total agricultural volume records were set in five out of six months this year. Coal volumes are up slightly. The demand for coal is stronger than initially anticipated. They are running 140 shuttles. There are more single car shippers.

BNSF has invested \$850 million in Montana over the last 5 years. BNSF is putting cars back into service and investing in infrastructure, employees, and additional equipment.

Matt Jones - Montana and Idaho Director of State Government Affairs, BNSF - thanked the RSCC for submitting a letter supporting BNSF's applications for the Sandpoint Junction Connector project. Public hearings held in May went as well as can be expected. The U.S. Coast Guard was scheduled to make a decision in June regarding whether an environmental impact statement (EIS) or environmental assessment (EA) will be required. That decision has not been made. It is BNSF's goal to obtain the permit within the next 12 months. Jones explained that BNSF was in the process of installing double track to connect two sections of existing double track south of Sandpoint, Idaho. However, the Idaho State Historic Preservation Office found the project would result in adverse effects on the historic Northern Pacific alignment. The U.S. Army Corps of Engineers disagrees.

Ross Lane reported that BNSF has a new general manager for the Montana Division: Brandon Archambeau. BNSF is hiring about 400 workers for the Montana Division and more than 4,000 nationwide. The railroad has completed implementation of positive train control; however, BNSF was required to file an extension for compliance with the federal requirement because other railroads operating on BNSF lines are noncompliant.

Maia LaSalle explained that she is the ombudsman for agricultural customers in Montana and Wyoming. She is the first point of contact for customers and helps them navigate the system. She also works with agricultural organizations.

Lochy Edwards noted that the ombudsman provides problem-solving services and he complemented LaSalle on her work. Chris Christiaens stated that improvements have been noted with single car shipping.

Montana Rail Link

Jim Lewis, Chief Sales/Marketing & Information Officer, MRL, stated that 2018 volumes are up 7.4% over the previous year. They are moving three loaded and three empty coal trains per day. Growth in intermodal accounts for much of the increase in volumes this year. This is partly driven by a shortage of truck drivers.

Lewis provided a fact sheet and reviewed MRL's investment in improving capacity, including capital investments and employees. MRL achieved a record low accident rate in 2017.

Lewis compared the winter of 2017/2018 to the winter of 2013/2014. In 2013/2014, shipments were delayed and MRL moved 16 trains per day. The Surface Transportation Board held hearings regarding rail delays. In spite of the severe weather in winter 2017/2018, MRL moved 22.5-23 trains per day. Railroads have increased capacity and are moving trains.

With respect to the RSCC's statutory authority, Lewis stated that the Legislature should consider the focus of the RSCC. He expressed his opinion that moving all commodities should be the goal, rather than improving service for one commodity over another (e.g., coal versus grain). He noted grain growers were concerned when Terry Whiteside predicted 60 coal trains per day; however, those trains never materialized.

RSCC Subcommittee Reports

Economic Development Subcommittee

Walt Ainsworth, Economic Development Subcommittee Co-Chair, referred to a handout entitled "Comparison of Shipping Costs." The sheet compares rates for shipping by box car versus truck, from Great Falls and Shelby to Tacoma. The rates are rack rates, not the discounted rate a mill could get for shipping certain volumes. Transload costs are not included. Rates for a heavier box car that carries four truckloads are not included.

It takes two days to ship by truck, if a truck can be obtained. Maia LaSalle explained that box cars move on the manifest system and will take 21 to 30 days to reach the Pacific Northwest. Ainsworth concluded that shipping by box car won't work for shippers that need to meet a ship.

Chairman Jimison announced that Thatcher Chemical's Glendive terminal will be the largest in the 17-state system and noted the importance of access to rail.

Agriculture Subcommittee

Eric Doheny, Chairman of the Agriculture Subcommittee, noted that Mountain View Co-Op ordered five unit trains for the August harvest and that process went well. Hinrichs Trading Co., based in Pullman, Washington, contracted 125,000 acres of chick peas this year. They are trucking chick peas to Shelby and loading the crops on to single rail cars.

Doheny expressed concerns about tariffs. The market in India has nearly dried up due to significant tariffs. Kim Mangold explained that the domestic market for pulse crops has never been as significant as the international market.

Doheny also expressed concerns about the cost of elevator leases. Leases are being offered at \$2,500 per elevator, with an annual increase of 3% per year. LaSalle will look into the issue.

Chris Christiaens and MDA Deputy Director Kim Mangold, discussed Cargill's operations in Montana. Cargill plans to contract 100,000 acres of canola in the next year. The genetically modified canola will yield a product with high levels omega oils for use in fish farms.

Energy Shipping Subcommittee

Craig Gilchrist, Chairman of the Energy Shipping Subcommittee reported that energy shipping is up slightly. The price of oil is at the point where production from the Bakken region is profitable. He noted that the fracking techniques have changed to require more frac sand. Matt Jones noted there is a surplus of pipeline capacity; he does not see a huge potential for increased shipping of oil from the Bakken going west.

Todd O’Hair reported that the export market has improved for coal this year. The industry is limited by the amount of coal they can ship out of the Port of Vancouver. The domestic market continues to be poor due to low natural gas prices.

Comments from Members

Todd O’Hair advocated for the RSCC taking a harder look at situations where local entities impose requirements that are more stringent than federal government requirements, adversely affecting rail transport and interstate commerce.

Next RSCC Meeting

The RSCC discussed holding the next meeting at the Cargill facility in Great Falls. Potential meeting dates include October 23-25 and October 30-November 1, subject to availability of members and the meeting facility.

Chairman Jimison adjourned the meeting at 2:41 p.m.