

RAIL SERVICE COMPETITION COUNCIL (RSCC)

COUNCIL MEETING MINUTES

June 18, 2015
10:00 am – 3:00 pm

MDT Planning Division, Conference Rm A
2960 Prospect Avenue
Helena, MT 59624

Conference Call: (712) 432-1212 / Meeting ID: 188-484-591 / Host Pin: 1276

RSCC Members Present: Mayor/Chairman Jerry Jimison, Senator Lea Whitford, Representative Mike Lang, Montana Department of Agriculture Director Ron de Yong, Montana Department of Transportation Director Mike Tooley, Todd O’Hair, Eric Doheny, Tony Berget, Kathy Fasso

Staff and Public Present: Mike O’Hara, Ben Tiller, Phil Odegard, Greg Stordahl, Pat Murdo, Kim Falcon, Barb Haertling (by phone), Mark Summers (by phone), Barbara Ranf, Ryan Larsen, Jim Lewis, Terry Whiteside, Christy Haggler, Diane Myers, Christopher Dorrington, Victoria Haymond, Melissa Lewis

Excused: Governor’s Office of Economic Development Director John Rogers, Montana Department of Revenue Director Mike Kadas, John Grewell, Walt Ainsworth

10:00 am – 11:00 am

1.0 Call meeting to order-Mayor/Chairman Jerry Jimison

Mayor/Chairman Jerry Jimison called the meeting to order at 10:06 am.

2.0 Introductions

Mayor/Chairman Jerry Jimison welcomed all attendees. Members of the RSCC and guests introduced themselves. Melissa Lewis announced her resignation as RSCC Coordinator. Victoria Haymond will serve as the Interim RSCC Coordinator until a new RSCC Coordinator is hired by MDT.

3.0 Approval of March 24 RSCC meeting minutes

Kathy Fasso made a motion to approve the March 24 meeting minutes as presented. Eric Doheny seconded the motion. The motion carried by unanimous voice vote without discussion.

4.0 Financial Report-Diane Myers

Diane Myers presented the financial report. See attached.

5.0 RSCC Budget Overview for 2016/2017-Diane Myers

Diane Myers discussed the budget for 2016/2017. The budget is typically \$50,000 per year. The 2015 legislature reduced the annual budget to approximately \$32,000.

11:00 am – 11:30 am

6.0 MDT Update-Christopher Dorrington

6.1 MCOM II Update

Christopher Dorrington provided an update on the Multistate Corridor Operations and Management (MCOM) II grant award that the Montana Department of Transportation (MDT) is administering. MDT successfully pursued and received nearly \$1M total n MCOM I and II funding. MCOM I resulted in an analysis of the strengths, weaknesses, opportunities and threats (SWOT) of the Great Northern Corridor,

which runs from the Great Lakes to the Pacific Northwest. MCOM II will expand on the SWOT analysis and drill into potential projects that were identified as chokepoints during the MCOM I SWOT analysis. Memorandums of Understanding (MOUs) for MCOM II participation have been difficult to obtain from Coalition Members due to state and federal funding shortages, but outreach is underway and the contractor will likely begin work on MCOM II in about a month.

6.2 West Coast Ports Study Update

Christopher Dorrington noted that the Department of Agriculture approached MDT after a change of operations occurred at the Port of Portland. The RSCC conducted a Member poll to utilize budget authority to conduct a study related to port access. Of the three firms included in the limited solicitation, only one firm responded. The email poll indicated RSCC support for the study. One firm responded to the limited solicitation, the Beckett Group out of Seattle. They have a qualified group specializing in shipping logistics and agricultural products.

Christopher Dorrington asked the RSCC if the market has responded and the problem has been resolved, or if the consultant study, valued at approximately \$14,000, is needed.

Kathy Fasso indicated she would support a study, if the Department of Agriculture feels it would be helpful.

Director Ron de Yong said we do not currently have access out of the Port of Portland. And in the future, there will be more and more international demand for identify preserved foods, which could further intensify the need for port access for agricultural commodities. If anyone is going to examine port access, data will be needed. That is what this consultant study would do.

Christopher Dorrington: The scope of the study would include container shipping and bulk handling of pulse crops too. We'd also lean on the Dept. of Agriculture to provide the consultant with data.

Todd O'Hair: Chris, you indicated that the market might have resolved this issue. Is that the case?

Christopher Dorrington: The market drives demand. Ben Tiller may be able to provide more specific information.

Ben Tiller: The market hasn't responded in a way that resolves the problem. The Port is having a hard time getting rail shipment from the Port of Portland to the Port of Lewistown. Right now the Port of Lewistown is reporting that it costs \$750 to \$1500 *more* per container to get commodities to market. There are unresolved issues. The timing of the Beckett Group report could dovetail nicely with the Port of Portland's ideas for alternate transportation solutions.

Todd O'Hair: Rail industry trends are moving toward bulk movements. Would the study include that?

Christopher Dorrington: That is one direction of the study, which would be largely dependent on the Department of Agriculture's information and regional trends.

Ben Tiller: Trending information would not come out of the RSCC budget. The consultant would be looking at trends, with information provided by the Department of Agriculture. The consultant will be focusing on transportation solutions.

Mayor/Chairman Jerry Jimison: Is the trend in Montana still showing a growth in pulse crops?

Director Ron de Yong: Peas are increasing, lentils are increasing. Montana's pulse market is growing. The North Dakota pulse market is also growing and 2016 will be the year of the pulses.

Mayor/Chairman Jerry Jimison: The study would include pulse crop information as well as transportation options?

Director Ron de Yong: Yes, Greg Stordahl is collecting information and has identified quite a bit of information about Montana's pulse crop market and current transportation options.

Todd O'Hair: One of two proposed coal terminals may also have capacity to handle bulk pulse crop commodities.

Mayor/Chairman Jerry Jimison: How many ports would be included?

Christopher Dorrington: It will be up to the consultant, but the Pacific Northwest ports (such as the ports of Seattle, Tacoma and Portland) will be the focus.

Mayor/Chairman Jerry Jimison: Are all the Pacific Northwest ports served by BNSF Railway?

Barbara Ranf: I believe so, yes. But I'm trying to visualize it and don't have a map in front of me.

Ryan Larsen: Union Pacific also provides service to a number of Pacific Northwest ports.

Mayor/Chairman Jerry Jimison: The RSCC approved the limited solicitation?

Christopher Dorrington: Yes. The RSCC approved the limited solicitation. One consultant responded. The study would cost approximately \$14,000.

Mayor/Chairman Jerry Jimison: Based on this discussion, it sounds like a study would be beneficial to pursue.

Tony Berget offered a motion to approve an appropriation of RSCC funding for a consultant study. Kathy Fasso seconded the motion. The motion approved by unanimous voice vote.

Christopher Dorrington: From here, Diane Myers and I will work with the Beckett Group and the Department of Agriculture to move into contract award. Within 4-6 weeks, the study should be complete. We'll also send out an update and a timeline to the RSCC and Interested Parties so everyone knows what to expect and when.

6.3 Prospective 2016 RSCC Studies

Christopher Dorrington noted that the RSCC has \$32,000 in budget authority for fiscal year 2016, which begins July 1, 2015. The \$14,000 consultant study will draw from this budget. As we move into 2016, the RSCC will need to be cognizant of the budget.

Kathy Fasso: How quickly can MDT award a contract?

Christopher Dorrington: With a limited solicitation, it can move faster. We'll request that they bill us in a timely manner to pay from the existing budget authority as much as possible.

Mayor/Chairman Jerry Jimison: Are there any other comments? I realize why the discussion focuses on agricultural products and shipping agricultural products but everyone knows that MT rail service ships other products too. Coal, timber, oil and gas, minerals, etc. I mention that because the data is there

and the rail service providers keep close track of the trends but sometimes we may not be aware of market conditions that could affect loading and shipments and sometimes we are not aware of the changes that the rail service providers are making to expedite shipments.

Two years ago, the RSCC was concerned about agricultural products not getting to market. Are there any other products that are accumulating that are not getting shipped?

Mike O'Hara: Some small shippers are paying single car rates. Small shipments with niche markets have difficulty shipping, which impacts the end user. There is no incentive right now to get those cars moving in a timely basis. It is punitive on the shipper and the end user. There isn't anything incentivizing the rail service providers.

Tony Berget. Shelby plays into this. Would it be nice to have more multimodal hubs in MT? I look at the Port of Northern Montana in Shelby and think it might be a good model to use throughout the state of Montana.

Mayor/Chairman Jerry Jimison: Does anyone see any potential in studying possible other sites?

Mike O'Hara: Volume has been an issue. I believe the infrastructure will come when demand is there. Market conditions help facilitate service to the small shippers. The railroad might not respond because they are into volume.

Christopher Dorrington: Could you please define small shipments?

Mike O'Hara. One, two, fives, tens. Identify preserved commodities could be shipped in quantity.

Terry Whiteside: With less than a shuttle, movements have taken huge increases over the years. We have seen prices skyrocket for the smaller movements. If you have a 48-car shipment, the railroad will hook it up with another 48-car train and it becomes economical. But pulses are shouldering the huge increases that we see. The last increase on May 1 was startling. Singles, 26's and 48's versus 110s is a major concern. Charting and graphing over the last 5-7 years illustrate cost increases for less than shuttles. That further hurts the smaller elevators that handle the pulses and seeds, fertilizer, etc. It is becoming a problem by the way it is priced by the railroads.

Jim Lewis: Take a look at intermodal in and out of Montana. I've looked at it. You need to look at the economics. It is not cost-competitive compared to truck. You can get a truck and product to market in two days for about \$900. Compare that to the cost of rail. It can't even begin to compete with truck. An intermodal study has been looked at but it is difficult to compete with trucks. For smaller elevators, rates must be working. I got a call yesterday that we're loading a huge shipment of peas out of Gallatin County. Montana Rail Link has one unit in Billings and the rest of it is servicing small elevators like the one in Harrison, MT. It is working. Peas are definitely moving.

Christopher Dorrington: The RSCC advanced a contract with the Montana World Trade Center for a study to look at commodities and the movement of product. The study illustrated that it *is* economically challenging to stitch together the pieces. It is a chicken and the egg situation.

Jim Lewis: You can get cheaper truck rates out of Montana because we are closer ports than North Dakota.

Ben Tiller: Will transportation prices begin to change with the new trucking regulations that are coming down the pike?

Jim Lewis: Intermodal will continue to grow and assist trucks. As trucking costs increase, longer intermodal routes will become more economically feasible.

Christopher Dorrington: Is there a logistics company that could help stitch together the logistics? Or does the trucking industry have the capacity to solve some of the issues in Montana? It takes logistics to stitch together producers and elevators and transportation.

Jim Lewis: If Walt Ainsworth were here, he could tell you.

Mike O'Hara: We need to separate the bulk out of containers. Rail bulk will be a lot cheaper than shipping by truck, esp. when you start shipping to California or east of the Mississippi. What we need to keep an eye on, is how we get bulk shipments to the small shippers.

Jim: A real valid solution is transload facilities and teaming together with a coalition of other shippers.

Mike O'Hara: That is a great idea but to bring together the small shippers, it is difficult without the partnership with the railroad.

Jim Lewis: MRL is supportive of this concept. We are working toward that in the Billings area.

Mayor/Chairman Jerry Jimison: This discussion has led to the fact that studies or solutions are being kicked around and discussed. Keep up the thinking and the ideas.

11:30 am – 12:00 pm

7.0 BNSF Rate Increase Discussion – Director Ron de Yong

Ryan Larsen left the room to prevent any real or perceived anti-trust issues.

Director de Yong: I thought we should have a discussion about the BNSF Railway rate increase that took place May 1 and the growing pulse industry in Montana and how the increase will impact them. I was disappointed that Department of Agriculture was not noticed prior to the implementation of the rate increase to discuss how it might impact Montana. We have established a good working relationship with BNSF Railway and we had made progress through tough times with standing calls and communications. Through these conversations, BNSF gained an understanding that MT's pulse market is growing rapidly. I was disappointed when the rate increase came up. I talked to Barbara Ranf before today's meeting and I know that this format makes it difficult for them to participate. Maia LaSalle came on board and we now have a good working relationship with her. She is getting married this weekend. After the wedding we look forward to resuming our regular calls with BNSF Railway.

A discussion was held regarding the BNSF rate increases.

Director de Yong: The shuttle is the most efficient. It has one origin and one destination. The wheat industry has transitioned to that. The second most efficient is the DET. It has one origin and multiple destinations. It gets a much better rate than the singles, 24s, or 48s.

I asked BNSF Railway to give us a better price for a reverse DET. We'd have multiple origins with one destination. If we can do this with BNSF Railway, we can make it more affordable for pulse crops. It

wouldn't take any legislation. Ben Tiller took this to the Surface Transportation Board (STB) recently so they have a heads up about it. This would allow Montana's pulse crop market to thrive. We might need to do a little more logistics, but we are heading in the right direction for a more efficient shuttle capacity for MT's pulse industry. Columbia Grain has done two shuttles for yellow peas. Peas and lentils break up more than wheat does. Green peas and lentils are more fragile. The shuttle facilities are only used once every 3 weeks or so. The facilities clean out well before the next batch of wheat comes through. If you put the drops in, they won't break up and you don't have to put in a new shuttle. We can head in that direction in the future. Rate breaks will help keep the industry thriving.

Barbara Hartling, BNSF Railway (phone): We are looking at reverse DETs. But the pulse crops are getting combined on trains with a lot of other commodities. We don't have a lot of singles that are coming together in a full shuttle of pulses. We don't have any 24's or 48's of pulses. They are primarily singles.

Director De Yong: We have 2s, 4s, 10s, etc. A lot of smaller shippers are going to processing before shipment where they get cleaned and bagged. In a short time, the commodities could be pulled together at a processing facility for larger movements.

Barbara Hartling (phone): We are looking into it and we can discuss this topic in more detail on our next call.

Christopher Dorrington: Who would be the party to master the logistics challenge?

Director Ron de Yong: The elevators that are shipping the cars, they want to know if they can get clean working cars when they need them. The elevators will love doing that. They'll have more reliability than ever, but they'd need to coordinate with the railroad to hook into a 110. Siding may be needed. BNSF is spending about \$6B in infrastructure but Montana is only getting about \$124M for maintenance. If some siding is needed, so be it. We have a lot of pulses coming and we don't want to be caught behind.

Todd O'Hair: There is probably a big business opportunity here. We at Cloud Peak dealt with small shipments of coal. We'd need a sugar beet plant that would need 10 cars of coal, etc. Rail wasn't in a position to handle those short train movements. So Cloud Peak put together a logistics business. We tied it all together. We're going to get 10 stops with X number of cars and stitch it together. It is a business model.

Christopher Dorrington: Director de Yong, did you feel that value add at the aggregation point? Or, could there be another business tool that could attract a railroad?

Director Ron de Yong: Montana tries to send high quality products. The new combines get the product clean and nice. We'd like to gain a reputation for shipping high quality pulse crops. We'd like them cleaned in Montana. That way, we can bring them all together at one cleaning facility and it would make the logistics easier. The situation is revolving rapidly. Getting the reverse DET would allow it to happen even more rapidly.

Terry Whiteside: With agricultural products, we know the market is coming. There is more return on the farm. We need to keep logistics ahead of the problem. If we can keep ahead of it, we'll allow it to continue to grow. The coal industry found a way. I commend Director de Yong for his efforts. This is

important. I like the reverse DET idea. The unit trains of peas, lentils, etc.—have they been from the northeast corner?

Ben Tiller: Yes, from places like Wolf Point, Harlem, Sweet Grass.

Christopher Dorrington: While preserving Montana's high quality brand, could we cooperate somehow with North Dakota? Is there an opportunity to combine forces?

Director Ron de Yong: North Dakota is part of the total volume. They are significant in the total volume. They have been transitioning to corn, but they are increasing pulse acreage due to low corn prices.

Director Mike Tooley: I'm not sure if I heard the answer to Chris' previous question. Who do you see as the logistics master?

Director Ron de Yong: The shippers will take the lead but they need the railroad at the table for coordination. The incentive to make this happen is the reverse DET.

Rep. Mike Lang: The four shuttles, I'm assuming they are coming from Columbia Grain. I feel they deserve credit for getting this going. They are putting bags into rail cars. It is a growing thing and industry will pick this up. Hopefully they are doing it fast enough.

Terry Whiteside: A Choteau farm producer I know has become a pulse grower with wheat as a rotational crop. That indicates a sea change for what's going on.

Rep. Mike Lang: Choteau County, Toole, Pondera, the northeast corner is growing a lot of pulses.

Eric Doheny: Culbertson used to be the closest shipment site. That is not the case today.

Kim Falcon: The international market is driving demand. What if we ran out of lentils worldwide? Lentils are expected to grow by 45 percent. The reason is protein. Pulse crops provide protein and fiber that other crops don't. It is being marketed for that now. And we're going to be seeing a significant increase in demand.

Christopher Dorrington: As coal as a model, you cannot have a city go dark. So there is a high stake in serving power generation. Citizens are a voice to propagate Cloud Peak to serve small facilities. Who is the voice to drive change for pulses?

Kim Falcon: We are (Montana Department of Agriculture) and the US Dry Pea and Lentil Council.

Director de Yong: Chris is hitting on a key point. We have a bunch of small shippers to aggregate and make it work. Who is the driver? It is a different situation. It'll take groups like this to work with BNSF Railway to make it work.

Eric Doheny: Columbia Grain or Cenex Harvest States (CHS) could get behind this.

Ben Tiller: The voice is worldwide staple diets. I eat hummus every day. The nutritional value is there and we can't allow people to go hungry. People are going to demand it. Railroads will find a way to get food to those who need it.

Christopher Dorrington: When you have coal stockpiles diminishing, empty bins of lentils is a big deal. It isn't headline news but I'd hear about a power plant only having three days of reserves.

Kim Falcon: In India, you do hear about food shortages.

Director Ron de Yong: The Department of Agriculture will discuss this with Columbia Grain and CHS.

Mayor/Chairman Jerry Jimison: We have the producers and transportation and also the destination and how they can handle and process the commodities. Other than Columbia Grain, are there others involved?

Director Ron de Yong: CHS could do it.

Eric Doheny: It is a shame the elevators have to do it. It shouldn't be the responsibility of the elevators. It should be BNSF Railway to make the call that five other facilities need cars, get yours ready in five days and we'll be there. Shippers and elevators are looking out many months to get commodity to market. They are doing it already. They can do it.

Mayor/Chairman Jerry Jimison: Supply and demand is difficult to estimate, but the Department of Agriculture could forecast, and could BNSF Railway project future demand and available containers to ship and amount of wheat to ship?

Barbara Hartling: We look at production and forecast bulk movements. From a system perspective, we are not shipping much wheat by containers. Most of it is corn. Our intermodal group will forecast container availability. But we don't control the flow of containers. The steamship lines own the containers and control their equipment.

Mayor/Chairman Jerry Jimison: So you're saying BNSF Railway has control over the covered hoppers, but not containers.

Barbara Hartling: That is right.

Mayor/Chairman Jerry Jimison: How far out can you forecast?

Barbara Hartling: We share a year worth of shuttles. You could also go into a secondary market from a grain terminal if you're familiar with our rail car program. The owner of the shuttles does not designate the next origin until the train is spotted at the next destination. Typically that is about 5-8 days prior to when the train is spotted in Montana.

Director Ron de Yong: I'm talking about bulk shipments. I'm not talking about container trains. I'm talking about bulk.

Mayor/Chairman Jerry Jimison: How far in advance do elevators have to order bulk shipping containers for pulse crops?

Director Ron de Yong: They order them months in advance.

Rep. Mike Lang: If they are buying a unit train a year in advance,

Barbara Hartling: That is how shuttle cars work. We have a few shuttle cars for pulse shippers. They can go online and see what is available and they can reserve them. Some are reserving three months in advance. Quite a few pulse shippers are planning farther in advance. We have a number of pulse shippers reserving three months in advance.

Christopher Dorrington: How many dedicated pulse cars do you currently have available, and are you expecting a rolling stock increase?

Barbara Hartling: We have had the separate fleet set aside for about 3 years. The fleet size is based on demand and forecasted production increase. We will be increasing that pool of cars. We have about 500 to 600 dedicated pulse cars currently.

Mike O'Hara: When a small shipper reserves 3-4 cars, what is the payment schedule?

Barbara Hartling: If you order a non-pulse car, you don't have to pre-pay. Pulse crop car pre-payment is \$200. Non pulse-cars just pay the freight bill when that comes. We have a 30 day payment period.

Mayor/Chairman Jerry Jimison: Has the Dept. of Ag ever been consulted about rate increases before?

Director Ron de Yong: We have never been consulted before. But we have a new market with the pulse industry and a new working relationship with BNSF Railway, so I was hopeful that we could have had a heads up.

Mayor/Chairman Jerry Jimison: Has the rate increase hindered shipments?

Jim Lewis: BNSF Railway sets the rates, but MRL has not seen a slowdown.

Sen. Lea Whitford: When BNSF Railway establishes a change in rates, do you notify stakeholders?

Barbara Hartling: We have all our rates published in tariffs and then we put out a web announcement. People can also subscribe to receive news feed alerts so they know about rates. The information is geared toward actual customers that are shipping with us. Usually we are talking to customers all the time, on a daily basis, and we make sure we talk to them about increases.

Jim Lewis: MRL does it the same way. BNSF Railway sends out countless rate increase notifications.

Ben Tiller: The Montana Department of Agriculture does not have access to the notifications because we are not shippers.

Sen. Lea Whitford: You said you can subscribe to receive email updates, but do you have to be a customer?

Barbara Hartling: Yes, you have to be a paying customer.

Mayor/Chairman Jerry Jimison: Are there any other questions about rates?

Director Ron de Yong: BNSF Railway alluded to discussions about rates, and we are just now entering into those discussions.

Mayor/Chairman Jerry Jimison: So the MT Department of Agriculture doesn't have access.

Barbara Hartling: That is correct.

Ben Tiller: Many of the class ones are available online. MRL's tariffs are also available online.

Jim Lewis: UP allows folks to get online for tariff info.

Terry Whiteside: Would BNSF be willing to entertain giving the Montana Department of Agriculture access?

Barbara Hartling: I'll run it up the ladder.

Ben Tiller: I'd appreciate that. I already spoke with Matt Jones with BNSF Railway and he said no.

Barbara Hartling: I'll run it back up the ladder.

Ben Tiller: Thank you.

12:00 pm – 1:00 pm

8.0 Lunch

Lunch was served.

9.0 Subcommittee Reports

9.1 Agriculture Subcommittee Report-Eric Doheny

I received an email from a person who does business in Valier. They can't get rail and short line tracks are being less used. I don't have all the details, but from what I understand the person works for an independent fertilizer company and they have had cars cancelled. The community of Valier has put forth a lot of funding into their infrastructure and the person wants the community to thrive. He is concerned that CHS moved to Shelby.

Barbara Ranf: The Valier line was embargoed for safety reasons. BNSF Railway is in communications with STB and the one customer on the line (CHS) to see what can be done and how much a potential solution could cost.

Mayor/Chairman Jerry Jimison: How long is the short line?

Barbara Ranf: 17 miles.

Terry Whiteside: MDT put money into that line through the Essential Freight Rail program. Is there an estimated cost for improvements?

Barbara Ranf: BNSF Railway is looking into that.

Barbara Ranf: We're looking at costs.

Christopher Dorrington: The person in Valier also indicated that pulse opportunities are lost. Is that true?

Barbara Ranf: The rail line has been embargoed. BNSF Railway is looking into options and the Governor's Office of Economic Development is looking at possible options too.

Eric Doheny: On another note, the Grain Elevator Operator in Dutton has indicated that they ordered 40 cars in December and they received cars in 10 car increments. Just recently, they received the last of the cars they had previously ordered. Out of ten cars, only 5 would be clean. The others would be broken or dirty with blood meal. The 110 conditions are much better. When you're talking about research, I'm not sure what the car turnover rate is. Out of 110 cars, about five are sent back. Out of a ten car shipment, 5 to 7 need to be returned.

Barbara Ranf: As far as rail car conditions, general fleet cars are inspected upon arriving and departing. Track line inspectors also check wheels. Routine maintenance occurs. Dirty cars are the responsibility of the entity unloading the cars. If a customer gets a dirty car or a defective one, they should report to BNSF Railway. If the dirty or broken car is the responsibility of the previous user, they get assessed a fee. Dirty car reporting processing information is available on BNSF Railway's website. The car can be rejected and replaced. Others will clean and load. See handout.

Eric Doheny: BNSF Railway has been good about accepting information about rejected cars and sending replacement cars. I called Spokane Seeds. A few years ago, they purchased the Devon elevator. They used to get cars in two months' time. The food grade cars are clean, but the bulk cars are dirty.

Terry Whiteside: Bad cars result in less shuttles. Maintenance service providers come to check the cars, sometimes traveling 200 miles or more to get there depending on the location in Montana. Inspection can take days. Replacements need to come faster. Less than shuttles can be inspected before they arrive in Havre. Everywhere that is receiving less than shuttles is having issues.

Director Mike Tooley: What is involved with rail car inspections? How long does that take?

Eric Doheny: Even a flashlight inspection would help. To look at the gates, doors, peek inside and make sure the container is clean.

Director Mike Tooley: A check in Wolf Point or Scobey should be more economical than going to Havre.

Mayor/Chairman Jerry Jimison: Barbara Ranf pointed out that BNSF Railway has safety measures in place for car inspections/regulations. The advent of the automatic wheel detectors has eliminated wheel and bearing problems, but automated inspections haven't been invented yet.

Jim Lewis: From MRL's perspective, when you talk about rates and all those things, a full inspection of a grain car is a lengthy process. Railroads' answer to combat that is an inspection process. Dirty car reporting is more impactful than a full inspection of a grain car.

Eric Doheny: I do it farmer style to climb up on the car and check it down.

Jim Lewis: MRL inspects every car for safety measures. Once you start looking at the car and into the car, it becomes more labor intensive. Safety measures such as fall protection entails taking the train off the tracks, etc.

Mayor/Chairman Jerry Jimison: If these reports are filled out and sent in and the original shipper is billed, it might get their attention.

Jim Lewis: If it becomes a difficult issue, new cars can be purchased for \$100K each. Or, just report it and the original shipper gets a fine.

Eric Doheny: The on time delivery for peas and lentils is more critical than barley. It is a penalty on the grain elevator operator and the destination.

Jim Lewis: MRL's return rate for single cars is less than 3%.

Pat Murdo with Legislative Services arrived.

9.1.1 Rail Car Conditions-Eric Doheny

Discussed above as part of agenda item 9.1.

9.1.2 National Association of Rail Shippers Report-Ben Tiller

See attachment.

9.1.3 STB Travel Reimbursement Request-Mayor/Chairman Jerry Jimison

Diane Myers indicated that funding is available in FY 2015. A motion was made by Kathy Fasso to approve the STB travel reimbursement request. The motion was seconded by Tony Berget. The motion was approved by unanimous voice vote.

9.2 Energy Shipping Subcommittee Report-Commissioner John Grewell

Commissioner John Grewell was excused from the meeting. No subcommittee report was provided. Todd O'Hair provided a coal industry update. See attachment.

9.3 Economic Development Subcommittee Report-Kathy Fasso

No report was provided.

2:00 pm – 2:30 pm

10.0 Railroad Reports

10.1 BNSF Railway

Barbara Ranf: Maia LaSalle is the new BNSF Ag Marketing Ombudsman and will be based out of Havre. Maia will be participating with the RSCC. Last meeting, there was interest in stored rail cars in MT. There are currently five grain sets in Big Sandy and seven grain sets stored in the Helena area. We also have four coal train sets stored near Ulm and one coal set in the Cushman/Hedgesville area. The grain sets are there and we are looking forward to moving those as soon as harvest hits. As far as past dues, we file this information with the STB weekly and continue to see improvement. For the June 15 report, in Montana we had 73 grain cars past due with 2.9 days average past due. Compare that to the May 28 report where we had 154 grain cars in Montana past due with 7.7 days average past due.

Union Pacific

Ryan Larsen: See handout for fast facts about Union Pacific in Montana. A few highlights: Union Pacific added a day of service coming up the Port of Montana in Butte Silver Bow. We recently replaced 350 ties per mile on the Montana Subdivision. With 125 miles in Montana, we replaced approximately 44k ties in Montana, alone, this year. We are continuing to invest in capital system-wide. We are investing approximately \$4.2 billion system wide in 2015. Our capital investments have continued to be approximately 17 percent of our net revenue on a yearly basis. We continue to work with Kathy Fasso to find new shipment opportunities for the Port of Montana in Butte.

Mayor/Chairman Jerry Jimison: Do you see any potential for pulse crops to go south?

Ryan Larsen: Destination points are needed. We continue to work with Kathy Fasso for storage and covered grain hoppers to assist with pulse movements.

Director Ron de Yong: Is your rate structure similar to the structure by BNSF Railway?

Ryan Larsen: Union Pacific has different price tiers for cars. If you'd like specific information, I could connect you with the appropriate UP staff for follow-up.

Mayor/Chairman Jerry Jimison: Closing note on UP, at the last Mayor's conference, I was informed by the Mayor of Ennis that UP made a considerable contribution to a burial site in Ennis. Kudos to UP. The Mayor of Ennis was very appreciative.

10.2 Montana Rail Link

Jim Lewis provided an update about Montana Rail Link's service in Montana.

10.4 CMR, Inc.

No report was provided.

2:30 pm – 3:00 pm

11.0 Next RSCC meeting date, location, and agenda items

The next meeting will take place in September. Victoria Haymond will sent out a Doodle poll.

12.0 Comments from council members

None provided.

13.0 Public comment period

Terry Whiteside provided a handout about the Rail Customer Coalition in Washington, DC. See attached.

14.0 Adjournment

Kathy Fasso made a motion to adjourn the meeting. Tony Berget seconded the motion. Mayor/Chairman Jerry Jimison adjourned the meeting adjourned at 3:16 pm.