

**RAIL SERVICE COMPETITION COUNCIL
COUNCIL MEETING MINUTES**

Tuesday, June 25, 2013
2701 Prospect Ave. 10:00am – 3:00pm

Transportation Commission Room
Helena, Montana

RSCC Members Present: Mike O’Hara, Chair; Lynn Zanto (for Director Mike Tooley), Ron de Yong, Walt Ainsworth, Doug Miller, Jerry Jimison, and Mike Kadas.

MDT Support: Chris Dorrington and Hal Fossum.

Other State Agency Representation: Joel Clairmont, MT Dept. of Agriculture.

Public: Carmen Pennington and Ron Schumacher, NASS; Kathy Fasso, Union Pacific; Barbara Ranf, BNSF; Jeff Van Pevnage, Columbia Grain; and Larry Bonderud, Mayor of Shelby. Via phone: Daniel Harbeke.

Consultant: Terry Whiteside

RSCC Support: Gloria O’Rourke, MEDS.

1.0 Call Meeting to Order, Introductions - Chairman Mike O’Hara

Chairman O’Hara welcomed everyone and called the meeting to order. Following introductions of the RSCC members, the audience was introduced.

2.0 Approval of April 11th Minutes

Jerry Jimison moved to approve the April 11, 2013 minutes; Doug Miller seconded the motion. Motion carried. The Economic Advisory Council will be making new RSCC legislative appointees today. Gloria will draft a letter welcoming the new appointees once they are known; Chairman O’Hara will sign the letter.

3.0 Review of the RSCC Purpose

As no new appointees were present, a review of the RSCC purpose did not take place.

4.0 Financial Report from MDT Staff on RSCC Administrative Data

Hal Fossum reviewed the RSCC budget and determined several thousand dollars would be remaining at the close of this Fiscal Year on June 30th.

5.0 Project Updates – MDT Staff

5.1 RFP for Montana USDA, National Agricultural Statistics Service (NASS) Pulse Statistics Survey, Carmen Pennington and Ron Schumacher

As per the RSCC request, NASS drafted a proposal to reflect pulse crop movement in and across Montana. One proposal covers the 2012 crop year, (FY2013) a second covers the 2013 crop year (FY2014). The system reports data on a monthly basis and the project would entail adding pulse crop movement requests to the on-going survey process. Legal advice at the MDOA will be sought to ascertain the ability to protect the confidential nature of the data collected similar to the wheat and barley already being collected. Lynn Zanto will investigate further. The two proposals (past year historical + going forward survey) would total \$20,000 that would come out of the 2014 budget of \$50,000. In the future, there will be an annual fee of \$10,000/year collected. Due to limited MT RSCC budgets, Walt Ainsworth moved to not capture historical data at this time but proceed with collecting data for the upcoming Fiscal Year 2014; Doug Miller seconded the motion. Motion carried. Ron deYong abstained. It was noted that if funds remain at the end of 2014, they may be used for gathering the past year historical data.

5.2 Updated map of shuttle activities (MDT)

Chris Dorrington and Hal Fossum shared draft updated maps of Montana Grain Loading

Facilities. Once comments and edits have been received from the RSCC and others, the map will be finalized and available for public use. A discussion was held on the possible confusion between what is a storage facility and what is a shuttle facility. Ownership and/or licensee information will be considered and possibly added to the map with the focus on keeping the interpretation simple.

5.3 Coal Report Finalized

The report titled “Montana Coal: Economic Impact of Anticipated Expanded Production” is finalized and posted on the RSCC website. <http://www.mdt.mt.gov/business/rsc/doc/coal-report.pdf>

6.0 Report from Terry Whiteside

6.1 Paper Barriers Research Report

Terry Whiteside provided background rail rate and traffic information and then provided a summary of the draft Paper Barriers Research Report. Terry could not obtain specific information from BNSF and MRL because the data is considered confidential by both railroads. Additionally, the report surveyed 31 MRL shippers and found that most of the shippers rate structures with the railroad was either confidential (under transportation contract) or were reluctant to talk in a public forum about their shipping issues. However, several shippers were willing to talk privately about the shipment patterns and history – as long as the information remained confidential. Terry explained, however, that by observing traffic flow, conclusions could be drawn. When a railroad sells a line to a Class 2 or Class 3 railroad, it reserves the right to switch only with that Class 1 railroad. The term “paper barrier” describes not a physical rail barrier, but an agreement on paper prohibiting access without supplemental rates. The STB two years ago opened a procedure to examine the practice (Ex Parte 575). The STB was concerned that the potential effect of limiting the shipments via paper barriers may create barriers to shippers. The report put the supplemental rent charges between \$400-\$3,000 per car depending on the commodity.

In summary, the report outlined that if the Montana movements were being routed based strictly on railroad economics (shorter distances = lower costs), movement to states south of Montana (except Colorado) such as ID, UT, NV, AZ, and CA would all logically move over the Silver Bow Gateway. Thus, it can be assumed that the presence of paper barriers assessed by the BNSF on MRL movements is contributing to this inefficiency and lack of Montana originated and or terminated movement over Silver Bow.

Next steps:

- a. RSCC members are to provide comments back to Terry by July 17th.
- b. Consider several courses of action:
 - i. Can the RSCC petition the STB to learn about any MRL paper barriers or does that need to come from a specific shipper?
 - ii. The Confidential Way Bill Sample would provide enough data to figure out the supplemental rent levels. If the State already has the permission to look at these documents, could the RSCC? Research cost?
 - iii. Are there any examples of how other states have worked through or eliminated paper barriers that the RSCC should consider?
 - iv. Is there any procedure that MRL or BNSF would engage in to provide communication to the RSCC about Paper Barriers and their effects on Montana shipments?
 - v. Outline possible further action via the STB.
- c. The final paper barrier report will be compiled after July 17th and made available to the public.

7.0 Pulse Crop Activities and Issues in Montana – Jeff Van Pevenage, Columbia Grain

Senior Vice President Jeff Van Pevenage, Columbia Grain, said his job is to build the pea and lentil

business in Montana. There are now three full Columbia processing plants in Montana and every facility can handle up to shuttle volume pulse crops. In the past four years, Montana has become the largest peas and lentils producer in the United States and growers have learned the benefits of crop rotation. Montana is growing over half of the dried peas utilized by the United States; ratios are even higher for lentils grown in Montana. In many cases the pea, lentil and pulse crops are becoming the main revenue producers on Montana farms.

Jeff said while Montana dwarfs other states in capacity - it is the quality of the Montana product that is being produced that has demand soaring. Columbia is providing efficient marketing, grading and sorting that serves markets looking for a high quality bagged product. The pet food industry has recently become a great customer for Montana pulse growers as the protein in peas is very popular.

Jeff named many countries and locations that purchase Montana pulse products some of which include: Russia, Bulgaria, Argentina, Germany, France, Philippines, China, Taiwan, Korea, Vietnam, Turkey, Italy, Spain, Poland, South Africa, Columbia, Mexico, Peru, Chile, India, Ecuador, and Bangladesh.

Chinook and Tiber shuttles have invested in technology that provides color sorting for the products. This allows for a uniform product to be sold. A color scheme is entered into the computer and it will match and sort the color at high speed, pea by pea. Jeff said it is essential to grow what a buyer wants; technology makes this possible. Jeff predicts that as the health market continues to grow, the demand for pulse crops products will continue to grow as well. The pea and lentil business while complicated is a growing and vibrant business.

8.0 Review Strategic Plan with Subcommittee Update Reports

8.1 Ag Shipping – Carla Allen

In Carla's absence, Mike O'Hara summarized the April meeting of the RSCC Ag Subcommittee. Joel Clairmont reported on Strategic Plan Item 3.1.6 which is to conduct an inventory of non-shuttle facilities in Montana and cross reference the information with MT Dept. of Agriculture Licensed warehouses. This information will fit nicely with the shuttle map being updated by MDOT. Joel will send the list to Gloria for distribution to the RSCC. Action items were reviewed.

8.2 Energy Shipping – Jerry Jimison

Jerry reported the subcommittee has not yet met but referenced Barbara Ranf's energy shipping information provided by BNSF. Coal shipments continue to flow east through Glendive. Jerry also reported on highlights of an Energy Expo that was held in Glendive in May.

8.3 Ports and MultiModal – Walt Ainsworth

Walt reported a subcommittee meeting has not been held. Walt is interested in learning more about the MWTC report and how to use that information for Montana's Ports and MultiModal use.

8.4 Forest and Industry Shipping – Russ Hobbs

The information in the Paper Barrier Report will be utilized by this subcommittee once it is finalized.

9.0 Rail Updates

9.1 Canadian Pacific

Terry Whiteside reported flooding is impacting Canadian Pacific's transportation system at this time.

9.2 BNSF Railway – Barbara Ranf

Barbara provided copies of rail transportation facilities and data in the Bakken. She also provided a fact sheet regarding BNSF's economic impact in Montana. In all, BNSF moves almost 2 million carloads of freight in Montana annually. In 2013, BNSF plans to invest approximately \$4.1 billion in capital expansion and maintenance across its system.

9.5 Central Montana Railroad – Carla Allen

Mike O'Hara reported on an event held in Denton this weekend which involved a celebration of the completion of the Chicago, Milwaukee St. Paul and Pacific RR construction into the Denton area 100 years ago in 1913. Good News: Central Montana Railroad, after two years, will soon be operational again thanks to a three pronged financing package involving the railroad, Snowy Mountain Development Corporation, state and federal entities. Chris said bids will be received and contractors notified late August. It is estimated CMR will be running again in June 2014.

10.0 Next Council Meeting Date, Location, and Agenda Items

The RSCC will next meet on September 10th from 10:00am – 2:30pm.

Agenda items will include:

- Pulse crop analytical data from Chad Lee.
- Finalize Paper Barriers Report next steps.
- Final draft of Montana Grain Loading Facilities map.

11.0 Utilizing the MWTC Study Results – Larry Bonderud, Mayor, Shelby

Larry Bonderud, Mayor of Shelby, handed out a map that outlined the multi-modal facility known as Port of Northern Montana. A TIGER III grant in the amount of \$9,998,910 was awarded to the City of Shelby, Montana in FY 2011 by the US Department of Transportation to fund Phase 4 of the Port of Northern Montana Multimodal Hub Center. Phase 4 is the final stage of development to complete the inland port facility capable of shipping large cargo and containerized freight via railway. Currently, Montana does not have the ability to ship or receive containerized cargo via rail due to a lack of an inland port. Without the project, shippers would continue to rely on roadway transportation to ship goods and existing Burlington Northern Santa Fe (BNSF) operations along the mainline, resulting in high freight costs, as well as continued delays to the Amtrak Empire Builder long-distance passenger rail service.

Once complete the \$17 million Multimodal Hub Center will be a fully functional inland port capable of accepting and delivering unit trains, containerized cargo, and large industrial equipment and materials and will be instrumental in supporting regional economic growth. The facility will include rail spurs, access roads, street upgrades, utilities, wastewater and storm water facilities, laydown area, and a bulk material facility. Once all operations are established, approximately 500 jobs will be created.

Larry said a meeting was held recently in Shelby to outline the multistate Great Northern Corridor Coalition. The organization, which will involve people identified in the MWTC study, will allow for networking between ports and collaboration for grant applications, establishing a multi-year partnership. The MWTC study recommended the facility in Shelby; Shelby took the study information and ran with it. The website for the Port of Northern Montana is <http://pnmselby.com/>

12.0 Comments or Issues from Council Members

- Lynn Zanto reported Montana's Transportation Director, Mike Tooley, was appointed to the National Freight Advisory Committee. This committee provides recommendations to improve the nation's transportation system so that goods and services get to market efficiently and safely and develop a National Freight Transportation Policy. Director Tooley will serve on the committee for two years.
- Jerry Jimison asked if plans are in place for disaster mitigation for Montana rail traffic and if plans exist should both rail lines become unusable for some reason. At one time, an essential freight traffic route was identified in the MDT Rail Plan, but may no longer exist. It was thought this plan should be revived and studied. Hal Fossum explained Map 21 does require a highway and rail interface plan but does not identify essential rail.

13.0 Adjournment

With no further business to discuss, Jerry Jimison moved to adjourn the meeting. Walt Ainsworth seconded the motion. Motion carried.