

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

November 18, 2016
10:00 am – 2:15 pm

MDT Commission Room
2701 Prospect Avenue
Helena, MT 59624

RSCC Members Present:

- Jerry Jimison, Chairman
- John Grewell, Commissioner, Carbon County
- Mike Kadas, Director, Montana Department of Revenue
- Walt Ainsworth
- Eric Doheny
- Senator Tom Facey
- Ron de Yong, Director, Department of Agriculture

Other Attendees:

- Kraig McLeod, Montana Department of Transportation (MDT)
- Diane Myers, Montana Department of Transportation (MDT)
- John Althof, Montana Department of Transportation (MDT)
- Jeremiah Langston, Montana Public Service Commission (PSC)
- Matt Jones, BNSF Railway (BNSF)
- Ross Lane, BNSF Railway (BNSF)
- Dan Loyd, Governor's Office
- Jim Lewis, Montana Rail Link (MRL)
- Nathan Anderson, Union Pacific
- Court Jenson, Department of Agriculture
- Chris Christians, Montana Farmers Union
- Blair Fjeseth, RSCC Administrator

Call To Order, Introductions

Chairman Jimison welcomed everyone and called the meeting to order at 10:12 a.m.

Approval of the June 9 RSCC Meeting Minutes

Commissioner Grewell offered a motion to approve the June 9, 2016, minutes as presented. Director de Yong seconded the motion. The motion carried by unanimous voice vote.

Financial Report

Diane Myers presented the financial report and distributed a document entitled "Rail Service Competition Council Financial Report as of October 31, 2016". Diane explained that the RSCC budget for FY 2017 is \$32,380. Strategies 360 was paid \$325 for administrative services, leaving \$32,055 for the remainder of the year. No anticipated budget issues are expected this year.

Public Comment

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

Montana Department of Transportation (MDT) Update – Kraig McLeod

Freight Plan:

In December 2015, the Fixing America's Surface Transportation Act, or FAST Act, was signed into law. The FAST Act established a new National Highway Freight Program (NHFP) to improve the efficient movement of freight on the National Highway Freight Network (NHFN). The NHFP requires Montana to develop a State Freight Plan by December 2017. Kraig mentioned that the MDT is working on the development of the Montana Freight Plan which will be a comprehensive plan for the immediate and long-range freight planning activities and investments. Kraig noted that a stakeholder meeting had been held in October 2016 and that a draft plan, along with a 2nd stakeholder meeting, is anticipated this summer.

TranPlanMT:

Kraig gave a TranPlanMT update to the RSCC. He noted that the MDT is currently completing an update to Montana's statewide long-range transportation plan which defines the policy direction for operating, preserving, and improving Montana's transportation system over the next 20 years. Kraig reiterated to the committee that TranPlanMT serves as the basis for MDT decisions, especially those related to investing Montana's limited transportation funds and that a draft document for public review is anticipated in late winter or early spring of 2017.

Montana Rail-Highway Grade Crossing Update –John Althof

John Althof gave an update on MDT's highway-rail grade crossing safety program and provided a demonstration of the MDT's Public Grade Crossing Map and Specialized Queries website.

John mentioned that Montana has 1,367 public at-grade crossings. MDT collects field data at all of these crossings to include vehicle counts, digital photos, geometrics of the crossing, the number of tracks, sight distance, and other data elements. John noted that 370 crossings were inventoried in 2016.

Rail-Highway Safety Projects

John gave the RSCC an update on the 38 total projects in various stages (nominated, contract, authorized, under construction) in Montana. He noted that there are:

- 13 upgrades, 4 with surfacing, 8 with addition of gates
- 25 new signal, 21 with surfacing

Train-Vehicle Crashes

John updated the RSCC with the number of 2015 at-grade crossing crashes which included a total of 15 crashes and the 2016 at-grade crossing crashes year to date which included eight total train-vehicle crashes and one pedestrian fatality. These crash totals were the combined crashes at public and private at-grade crossings in the state.

RSCC Committee Discussion

The Council discussed how costs are split on crossing upgrades or damages. John noted that all upgrades are put on a list and prioritized based on an index and typically costs are split on an 80%-20% ratio with the federal government and the railroad. He also noted that Administrative Rules of Montana (ARM) states that occurred damages are the responsibility of the person who caused the damages. If that person cannot be found or is deceased then the responsibility falls on the Road Authority.

The Council discussed website logistics including total site visits and ways to partner with third parties to enhance usage.

RSCC Subcommittee Reports

Agriculture Subcommittee - Eric Doheny

Eric Doheny gave the subcommittee report. Some key points included:

- Grain elevators are happy with rail service.
- Eric believes the trend will revert back to single car service to accommodate the increase in pulse crops.

Eric mentioned that there is an ongoing push to help pulse crops get out of the state.

RSCC Committee Discussion

The committee discussed the need to diversify and expand crop storage and export transportation. The RSCC also talked about the robust harvests crops have had this past year nationwide and the need for investments in infrastructure and storage.

Chairman Jimison asked the RSCC for any updates with China's recent decision to accept U.S. beef. Director de Yong noted that there isn't a place in Montana that has an export tag that could process Montana beef. In order for Montana beef to get to China, it has to first be exported to a processing facility out of state that has an export verification.

Energy Shipping Subcommittee – Commissioner Grewell

Commissioner Grewell introduced Jeremiah Langston from the Montana Public Service Commission (PSC) who presented on the Risk Assessment Report. Jeremiah indicated that the assessment was based on a legislative audit and is near completion. The PSC worked with the Federal Railroad Administration (FRA), the National Association of State Rail Safety Program Managers, and the State Emergency Response to complete the report. Jeremiah said that the will be presented to the PSC Commissioners this December.

- The report can be found here:
 - <http://www.psc.mt.gov/Docs/ElectronicDocuments/pdfFiles/N20151184RiskAssessmentActionPlanFinal.pdf>

RSCC Committee Discussion

The Council discussed emergency service locations in Montana and the investment rail operators have made in geographic specific hazard plans.

They also discussed logistics of the plan and if the PSC compared Montana to other states or if the report was an internal review. Jeremiah noted that the PSC looked inside Montana to ensure resources were being best used and that the purpose of the document was to manage resources, figure out what resources were still needed, and serve as a narrative on rail service in Montana.

Economic Development Subcommittee – No Report Given

Railroad Reports

Union Pacific (UP)- Nathan Anderson

Nathan Anderson gave the Union Pacific report. Some key points included

- Rail volume is generally down about 6%.
- Ag products have had an 11% uptick this year.
- Grain volume is up 27% largely due to biodiesel.
- Crude shipments are down 48%.
- Coal shipments are down and there is still a large reserve from previous years.
- UP developed a new public safety awareness campaign. (*See page 7 for flier*)
- In Montana, UP has had a strong grain, beer and automobile shipping season in Montana.

Nathan mentioned that natural gas will not change so coal production will have to. Nathan told the RSCC that the Hanjin bankruptcy is affecting the market and we should see consolidation within the shippers.

RSCC Committee Discussion

The committee discussed 2016 charitable contributions made by Union Pacific in Montana. Nathan noted that the company has given around \$25,000 this year in Montana specific donations.

BNSF – Matt Jones and Ross Lane

Matt Jones gave the BNSF report. Some key points included:

- Freight volumes are down nationwide.
- Bright spots for BNSF are agriculture and automotive shipments.
- BNSF recently launched (with MRL) intermodal service from the Pacific Northwest to Texas.
- Service has been meeting expectations and velocity remains high.
- BNSF invested over half a billion in Montana over the last three years.
- BNSF has 4,500 furloughed trains in Montana,
- BNSF brought on additional employees during the agriculture shipping season.
- BNSF reached a settlement in the Sierra Club lawsuit in Washington. In that settlement, BNSF is not admitting fault but is giving \$1 million towards environmental projects.
- BNSF recently started an e-newsletter called "[Inside Track Mountain West](#)".

- This was the safest year on record for BNSF. They did have one accident in Texas where three employees died. As a result, they are investing in positive train control and safety overlay system.
- Increasing pipeline capacity will affect crude oil shipments.

RSCC Committee Discussion

The committee discussed crude shipments in the Bakken. Matt mentioned that the majority of those shipments head to Chicago but a small percent go to Seattle.

Montana Rail Link – Jim Lewis

Jim Lewis gave an overview of Montana Rail Link. Some key points include:

- U.S. rail car volume is down 10% (1.2 million carloads).
- The USDA crop production report predicted that the U.S. corn crop will be around 15.1 billion bushels this year, and will break the 2014-bushel record.
- Soybean and wheat crops are also having strong years.
- Intermodal volume is down 3% from last year.
- MRL lost a large client which is impacting carload totals.
- MRL is wrapping up the 2016 maintenance season, which totaled \$45 million in maintenance spending. A good investment for the company and Montana.
- MRL's injury frequency rate is currently 1.06. Per OSHA, in 2014, other industry's injury frequency rates were:
 - Private industries: 3.2
 - Natural Resources and mining: 3.8
 - Construction: 3.6
 - Manufacturing: 4.0
 - Trade, Transportation and utilities: 3.6
 - All RRs (including class I's) average = 1.79
- 61 employees were hired in 2016 and MRL continues to hire.
- MRL has 1,200 employees.

Central Montana Rail – No representative present

RSCC Committee Discussion

The Council discussed the need to find a central place to add or take off cars for cross country services. Jim Lewis mentioned that the logistics of that would be difficult as the shipping time is only 5-days from the pacific northwest to Texas.

The RSCC also discussed that trucks might be able to fill t shipping voids mentioned today.

Other Agenda Items:

RSCC Reauthorization

The Council discussed whether or not they needed legislative reauthorization to continue. Diane Myers noted that she would research the question and report back if legislative action is required to continue funding for the Council.

Increase in Pulse Crop Facilities

The Council felt that this topic was covered sufficiently over the course of the meeting and had no further comments.

Turnaround time for Bakken Oil Shipments

The Council discussed Bakken oil shipments as well as coal shipments. Commissioner Grewell noted that he wasn't aware of any increases in Bakken shipments. Director Kadas said he believed that production would start to slow down.

The Council discussed updates on coal shipments to Washington. Director de Yong asked what the next barrier was for shipping coal.

Next RSCC Meeting

Blair Fjeseth stated she would send a Doodle poll to determine the next meeting date in Helena.

Comments from RSCC Members

No comments were made by the committee.

Adjournment:

Commissioner Grewell made a motion to adjourn the meeting (2:15 p.m.). Eric Doheny seconded the motion. The motion was approved.

Community Event Notification



Union Pacific Response Management Communication Center (RMCC): 1-888-877-7267



Union Pacific's highest priority is the safety of our employees and the communities we serve. For everyone's safety, Union Pacific strongly encourages event organizers to plan activities so they do not cross railroad tracks or approach railroad property. When a community event or activity is being planned, organizers should contact Union Pacific if those plans call for crossing the railroad's tracks or for activity to occur near the tracks.

Some of the more frequent types of activities include:

- High, wide or low clearance movements, such as house transport or traveling amusement park rides
- Unanticipated events, such as funeral processions or local government agency activities
- Cattle crossings

Only in rare circumstances will train traffic be stopped or rerouted for events that include:

- Sports, such as marathons and bicycle rides
- Motorcades, including car or motorcycle parades
- County or state fairs, carnivals and farmers markets
- Parades, celebrations, concerts, rallies, marches or other large gatherings

Organizers who plan/conduct events on or near railroad property without notifying Union Pacific could be putting participants at risk. Union Pacific Response Management Communication Center (RMCC) is available 24/7 at 1-888-877-7267