



**Ag TC Meeting – June 26, 2014 – San Francisco**

**Whiteside & Associates/Alliance for Rail Competition – Billings, Montana**

[www.heavytrafficahead.org](http://www.heavytrafficahead.org)

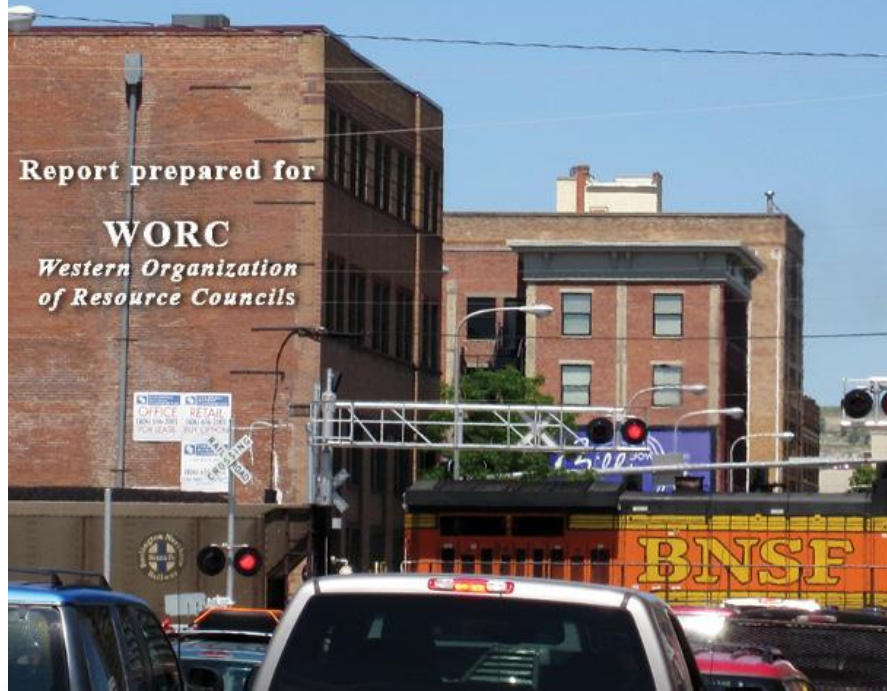
# Heavy Traffic *Still Ahead*

February 2014

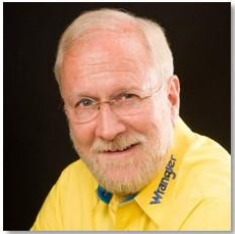
Report prepared for

**WORC**

*Western Organization  
of Resource Councils*



# About The Study Team



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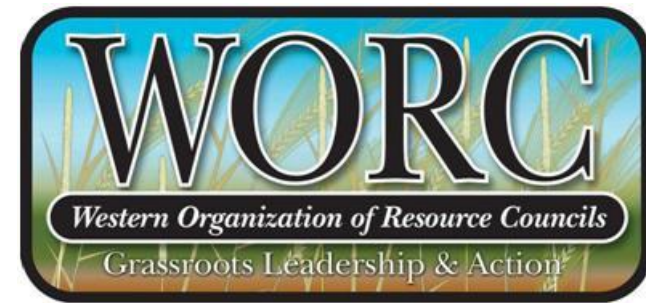


# Study Goals



- The Study Team in HTA, July 2012, produced a academic based report analyzing the announced coal volumes at nine Pacific Northwest ports and projected these volumes upline (backwards) on the rail system to the Powder River Basin – developing the first rail segment by segment analysis of the projected and announced coal volumes
- The Goal of this HTSA, February, 2014 study team was to develop and confirm a factual predicate that would initiate the necessary conversations that need to take place from the many stakeholders (cities/towns, State and local governments, Shippers, Ports, Federal government and the railroads)

# Is The Current Rail Service Meltdown Due To Increasing Coal/Oil?



- In **July, 2012** – Heavy Traffic Ahead (HTA) was published – **predicting very large increases in coal volumes in the coming decade.** **Heavy Traffic Still Ahead (HTSA)** confirms that the coal volumes have doubled in the last 12 months and the **forecasted volumes continue to show over 120+ million tons of coal** still to come
- Currently the huge increase in Bakken oil movements and doubling of coal movements have contributed to the worst service meltdown in two decades - serious lack of locomotive power – affecting all commodity movements in northern tier
- BNSF said the HTA figures (July, 2012) weren't accurate but just 2 months later on **August 23, 2012, Matt Rose, BNSF CEO admitted to the Columbian newspaper the coal numbers are between 50 million to 100 million.**



“What’s likelier is that the market will support the development of two, maybe three,” coal terminals. “That would put the total amount of potential coal exports from the Pacific Northwest at roughly 50 million to 100 million tons annually, he said.”

- **The pro-coal/railroad respond with rhetoric is heated and divisive**
  - **It is like jumping into a tub of water full of live hair dryers**
  - **HTSA presents data based upon published reports which show massive increases and the pro-coal folks want to get your head and chop it off**
  - **Let’s move beyond this – let’s say yes something is happening**
  - **Heavy Traffic Still Ahead – confirms that numbers are still massive and something is happening**

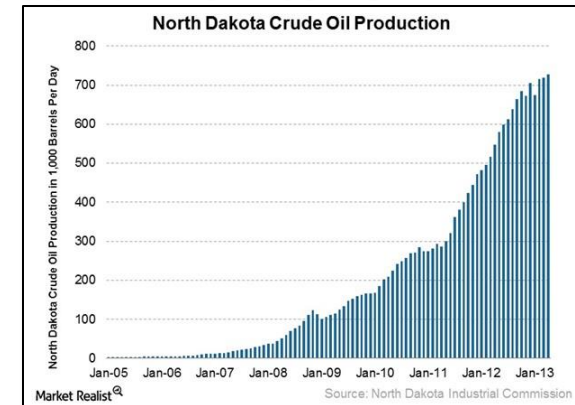
# What The Study Results Clearly Show

- The U.S. coal export market is continuing to head for explosive growth of coal movements
- The projected movement of 98 million tons per year by 2018 upwards to 170 million tons per year by 2023 will generate billions of dollars in annual revenues for railroad, coal and terminal companies.
- Although UP and other railroads will be involved in the PRB to PNW export coal transportation market to some extent, BNSF's routes are significantly shorter than UP's routes and BNSF has a lower cost structure.
- The ***number of PRB to PNW ADDITIONAL loaded and empty export coal trains per day could be as high as 27 to 36 trains per day in 5 years, and could reach between 47 to 63 trains per day in 10 years, if coal export proposals come to fruition.***
- Serious capacity issues between Sandpoint, ID and Spokane, WA and in Billings, Montana area AND the three routes through Washington State will continue to result in rail traffic creating major local congestion and potential health effects.
- The congestion issues will be compounded by the rapidly increasing Bakken oil movements affecting the entire region



# Perspective – Let's Put These Massive Increases in Coal and Oil Shipments In Context

- **All grain traffic moving off the PNW** (wheat, barley, soybeans, corn, cotton seed, beans and peas, etc.) **totals 39-40 million tons**
- **Estimated coal movements within 5 years 74-99 million tons and within 10 years 128-170 million tons**
- Additionally the expected **Bakken oil additional shipments of 22 trains per day provides an equivalency of an additional 60 million tons**
- Summary: the **estimated coal/oil shipments will equate to 200-570% increase in traffic when compared to PNW grain traffic**
- **This will lead to capacity constraints (current capacity already very tight) – service issues, delivery issues and higher rates for grain, intermodal and all other commodity/services requiring rail**



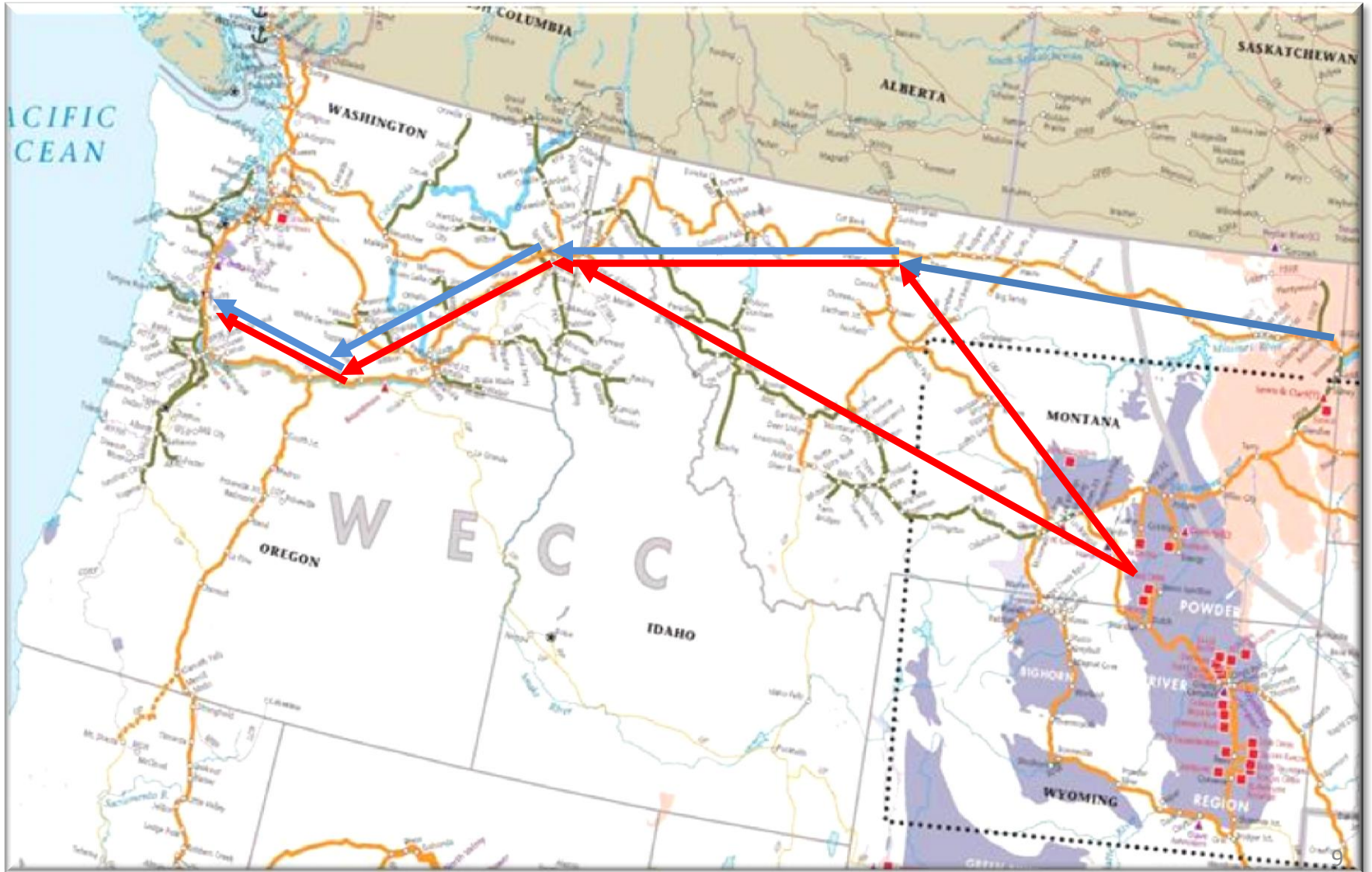
# Anticipated Capacity Constraints

- The Federal government and BNSF have spent hundreds of millions of dollars in upgrading BNSF's infrastructure, which will help facilitate the movement of coal from the PRB to the PNW,
- State and local governments would likely be forced to spend hundreds of millions more in related infrastructure improvements to mitigate the adverse impacts of added coal traffic if the ports are built, such as separated grade crossings, bridges, tunnels and by-passes.
- *It is likely that hundreds of miles of railroad lines would require expansion from single to double or even triple track if the export coal and oil terminals are built and fully utilized. Other railroad infrastructure, such as bridges, tunnels and highway crossings, would also need to be replaced or upgraded in order to adequately, efficiently, and safely handle the expected traffic levels.*

- **The voluminous and very profitable PRB to PNW export coal traffic and profitable Bakken oil traffic to the PNW would consume most of the existing rail capacity, which would displace traffic and result in higher freight rates for other rail shippers.**
- **A variety of railroad freight shippers would likely be adversely impacted by tightened rail capacity** if the export coal and oil terminals are built. Intermodal container traffic and export grain traffic could experience **higher freight rates, deteriorating service and higher equipment costs.**

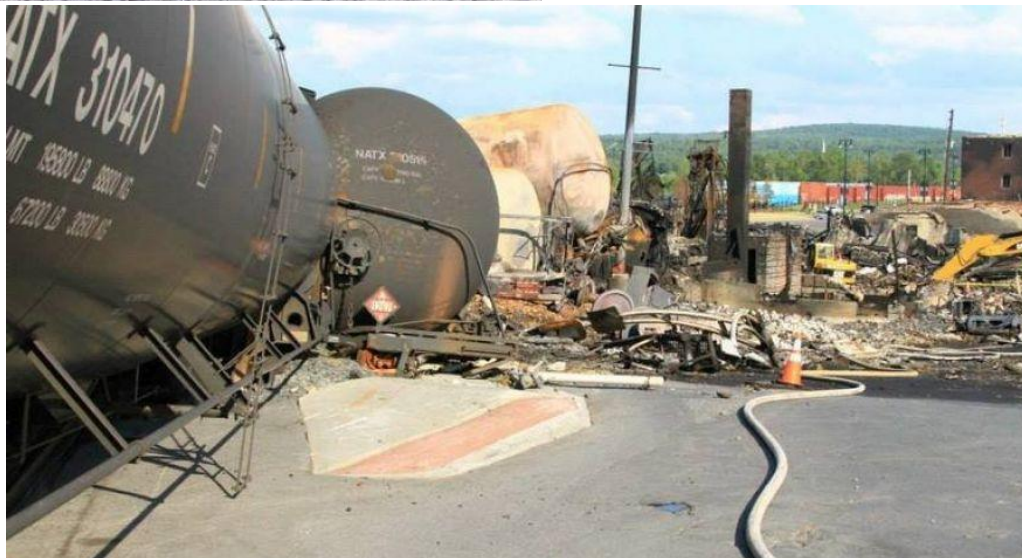


# PRB Coal/Oil BNSF Routes To PNW



# The Danger is Ever Present

## Major Bakken Oil Fires in 24 months



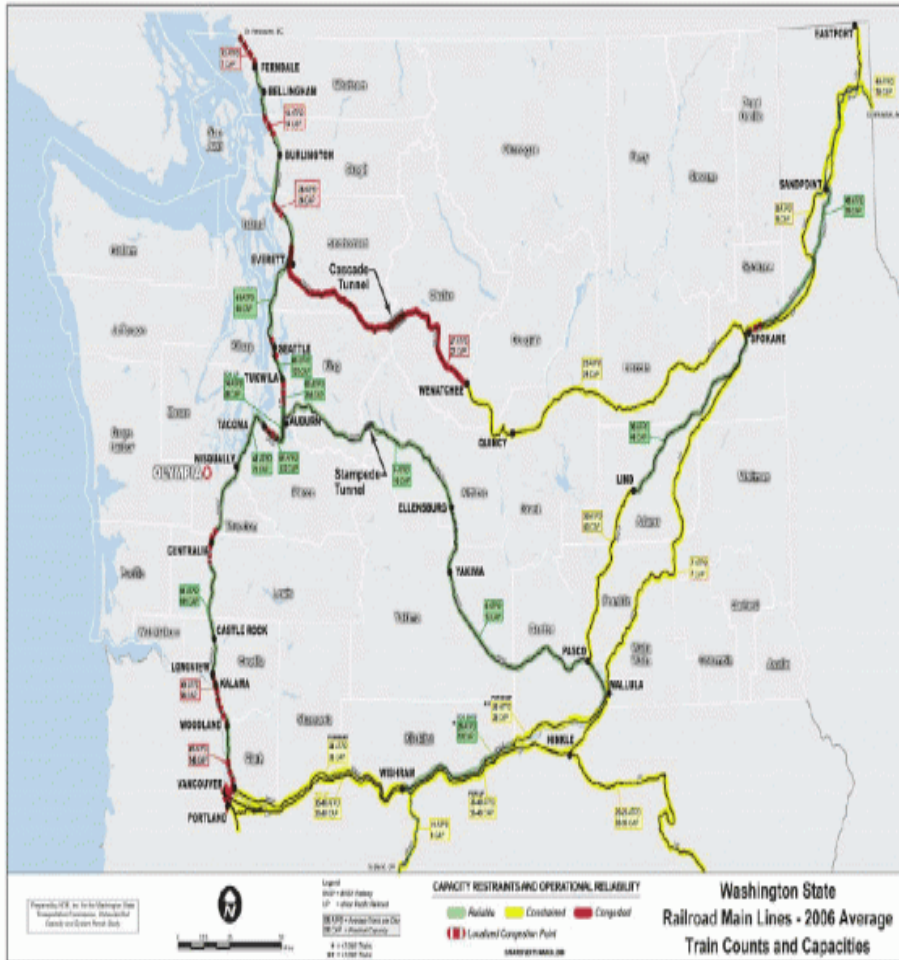


# Congestion?

- According to the Washington DOT 2009 Freight Rail Plan and forecasts looking at 2010-2030.

**Many of the impacted railroad tracks are already at, near or exceed capacity and the existing infrastructure needs significant upgrades and improvements in order to handle the existing traffic and relieve existing congestions.**

- BNSF's rail routes will require major upgrading and expansion of existing railroad tracks, bridges, tunnels, high-way crossings and other infrastructure in order to adequately and safely handle such high annual volumes.



# Conclusion & Recommendations

1. This is not a time for panic – but it is a time for conversations to be initiated among all of the stakeholders
2. BNSF continues to state publicly that estimated coal numbers are not realistic while confirming that at “50 to 100 Million tons” are on track to move to “2 or 3 terminals.”  
(**That is 100% to 250+% higher than the current grain movements**)
3. ‘Don’t concern yourself professed by some of the railroads’ is **not a strategy** that will produce solutions
4. ‘Let the process work professed by some of the railroads’ – fact: there is no process to involve or protect stakeholders
5. Not all coal volumes will come to fruition – but the Longview and Cherry Point and BC’s Roberts Banks – most advanced are on track to move over 110+ million tons/year.
6. Work together with cities, towns, railroads, environmental organizations, assessing environmental impacts, coal companies, associations (such as AgTC), commissions and state, federal and Congressional reps makes sense
7. Looking forward – the path towards solutions requires engagement of all parties and developing conversations and concerns
8. **FACT: The Northern Tier BNSF is suffering the worst service meltdown in modern history – started with surging coal and oil shipments in 2012**
9. Cities and communities need to develop data on what collective impacts/solutions they need to address the coming impacts





## **UP ADDS 11 Domestic Intermodal Trains Between N. CA and Portland to Chicago**

- Follows UP's ramp-up in its premium service (4 day delivery) on Portland-Chicago run in May, 2014
- **UP is going after the BNSF's service meltdown**
- BNSF earlier this year pulled back on its PNW – Chicago intermodals runs

Reported by JOC  
on Friday, June 20, 2014



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