

Dec 21, 2009

Montana Rail Coalition and BNSF Railway - Efforts and Results to Date

The primary benefit to the work of the Montana Rail Coalition thus far is the establishment of a working relationship as the railroad's customer and recognition of the railroad as an industry partner. This will be important going forward as markets change, costs escalate, and individuals come and go.

From this effort, we have become committed to being honest in our rhetoric and dealings with BNSF. Education in both directions is bringing unexpected benefits. Understanding of the grain business, markets, and rail will increase producer profitability, as it is incorporated into the grassroots level. Conversely, we expect the railroad to see efficiency gains and market opportunity as a result of producer insight.

Transparency of service is another benefit. A weekly posting of car orders and deliveries on the Montana MarketManager Online website creates accountability and sheds daylight on the whole pipeline. Producers and BNSF have begun to work together to anticipate grain movement and the demands on rail service.

Establishment of the BNSF Ombudsman program gives producers local access to the whole BNSF Ag Division and allows the railway real-time insight to local operations. Don Karls of Great Falls is the Montana ombudsman, and any producer with rail questions or concerns can reach him at 406-791-6770.

As a result of this two-way accountability, the system-wide Ag Rail Business Council was established, with representation from the corn, soy, wheat, and pulse industries. Additionally, a Montana producer was invited to sit on the BNSF Customer Advisory Board, allowing greater understanding of BNSF Railway operations.

The culmination of this trust, education, and commitment is manifested in the formal Mediation and Binding Arbitration Agreement signed January 2009. This legal agreement, for the first time, creates legal status for Montana producers as railroad customers. It is designed to solidify a long-term accountability and dialogue for all parties.

Some specific by-products of these historic efforts:

- Reduction of the 52-car vs. shuttle tariff differential from 15 cents to 5 cents. This was done to increase the viability of smaller elevators until broader shuttle facilities were in place. With producer input and the building of new facilities, this spread has again been widened. We understand the value to Montana agriculture of single, 26 car, and 48 car elevators, especially for barley and domestic wheat shipments.
- Freight discounts on barley to the west coast for export, and east to malt plants. We are working with BNSF to move barley and malt to Mexico, as well. The intent is to develop and expand markets, which benefits all parties.
- Early adoption of mileage-based fuel surcharge, eliminating a surcharge based on rates.

Prior to this, fuel surcharges were calculated as a percentage of the tariff. The next year, STB followed suit, requiring fuel charges to be mileage-based for most tariff rail freight.

- Development of competitive Destination Efficiency Trains (DET) to the domestic mills and the California market.
These give MT producers the ability to compete in a larger market. DETs can separate into smaller pieces, facilitating access to smaller customers such as domestic flour mills. These trains run at freight rates very near to shuttle tariffs.
- Producer guidance on grain facility planning.
Two new shuttles have been built with coalition input; more are being discussed.
- BNSF commitment to service of Great Falls to Fort Benton branch line.
This branch into the Fort Benton area was at risk due to maintenance and volume issues. Coalition input helped find solutions, and resulted in a solid future for service.
- Competitive freight rates.
There have been a number of tariff reductions both east and west, and a handful of increases on select moves. All of these adjustments have been weighed and considered with the shared goal of opening and expanding markets. This has put Montana producers in a new position, with freight rates below or comparable to the rates in other wheat states. BNSF Railway has committed to giving the Coalition advance notice of rate changes. Our informal mediation since August 2005 has been very successful.
- Formal Mediation of Rates.
The first formal case utilizing our Agreement to Mediate and Arbitrate was initiated in November 2009. The January 2010 shuttle train freight rate for Shelby to the Pacific Northwest for export was examined by our Steering Committee, and taken to mediation with BNSF Railway. The result was a \$165/car reduction of the January 2010 rate at Shelby, plus smaller reductions at other shuttle stations to ensure the competitive relationships between elevators.
- Producers have a new status as rail customers.
BNSF has committed itself to regard Montana producers as customers. In the past, the grain companies held that position alone. Our responsibility is to be knowledgeable, honest, and engaged—in short, to be good customers. This new way of doing business is enhancing our credibility and effectiveness with the STB, Congress, BNSF, and, most importantly, with our producers.