



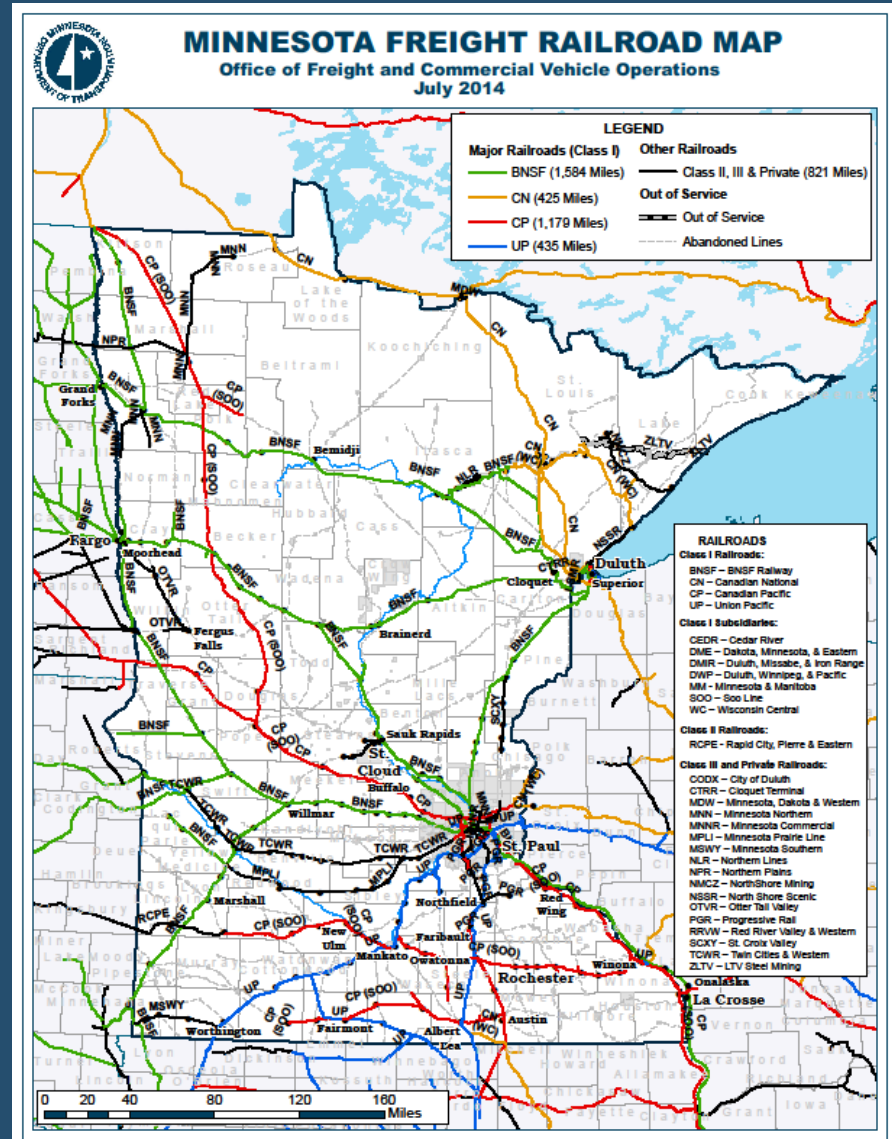
Railroads in Minnesota: Impacts and Current Status

December 10, 2014



Current Rail System

- 4 Class I Railroads
- 1 Class II Railroad
- 16 Short Line Railroads
- 4500 Route Miles
- 250 Million tons/year
- Rail moved 38% by weight, 14% by value of all freight in MN – 3X US average
- 8th Largest system in Nation
- 25-40% growth by 2030 (7% growth, 2008-2013)





Relative Modal Contributions (US)

- 5.9 Trillion US Ton-miles, all modes
- 2.6 Trillion Ton-miles, truck
- 1.7 Trillion Ton-miles, rail
- 1.0 Trillion Ton-miles, pipeline
- 0.5 Trillion Ton-miles, waterways
- Average Haul; 917 miles, rail; 26 miles, truck
(80% of all freight trips are by truck)

2011 Statistics, USBTS





Rail Regulatory Structure

- Interstate Commerce – reserved to Federal Regulation, pre-empts local control
- Railroad powers of Eminent Domain included
- Common Carrier status, must accept shipper's tendered cargo without restriction
- Local 'police powers' apply if they do not hinder Interstate Commerce functions
- State manages grade crossing safety, partners in federal programs, rail development





Federal Agencies

- **FRA** (Federal Railroad Administration): rail safety, signals, standards, Amtrak and passenger rail funding and administration
- **STB** (Surface Transportation Board): rate and service dispute resolution (contract shipments exempt from regulation); construction, mergers, acquisitions, abandonments
- **PHMSA** (Pipeline and Hazardous Materials Safety Administration): tank car & hazmat standards and regulations





History of Rail in the State

- June 28, 1862 – First train, St. Paul-St. Anthony
- 1887 – Interstate Commerce Act, Mn. RR Law
- 1929 – peak of development; 9,400 Mi., 120 MT
- 1971 – Amtrak, end of private passenger service
- 1980 – Staggers Act deregulation
- 1995 – ‘ICC Termination Act’ empowers STB
- 2012 – Record high rail tonnage in Minnesota



Revolution in Rail Industry

- Return to Profitability
- Rationalized system to 7 Class 1's in N.A.
- Track miles reduced to half of 1970's routes
- Contracted high-utilization unit trains (coal, grain shuttles, double-stack, crude oil)



Originated Rail Carloads of Crude Petroleum on U.S. Class I Railroads: 2003-2012



Source: AAR Freight Commodity Statistics





Current Rail Issues (Pre-2014)

- 'Captive' Shippers (15-20% of customers)
- Captive Short Lines
- Main line and interchange congestion
- Delay in committing to capital expansion
- Reduced resiliency, responsiveness, access (proven by record traffic, harvests, winter)
- Rail Safety challenges (Signals/PTC, Hazmat)





2014-“The Perfect Storm”

- Oil Trains hit new peak Dec. 2013 – 700K Bbls
- Bumper grain harvests, 2013 & 2014
- ‘Polar Vortex’ slowed operations, cut train size
- Attempts to ship more propane to farms, homes
- Resurgence of coal traffic after high gas prices
- Accelerated construction of lines, detours
- High iron ore demand, short shipping season





Bakken Shale Oil and Gas

- First commercial Bakken well; 2000
- Large-scale drilling, 2005; 1 Million B/D 2014
- Production (and oil trains) double by 2023
- First rail loading terminal (EOG); 2009
- Next large scale rail terminals; 2011
- Traffic today: 9 trains per day, 7 thru Fargo
- 40+ life to oil field, only 1/5 developed to date







Crude-by-Rail issues

- Only enough pipeline capacity for 1/3-1/2 of production over next ten years
- Rail flexibility to multiple Gulf, West, and East Coast refineries a major incentive to refiners
- Bakken crude sweet, light, extremely volatile; Low flash point & boiling point like gasoline or diesel
- Tank car designs, track capacity, rail operations, EMS coordination need upgrades







Oil Train State Actions

- Study Crude-By-Rail routes: crossing safety on 700 miles of main lines (out of 4400 miles in MN)
- Determine high priority grade crossing upgrades
Schedule \$2 Million of identified projects, 2015
- Hire additional Track Inspectors, Hazmat Inspector
- DPS: Coordinate Improved Emergency Training, Planning, Resources & Response
- PCA: Improve Rail Spill Response, Planning





Other State Efforts

- Governor, MnDOT, Agriculture testimony on rail service, regulatory issues to STB
- Governor, MnDOT comments on tank car design & operating rules to FRA and PHMSA
- Interagency Task Forces; work on transportation, economic impacts, crude oil
- Congressional Delegation lobbying for faster action, higher standards for rail service





Governor Dayton's Rail Efforts

“In my meetings with local leaders across the state this summer, it became clear that increased traffic on our railways is having real and costly impacts on Minnesota communities.”

“Trains carrying crude oil pass through our communities every day. We have learned from dangerous accidents in other states that without proper safety measures, that cargo could pose a very real risk to our citizens. For the enhanced safety of all Minnesotans, I am confident that our departments of transportation and public safety will implement these new programs effectively, and strictly enforce all new regulations taking effect today in Minnesota.”

~ Governor Mark Dayton





Governor Dayton's Rail Efforts

- Governor's Roundtables on Rail Safety and Capacity
- Governor's Rail Community Impact Survey
- 2014 Rail Safety Legislation
- Advocating for Minnesota farmers and industry
- Governor's Rail Summit





Status of Rail Progress

- **November 17 Rail Summit: reports from impacted communities, industries, railroads**
- **Most industry backorders caught up**
- **Coal stockpiles became critical in summer, still only back up to 30-40% of desired**
- **Railroads set for record capex investment, \$250 million + per year**
- **New capacity, signals, cars will take 2-3 years**





Thank You.

Dave Christianson, MnDOT Freight & Rail

