National Grain Car Council Meeting
Kansas City Airport Marriott (816) 464-2200
775 Brasilia, Kansas City, MO 64153
Tuesday, December 14, 1999

AGENDA

9:15am  Continental Breakfast

10:00am  Meeting Convenes
  • Welcome
    – Chairman Dennis Wendland
    – Vice-Chairman Diane Knutson
  • Introduction of Guest (Chairman Wendland)
    – U.S. Surface Transportation Board
      ◆ The Honorable William Clyburn, Jr., Vice-Chairman
      ◆ The Honorable Wayne O. Burks, Commissioner
      ◆ Dennis J. Starks, Chief of Staff & Senior Attorney Advisor (DFO, NGCC)
      ◆ Melvin F. Clemens, Jr., Director Office of Compliance and Enforcement
    – Keith A. Klindworth, U.S. Department of Agriculture
    – David Barrett, National Grain & Feed Association
  • Approval of NGCC Meeting Minutes dated March 3, 1999

10:45am  Car Supply and Current Harvest
  • Railroads
    – Steven Bobb, BNSF – David Bastress, KCS
    – Mike Mohan, CN/IC – Deborah Butler, NS
    – Tom Owen, CSX – Sharon Trudell, RRV&WRR
    – Doug Christy, Iowa Interstate – Diane Knutson, UP
  • Shippers Association
    – Alice Saylor, ASLRRRA
    – David Barrett, NGFA
  • Car Builders and Lessors
  • Market Outlook
    – Keith A. Klindworth, U.S. Department of Agriculture
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Chairman Wendland called the meeting to order with 21 members of the NGCC present and 20 guests. He also introduced several members of the Surface Transportation Board ("STB") including Vice-Chairman Clyburn, Commissioner Burkes, Mr. Clemens (Director of the Office of Compliance and Enforcement) and Mr. Starks who serves as the Designated Federal Officer and Committee Management Official for the NGCC.

Vice-Chairman Clyburn in addressing the NGCC highlighted his background with Senator Exxon and Hollings and his prior concerns with the very issues that initiated the formation of the NGCC. The Vice-Chairman emphasized the value of the NGCC as a means of maintaining active dialogue between the participants and the STB.

Commissioner Burkes, addressing the NGCC for the first time, provided background on his military career and his dealings with transportation issues in the State of Mississippi. In both cases, the Commissioner pointed out that in order to succeed all participants must work together.

Comments were also provided by Messrs. Starks and Clemens who provided operational details of their functions within the STB and NGCC.

Comments were also provided by Gus A. Owen, former Vice-Chairman of the STB and former Co-Chairman of the NGCC, commending all participants of this and previous meetings for their fruitful contributions to the NGCC, and charging all to continue an open dialogue in resolution of the many rail-car issues challenging the railroading and shipping communities.”

Chairman Wendland then invited commentary from each of the Class I’s as to car supply issues for the last harvest.

Mr. Bobb (BNSF) indicated that his railroad had incurred unexpected surges in grain car loadings starting in July and reported that they were able to move more grain with fewer cars due to increased efficiencies within their system. Mr. Bobb explained that BNSF’s shuttle program was perhaps 90% effective with cycle times in some cases two times faster than normal transportation.

A question was asked of Mr. Bobb regarding the impact of Stampede Pass. Mr. Bobb indicated that the Stampede Pass is used mainly to run empty trains back from the PNW.
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Mr. Gehrt of the CNIC then commented on the size of his railroad’s fleet and the fact that they also experienced an earlier surge in the movement of grain which had them falling behind somewhat in car supply. He also explained that their program trains are perhaps twice as fast as normal service.

Mr. Christy (Iowa Interstate) commented on the limited grain movements that his railroad has experienced and the fact that his fleet is being under utilized.

Mr. Owen (CSX) reported that they had the largest fleet ever prepared for grain service and because of the fall off in fertilizer movement even greater numbers of cars were being made available to move grain. Because of the recent merger, they have lost perhaps five days in transit times and were also hampered by the fact that some of the cars they had leased were late in coming on their property. Mr. Owen explained that CSX was going to go to annual pools and that they were working with leasing companies to bring cars in sooner.

Mr. Owen commented on the impact of Hurricane Floyd and the transition of Conrail extending compliments to the BN and UP and for their insights on their earlier acquisition integrations.

Mr. Bilovesky (KCS) commented on the earlier harvest and the addition of some 50 new locomotives, with 20 of them already being pressed into service.

Ms. Butler (Norfolk Southern) stated that the demand on her property had softened and while there was an earlier car demand surge, the Norfolk Southern was able to borrow equipment from other carriers. Also, cycle time has increased due to the recent merger problems with shortages reported in Indiana and Ohio. Overall the situation is improving.

Ms. Trudell (Red River Valley Western) receives all of their equipment from the Burlington Northern and reported no particular difficulties.

Ms. Knutson (Union Pacific) indicated that they experienced no problems with handling the earlier surge in grain movements and now cars are now being placed in storage as demand weakens.

Canadian Pacific also experienced the early surge and noted that they had spent some billion dollars in improvements in the past five years within the United States.
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Mr. Cecil (Kyle Railroad) stated that grain loading has been excellent. They have increased their base fleet by some 500 cars and although the Fall has been slow the first quarter is looking good.

Ms. Saylor representing the ASLRRA commented on the issue of rail pricing and the market forces moving toward larger capacity/larger volume cars, possibly placing shortlines at a commercial disadvantage. (Additional discussion on this issue will take place later in the meeting.)

Mr. Voss (Ag Processing) commented on the somewhat adverse affect of larger cars on the shortlines and several minutes of conversation then took place between the various Class I’s concerning their future fleet acquisition strategies.

Mr. Barrett (NGFA) discussed three issues. NGFA’s recent agreement with Class I’s on arbitration and the performance of the field arbitration committee that appear to be working as expected. However, an issue concerning the loss and damage being experienced by country elevators that result from the batch weighing and failure to totally unload equipment received quite a bit of comments. Chairman Wendland asked for the support of the Class I railroads in providing their individual policies to the NGFA so that Mr. Barrett could get that information out to his membership. (See Attachment #1)

Mr. Voss commented on a separate committee that he chairs dealing with shuttle train operations and one of the concerns of his group is worker safety because of the quick turnaround that is needed. Mr. Voss reported that shippers and railroads are working closely on this issue to predict better estimates on hours of delivery in order to provide well-rested crews.

Mr. Klindworth then provided a rather comprehensive outlook on grain projections, both the current and pending years. In all cases there will be significant carry over with limited expansion going into the new harvest year. He also stated that while there will be a shift in the long term from export to domestic use, the impact from the pending inclusion of China in the WTO pact could have a significant beneficial effect on the movements of U.S. grain to China. Some estimates predict that over the next decade China will import an additional 35 to 40 million metric tons of grains. Mr. Klindworth believes that if the U.S. can maintain its current share of exports to China, then the U.S. could see a 33% increase in export tonnage. (See Attachment #2)
Ms. Saylor then led a discussion on the impact of the 286,000-pound capacity grain car being introduced in the market. There is a significant potential impact on shortline railroads that may be unable to handle such a heavy car on their property as well as the co-mingling of 286,000-pound cars with 263,000-pound cars thus resulting in potential penalties to many shippers. (See Attachment #3)

At the request of Chairman Wendland, Ms. Saylor agreed to chair a sub-committee to review the impact on the shortline railroads and she will be supported in her activities by Messrs. Owens and Birmingham as well as an individual to be named by the USDA.

Mr. Schmalbruch (Thrall Manufacturing) and representing the ARCI (a segment of the Railway Progress Institute) indicated the current status of freight car owners and the significant fall off in all freight car types as we move into the year 2000. What followed then was a general discussion amongst the group regarding the larger equipment being introduced in the market place and the current core fleet that is being serviced with the 4750 cubic foot car. From the conversation, it seems apparent that private car providers are becoming hesitant on investing in new technologies given the current imbedded fleet of 4750 cubic foot covered hopper cars being in surplus. However, from a demand side the move is clearly towards higher volume/higher capacity cars.

Prior to adjourning the meeting, Chairman Wendland indicated that based upon comments the next meeting would be held in Chicago sometime in March or April of year 2000.

Attachments (3)