Minutes
Rail Energy Transportation Advisory Committee
June 11, 2009

The Rail Energy Transportation Advisory Committee (RETAC) convened at the Surface Transportation Board (STB) offices in Washington, D.C., on Thursday, June 11, 2009. Jeff Wallace and Alan Shaw, co-chairs, called the meeting to order at 9:00 a.m. The meeting agenda and copies of documents presented during the meeting are attached separately to these minutes.

Attendance:

Surface Transportation Board:

Francis P. Mulvey, Acting Chairman
Charles D. Nottingham, Vice Chairman
Scott Zimmerman, Designated Federal Official

RETAC Members:

Jeff Wallace, Co-chairman
Alan Shaw, Co-chairman
David Rohal, Secretary / Treasurer

James Redding	William Berg	Bruce Blanton	Paul Hammes
Susan Arigoni	Stevan Bobb	Robert Gabbard	Kent Smith
Dan Kuehn	Sameer Gaur	John Hull	James Stem
Henry Rupert	Darin Selby	Darrell Wallace	
Ed McKechnie	Dan Sabin	Robert Hulick	

STB Acting Chairman Mulvey and Vice Chairman Nottingham welcomed the committee and noted the passing of former STB Secretary Vernon Williams. They also welcomed James Stem as the new committee member for the UTU replacing the deceased James Brunkenhoefer.

Minutes of the March 4, 2009, meeting of the RETAC Committee were approved.

Committee Treasurer David Rohal reported that the committee fund totaled $2175.

Meeting:

The meeting consisted of an update by Christensen Associates of the Supplemental Report on Rail Capacity and Infrastructure followed by an AAR briefing on infrastructure implications of stimulus legislation, House and Senate staff energy legislation updates, RETAC Sub-committee updates and a discussion on RETAC membership and officer terms led by Acting Chairman Mulvey. Presentation documents are attached.

Presentation on the Christensen Associates Supplemental Report on Rail Capacity and Infrastructure: Mark E. Meitzen and A. Thomas Bozzo (see attachment)

Christensen Associates was asked to analyze long term freight rail demand forecasts and comment on the implications of the analysis as it pertained to future capacity needs. Their analysis was focused on the DOT Freight Analysis Framework (FAF) and the Cambridge Systematics (CS) rail capacity study.

Christensen benchmarked FAF commodity flow forecasts against alternative macroeconomic and commodity-specific forecasts and analyzed the implications of alternative forecasts on projected railroad investment needs and funding ability. Use of the FAF and CS data was somewhat limiting because of the non-amendable, proprietary nature of the models. The effects of points such as fuel pricing, technological innovations (positive train control) and passenger rail initiatives were not considered.

The implications of the alternative macro forecasts pointed to substantial uncertainty in long term growth rates which could indicate lower future capacity needs but also affect railroad economics and the ability of the railroads to fund capacity improvements. The effects of the current economic downturn are still unclear as well as those of pending environmental legislation.

Christensen also reviewed future coal production forecasts and demand by producing regions. These forecasts varied widely in regard to future production by region and the effect possible shifts could have on rail revenues and the gap that could be created by lower revenues and the investment necessary to meet potential future capacity needs.

Related comments following the presentation included Acting Chairman Mulvey citing a Wall Street Journal article that quoted a study saying that useable US coal reserves may only last 100 years instead of the previous prediction of 240 years. Vice Chairman Nottingham suggested that world coal demand may increase in the future, driving increased US coal exports which could have unforeseen effects on rail transportation. Stevan Bobb suggested that the Christensen review may be too heavily weighted to the effect of coal on increased rail capacity needs. He said BNSF had never considered coal as a driver of rail capacity growth and that the growth in non-bulk freight should be given more future consideration.

AAR presentation on infrastructure implications of stimulus legislation: John Wetzel, VP Congressional Affairs (see attachment)

Mr. Wetzel initially reviewed the history behind the passing of the Obama Administration's stimulus legislation or economic recovery bill. Of the money authorized for economic recovery, $140B was set aside for infrastructure projects. Of that total $64.1B would be designated for federal transportation infrastructure investment and of that, $27.5B would go to highway formula funds including rail freight projects. In addition $8B was set aside for high speed rail (HSR) and intercity passenger rail projects and $1.5B for mega projects.

To date only about 1% of the $27.5B has been dedicated to freight rail capacity and infrastructure improvements in three states, Ohio, Virginia and Oregon. The balance of the funds appears to be going to highway improvements; though freight rail may benefit from discretionary mega project funding.

Freight railroads want to work with passenger rail projects to expand rail capacity in general for both, but the public interest would not be served well by having passenger rail service displacing freight rail service. The loss of efficient freight rail service would only increase trucking and with it, the deterioration of the highways and an increase in emissions. An industry alliance, "One Rail," has been formed to promote freight and passenger interests working together.

Dedicated separate tracks should be considered for HSR in the future. This is the norm in other parts of the world and a much safer option. Passenger traffic should not run on freight rail lines if it is going to exceed 90 m.p.h.

The need for increased freight rail capacity that has been studied continuously and identified has not been adequately acknowledged by the administration's stimulus package.

Discussion of current energy legislative agenda: Andrea Spring, House Energy and Commerce Committee and Tom Lynch, Senate Environment and Public Works subcommittee on Transportation and Infrastructure

Ms. Spring gave an update on the Waxman-Markey climate change bill indicating that the bill may come up for vote by the week of June 22nd. She indicated that the vote would be close and there were agriculture issues that may require compromise and that cap and trade might not pass this session.

She painted an uncertain picture for the future of coal. If carbon capture and sequestration (CCS) was not included in legislation then coal might not move forward as a fuel of choice. If CCS proved commercially viable then we might see a 15-30% increase in the demand for coal. A new pipeline system might be developed to transport CO2. The energy sector could expect ongoing attacks on all processes of coal including mining, burning, transportation and waste.

The cap and trade allowance provisions in the proposed legislation could also impact transportation fuels because of high carbon dioxide emissions. Trade impacted industries could get some benefit from the allowance program.

There currently are no direct funding provisions for clean coal technology in the bill.

The general consensus in regard to the passing of the legislation is that the legislation will be meaningless if other major and emerging industrial countries don't follow suit.

Mr. Lynch gave a brief update on several Senate bills dealing with anti-trust exemptions, captive shipper issues, energy and climate change and a surface transportation. He indicated that Senators Kohl and Rockefeller's bills likely would be delayed until Fall at the earliest because of other Administration bills (health care, etc.) that were getting more priority.

There were no details on a Senate energy bill or climate change bill but there was not expected to be the wholesale reductions in coal use in these bills that was coming out of the House.

A surface transportation bill was being discussed that may include a "Freight Chapter" that talks about the interstate highway system in light of NAFTA and other developments since the early 1990s. Further, the Senate Commerce Committee has a bill that focuses on rail taking more trucks off the highways, but at this point it is unknown whether the Commerce Committee bill will win consideration. The bill potentially could cost in excess of $450B with no clear way foreseen to pay for it.

Senator Baucus introduced S791,which includes reauthorization for a railroad grade crossing program.

Subcommittee reports:

Capacity – Henry Rupert

The subcommittee white paper had been approved by the RETAC committee and submitted to the Commissioners. The paper is being deferred to the Communications subcommittee for any additions it would care to make.

Performance Measures – Alan Shaw

The subcommittee is still gathering information under the direction of Betsy Monseu. It is working through a format/dashboard to generate discussion. The subcommittee may present a white paper at the next RETAC meeting.

Best Practices – Susan Arigoni (see attachment)

The goal of the subcommittee was reviewed. The subcommittee has identified best practices and those that need additional focus. The subcommittee has solicited comments from other RETAC members and has developed a consensus laid out by railroad, producer and receiver perspectives that will form the basis of a white paper to be presented at the next RETAC meeting.

Communications – Ed McKechnie

No update.

RETAC membership terms: Acting Chairman Mulvey

Acting Chairman Mulvey led the discussion. He stated that members could be re-appointed and that each member should tell the STB if he or she wanted to be re-appointed by Friday June 19th if possible.

Because all members were initially appointed for two year terms there was a need to stagger terms in the future, so that all member terms were not expiring at the same time. The STB was suggesting that the members could be divided into three groups and that the terms be extended to three years with 1/3 of the terms expiring in 1 year, 1/3 in two years and 1/3 in three years. A lottery could be set up to determine the initial length of term each member would serve, or the members could indicate the length of term they wanted to serve, 1,2 or 3 years and then every following term would be three years.

Officer terms will also be expiring and new Co-chairman and the Secretary/Treasurer will need to be elected at the Fall meeting.

Next meeting date:

September 10, 2009, 9 a.m., STB Headquarters