

EXECUTIVE SUMMARY

HEAVY TRAFFIC AHEAD

RAIL IMPACTS OF POWDER RIVER BASIN COAL TO ASIA BY WAY OF PACIFIC NORTHWEST TERMINALS

Transportation experts Terry Whiteside and Gerald Fauth, III, conducted an in depth analysis of the effects of export proposals on the rail system in the region that lies between the Pacific Northwest and Powder River Basin mines. The analysis is grounded in the publicly released announcements and permit applications by ports and coal companies of facilities on the planning boards. Several of the largest coal export related port expansions are currently in the formal permitting process, including Gateway Pacific Terminal at Cherry Point in Washington State and Millennium Bulk Logistics at Longview, Washington, Kinder Morgan Terminals at St. Helen's, OR, and Coyote Island Terminal at Port of Morrow.



KEY FINDINGS OF HEAVY TRAFFIC AHEAD

- » The U.S. coal export market is headed for explosive growth of coal movements from the PRB region in Montana and Wyoming to nine existing and proposed PNW export terminals in Oregon, Washington and British Columbia.
- » The projected movement of 75 million tons per year by 2017 to 170 million tons per year by 2022 will generate billions of dollars in annual revenues for railroad, coal and terminal companies.
- » Although BNSF, 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. Thus, BNSF can provide transportation rates which are significantly lower than UP and will likely capture the lion's share and dominate the expanding and lucrative PRB to PNW export coal market.
- » The total rail route miles potentially impacted cover an extremely broad impact area covering a total rail distance of over 4,000 miles. The impacted railroad route miles would directly impact over 48,977 acres based on a 100 ft. right-of-way (ROW).
- » The projected movement of 75 million tons per year by 2017 to 170 million tons per year by 2022 will equate to the movements of 27.86 to 63.15 loaded and empty coal trains per day. These repetitive 1¼-mile long loaded and empty coal trains will be going through numerous populated cities, towns, communities (such as Spokane, Washington, Seattle, Washington, Billings, Montana and Portland, Oregon), parks, forests, historical areas and other environmentally sensitive areas (such as Glacier National Park in Montana).

- » In addition to the obvious environmental and traffic concerns, the expected large coal volumes will result in several major choke points and bottlenecks and will likely cause rail congestion problems for the entire route. Many of the impacted railroad line segments, such as the line known as “The Funnel” from Sandpoint, ID to Spokane, WA, already have significant rail capacity and congestion issues.
- » Current railroad traffic, such as PNW import and export intermodal container traffic and export grain railroad traffic, would be adversely impacted by the reduction of rail capacity and would likely experience a deterioration of rail service, such as higher transit and cycle times and would likely incur higher costs in the form of higher freight rates and equipment costs.
- » The west bound movement of coal is likely to disrupt the frequency and reliability of inbound and outbound shipments of containerized traffic and that traffic would likely experience a diversion to California and Canadian ports where it will not be impacted by the congestion associated with the increased PRB to PNW coal shipments.
- » The two major cities that would be the most adversely impacted in terms of the expected export coal trains per day are: Spokane, Washington (pop. 208,916) and Billings, Montana (pop. 104,170). Nearly every PRB to PNW loaded and empty coal train would move through these two cities (up to 63.2 trains per day through Spokane and 57.6 trains per day through Billings).
- » There are many areas along the railroad routes which would require major upgrading and expansion of existing railroad tracks and related infrastructure which could cost billions of dollars. State and local governments would likely bear the brunt and burden of the related infrastructure costs in their localities and would likely be required to spend hundreds of millions of dollars in related mitigation, litigation, debt and other costs associated with the necessary improvements to accommodate export coal traffic levels.

ABOUT THE AUTHORS

Terry Whiteside is a principal in Whiteside and Associates, a transportation and marketing consulting firm. Terry has over 30 years of experience in transportation with both carrier and shipper representation. He has worked in private industry for several Fortune 500 companies including Conoco, Continental Pipeline and several of the Williams Companies and later headed up the Transportation Division of the Montana Department of Agriculture and the Litigation Bureau of the Transportation Division of the Montana Department of Commerce. W&A today represents most of the Wheat and Barley Commissions throughout the Western half of the U.S. The firm does work for utilities, lumber companies, agricultural manufacturers and government entities and most importantly the growers of grain.

G.W. Fauth is a recognized expert in transportation issues with 30 years experience, including the Surface Transportation Board where he served as staff advisor on transportation issues to one of the Commissioners. His experience includes economic, regulatory, public policy and legislative issues primarily associated with, or related to, the U. S. railroad industry. Most of his work has involved regulatory proceedings, litigations, negotiations, legislative efforts and related projects before, or related to, the U.S. Surface Transportation Board and its predecessor, the Interstate Commerce Commission. He has extensive experience working on projects involving railroad mergers, transactions, acquisitions, abandonments, rate reasonableness issues, railroad accounting and cost issues, railroad practices and other railroad related issues.

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