



MINNESOTA FREIGHT ADVISORY COMMITTEE

MEETING MINUTES

Friday, September 21, 2018
8:45 a.m. to Noon

Attendees:

MFAC Members Present:

Bruce Abbe, *Midwest Shippers Association*; Lydia Bjorge, *BNSF Railway*; John Brumbaugh, *Canadian Pacific Railway*; Ron Chicka, *Greater Minnesota Metropolitan Planning Organizations*; Jason Craig, *C.H. Robinson*; Meg Duncan, *Koch Logistics*; Ron Dvorak, *Lake Superior Warehousing Co. Inc*; Steve Elmer, *Metropolitan Council*; Mariah Ethington, *Transportation Club of Minneapolis & St Paul*; Bill Gardner, *MnDOT*; Todd Gilbert, *Valley Cartage*; Bill Goins, *FedEx*; John Hausladen, *Minnesota Trucking Association*; Jon Huseby, *MnDOT*; Justin Johnson, *Bay and Bay Transportation*; Wayne Knewtson, *Knewtson Soy Products*; Shelley Latham, *Perkins Specialized Transportation*; Michael Loney, *Medtronic*; James McCarthy, *FHWA*; Dan Murray, *ATRI*; Jon Olsen, *Minnesota State Patrol*; Neil Ralston, *Metropolitan Airports Commission*; Kathryn Sarnecki, *St. Paul Port Authority*; George Schember, *Cargill*; Troy Schroeder, *Minnesota Association of Regional Development Organizations*; Vicki Schwartz, *Schwan's Company*; Eric Sieve, *CSCMP*; Tracie Walter, *Bemidji Aviation*; Neal Young, *Minnesota Department of Employment and Economic Development*; Bob Zelenka, *Minnesota Grain and Feed Association*

Members' Alternates Present:

Lorraine Little, *Enbridge Energy Company, Inc.*

Guests & Speakers Present:

Andrew Andrusko, *MnDOT*; John Apitz, *Minnesota Regional Railroads Association*; Andy Cummings, *Canadian Pacific*; Peter Dahlberg, *MnDOT*; Francis Loetterle, *MnDOT*; Rick Olseen, *Congressman Rick Nolan's Office*; Laurie Ryan, *MnDOT*; Curtis Shuck, *Great Northern Corridor Coalition*; Charlie Zelle, *MnDOT*

Staff Present:

Gina Baas, *Center for Transportation Studies (CTS), University of Minnesota*; Nicole George, *MnDOT*; Claire Johnson, *CTS*; Michael McCarthy, *CTS*.

Welcome and Call to Order

Chairman Dvorak welcomed members, staff, and guests.

Dvorak then led introductions around the room.

MFAC Member Updates

- James McCarthy - mentioned USDOT support of truck platooning efforts and their importance for advancing connected and automated technologies.
- Bruce Abbe – there are changes to short haul exemptions and this will have impacts on the ag industry.
- John Hausladen - called attention to Electronic Logging Device requirement and suggested that it can provide a baseline for using data to maintain safety.
- Dan Murray - Hours of service change from new ATRI study released two weeks ago. ELD mandate says public sector can't use data, so ATRI is setting up ELD repository to massage data and work with public sector to use it legally.
- Ron Chicka – announced that MnDOT District 1 freight plan was released.
 - Bill Gardner – noted that deployment of plans is accelerating
- MnDOT Commissioner Charles Zelle – brought up problem of human trafficking and supported the committee continuing to monitor this issue.
 - Lorraine Little - Enbridge is working with trucking against trafficking. There are training events on September 26th and 27th around this initiative in Bemidji.
- Lydia Bjorge – US Rail safety week, excited to celebrate effort from railway industry. People don't understand safety around trains, public awareness efforts. Asked others to get involved on social media etc.
- Jason Craig – There are regulations coming up federally for transport of lithium batteries.
- Bill Goins – mentioned MSP recently rated best North American airport. For Delta, MSP is their second largest hub. There was a trip to Memphis in June with Commissioner Zelle and 18 other delegates to discuss partnerships and collaboration between the two regions. . A group from Memphis is scheduled to visit the Twin Cities in November.
- Rick Olseen – noted that the issue of mail theft has been brought to Congressman Nolan's attention. Bill Goins commented how carriers can better coordinate with law enforcement on this problem.

Trade Policy 101 Presentation – Jason Craig

Jason Craig gave a presentation that provided an overview of the impacts of changing trade policy on shippers and carriers in the freight industry. He explained the context and current state of trade policy in the US. The NAFTA is currently undergoing a modernization update, and a tentative deal has been reached with Mexico, while talks with Canada continue. Implementation of this deal will be in June 2019 at the earliest.

He provided a timeline of tariffs that are currently in place, specifically those Sec 232 (National Security) Tariffs, as well as Section 301 (Unfair Trade Practice) tariffs on goods from China. As of September 17th, a List 4 has been formally announced as a possibility. For the tariffs that have been imposed on China, China has acted in retaliation with its own tariffs on US goods, creating a trade war.

Summary of Trade as of September 24, 2017 (in billions) can be seen in table below:

Country				
China	\$505 (\$250)	\$130 (\$110)	56.7%	\$255 more for List 4
Canada	\$299 (\$13)	\$282 (\$13)	4.4%	None
Mexico	\$314 (\$3)	\$243 (\$3)	1%	None
E.U.	\$434 (\$3.2)	\$283 (\$3.2)	0.8%	\$200+ in autos

After giving this overview, Jason explained that the agricultural sector is very divided, and that there are companies that will be affected positively and negatively. Additionally, this policy is coming straight from the oval office. Lobbyists are frustrated with their lack of ability to influence.

Q&A

Dan Murray asked will China want to negotiate? Yes, US has leverage based on the two economies. The important question is what will be the overall impact.

Rick Olseen wanted to know how does the pork market play out? Pork has had 2 full months of tariffs (pork was on List 1). The panel following will address what we do about this.

Neal Young mentioned how Quarter 2 was a big growth quarter in agriculture. How will the tariffs impact this? We will have to consider pre buying and pre exporting impacts.

Impacts of Trade Policy Changes on Minnesota Panel

Moderator: Jason Craig, MFAC Vice-Chair, CH Robinson

Panel Members:

- Ron Dvorak, MFAC Chair, Duluth Cargo Connect
- Bruce Abbe, Midwest Shippers Association
- George Schember, Cargill

George Schember gave an overview of Cargill and the context of trade for the company. Cargill is global company, quarter billion tons of product shipped (red meat, poultry, grain etc). They ship 45 metric tons of items from Cargill location to Cargill location. Tariffs do impact Cargill, both in good and bad ways. However, the market will work and it will sort itself out. Transportation will shift with the market.

Bruce Abbe explained his perspective from a shipper association focused on agricultural exports. In Minnesota and regionally, unit train systems are used (predominately to head to China). This is a period of unprecedented turmoil for trade exporters. US has the best transportation system versus other countries. The markets will adjust and the agricultural market is very future oriented. Modal changes might occur

from containers to barges. The implications of this all is that we need a strong freight transportation system. We need to get to new Asian markets where we are seeing growth.

Ron Dvorak explained that Lake Superior Warehousing is in a public private partnership with Duluth Port Authority. The Duluth Port area covers maritime, rail, truck and air. On maritime side, Duluth Port is one of the largest ports by tonnage in the U.S. On the side of rail, Lake Superior warehousing handles more of this. Driven by importing pulp and wood products from Canada. Trucking is matter of trans-loading to rail or maritime. Tariffs have accelerated opportunities for people to look at alternative means of transportation. They have also opened up emerging markets on forest product side. As we look at the future, the more options available, the more successful everyone will be.

Jason then called out different modes of transportation and asked for members' thoughts on potential impacts.

- Air Freight – Tracie Walters (BA) said she has not seen a drop in freight in the Thief River Falls area.
- John Hausladen – asked if this will be an unprecedented trade war. Does the internet impact this?
- George Schember – information travels so much faster, this changes discussions. Everyone anticipates changes because we have all the information. What we don't understand is the follow-on impacts.
- Jason Craig – even a small company can identify a supplier much more quickly than they used to be able to. There are also industries now where there is 1 supplier for 1 good. Question remains what is the timeline for all these changes. What will be the new normal? These are big questions for supply chains.
- John Hausladen – previous intermediaries have been put out of the system (by companies like Amazon)
- Dan Murray – trade war is genius in a way. If we can make US goods cheaper through these negotiations, when China develops their middle class they will go into a recession (can't afford a middle class that wants to buy our goods). There are concerns about IP being stolen though.
- Ron Dvorak – small and mid-sized manufacturers found their space because of the internet. We can't rely on one mode of transportation.
- Bruce Abbe – most of our goods are going back to China. In Minnesota, too many imports and not enough exports. This is seen in problem with empty containers being shipped back to China.
- Jason Craig – we must look at this through the lens of politics, not just logically.
- George Schember – we are disrupting networks of transportation that were set up to be efficient. Productivity of our transportation system will go down.
- Bruce Abbe – we are internet based, we are a global economy, we want to be a part of this. We need to push back against China.

Local and Regional Rail Update

MnDOT Commissioner Charlie Zelle gave opening remarks. He called attention to the fact that the Great Northern Corridor Commission is truly a public private collation. He introduced Curtis Shuck, who would be presenting on GNCC.

Curtis Shuck from GNCC gave an overview of the coalition and its work. GNCC is an economic engine that influences 38 million Americans in 162 counties. Its mission is to promote a premier multistate and multimodal freight corridor. It will achieve this mission by acting collectively to promote public policy,

research and infrastructure development that protects and expands commerce on the corridor. There are changing trade patterns and the cargo battleground is in the US. The value of Great Northern Corridor is that we work together as a group, not everyone for themselves.

What makes up the GNCC:

- 8 North Central and Pacific Northwestern States
- 162 Counties Within 20 Miles
- 3,331 Railroad Mainline Route Miles
- 38 Regional and Shortline Railways
- 9 Interstate Highways, 11 U.S. Highways, and many key State/County Highways
- 15 Ports (Deep Water Seaports, Lake Ports, River Ports and Inland Ports)
- 54 Border Crossings/International Ports of Entry
- 2,322 Road/Rail At-Grade Crossings

The commission also works on policy issues such as: highway congestion, waterfront gentrification, port congestion and infrastructure needs. The Commission also works on social licensing, technology, and the 2018 Cosponsored BUILD projects.

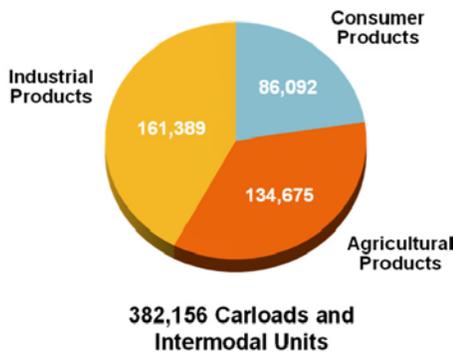
Lydia Bjorge then presented on BNSF Railway. She gave a greater context of railroads in America, explaining that in the U.S, railroads account for approximately 40% of all freight transportation. For U.S. railroads, intermodal today accounts for around 21% of revenue.

BNSF facts

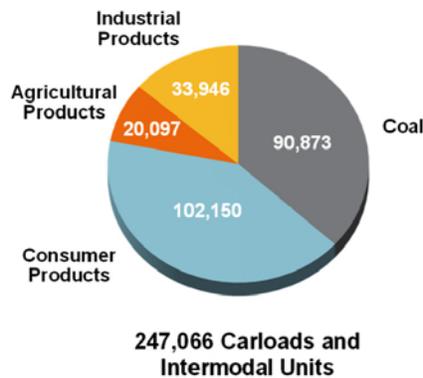
- 41,000 employees
- Approximately 8,000 locomotives
- Moves one-fourth of the nation’s rail freight
- Operates over 1,200 freight trains per day
- Leads rail industry in technological innovation

BNSF Volume – Minnesota in 2017

Products Shipped From Minnesota



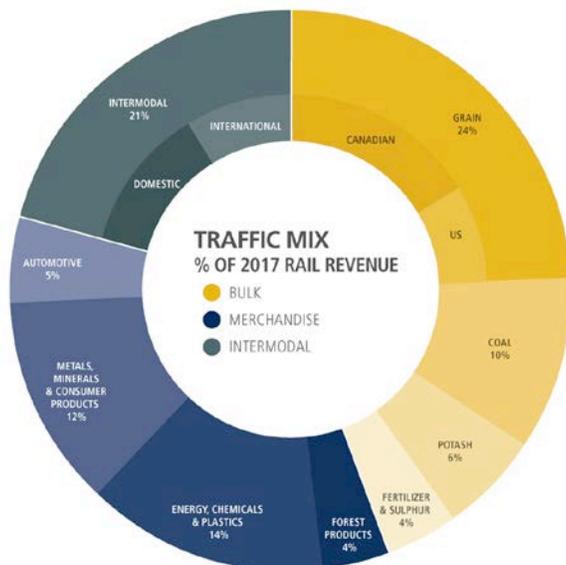
Products Shipped To Minnesota



BNSF has had many line expansion projects in 2018. Additionally BNSF has rolled out a new app called RailPass, for truck drivers. This app creates shorter wait times at AGS, has a personalized “my units” screen for drivers shipments, and also has an emergency safety button with a GPS pin to the driver’s location. In technology, BNSF is looking at equipment detectors, truck inspections, and big data. Positive train control is also an area they are involved in, with concerns of protecting freight trains & commuter trains.

Andy Cummings then gave a presentation on Canadian Pacific. CP’s success is founded on their

commitments to safety, efficient asset utilization, providing service, controlling costs and developing their people. Their ongoing investments in replacing depleted assets ensure the long-term sustainability of the business. Network upgrades also drive further productivity and capacity improvements.



In Minnesota, CP has major terminals at St. Paul, Glenwood, Thief River Falls and Waseca. CP has connections to all Class I railroads in the state. Additionally, CP connects with Twin Cities & Western; Rapid City, Pierre & Eastern; Progressive Rail; Minnesota Commercial; Northern Plains Railroad; Minnesota Northern Railroad; Cloquet Terminal Railroad. In 2017, there was a live lift opened at Portal, N.D. It eliminates delays to shipments passing through U.S. Customs. It also expedites service in Vancouver-Calgary-Minneapolis-Chicago intermodal corridor.

John Apitz presented in place of Mark Wegner, about Minnesota Regional Railroads. He spoke about smaller railroad lines. There are 17 small railroad lines. These came out of the deregulation of the railroad industry. TCW has had a conversation over safety and other topics with Met Council. He mentioned that the CP Christmas train will be going through St Paul Union station. Additionally, there has been a lot of community service from Twin Cities & Western.

The meeting adjourned at 12:00pm.