

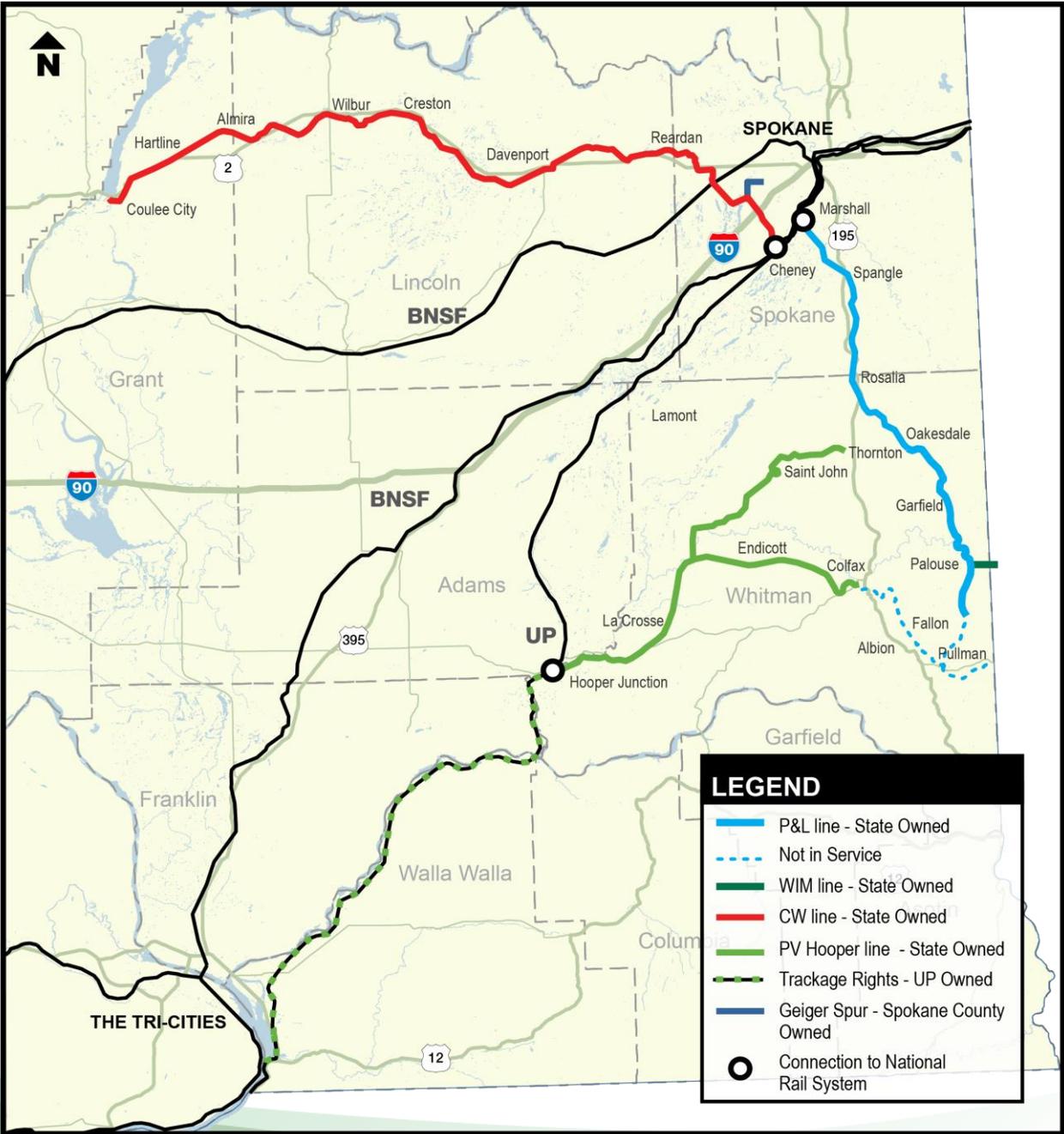
# Palouse River & Coulee City (PCC) Rail System Strategic Plan

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# Washington State owns the PCC Rail System



# The PCC Rail System

- A 297-mile rail system comprised of three separate branch lines spanning four eastern Washington counties.
- 20 percent of Washington-grown wheat was shipped on the PCC Rail System in 2013.
- The PCC Rail System was responsible for removing 37,000 truckloads from Washington state roadways in 2013.
- Commodities shipped by rail include wheat, barley, legumes, crop inputs, liquid propane gas and lumber.
- The State is investing nearly \$8 million in the PCC Rail System in 2013 – 2015.



# Why did the PCC Rail Authority and WSDOT develop the PCC Rail System Strategic Plan?

## Economics of moving wheat in Eastern Washington is changing:

- BNSF is requiring shippers to achieve greater efficiency and faster loading times.
- Shippers have invested or plan to invest nearly \$100 million in facilities located along PCC Rail lines.

## PCC system has needs for investment and operational improvement:

- Deferred maintenance
- Slow speed
- Underutilized sections and highly-utilized sections
- Land development



# What are the Key Components of the PCC Strategic Plan?

The plan has the following major components:

1. A description of the system inventory and current conditions.
2. Highlights the public benefits to the state of having retained the PCC's rail assets and provides a justification for continued, programmatic investment.
3. Recaps past public investments that have been made in the system.
4. Provides information about the private investments that are being made to improve existing rail loading facilities and to build new facilities along the PCC.
5. Identifies an unconstrained, 10-year list of unfunded capital project priorities for future consideration, as well as operational and policy improvements to pursue.

# What is the Condition of the PCC Rail System?

The combined investment by railroad operators and the state has not kept pace with the PCC system's maintenance and preservation needs.

- Crossties – 24 percent of the system's ties - 220,000 ties - are in poor or defective condition.
- Bridge condition – There are 157 bridges in the PCC system and many of them were constructed between the 1930s and the 1960s. The poor condition of some bridges has resulted in decreased operating speeds and an increased need for inspections in order to maintain safe operations
- Rail condition – Thirty percent of the PCC rail lines are only operational up to 10 miles per hour. Some of the rail is light weight and some is old enough to have developed defects that may cause breakage and train derailments.



# What are the Benefits of the PCC Rail System?

- The PCC provides a vital transportation option in one of the most productive wheat growing regions in the world: eastern Washington.
- Washington's wheat farmers and co-ops rely on the PCC freight rail system to keep their total cost of transportation low enough to be globally competitive.
- By reducing truck trips and the number of miles trucks travel on eastern Washington roads, the PCC has reduced maintenance costs, particularly to the county road system.
- Other freight-rail-dependent firms find property along the PCC to be an attractive option to develop and grow their businesses.

# What are the Findings of the PCC SWOT Analysis?

- **Strengths** – Shippers have proven their commitment to using the PCC by doubling carloads during the first five years of state ownership, and making significant private investments in their facilities along the line. Local support for the system remains high.
- **Weaknesses** – Deferred maintenance and the lack of funding for long-term capital needs is the most significant weakness of the PCC System. Slow speeds result in high operating costs and an inability to transport modern, heavier railcar equipment.
- **Opportunities** – The continued growth of carloads on the PCC represents the brightest opportunity. Emerging plans to develop adjacent property in Spokane County may provide additional carload revenue and help diversify the commodities carried on the PCC.
- **Threats** – The mainline railroads control pricing for PCC system users and operators; their pricing influences the level of investment PCC operators are able to make in maintenance. The growth of mainline rail traffic will impact both the service levels PCC operators can provide and the rates they charge.

# Public Response to the Draft Plan

- WSDOT held PCC Plan working sessions on the PCC SWOT analysis in Ephrata, Spokane and Clarkston in fall 2014. WSDOT met individually with dozens of stakeholders.
  - WSDOT and the PCC Rail Authority should do more to communicate the benefits the PCC provides to eastern Washington and the state.
  - Consistent state funding to maintain and improve the PCC would enable the state, shippers and rail operators to better plan investments and enable the PCC to meet the Legislature’s economic development goals (RCW 47.76.240).
  - As the primary beneficiaries of the rail system, shippers need to participate by funding maintenance and preservation needs of the system.
- An open house was held in Davenport on March 18, 2015.
- Several themes emerged from the public comments:
  - Maintaining and upgrading the system is the preferred strategy over railbanking or abandonment.
  - Many comments related to railbanking and abandonment of under-utilized sections of track on the system. In particular, the section between Colfax and Pullman received mixed opinions.

# Infrastructure Strategies

- Advance Priority Projects to Increase 286,000-Pound Railcar Capability
- Rehabilitate Track in the Curves
- Identify and Replace Defective Rail through Rail Integrity Testing
- Inventory, Load Rate, and Prioritize Bridges
- Address Ongoing Maintenance and Preservation Needs
  - Initiate an Annual Tie Replacement Program
  - Improve At-Grade Crossings
- Repurpose Rail Materials from Other Sources
- Replace Substandard Rail



# System Capital Needs

286k lb. Capacity Projects	Description		Cost
CW Cheney to Geiger	Replace rail and rehabilitate track		\$7,337,000
P&L Marshall to McCoy	Replace 11 bridges and repair 4 bridges		\$5,988,000
<b>Total</b>	<b>Total Cost</b>		<b>\$13,325,000</b>
Track Rehabilitation in Curves	Total Track Miles Rehabilitated	Rail Miles Replaced (incl. in total miles)	Cost
CW	16.1	16.1	\$15,920,000
P&L/WIM	20.2	5.2	\$9,020,000
Hooper	9.3	6.7	\$7,260,000
PV	10.8	6.6	\$7,520,000
<b>Total</b>	<b>56.4</b>	<b>34.6</b>	<b>\$39,720,000</b>
Replace Defective Rail			Cost
System wide Allowance	Estimated initial defective rail replacement		\$5,000,000*
<b>TOTAL (in 2015 Dollars)</b>	<b>Total Capital Project Need</b>		<b>\$58,045,000</b>

# Operational Strategies

- Improve Terms of the Operating Leases
- Evaluate the Grain Train Program
- Maintain Direct Access to River Terminals
- Strategically Consider Rail Banking and Abandonment
- Pursue Minimum Railcar Orders
- Establish Private Crossing Agreements
- Establish Industrial Track Agreements
- Ensure Access to Major Railroads



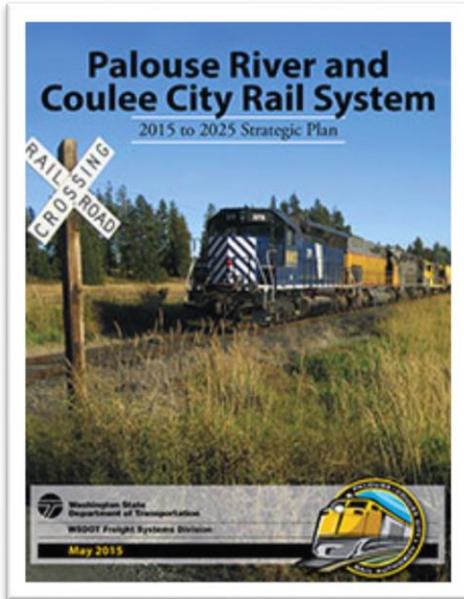
# Policy Strategies

- Determine Criteria for Private Acquisition
- Update Rail Benefit Methodology
- Pursue Alternative Funding
- Create an Economic Development Strategy
- Prioritize and Preserve Adjacent Land Use
- Develop and Report on Performance Measures



# The Legislature Has Provided Funding for Capital Needs

- \$1.467 million investment in CW line improvements made in 2015-17 biennium budget (2ESHB 1299).
  - Additional funds at the discretion of future legislatures with the intent that future legislatures will work to approve biennial appropriations until the full \$7.337 million cost of this project is reimbursed.
- Connecting Washington revenue package provides \$47 million over 16 years to rehabilitate the entire PCC system.
- WSDOT developing implementation plan for Connecting Washington Projects. PCC Strategic Plan will guide WSDOT's development of project plans to implement the rehabilitation funds.



# Questions?

View the plan:

<http://www.wsdot.wa.gov/freight/pcc>



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