

**MEETING MINUTES**  
**National Grain Car Council**  
**December 5, 2003**  
**Chicago, Illinois**

The meeting was called to order at 10:10am by NGCC Chairman Terry Voss, and was attended by 29 members and guests. Chairman Voss opened the meeting by welcoming everyone and asked the members and guests to introduce themselves. Following the introductions, Chairman Voss asked Secretary/Treasurer Keith Bouquet for a financial report. Mr. Bouquet indicated that, while the Council treasury was solvent with a balance of \$1184.18, and he saw no need to increase membership dues, he had only received dues from 16 of 25 members and needs to follow-up with the unpaid members.

Chairman Voss then asked STB Chairman Roger Nober if he cared to make any remarks. Chairman Nober indicated that he believes the Council remains an important forum to discuss grain movement issues facing shippers this year and in the future, and that he prefers an open dialogue, and is committed to listening and learning. He noted also the Board's Office of Compliance and Enforcement (OCE), headed by Mel Clemens, remains ready to assist shippers informally with matters involving railroad service. It was also noted by Chairman Voss, that the Council Charter was recently amended to make the STB Chairman the Council Co-Chair. Chairman Voss also noted that, under the revised Charter of 42 members, the Council remains 3 members short, two shipper-members and one equipment representative, and that Lynn Heiser, of A.E. Staley, had indicated that he would be interested in Council membership. Chairman Voss indicated also that, in accordance with the Charter, he would be making recommendations to Chairman Nober for additional members.

**REPORTS AND COMMENTS FROM MEMBERS AND GUESTS**

Paul Hammes, of Union Pacific indicated that UP was looking for a stronger corn program, and that service was sluggish in October. Paul indicated that, through June demand was flat, but that UP had increased the size of its grain fleet 1100 cars between January and December, bringing the fleet up to 22,800 cars, and that about 10,000 cars were allocated to its guaranteed services programs. Paul indicated also that UP was 7-10 days behind for vouchers and guarantees, that there were some cancellations, that they were not sold out in any month, and that shuttle train turns dropped 12-13% in December. Paul noted that UP's biggest crew shortage problem was in California, and that they were adding about 2,200 employees. He also noted that they were adding power resources, and 45 units were added in '03 and that 100 units had been purchased for '04. Chairman Nober asked if there were any problems being experienced with getting equipment back from Mexico. Paul indicated that equipment was not always returned in unit sizes as wanted but that it was generally not a problem. He did indicate that documentation on weekends remained a problem. Steve Bobb, noted that BNSF held shipments enroute to Mexico at U.S. locations awaiting documentation, and that many shippers did not want their shuttles to go to Mexico. Terry Voss asked what improvement would be realized if documents were improved, and Steve indicated maybe 10%. Chairman Nober then noted that he would be willing to have discussions with the Mexican embassy if that would be helpful. Paul indicated that UP's primary grain shipments to Mexico were whole corn, and that he would check with their Mexican desk to determine if there was a way in which the Board might be helpful.

Steve Bobb, BNSF reported that export business was off for the first half of '03, and that hiring has not been aggressive due to concerns about the economy and weak grain shipments at the time. He noted that the size of the harvest and the sudden increases in demand for grain movement consumed resources more rapidly than anticipated. PNW shipments, for instance, increased 32%. As for the concerns for the perceived reduction in the size of the grain-car fleet, BNSF attributes this reduction primarily to the reduction by shippers of the number of SWAPS cars in BNSF's fleet. He indicated also that the increased demand to move empty containers westbound consumed additional resources, and that resulted in slower cycle times and increases in guaranteed service delays. International container volume increased 15% in October while shuttle velocity decreased 13%. Looking ahead, he sees continued strong demand with new movements of soybeans that may not meet demand. Steve indicated that he believed the next capacity challenge would be the 3<sup>rd</sup> Quarter of '04, that he was concerned about ocean shipping rates, that he did not believe we would see similar crew issues going forward, and that he thinks the market wants more guaranteed capacity and BNSF would try and supply it. Steve also indicated that BNSF has restructured its business plan to better deal with uncertainties, and noted that the shuttle fleet consumes less than 30% of the car fleet but represents a greater percentage of the business.

Chairman Nober asked if the crew issues were systemwide. Steve responded that they were always crew-challenged in California, and that due to the fires, locomotive issues were everywhere, but that the network had recovered quickly. In response to a question by Mark Huston, Louis Dreyfus, about locomotives, Steve indicated that, as noted previously, they have significant locomotive purchases planned for '04.

Jim Shanley, J.D. Heiskell, reported that, with respect to the grain car situation, crews were an issue early on BNSF and UP involving shuttle trains, but that the market was robust and that car supply and cycle times are a function of a robust market. He indicated that he saw no evidence of a shutdown of domestic markets due to non-supply. Everyone was being supplied. He indicated that cycle times on UP were somewhat worse than on BNSF, but that it was not a meltdown and that railroads have an economic incentive to provide service.

Darrell Wallace, Bunge Corp., indicated that he had had shutdowns over the past six months, but that they were due more to the volume in the system as opposed to a shortage of cars. Going forward, he sees increased heavy demand, and noted that poorer service results in an increased demand for cars.

Randy Neumayer, ADM, indicated that they had not experienced shutdowns due to car shortages. He did indicate that there continued to be crewing issues and that OT-5 authority for private cars was becoming harder to get. He indicated also that he believed all the railroads had about the same issues.

Steve Colthurst, Land O'Lakes, indicated that he had some problems with corn and was sometimes not able to get product in time, particularly at some UP destinations. He says UP attributed the cause to crews.

Ed Simms, Tom Wade Companies, says that he is looking for relative normalcy through the summer with the exception of soybean movements.

Fred Sasser, Chicago Freight Car Leasing, indicated that, with respect to the car supply, some older cars were being scrapped, but that defective truck bolsters in cars with Mexican-built trucks were a major problem, and that the cars being lost to the system were not being replaced.

Keith Bouquet, First Union Rail, indicated that car supply was very tight, and that everything available was out on lease. And he indicated that, while everyone was surprised by the sudden depletion of extra cars, there were no new orders.

Terry Voss asked Keith about the lead time for the construction and acquisition of new Jumbo Covered Hopper cars. He indicated that the lead time was 6-9 months, and that the bolsters were an issue for newer cars, and that some new ones were coming in from China. He suggested that if cars with defective or potentially defective bolsters were removed, it would amount to about 14,000 cars.

Tom Brugman - NS, reported that grain business levels on NS have gone well, and that they faced a 400% increase in demand for soybean movement. From a car supply standpoint, NS sees a 50/50 mix of private and system cars. He indicated also that, railroads do repetitive types of services well as long as they are anticipated. However, the speed of harvest also places constraints on railroad planning, particularly for short distance grain movements turning 7-9 times per month. He indicated that soybean demand was about 6,000 cars per month, and that asian demand remained strong. He noted also that the railroad must focus on varying demand spikes which may mean that it must satisfy one area of demand in favor of another.

Debbie Butler - NS , indicated that NS had added 1300 new employees this year, even though it will be hard to replace some employees lost through buy-outs. She indicated that NS 's primary problem was with locomotives, but that November cycle times are improved. She indicated also that, while there had been some car shortages, they had been limited and that yesterday they were reporting only 44 cars short. Darrell Wallace, the representative from Bunge indicated that he was short more cars than that at one of his NS-served facilities. Debbie said she would follow-up with him on that issue.

Betsy Graverson - KCS, said they have responded to the bad order problem, and that their cycle times are better than a year ago. She said that they are about 10 days behind on orders, that exports are strong and that she expects this strong demand to last through January of '04.

Sharon Trudell, RRV&W RR, indicated that they experienced a record corn and soybean crop, and that they had developed a new program to reduce load time. She indicated that 2003 grain loadings were a record, that the wheat harvest was up 53%, and that she expected grain movements to remain strong.

Lynn Anderson, DM&E's representative indicated that this was their best harvest in several years, that DM&E has 4,000 cars in grain service, down 200 cars over two years, and wants to address fleet and system compatibility for 286's. He indicated that they have lost some engineers to the Class I's. He also indicated that, while demand remains strong, DM&E is current on orders involving the corn and bean business, and that they also are experiencing some problems associated with the truck bolsters. He also noted that, while Eastern carriers have an incentive for private car use, it is a problem for them.

Mark Bazaan, CP, indicated that, while production is up 37% for railroads in the Northern plains, Canadian production is 85% of normal, that they have 25,000 cars in the fleet, 23,500 in grain service, and 12,000 in Canadian grain and 80% in guaranteed capacity. Mark indicated also that they have fulfilled 60% of tariff orders this season, and 90% of guaranteed orders, and are running 14-16 days late on shuttles, 20 days late on Perks, and 25 days late on tariffs. He indicated that CN does not have a shuttle product similar to UP or BNSF, e.g., they operate 75-100 car unit trains with a 24-hour loading window. He also noted that they have a Shipper Advisory Board that provides information to the railroad. Chairman Nober inquired as to when the Advisory Board meets. Mark indicated that the meetings are in February and March. He noted also that they have added 130 new employees and plan to add 1,120 in '04.

Stephen Gehrt, CN, indicated that the Canadian crop was up 40%, with crew issues in the U.S. and power issues in Canada. The car fleet is approximately 3,500 cars in the U.S. and Canada. Orders are 5,600 cars per week and they are falling behind. Tonnage to the Gulf is 400% greater than last year.

Michael Haeg, RailAmerica, said their shippers are impacted because cars are off line longer than expected.

Keith Borman, ASLRRA, noted that the association had conducted a survey of their members, and one of the membership's conclusions was that car supply will be a future problem for the railroads. Further specifics of the survey were not shared at the meeting.

Council Chairman Terry Voss indicated that he would like to see more railroads provide an information scorecard similar to BNSF's. And there was also discussion of the grain situation report issued by DM&E/ICE. Finally, there was discussion of how shippers and carriers can work together to better forecast future harvests and thus plan for future car needs. It was noted that this is an area that the Council must seriously consider for the future.

Chairman Nober summarized the meeting discussions by indicating that, based on the comments of the participants, the existing problems with respect to the movement of grain appeared to be fluidity and not cars. The meeting was adjourned at 2:15p.m.