

Palouse River and Coulee City Rail System



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The Palouse River and Coulee City Rail System is the state's longest short-line freight rail system and spans four counties in eastern Washington. In 2007, the Washington State Department of Transportation (WSDOT) completed the purchase of this rail line to save it from abandonment.

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What is the PCC Rail System?

The former Palouse River and Coulee City (PCC) rail line, which is now called the PCC Rail System, is a 300-mile short-line freight rail system that provides direct rail service to shippers, manufacturers, and farmers in eastern Washington. The PCC is the second largest rail system in the state, and consists of three separate railroads located in Spokane, Lincoln, Grant, and Whitman Counties.

The lines indirectly serve hundreds of eastern Washington farmers through grain cooperatives that ship grain after purchasing it from the farmers. Although the lines are primarily used to haul grain, the operators of the three branches also handle fertilizer, raw materials for a bio-diesel plant, liquid propane gas (LPG), and lumber.

The three branches that comprise the PCC Rail System are:

- **PV Hooper** branch that runs from Thornton to Winona, and from Hooper through Winona to Colfax.
- **CW** branch that runs from Coulee City to Cheney.
- **P&L** branch that runs from Marshall through Pullman to the Idaho border near Moscow, and from Palouse directly east to the Idaho border where it meets a line owned by Watco Companies.

The portion of the PV Hooper branch that ran from Colfax to Pullman was severed by a fire that destroyed a trestle near Colfax in August 2006. The line is now used by the operator of the P&L branch for storage.

Why did WSDOT purchase these lines?

In 2007, WSDOT completed the purchase of the PCC Rail System from Watco Companies, Inc. (Watco). Watco could not economically rehabilitate or maintain the lines after it purchased them from major railroad companies. Those companies had also deferred performing maintenance because of economic viability issues. As a result the lines suffered increasing maintenance problems as they deteriorated over time. After attempting to develop business for a number of years, Watco finally

considered abandoning the lines because they were not profitable. In making that determination, Watco cited the expensive maintenance conditions mentioned above, increased competition from the existing truck-to-barge shipping mode, and the truck-to-Ritzville rail shuttle operations that began in 2002.

When grain shippers and other rail shippers learned of the possible abandonment, they urged the state to purchase the lines to allow continued access to rail shipping, to preserve the rail infrastructure for future use, and to protect highway infrastructure from overuse.

- **Rail Access** - Growers in eastern Washington asked that the state intervene to keep all of the lines operational to provide competitive shipping alternatives. The grain cooperatives expressed concern that truck-to-barge rates and truck-to-Ritzville rates would increase if the lines were not available to ship their product.
- **Protecting Infrastructure** - WSDOT indicated the lines may be of future importance for emerging industries such as biodiesel. If the lines were to leave state control, it would be challenging to protect them from abandonment. If abandoned, the right of way would be difficult and very costly to re-acquire. The closure of the lines would mean that traffic would be diverted to surface streets, with the potential for seasonal road closures, congestion, and increased maintenance costs.

How much did the lines cost? Who is operating these lines?

\$5.8 M	Purchase of the PV Hooper and P&L Branches in 2004.
\$9.7 M	Purchase of the entire CW Branch and additional property, and the operating rights in the other two branches in 2007.
\$3.6 M	Fund provided in the 2007-09 biennium for immediate rehabilitation.
\$8.6 M	Provided in the 2007-09 biennial budget; the funds were granted to the PCC Rail Authority to further rehabilitate the lines.
\$27.7 M	Total

As part of the purchase agreement, Watco will continue to operate the PV Hooper branch under a lease signed with the state in November 2004 and modified in 2007.

Washington and Idaho Railway Inc., located in Marshall, Washington, was selected to operate the P&L branch beginning in June 2007, under an operating lease from the state.

Eastern Washington Gateway Railroad, located in Davenport, Washington, was selected to operate the CW branch beginning in June 2007, under a state lease agreement. On March 5, 2009, after discussion with the PCC Rail Authority, WSDOT served a notice to terminate the operating lease effective July 3, 2009. WSDOT will begin an RFP process to select a new operator.

to help prevent major service disruptions until at least 2014.

The trestle just east of Colfax that was destroyed by fire in August 2006 severed the PV Hooper branch from the P&L branch. In 2008 WSDOT studied the costs of reconnecting the lines at the burned bridge and also by rebuilding the connection between Thornton and Oakesdale. It would cost \$9.4M to reconnect the line between Colfax and Pullman, and \$7.3M to reconnect it between Thornton and Oakesdale (not including right of way acquisition). A 2009 study revealed that business and economic development benefits of reconnecting the branches were much lower than the costs.

What is WSDOT's current role in operating these lines?

WSDOT oversees the operators' compliance with regulatory requirements, and activities associated with the physical plant of the railroads. It works closely with the PCC Rail Authority, which was formed by Grant, Lincoln, Spokane, and Whitman Counties to oversee the business and economic development aspects of the operating leases.

What are the next steps for the PCC?

In 2007, WSDOT identified areas along each branch where rehabilitation was needed to preserve operations for two years. The work was performed by private contractors in 2008 and 2009. In 2009 the legislature appropriated \$8.6 million for additional rehabilitation. WSDOT granted the funds to the PCC Rail Authority, which requested WSDOT to administer the funds. Projects on each line have begun that are designed

