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Kalispell, MT 59901

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August 13, 2015

The Honorable Anthony Foxx, Secretary
U.S. Department of Transportation
1200 New Jersey Avenue. SE
Washington, DC 20590

RE: Kalispell Trail- FCEDA Rail Park/ TIGER VI Grant Application

Dear Secretary Foxx;

I represent Northwest Drywall and Roofing Supply, Inc. (Northwest Drywall) who previously wrote to you on April 24, 2014 in support of the Kalispell project. I have been directed to communicate to you that **Northwest Drywall withdraws their support of the Kalispell Trail- FCEDA Rail Park/ TIGER VI Grant Application and asks that the application be denied.** I ask that you forward these concerns to the appropriate persons or committee tasked deciding the TIGER Grants.

Northwest Drywall is one of two railcar users in downtown Kalispell and thus is a major private stakeholder impacted by this project. Northwest Drywall has been in business since 1988 and employs 29 people in Montana with 13 people being based in Kalispell. It's a closely held, family owned corporation competing against lumberyards and big box stores in a tight market.

Rail service is essential to Northwest Drywall's continued operation. Northwest Drywall weathered the recession and has found a way to compete and grow in a tough business climate. Enclosed you will find letters from their suppliers that further explain the essential function of rail service to this business. The present location has been a contributing factor to Northwest Drywall's success and is sufficient for their present and future needs.

The other Kalispell rail user is a large farm cooperative that has apparently struck a deal to move, understandably seeing a benefit in consolidation of its fractured facilities and considerable increase in grain storage; vastly different than Northwest Drywall's situation. Northwest Drywall now sees the move of the co-op as a disadvantage, as it isolates them as the end of the line rail user.

Northwest Drywall was asked in 2012 to support the Kalispell Rail Park and did so based on assurances that moving their business to the rail park would be in their economic best interest. They wanted to be “team players” and saw the community benefit to the rail relocation. It was made clear that they would consider moving if it could be done “apples for apples” to a like facility requiring no “new money” from this business. Northwest Drywall specifically communicated that they wanted nothing more than they had now and that they saw distinct disadvantages to moving. They were looking for a 30,000 sq. ft. building, fee simple, and an indemnification agreement for hazardous waste on the site. They needed a pull-through bay for semi trucks, a fenced secured yard for fleet and storage materials, with no overhead obstructions. They also sought separate (not shared) rail access, ramps for box cars and access to both sides of the rail for side-load cars. They required good visibility, good access and parking for retail, and good access for their trucks to major highways. Northwest Drywall was led to believe these requirements would happen and were provided preliminary alternative locations within the rail park on several schematics.

Northwest Drywall is not motivated by the desire to obtain a new building. Their existing building is adequate for their needs in Kalispell. They recently acquired an old building in Helena and modified it to meet their needs. A new building would cause them to incur additional expenses without the promise of increased revenue.

After a long period of no communication, Northwest Drywall was told in April of this year by the consultant for the project the minimum amount of land available was five acres (two acres more than their needs) at an unreasonable lease price (not fee simple) and was threatened that they faced a rail “embargo” if they stayed in their present location. They were promised a formal offer but have yet to receive one, and have yet to be told where in the rail park they are to be located.

When considering the withdrawal of support from the TIGER grant Northwest Drywall agreed to meet with a committee made up of the Mayor of Kalispell and a FCEDA board member to examine options and work out a solution. In spite of their best efforts over several meetings and phone calls the parties have been unable to arrive at an agreement. Northwest Drywall was even willing to take on \$200,000.00 in new debt to facilitate an agreement, but believes it cannot sustain more debt than that and still be a profitable business. That is in part because moving to the rail park will not increase and will probably decrease their revenue. Northwest Drywall sees the rail park as inferior in access and visibility to its customers, and a significantly impaired location from a transportation standpoint, especially for their delivery trucks which would drive through a residential neighborhood and school zone to reach its customers North of Kalispell. Northwest Drywall should not be expected to subsidize this project beyond what is profitable.

The conclusion Northwest Drywall has reached is that the proposed project is not economically feasible. It’s not in their best interest, and they will take all lawful means to oppose it. Neither does it make sense at the lease rate of 40 cents/sq. ft. to expect anyone else to relocate or establish a new business in the rail park. It’s a boondoggle in the making. While the ultimate removal of rail service might someday be best for downtown Kalispell, it should not be

at the loss of this business stakeholder nor with such poor planning and tremendous expense to the taxpayer.

Sincerely,

A handwritten signature in black ink that reads "Tom Esch". The signature is written in a cursive, slightly slanted style.

Tom Esch

enc.

cc; The Honorable Jon Tester, United States Senate
The Honorable Steve Daines, United States Senate
The Honorable Ryan Zinke, United States House of Representatives
The Honorable Mark Johnson, Mayor of Kalispell
R. Howard Hill, DOT Office of Infrastructure, Finance and Innovation
Jeannie Luckey, FCEDA board member
Ted Kadau, Watco Transportation Services
FCEDA



July 13, 2015

Pam Mower
Northwest Drywall and Roofing Supply, Inc
160 8th Avenue W N
Kalispell, MT 59901

Pam,

This letter is a follow up to our conversation earlier today regarding trucking vs. rail into your Kalispell, MT location from our manufacturing facilities in Colorado and Albuquerque, NM

Per our discussion the trucking situation for the West, and the entire country, is at 100% capacity with no relief in sight. I have listed below the current issues in the trucking industry.

- Trucking industry running at 100% capacity for entire country
- Median age driver is 56 years old
- Turnover rates with carriers is greater than 70%
- Stringent requirements for hiring drivers (hard time hiring drivers)
- Reduction in driving hours
- Cost of equipment have risen 40% due to more stringent requirements (carbon emissions)
- Cost have increased substantially to MT due to geographic location (natural gas boom)
- No back hauls out of Montana-very costly shipping trucks

Without the ability to ship your locations via rail it would be extremely difficult to service your account and could cause interruption with product reaching your business. As I mentioned above, it is extremely costly and difficult to find carriers that would haul material to Montana. Rail service allows for inventory management control and is a cost savings for both Northwest Drywall and American Gypsum.

Regards,

David Bates
Director of Sales West
American Gypsum Company
480-620-4249
david.bates@americangypsum.com



7/8/15

Pam Mower
Northwest Drywall and RoofingSupply, Inc.
160 8th Avenue W N
Kalispell, MT 59901

Pam,

I am sending this letter as a follow up to our discussion yesterday regarding shipments from our plant facilities in the West to your Montana locations.

As discussed, the current trucking situation dictates that movement of products into your Montana locations requires the use of rail. It is extremely difficult to find flatbed freight carriers who will take loads into Montana due to the lack of available backhauls. In addition, there is a significant flatbed capacity constraint in the West, and nationally, where there currently exists a situation where there are 1 2/3 available freight loads to ship per available flatbed carrier available on a daily basis.

The trucking issues are a result of loss of capacity during the economic downturn, new, more stringent requirements on equipment (carbon emissions), and significant reduction in driver hours as a result of new federal regulations and guidelines. Additionally, a significant portion of the driver workforce is over 55 years of age, and the industry is having a difficult time replacing this aging and retiring workforce. Industry experts predict it will be late 2017 to early 2018 before these issues move in a positive direction.

Without the ability to ship to your locations via rail, you could be in a position where your business could not function due to lack of product to sell. Rail service is a critical component regarding both inventory availability and management, and reasonable cost controls within your business.

Regards,

Greg Palandrani
NW Region Sales Manager
CertainTeed Corporation
6350 NW Front Avenue
Portland, OR 97210
503-467-1355
greg.z.palandrani@saint-gobain.com



CertainTeed Roofing



Georgia-Pacific

Georgia-Pacific Gypsum LLC

133 Peachtree Street, NE
8th Floor
Atlanta, Georgia 30303

July 13th, 2015

Pam Mower
Northwest Drywall & Roofing Supply, Inc.
160 8th Avenue W N
Kalispell, MT 59901

RE: Trucking vs. Rail

Pam,

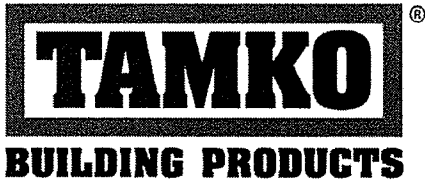
Per our conversation regarding servicing your Kalispell, MT location via Rail from our gypsum manufacturing facilities.

With the trucking industry currently running near 100% capacity, and an ageing workforce, restrictions on driving hours, increased regulations on equipment it has become increasingly difficult finding carriers to ship to into the Kalispell, MT,

Rail is an essential mode of deliver, it would be extremely difficult to meet your current volume needs without it, rail is also more cost effective than truck, One Rail-Car equates to approximately Four-Truck loads of gypsum products.

Best Regards,

Todd Eyres
Senior Field Sales Manager
Pacific Northwest
Georgia-Pacific Gypsum LLC
801-310-1584



Corporate Headquarters
220 W. Fourth Street
P.O. Box 1404
Joplin, MO 64802-1404

DATE: 7/22/2015

To: Pam Mower

From: Jeff Richey – Territory Manager

Re: Rail-side Access for Northwest Drywall's Kalispell Branch

It has come to my attention that rail service into your Kalispell branch may be disrupted or disappear entirely in the future. I'm writing today to express the significance that rail service plays in the ongoing business relationship between Northwest Drywall and TAMKO Building Products. Over the past 12 months, all TAMKO product that came to your Kalispell branch arrived by rail. Over the many years we have done business together, rail has been our primary means of supplying that branch. Given the competitive nature of roofing products in your market, the advantages of rail service has given us needed tools to make servicing Kalispell economically and logistically viable. The components of our relationship that are impacted directly by transportation to your Kalispell location include:

- **Price:** Although transportation costs can vary significantly over time, shipping via rail has provided economies of scale. Transportation costs make up a significant portion of the total cost of the product delivered to your Kalispell branch. Shipping by rail provides TAMKO the ability to remain price competitive compared with other suppliers who are geographically closer to Kalispell.
- **Trucking Volatility:** The last two years have seen a significant increase in both the price of trucking freight and the volatility of truck availability. Driver shortages, increased trucking demand and the relative remoteness of Kalispell from major shipping lanes all combine to make trucking the shipping option of last resort. There would have been periods of time during the past two years when we literally could not have supported shipments to your branch because of truck availability.
- **Logistics:** Moving TAMKO product by rail saves administrative overhead costs for both our companies. We can move more product with less administrative effort using rail.

Losing the ability to support rail shipments into your Kalispell branch would change - for the worse - fundamental components of our business relationship. It is my hope that you are able to secure your rail-side access for many years to come and we can continue growing our businesses together.