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<http://mainerailgroup.org>

A non-profit group working to enhance rail service in Maine

September / October, 2012

Greetings Members and Friends

Crude Oil By Rail

Long unit trains of tank cars now routinely move crude oil east bound through Maine to the refinery in St. John, NB, with empties returning westward.

We continue to follow the recent growth of crude oil deliveries by rail from the Bakken Shale regions of North Dakota and other western locations to reach refineries not served by long-distance pipelines, motivated in part by favorable delivered product cost differentials between domestic and overseas-sourced crude.

Since our last newsletter, these recent reports edited from American Association of Railroads Weekly Traffic of Major U.S. Railroads report and Progressive Rail Daily News [PR], illustrate the national scope and size of this developing rail business:

- Through the 34 weeks ending August 25 major U.S. railroad traffic in petroleum products totaled 326,214 cars versus 231,652 cars for the corresponding 2011 period – a 40.8 percent increase. For the week ending August 25 petroleum traffic was up 55.7 percent year-on-year. [AAR]
- BNSF Railway Co. has increased capacity in the Williston Basin in North Dakota and Montana to the point the railroad now can haul 1 million barrels of crude oil out of the region daily, officials at the Class 1 announced yesterday (9/4). ... “BNSF has been hauling Bakken crude oil out of the Williston Basin area for over five years. In that time, we have seen the volume increase nearly 7,000 percent, from 1.3 million barrels in 2008 to 88.9 million in 2012,” said David Garin, group vice president–industrial products. [PR 9/5]
- This month, Farmrail System, Inc. plans to begin an expedited track rehabilitation project between Clinton and Sayre, Okla. ... the work will enable longer blocks of originated crude oil to be moved more expeditiously from the Anadarko Basin, Farmrail officials said in a news item posted on the company’s website. ... The \$6.8 million project–which primarily will be funded by a federal Transportation Investment Generating Economic Recovery III (TIGER) grant - is slated for completion by second-quarter 2013. [PR 9/5]
- Savage announced completion of a BNSF-served crude oil terminal near Trenton, N.D. ... to handle

crude oil extracted from Williston Basin and Bakken Shale, and facilitate transportation to key refinery markets. The terminal features truck receiving stations, pipeline connections, crude oil tanks and a double loop track designed to accommodate two 118-car unit trains.... BNSF will deliver crude oil from the terminal to East Coast, West Coast and Gulf Coast markets. [PR, 8/29]

- PBF Energy plans to further expand crude-by-rail shipments at its Delaware City, Del., refinery. The company rails 20,000 barrels per day of western Canadian and Bakken Shale crude oil into the Delaware City facility. Work is under way to more than double rail offloading capacity to 40,000 barrels per day by January 2013, PBF Energy officials said in a prepared statement. ...
Meanwhile, GT Logistics L.L.C. (GTL) announced it completed the first phase of construction of rail lines at its Port Arthur, Texas, “GT OmniPort”, which provides rail car storage and transloading services. The rail terminal has direct access to BNSF Railway Co. and Union Pacific Railroad mainlines and can receive units pulling up to 250 cars. After a rail storage capacity expansion project is completed on 300 acres, the facility will be able to store, switch and transload more than 1000 rail cars, GTL officials said in a prepared statement. [PR 8/29]
- L.B. Foster Co. obtained a contract from Railworks Track Systems Inc. to supply 11,000 CXT® concrete ties for construction of an unloading facility at the Tesoro oil products refinery in Anacortes, Wash. The refinery is at the western end of a railway transport system that will feature 800 tank cars carrying 40,000 barrels of crude daily from Tesoro’s Bakken Shale operations in North Dakota. The concrete ties will support a high-capacity rail unloading system designed to accommodate four 110-car trains simultaneously, according to L.B. Foster press release. Final delivery of the ties is slated for year’s end. [PR, 8/15]
- Today, Plains All-American Pipeline L.P. announced plans to build crude oil facilities in Tampa, Colo. and Yorktown, Va. and modify its Yorktown terminal. To be completed by third-quarter 2013, the project is estimated to cost \$125 million.
The Tampa facility will be located about 50 miles northeast of Denver and served by BNSF. The terminal is designed to receive crude oil by truck and pipeline and load the product onto manifest trains at a rate of up to 68,000 barrels per day. The facility

will accommodate increasing crude oil production in Colorado's Denver-Julesburg Basin, Plains All-American Pipeline officials said in a prepared statement.

The Yorktown facility will be built at the company's existing multi-product terminal and be served by CSX Transportation. ... It is designed to receive unit and manifest trains and maintain an unloading rate of up to 130,000 barrels per day. [PR 8/6]

Maine East West Highway Study Slowed

On August 14 Maine Governor Paul LePage announced that the \$300,000 independent feasibility study of the proposed East-West highway between Calais and Coburn Gore would be slowed to ensure a thorough and thoughtful process, which could take years. This decision follows a request by Senator Doug Thomas (R-Ripley), a principal study sponsor, to place it on hold recognizing public concerns regarding the specific route location, land acquisition and foreseeable impacts on the regional environment and travel.

Maine Rail Group urges that any East-West highway study thoroughly explore the use of existing Maine rail lines as alternatives to building the new road – especially the intermodal freight option.

High volumes of containerized intermodal freight regularly travel by rail around northern Maine on the Canadian National line connecting Halifax, N.S. with Montreal and beyond. Lesser intermodal volume is observed on the Montreal, Maine & Atlantic and Pan Am Railway lines connecting westward from New Brunswick Southern Railway operating between St. John, N.B. at Brownville Junction and Mattawamkeag, Maine respectively. If demand for freight to move across Maine is now or predictably strong enough to justify a new East-West highway, why can't MM&A and PAR handle more of this traffic?

Intermodal rail-truck freight is a large and growing factor in U.S. and Canadian transportation. AAR's Weekly Traffic report of 8/25 shows 9.3 million rail carloads originated year to date in 2012, compared to 7.7 million (smaller) intermodal units. For the same 2012 period car loadings decreased 2.4%, (weighted down by a 9.3% drop in coal), while intermodal units rose by 3.6%, compared to 2011.

Intermodal Canadian freight across Maine avoids gross vehicle weight road limit differentials between jurisdictions. Logic suggests that customs and security issues can and should be equally weighted for truck and intermodal movements across these international borders, if they aren't already. Investments for truck-rail transfer facilities and upgrades to rail infrastructure would be incremental as justified, compared to massive,

up-front outlays for the proposed highway and its connections.

Mountain Division Bridge Meeting

Maine DOT has announced a public meeting to discuss replacement of the rail bridge over the Mallison Falls Road in Windham on Thursday, September 27, 6:00 pm at Conference Room # 1, 8 School Street, Windham.

This small bridge was converted for trail use after track was removed and the State acquired the Mountain Division corridor between Westbrook and South Windham. Track from Westbrook to the vicinity of this bridge was recently replaced, leaving a gap of roughly one mile to connect with continuing state-owned track from the Route 202 crossing in South Windham to the New Hampshire border at Fryeburg.

According to the MaineDOT announcement: "This work includes modification of abutments, approach ballast reconstruction, and construction of concrete beams supporting a concrete deck. No changes are proposed to the existing roadway section of Mallison Falls Road."

PAR Withdraws Private Crossing Fee Hike

As reported by Bangor Daily News, 8/15, Pan Am Railways has withdrawn its request for increased fees and liability insurance for private railroad crossings that were announced by a letter to property owners on private roads last February.

A meeting with residents, Pan Am officials and Rep. Dennis Keschl, R-Belgrade, took place at the North Belgrade Community Center the evening of August 14.

Quoting the article, "Keschl said Pan Am would be looking to amend a law regarding recreational activities near private crossings. Title 14, Revised Maine Statutes already limits the liability of a railroad company if someone is injured while on railroad property while engaging in recreational or harvesting activities. The amendment would broaden the railroad's liability protection by including injuries or damage suffered by homeowners who live on private roads. During the meeting, Pan Am agreed to stop the fees until a bill is brought before the Legislature, according to Keschl".

Private crossings are of broad concern to Maine railroads due to the historic proliferation of such crossings, the increase in crossing conversions from seasonal or agricultural use to year-around access with attendant snow plowing and icing issues, and liability risks. [Ed.]

Mixed News for Maine Rail Freight Outlook

The good news:

- Traffic has tripled along the 233-mile long Maine Northern Railway since the State purchased the line and leased it to the J.D. Irving Ltd. company. [Mainebiz, 8/13]

- Great Northern Paper Company announced Thursday (8/2) that it plans to restart a second paper machine at its East Millinocket mill, adding 50,000 tons per year finished product and 37. [Mainebiz 8/3]
- Verso paper mills in Jay and Bucksport are getting extra work due to permanent closure of a sister facility in Sartell, Minn.

The not-so-good news:

- A shuttered New Page paper mill in Port Hawkesbury, N.S. may reopen with Canadian government assistance, adding capacity for super calendared coated paper that will compete with Maine mills for similar product, in a market with limited demand.

Strategic Advantages of Moving Mail By Rail

This article is edited from the Executive Summary of a report of this title by the U.S. Postal Service Office of Inspector General, July 16, 2012. The complete 26-page report, RARC-WP-12-013, is available on the web via USPS OIG.

The U.S. Postal Service has a long and storied history of moving mail by rail dating from the very beginning of the railroad industry in the early 1800's. ... However, today the Postal Service meets its surface transportation needs almost entirely by using trucks owned by highway contractors. In fact, in 2011 the Postal Service spent more than \$3.3 billion on highway contracts and only \$40 million on freight rail contracts. By contrast, postal competitors have greatly expanded their use of rail and have worked hard to realign their networks with the nation's railroads. ...

The USPS Office of Inspector General (OIG) Risk Analysis Research Center (RARC) found that by increasing its use of intermodal rail the Postal Service could save transportation costs, gain long-term strategic advantages, and still continue to meet existing service standards. While fully realizing all potential cost savings would take time and effort, some savings are achievable without changes to the current network. The modernization of the rail industry has made it a viable, cost-effective option for meeting some of the Postal Service's long-distance surface transportation needs. ... Key findings include:

- *Intermodal rail has become an industry standard for efficient long-distance freight transportation and is a best practice that could cut postal costs dramatically.*
- *The OIG estimates that in the short term, shifting a portion of mail volume to intermodal rail could yield cost savings of about \$100 million per year without changes to the Postal Service network.*
- *By realigning its processing and transportation network and strategically recommitting to the use of intermodal rail, the Postal Service could save significantly more in the long run.*

- *Because railroad-owned logistics companies now work to facilitate the use of intermodal rail for its customers, moving to intermodal rail would be easier for postal management than in the past.*
- *Competitors such as UPS and FedEx have become major users of freight rail over the last decade just as the Postal Service has moved away from it. In fact, UPS is now the single largest user of intermodal rail service in the United States. J.B. Hunt, one of the Postal Service's largest highway trucking contractors, now earns about 60 percent of its revenues from intermodal rail operations.*
- *The rail industry has invested more than \$460 billion in capital improvements since deregulation in 1980 and continued to invest heavily even during the recent recession. Such private investment is under the industry's control and is greatly expanding the efficiency and capacity of the rail network. In contrast, highway improvements are largely outside of that industry's control and capacity is not expanding sufficiently to meet demand.*
- *The use of intermodal rail can contribute significantly to reducing greenhouse gas emissions and meeting Postal Service environmental goals.*
- *Because of its lesser sensitivity to fuel price increases, its stable labor capacity, and greater control of its own infrastructure, rail transportation has major, long-term strategic advantages over highway. The Postal Service could benefit now, and particularly into the future, by having intermodal rail play a larger role in its transportation mix.*

"Knowledge Corridor" Restoration Progress

Edited from www.mass.gov/governor press release: Holyoke – Monday, August 27, 2012 – Lieutenant Governor Timothy Murray today joined Congressman John Olver, Congressman Richard Neal and Mayor Alex Morse of Holyoke for a first look at the potential site of the upcoming Holyoke Passenger Rail platform and announced construction is now underway to restore passenger rail service along the Connecticut River rail line known as the Knowledge Corridor. Funded through a \$73 million federal grant by President Barak Obama's American Recovery and Reinvestment Act (ARRA) High-Speed and Intercity Passenger Rail program, the Knowledge Corridor project will restore Amtrak's intercity passenger train service to its original route by relocating the Vermonter from the New England Central Railroad back to its former route on the Pan Am Southern Railroad. ...

Construction is currently underway to replace 20,000 rail ties from Greenfield to the Vermont border. The Knowledge Corridor project is currently on track to bring rail service to Northampton and Greenfield in 2014. Holyoke is beginning the design process for Holyoke Train Station and rail work is expected to begin this fall.

In related news RT&S reported the following on 7/24:
Nearly \$21 million in federal funding has been formally approved for the Springfield, Mass. Union Station and the Pioneer Valley Transit Authority, according to a statement from Rep. Richard Neal's office. Approximately \$17 million will be used in the planned renovation of the historic landmark in the city's northern blocks region and an additional \$3.9 million will be directed to the PTVA for the maintenance of the local public transportation system.

U.S. Secretary of Transportation Ray LaHood will visit Springfield to meet with local officials to discuss the \$45 million redevelopment project and tour the train station. The complete restoration of the Union Station into a regional intermodal transportation center is expected to cost \$45 million. The building is owned by the Springfield Redevelopment Authority. Demolition of a portion of the facility will begin later this year and construction work will start in the spring 2013.

Springfield Union Station was built in 1926 and closed in 1973 except for platform use by Amtrak shuttle service to New Haven, Northeast Regional trains to Washington, D.C., and stops for the Lake Shore Limited and the Vermonter.

More Amtrak News

[Mainebiz 7/13] Downeaster sets revenue, passenger records

The Amtrak Downeaster has broken its ridership record for the seventh consecutive year. The Boston-to-Portland train saw 528,292 riders in fiscal year 2012, which ended in June, the highest in its 10-year history, according to the Northern New England Passenger Rail Authority, which manages the service. FY2012 ticket revenues of \$7.4 million also set a record.

[PR 7/10] Yesterday, Amtrak released an updated report of its efforts to expand capacity on the Northeast Corridor (NEC) and upgrade the system to accommodate faster trains. ... Among the report's highlights:

- The FRA is expected to complete a Passenger Rail Corridor Investment Plan by 2015.
- After receiving feedback from states, commuter-rail agencies and other NEC stakeholders and users Amtrak changed its 2010 NEC master plan. Changes include adding the Gateway program to increase track, bridge, station and tunnel capacity from Newark, N.J., to New York City's Penn Station; revising the alignment of the proposed next-generation NEC high-speed rail route to travel

through Providence, R.I., rather than Woonsocket; and changing various proposed stations.

- The new business and financial plan indicates greater-than-anticipated ridership demand and associated revenue for the future Amtrak service.
- The schedule and large capital expenditures in the peak period of planned construction should be modified to strengthen opportunities for public and private-sector funding.
- Amtrak should pursue a phased approach to NEC improvements that would improve reliability, increase capacity and reduce trip times as quickly as funding would allow. The approach will help the railroad strengthen its financial performance and provide additional capital funding to support the program's other elements.
- A combination of funding, policy decisions and cooperation from federal, state and local governments, NEC users, regional partners, the private sector and Amtrak are necessary to advance the program. Public leadership and funding is essential during the early years.

[PR 8/29] GOP platform calls for ending Amtrak subsidy, high-speed rail funding

Yesterday at their national convention in Tampa, Fla., Republicans approved a party platform that calls for ending federal funding for Amtrak and high-speed rail, and allocating more federal transportation dollars for highway projects instead of other transportation options, such as public transit, bicycling and pedestrian programs, according to national news reports. ... In particular, the platform takes a tough stance on Amtrak, calling it an "extremely expensive railroad."

INTERESTING TIMES AHEAD! (Ed.)

Mark Your Calendars

- TrainRiders Northeast Annual Meeting, Thurs. Sept. 13, Harraseeket Inn, Freeport, Thurs. Sept. 13, 5:00-9:00 pm
- Maine Rail Group meeting, Friday Sept. 28, 6:30-8:30 pm, Hallowell, Maine City Hall
- GrowSMART meeting (including Infrastructure session), Tues Oct 23, All Day, Augusta Civic Center, 7:30 am registration opens
- Great Falls Model Railroad Show, Auburn Middle School, Sat. Nov 3, 10:00 am – 3:00 pm
- Maine Transportation Conference, Thurs. Dec. 6, All Day, Augusta Civic Center
- Amherst Railway Society Show, Big E, W.Springfield, Mass. Weekend, Jan. 26, 27, 2013
Please check our website for updates

MRG, Inc. is a non-profit corporation dedicated to railroad education and enhanced rail services in Maine and New England. Membership is open to everyone who shares our goals and interests. Annual dues are \$25. Regular meetings are bi-monthly. Inquiries are welcome.