

MRG, Inc. (Maine Rail Group)
P.O. Box 5494, Augusta, Maine 04332
<http://mainerailgroup.org>

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

July August 2020

Greetings,

MRG, Inc. 2020 Annual Meeting

Maine Rail Group held its abbreviated 2020 annual meeting by ZOOM on Saturday, June 20th. President Russ Barber reported on activities in 2019, Treasurer Ed Hanscom summarized our financial standing, and Richard Rudolph discussed plans to pursue the vision for passenger rail to and through Augusta.

With 31 member ballots for directors returned, the following slate of ten directors was elected by near-unanimous votes:

Russel Barber	Belfast	President
Mike Byron	Augusta	Director
Edward Hanscom	Gardiner	Treasurer
Robert Holland	Rockland	Secretary
Stanley Koski	Augusta	Director
David Potter	S. Gardiner*	Director
Richard Rudolph	Portland	Director
Jack Sutton	Belgrade	Director

MRG, Inc.'s next regular virtual meeting by **Zoom** is scheduled for Wednesday, July 22 at 6pm. Please contact MRG, Inc. President Russ Barber (rustyrailsis@gmail.com) for the link to this meeting.

Pan Am Railways For Sale

TRAINS.COM, by Bill Stephens, June 29, 2020 (italics)

BILLERICA, – New England regional Pan Am Railways is for sale.

The privately held company, owned by 78-year old Tim Mellon and other investors has enlisted BMO (Bank of Montreal) Financial Group to assist with a potential sale transaction, according to multiple railroad sources.

Pan Am officials did not respond to a request for comment.

Industry observers say there will be considerable competition to buy Pan Am, which operates on 1,700 route miles and is the largest regional railroad in North America.

"I would expect that everyone is going to be interested in it," says independent railroad analyst Anthony B. Hatch.

Despite changing traffic patterns in New England, Pan Am has been profitable every year since it was founded in 1981 as Guilford Transportation Industries.

The system stretches from the Albany, N.Y. area to Maine and includes trackage of the former Maine Central, Boston & Maine, Portland Terminal, and Springfield Terminal railroads. A haulage agreement with a trio of Irving short lines – Eastern Maine Railway, Northern Maine Railway, and New Brunswick Southern Railway extends Pan Am's reach into northern Maine and St. John, New Brunswick.

Pan AM and Norfolk Southern in 2008 formed a joint venture called Pan Am Southern that consists of 437 miles of rail lines and trackage-rights routes, including the B&M main line between Mechanicville, N.Y. and Ayer, Mass. that provides NS access to the Boston area via its so-called Patriot Corridor. Pan Am's Springfield Terminal subsidiary operates the Pan AM Southern, which also includes the north-south route Pan Am uses between White River Junction, Vt., and its branches in Connecticut via Springfield, Mass.

In the event of a sale, it's unclear whether a new owner could simply step into Pan Am's shoes, the Pan Am Southern or if NS would buy Pan Am's stake in the joint venture. An NS spokesman declined to comment.

Pan Am connects with three other Class I railroads – CSX Transportation, Canadian National, and Canadian Pacific – and 14 short lines.

Potential acquirers include shortline holding companies such as Genesee & Wyoming, Omni-TRAX, and Watco. G&W already has a major presence in New England through its four railroads in the region, which include Pan Am connections New England Central, Providence & Worcester, St. Lawrence & Atlantic, and Connecticut Southern.

Infrastructure funds could emerge as buyers, as well, Hatch says. Notable deals last year included Brookfield Infrastructure Partners taking G&W private, as well as First State Investments acquiring shortline holding company Patriot Rails & Ports.

Also possible suitors: CN and CP, both of which have said they are interested in buying adjacent shortline and regional railroads. CP just completed its acquisition of Central Maine & Quebec, which connects with Pan Am in Maine.

"We know the Canadians are looking to grow by offline acquisitions," Hatch says. But CN has apparently passed on the opportunity to bid on Pan Am.

Editor's Comments:

The pending PAR sale introduces questions that will only be answered as the sales process unfolds and concludes. Here are a few of the uncertainties regarding freight and passenger rail service introduced by this news:

Freight:

- Will future operator(s) continue to maintain or increase the scope of investment, service and business development now evident in observing today's PAR system?
- Will PAR's announced plans materialize to upgrade its mainline between Royal Junction and Northern Maine Junction?
- Will services to low density branch lines and customers be continued, improved or risk elimination?
- What, if any, changes may be in store for PAR's Waterville shops and other facilities for in-house maintenance and for outside contracting?
- States' rail plans: How will future operator(s)' business plans fit with states' rail plans and economic development goals?

Passenger:

PAR now hosts *Downeaster* passenger services administered by Northern New England Passenger Rail Authority (NNEPRA) and operated by Amtrak on its lines in Maine and New Hampshire. Those trains continue in coordination with Massachusetts Bay Transportation Authority (MBTA) on MBTA tracks between New Hampshire and Boston.

- Will current agreements for *Downeaster* operations between NNEPRA, MBTA, Amtrak and PAR be continued under post-PAR ownership(s) - or be subject to renegotiation?
- Will prospective owner(s) of PAR assets show positive or negative attitudes toward maintaining and expanding current levels of passenger services on PAR-owned lines?
- Will NNEPRA's visions be pursued for a new passenger station on the PAR main line in Portland, for a Westbrook – Commercial Street link in Portland, and for a new station stop on the *Downeaster* route in West Falmouth?

Passenger Rail Northward Through Augusta

Maine Rail Group continues its focus on future passenger service from Brunswick to Augusta and

Waterville. Ideally this service will extend to the Bangor region as passenger forecasts, economic development, environmental benefits and funding sources dictate.

Short term goals:

- Preserve the state-owned railroad corridor between Brunswick and Augusta and its railroad infrastructure intact from competing interests, to maintain the realistic potential for future passenger rail service through Augusta;
- Gain legislative approval and funding for a professional study, overseen by NNEPRA, to outline such services - including coordination with existing *Downeaster* operations, station sites, frequencies, rolling stock requirements, economic development and environmental benefits, capital costs and operating budgets, and anticipated sources of funding. We expect this study to be funded by a combination of state, municipal and private sources. Favorable study results are essential to compete successfully for federal implementation funds.

A committee of MRG, Inc. directors meets by Zoom on a regular basis to focus on these short term goals. We believe that coordination with NNEPRA, MaineDOT, TrainRiders Northeast, major municipalities and public interests throughout central Maine is critical for success. We are working to build that support in spite of pandemic disruptions to public transportation, meeting restrictions and PAR sale distractions.

Grafton & Upton Railroad Reconnects at Milford

The G&U last saw service between Hopedale and Milford, Mass. in the 1980's. Some track had subsequently been removed. Now, the earlier 85 lb/yard rail is replaced with 115 lb/yard rail for 286,000 lb. carloads and new sidings are added in Milford and Hopedale to support freight business. The reconnection was officially opened in mid-June and celebrated with a golden spike ceremony.

The first trains over the reconnected line were two MBTA passenger trains that moved to and from the MBTA maintenance facility during work on the Worcester main line. The G&U extension will support freight development on their line and will also provide a link via Franklin, Massachusetts to CSX and Massachusetts Coastal Railroad assets south of Boston.

Mass Coastal RR Keeps Ownership at Auction

In June, Massachusetts Coastal Rail retained control of its operations in southeastern Massachusetts by a winning bid of \$2 million, at an auction sale conducted by Zoom by San Luis & Rio Grande Railroad, Inc. (a/k/a

Iowa Pacific Holdings). Backup bidder was First Colony Development & Rail Holdings Co. (G&U owner).

UP Closes “Cold Connect” Service to Rotterdam, NY

Past issues of this newsletter discussed the former *Raillex* operation at Rotterdam, New York, where unit trains of modern climate-controlled rail cars delivered produce and perishables from western United States sources to a specialized warehouse for transfer to trucks for delivery to northeastern destinations. Union Pacific (UP) operated the trains eastward to Chicago, where CSX handled them to Rotterdam and back. Raillex started the service in October, 2006 and UP acquired it in April, 2017 - re-branded as “Cold Connect”. The first western loading point was a warehouse in Wallula, WA, followed by a second loading site in Delano, CA.

For a time was envisioned that a related system to ship potatoes and broccoli by rail from northern Maine to Rotterdam for combined local distribution might be feasible, given improvements taking place with the rail system in northern Maine.

However, in mid-May of this year UP announced the permanent closure of their Cold Connect service, affecting 162 jobs in Rotterdam. UP cites Covid-19 - related impacts on volume and low truck prices as reasons for this closure.

Based on published information it seems like a drastic step was taken to curtail a once-promising vision for cross-country rail shipments of sustainable, high volume commodities. As observers can only speculate on other reasons that might underlie this decision. For example:

A separate report of May 10, 2020 in the Malheur Enterprise (east-central Oregon) describes a reload center served by UP planned for Nyssa, Oregon. It claims 490,000 tons of onions per year are shipped primarily to the east from the Nyssa region. Some of these have been trucked to Wallula, WA for transfer to UP - a one-way road distance of roughly 225 miles. Trucking cost savings of \$1- \$2 million per year were projected. That news invites these questions:

- Were the impacts of cost and time for local trucking to and from central collection and distribution warehouses seriously underestimated for the Cold Connect operation?
- Does the expectation of future competitive truck costs from larger, driverless, convoyed and electric powered trucks enter into the decision?
- Does the model of 55- refer car trains on “hot shot” cross country schedules conflict with precision scheduled railroad models that now emphasize fewer, longer and slower freight trains?

- Is there enough now view this as an opportunity to develop alternative ways to compete effectively in this important market - or retreat as it goes the way of Maine potatoes from rail to trucks?

Drop in Amtrak Ridership Spurs Service Cuts

Edited from The New York Times, July 3, 2020, by Pranshu Verma (*italics*)

This article offers background on efforts to scale back Amtrak’s long range trains. The following letter by Richard Rudolph, president Rail User Network and MRG, Inc. director, to U.S. Rep. Peter DeFazio protests these efforts.

Amtrak has long wanted to cut back on long-distance train routes that span America’s heartland, but political pressure from Congress has made it next to impossible.

...Since March, Amtrak has not been spared effects of the pandemic, with an internal analysis showing a 95 percent drop in ridership, and revenue projected to fall by 50 percent in 2021 ... The rail agency announced last month it would cut up to 20 percent of its work force by October. It also will suspend daily service on long-distance train routes that service over 220 communities across the country, according to industry experts... The moves have been met with skepticism and anger.

Amtrak received letters from 16 senators last week asking why it needs to enact such steep cuts since it already received \$1 billion in emergency aid. The agency had also requested nearly \$1.5 billion in additional funding on top of its standard \$2 billion budget request for 2021.

....Critics argue Amtrak’s cutbacks are not a surprise, and fall in line with the agency’s recent desires to prioritize profitability and the reduction of long-distance routes. The rail agency receives federal funds but is independently run. “I fear that the Covid-19 pandemic is convenient reasoning to do that which Amtrak, over the past several years, has determined to do,” said John Robert Smith, a former chairman of Amtrak’s board, and that is to dismantle the national system.”

June 22, 2020

U.S. Representative Peter DeFazio
Chairman, U.S. House Committee on
Transportation and Infrastructure

Dear Representative DeFazio,

We are writing on behalf of our members, as well as the millions of Americans who depend on Amtrak’s national rail network to travel for business, see relatives, seek medical attention, food and other

necessities of life. This is an urgent request to you and the other members of the U.S. House Transportation and Infrastructure Committee to take action to stop Amtrak from reducing passenger rail service on its fifteen long distance routes as of October 1. After July 4 there will no longer be two daily trains to Florida. (Auto-Train not included).

We had hope that the new president at Amtrak, William Flynn, would maintain the national passenger rail network especially since Congress has already provided an additional \$1.02 billion dollars through the passage of the Cares Act to cover revenue lost resulting from the decline in passenger riders using Amtrak services during the Covid 19 crisis. But that is not the case. Like his predecessor, President Flynn has a similar background having worked in the airline industry which competes with Amtrak for the same customer base. If long distance train service is discontinued on certain days, potential riders will look to the airlines for an alternative transportation mode. This suggests an inherent conflict of loyalties that must be given strong congressional oversight and strict scrutiny.

While Amtrak deserves credit for maintaining all long-distance departures during the worst of the pandemic, its proposal to introduce “less-than-daily” service on all long distance routes except the Auto-Train in FY 2021 is at best ill-conceived or worst a conscious effort to dismantle the national system all together. Less than daily service which was tried in the 1990’s ended up costing Amtrak more in lost revenue than what it was able to take out in the way of expenses, given the fixed cost nature of the operation. As the pandemic eases, cutting service is absolutely the wrong message to send to bring customers back to Amtrak. All trains should be DAILY! A customer should not have to consult a calendar to see if their train is running on any given day!

According to Amtrak’s data, ridership is already coming back. Ridership and revenue remains suppressed but long-distance ticket revenues climbed 71%, from \$6.8 million to \$11.6 million, between April and May. Operating with approximately the same frequencies, Northeast Corridor billing rose about 60% from \$1.5 million to \$2.4 million, and state supported trains generated less than a 50% increase, from \$2.3 million in April to \$3.5 million in May. “The existing long-distance service provided almost double the May revenue of Corridor and state-supported operations combined.”

While RUN’s Board of Directors is reaching out to our members to encourage them to talk to their elected representatives and U.S senators about Amtrak’s plans we need your committee’s help as well. As members of Congress you have the authority and also the responsibility to make sure that Amtrak is operated in the public interest. Please reach out to your counterparts especially those who represent voters who live in rural America where daily train service is vital. If it turns out that more money is needed to maintain the current service, we certainly support Congressional action to appropriate additional funds.

We do hope you can honor our request. Thank you very much.

Sincerely,

Richard H. Rudolph, Ph.D.

Richard H. Rudolph, Ph.D.

Chairman, Rail Users Network

Mark Your Calendars

- MRG, Inc. meeting, **July 22, 6:00pm**
- MRG, Inc. meeting, **Sept. 16**
- MRG, Inc. meeting, **Nov. 11**

For the MRG, Inc. board, Jack Sutton

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