

MRG, Inc. (Maine Rail Group)
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<http://mainerailgroup.org>

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

March / April, 2010

Dear Members and Friends:

Membership

Congratulations and best wishes to Len Mulligan on his retirement as NNEPRA Manager of Passenger Services for Maine's Downeaster trains. The enthusiastic turnout of colleagues, associates and friends at the reception honoring him on the evening of his last day of service testifies to the widespread respect Len has earned.

Welcome aboard to new members Ms Connie Tuller, Anthony Donovan and John Sholtis.

Stimulus and TIGER Program Grants Results Are In

Maine received an FRA Stimulus Program grant of \$35 million to extend Downeaster service from Portland to Brunswick. Orders are ready to be issued and work set to begin as soon as funds are actually released. Start of service is forecast for late 2011 or early 2012. The project includes platform work at Brunswick and Freeport. Initially, two daily trains in each direction are planned. This grant is the product of intense effort by Patricia Quinn, Executive Director - NNEPRA, in cooperation with PanAmRailways, MaineDOT, Maine public officials and TranRiders Northeast. It was "shovel ready" when the funding opportunity arose.

Maine Eastern Railroad announced that it will initiate year-around passenger service to Rockland connecting with Downeaster trains at Brunswick when the new service begins. Maine Eastern also expresses interest in operating passenger service between Brunswick and Augusta. That would run on some 33 miles of track currently in place that requires upgrade not yet funded.

Amtrak's Vermonter train benefits from Stimulus awards to Connecticut, Massachusetts and Vermont totaling \$160 million that will improve track conditions and raise speed limits between New Haven and St. Albans. Upgrade of PanAm Railway's Connecticut River line track, signal and passenger stations between Springfield and East Northfield, Massachusetts will accommodate the Vermonter's return to its original route, eliminating the present "dog-leg" through Palmer, thus reducing miles and travel time.

Amtrak's Northeast Corridor between Boston and Washington, D.C. receives \$112 million funding for engineering and environmental work for a new tunnel in

Baltimore, a new station at BWI airport and other projects in Rhode Island, New Jersey, Maryland and Washington, D.C.

TIGER (Transportation Improvement Grants for Economic Recovery) funds were requested by MaineDOT for rail improvements in the Calais – Woodland – Eastport region for economic development and rail access closer to Eastport. Grants were also requested for the Sarah Long Bridge that carries public road traffic and a lower level railroad track with moveable span over the Piscataqua River serving the Portsmouth Naval Base at Kittery; for Montreal Maine and Atlantic Railway rehabilitation in northern Maine to prevent its abandonment; and for Maine's section of the Mountain Division railroad. Grants announced on February 17 included only \$14 million for Maine, to be shared between the Ports of Portland, Searsport and Eastport for port equipment and storage facilities not directly rail-related. While disappointing to Maine's rail interests, this result is no surprise, since nationwide \$57 billion in TIGER requests competed for the \$1.5 billion available under the program (2.6% success rate). However, the efforts to develop Maine's unsuccessful grant requests may pay dividends as future funding opportunities arise.

Grants to other states that improve rail routes elsewhere in the eastern U.S. through which Maine goods move are significant to Maine rail shippers and receivers. The States of Alabama and Tennessee receive \$105 million toward Norfolk Southern's \$224 million project to improve intermodal freight service between the East and Gulf Coasts. Ohio, Pennsylvania, West Virginia and Maryland will share \$98 million toward \$183 million of improvements to CSX Railroad's National Gateway Freight Rail Corridor. That upgrades existing capabilities of CSX's freight rail corridor in these states by modifying vertical clearances to allow for double stack intermodal trains, providing cost-effective alternatives to long-haul trucking. PanAm Railway's Class 1 Railroad connects with Norfolk Southern and CSX. The Illinois Department of Transportation won \$100 million toward the \$162 million CREATE program to de-bottleneck freight rail traffic in the Chicago region, through which 25 percent of U.S. rail traffic passes.

Montreal Maine & Atlantic – Possible Abandonments

On February 25 MMA filed with the Surface Transportation Board to abandon some 233* miles of railroad in Aroostook County, Maine. The lines at risk run

northward from Millinocket to Madewaska, with easterly branches to Houlton, Presque Isle, Caribou and Ft. Fairfield. Last year MMA had signaled its intention to take this action if business on these lines did not improve to a level where they were not a serious drain on its financial position. Business has declined from over 15,000 revenue carloads in 2005 to about 9,000 carloads in 2009, with uncertain prospects for an early turnaround due largely to the depressed condition of the forest products and building industries upon which the railroad depends.

Speaking before the Maine Legislative Rail Caucus on February 23, Robert Grindrod, MMA President explained that the railroad's STB filing starts the clock on a mandatory 110 day deadline for the Board to render its decision to approve or deny the application. If approved the railroad, at its option, can continue operations for up to another year. MMA owns the track and the underlying property. Grindrod said his company's primary goal is to relieve the lines in question of their share of MMA's debt totaling some \$43 million, without which they could be operated on a break-even basis at current business levels. MMA has no plans to abandon service on its north-south line between Millinocket and Searsport, its east-west route between Brownville Junction connecting with the Canadian Pacific near Montreal and the potentially isolated segment between Madawaska and Van Buren that serves Fraser Paper Company..

State Representative Charles Theriault (D-Madawaska) has sponsored LD-1748, An Act to Authorize a General Fund Bond Issue to Purchase and Upgrade Trackage of the Montreal, Maine and Atlantic Railway. This bond would raise \$20 million to purchase and upgrade 241* miles of MMA track to maintain service and prevent closure of the trackage. MaineDOT hired the firm Railroad Industries Inc. of Reno, NV to provide third-party due diligence on the proposed abandonment. Their 47 page report of Feb. 11, distributed to the Legislative Transportation Committee hearing on February 18 concluded:

"The bottom line discovered from this research and analysis is that the operation can indeed be viable with the traffic on the line, but this will take some commitments from other stakeholders in order to remove the risk of further declining traffic. The risks that would harm traffic and hamper a new operator from succeeding include:

1. If the new operation were solely reliant upon MMA for interchange and connection to other railroads, there is a risk that any service issues with MMA would impede service efforts for a new operator.

2. Inability to develop competitive rates for shippers due to interchange carrier rates and fees, either by MMA and by other carriers in the routing."

[Note: Mr. Grindrod responded to these concerns at the Feb. 23 Rail Caucus meeting by explaining that it would be in MMA's business interest for a new carrier to succeed; further, that interchange rates and conditions are set by established railroad practices and procedures.]

"3. Any decline in traffic, which would need to be sheltered by commitments from the shippers.

4. Timing on who will hold the debt in order to acquire the line. Delayed commitment on this issue could harm the entire deal with MMA or position with the STB.

5. Commitments on contributions to remedy the deferred maintenance. Those stakeholders with the most to gain or lose may need to be approached to step up and commit contributions to the capital costs for the rehabilitation of the line."

[Note: Mr. Grindrod said at the Rail Caucus that deferred maintenance, while large, can be addressed incrementally over a period several years while freight operations are maintained.]

"The State of Maine will need to make a firm decision on how badly it wants to preserve rail service. This is likely the last chance to preserve rail service for this area, as once a line is abandoned, it will likely never be reclaimed. The State and the region need to determine and compare the costs of losing rail service in the area now and for the future."

RII's report estimates the net liquidation value (NLV) of the threatened lines as follows:

	<u>Miles</u>	
Madawaska Subdivision	151	\$15,118,670
Ft. Fairfield Subdivision	12	300,112
Limestone Subdivision	35	626,486
Presque Isle Subdivision	29	1,928,410
Houlton Subdivision	<u>24</u>	<u>1,115,165</u>
Subtotal NLV	251*	\$19,088,843
Est. R-O-W Value (MaineDOT)		<u>1,800,000</u>
Total Estimated NLV		\$20,888,843

* Mis-match due to sidings? Ft. Fairfield sub ownership?

The RII report lists 20 existing customers and two potential customers, which make up 95% of the business on the impacted lines. Their aggregate traffic ranges from an existing range of 8,563 – 9,237 carloads per year to a potential of 12,207 cl/y. It lists commodities carried as: Starch, logs, wood chips, veneer, heating oil, propane, paper starch, talc, clay, lumber, resin, oriented strand board (OSB), wax, potatoes, cooking oil, barley, oats, fertilizer, limestone, aggregate, sand and hardwood. Not included in these figures is one potential customer with a minimum of 680 annual carloads during

years 1-5 of production, with possible 3,400 carloads at full capacity thereafter.

Speaking before the latest Rail Caucus meeting on Feb. 23 MaineDOT Commissioner David Cole indicated that the State of Maine is committed to do what is possible to continue rail service in Aroostook County. He planned to meet the following day with a group of affected shippers to discuss options for going forward.

New England Rail Maps

The 2010 edition of MRG, Inc's New England Rail Map was introduced at the Amherst Railway Society show in late January. The maps were printed just before the passenger rail stimulus grants were announced so we did not catch the pending Amtrak Vermonter re-route through Springfield to East Northfield Massachusetts. Otherwise we believe they are up to date; however, we always appreciate input from sharp-eyed critics who may lead us to changes for the next edition.

These maps are intended to help educate the general public and interested officials with the New England rail system and its external connections in its present and foreseeable form. We are often asked to show former rail lines, of which New England has many. However interesting that may be, we resist the temptation to mix current-day reality with historical perspective unless we're aware of serious interest to reactivate a specific rail corridor of the past.

We rely on voluntary work to compose and edit the maps but must cover the out-of-pocket costs for printing, packaging, mailing and taxes, along with allowances for sampling, complementary copies and obsolescent inherent with a product of limited shelf life.

The new maps are available in folded paper, rolled paper and rolled laminated versions at \$7.00, \$10.00 and \$18.00 per map respectively, including mailing costs and Maine sales tax. Reduced prices are available for direct sales and for wholesale boxes of 25 paper maps (folded or rolled) and laminated maps with 16 per box. Inquiries are welcome.

Amherst Railway Society Show

The ARS show at West Springfield, Mass. took place on the weekend of January 30-31. Russ Barber, Dave Potter and Jack Sutton represented MRG, Inc. This year we were assigned two tables at a corner location in the Young Building, giving better public exposure and more working room than in the past. Sales of maps and books were brisk at the counter, where we again distributed information for Maine's Downeaster, TrainRiders Northeast, Maine Eastern Railroad and Maine Tourism Association. The show was also an opportunity to see representatives of tourist railroads with gift shops about maps in wholesale quantities.

The stock of railroad books donated by the late Wes Sanborn's estate is nearly exhausted from sales at ARS

during the last two shows. These shows are great opportunities to reach folks interested in rail-related books, printed material and other portable memorabilia that others are willing to relinquish. Looking ahead to next year, please keep us in mind with books and other things of that nature that we can recirculate.

MRG, Inc. Annual Meeting – Saturday, May 15th

Maine Rail Group returns to Rockland, Maine on Saturday, May 15th for its annual meeting, luncheon and speaker program, followed by a chartered train ride hosted by Maine Eastern Railroad. The announcement with reservation form are included with this newsletter.

We're pleased to announce that David A. Fink, President, Pan Am Railways has accepted our invitation to speak at the program. As there is much current activity on Maine and national railroad scenes we look forward to his viewpoints. On adjournment we'll move the few blocks to the Maine Eastern Railroad station to board the chartered train to Wiscasset and return, with a rare side trip to the Rockland waterfront on the Wharf Branch, normally used to deliver cement for barge loading.

Please save the date and make your reservations early to help us with plans for the day. We look forward to seeing you in Rockland!

New England Railroad Club Forum & Expo

This popular annual event takes place Tuesday, March 23 at the DCU Center in Worcester, Massachusetts. The program starts with Equipment Expo at the Providence & Worcester Railroad, including a forum on advancements in locomotion and buffet lunch from 10 am to 2 pm, with a shuttle bus from the DCU Center. The Exhibitor Pavilion is open from 12:45 pm to 6:30 pm. MRG, Inc. will exhibit. During exhibit hours Rail Forums will be held on Positive Train Control – How We Will Get to 2015 (2:00 pm -3:00 pm, Room A/B.) and Historic Gateways – How States and Entrepreneurs are Rejuvenating New England's Railroads (3:30 pm-4:30 pm, Room A/B.)

After the reception (5:00 pm – 6:30 pm), the Engineering & Transit Night Dinner and Kenote Presentation begins at 7:30 pm at the DCU Center.

Combination Expo and Dinner tickets are \$75. plus \$10 for purchase at the door subject to capacity for the dinner. Expo tickets only are \$25 per person. The reservation deadline is March 15th.

Maine Narrow Gauge Railroad Wins Memorial Award

Boston, Jan. 25, – The Massachusetts Bay Railroad Enthusiasts, Inc. ("Mass Bay RRE") announced today that the Maine Narrow Gauge Railroad & Museum of Portland, Maine, is the winner of the H. Albert Webb Memorial Railroad Preservation Award. The \$10,000

grant associated with the award will pay for rebuilding the boiler of ex-Bridgton & Saco River 2-4-4T steam locomotive 7, a valued part of the Maine Narrow Gauge's collection of historic engines and cars.

"We are very much honored by this recognition," said Susan B. Davis, Executive Director of Maine Narrow Gauge. "This significant funding from the H. Albert Webb Memorial Award will move us a long way forward in our effort to restore Engine 7 to operation in 2010."

Leigh A. Webb of Franklin, New Hampshire, donor of the award named for his late father, said, "It has always been a daunting task for any organization to undertake the restoration of any size locomotive, steam or diesel, to working order. However, there is no greater pleasure than to ride in, or behind, that engine when that monumental task is complete, and the tangible efforts of so many are on display for the world to see and appreciate. I am very excited to be part of the continuing commitment to the perpetuation of live steam operations in Maine, and the H. Albert Webb Award will be remembered in perpetuity for its contribution."

The Baldwin Locomotive Works of Philadelphia built Engine 7 for the two-foot gauge Bridgton & Saco River in 1913. Engine 7 ran on the B&SR, and its successor Bridgton & Harrison, until the entire railroad shut down in 1941. After World War II, Engine 7 went to South Carver, Massachusetts, where it ran on the tourist-hauling Edaville Railroad until 1997. It returned to Maine in 2003.

(From Mass Bay RRE New Release)

DiscoverRail 2010 – Boston South Station, April 17

Mass Bay RRE will sponsor the *DiscoverRail 2010* event on the main floor of Boston South Station, 10 am to 4 pm Saturday, April 17. It's an opportunity for New England railroad museums, tourist railroads and groups to interact with the public in support of railroading. MRG, Inc. is invited to participate again this year, as in 2009.

Freight Rail Bounces Back But Coal Lags

Published data for 2010 through Feb. 20 shows freight carloads up 3.5% over the same period in 2009, but coal stands out with a drop of 10.2% for the same year-over-year comparison. This is a significant difference, since coal accounts for nearly 18% of total carloads so far in 2010 and 20% in a similar period in 2009. Why the drop, if beyond the economic downturn or seasonal reasons?

Contrasting articles in MIT's *Technology Review* (Nov./Dec. 2009) and *Trains* (Apr. 2010) suggest explanations. In the *Technology Review* article "Natural Gas Changes the Energy Map", David Rotman explains

the vast potential of gas-bearing shale deposits that are now being developed, especially the Marcellus shales in Pennsylvania, New York and Ohio. Gas transmission pipelines already pass through that region. Natural gas is more expensive than coal per heat unit, but these massive reserves place downward pressure on its price. Natural gas generates significantly less CO₂ per BTU than coal. It is also considered that CO₂ from burned gas and coal might be re-injected into depleted natural gas wells to scavenge remaining method and to lock waste CO₂ into permanent underground storage. Climate-related environmental pressures and progress in shale hydrofracturing technology will place downward pressure on construction of new coal-fired power plants and the continued utilization of existing less efficient facilities.

The April *Trains* magazine is devoted to coal, including a wealth of information in a series of articles covering characteristics and varieties of coal, locations of major domestic coal deposits, mines, power plant locations, principal rail transportation routes, shipping points for export coal and modern rail technology for moving huge quantities of coal from mines to users. The article *Black Diamonds No More?*, by Michael Blaszk ends with this summary:

"Because there's no alternative, the railroads will continue to haul substantial volumes of coal for years to come. Contracts for transportation of coal are still in place, and investments in mines and power plants, not to mention track, locomotives, and unit trains remain to be amortized. But the converging trends of global warming, emissions restrictions, and stricter environmental enforcement have the feel of an inflection point, curving the long-term trend for the railroads' bedrock traffic downward."

Mark Your Calendars

- **MRG, Inc. meeting dates for 2010;**
Friday, Mar. 26; Saturday, May 15 (Annual Meeting and Train Ride, Rockland, ME); Friday, July 30; Friday Sep. 24; Friday, Nov. 19 (location change)
- **Except for the Annual Meeting, meetings are normally scheduled for 7 pm at the Hallowell City Hall. Please check in advance for late changes.**
- New England Railroad Club Expo and meeting – Mar. 23, Worcester, MA
- Flying Yankee Annual Banquet, Manchester, NH Executive Court, Fri. April 16, 6 – 11 pm.
- DiscoverRail, Boston South Station, Apr. 17

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MRG, Inc. is a non-profit corporation dedicated to railroad education and to 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.