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CALAIS BRANCH RAIL
COMMISSION

Report to the 119th Legislature
on Line Reactivation

Laws 1997, Resolves Chapter 104
L.D. 1594 (118th Legislature)
Effective Date: July 9, 1998

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INTRODUCTION

L.D. 1594, Laws 1997, Resolves Chapter 104, "Resolve to Create the Commission to Study Establishing a Rail Authority to Develop Rail Service from Calais to Eastport and Brewer" was enacted by the 118th Legislature and signed by Governor King on April 1, 1998. The Commission formed by the resolve was charged with examining "the potential uses of rail service from Calais to Eastport and Brewer along existing railroad rights-of-way owned by the State." The Commission was directed to "make projections as to the volume of traffic along a developed railway, estimate costs of developing the rights-of-way and review methods of funding and implementing the development of the rights-of-way", and "if the Commission recommends the use of a public authority, the Commission shall also make recommendations on the membership, powers, administration and other matters related to the operation of the public authority."

The Commission (see Appendix "A" for membership) contracted with Stafford Business Advisors to conduct a marketing analysis of the Calais Branch. Stafford's work was done in conjunction with a similar study funded by the Eastern Maine Railroad Development Commission, and was complemented by a Stafford report, funded by the Department of Transportation (MDOT), dated December 31, 1997, entitled "Market Reviews, Eastport Rail Study."

Stafford also analyzed rail passenger potential in the Bangor to Mount Desert Island corridor, concurrent with an MDOT study of the Rte. 1A/3 corridor between the same termini. The MDOT study was initiated because of traffic congestion in the corridor through Ellsworth, parking shortages in Acadia National Park, air quality problems in the corridor and long term traffic growth patterns.

Stafford notes in their report that railroad industry standards suggest that, on average, 60 annual carloads per mile of track provide sufficient revenue to cover short-line railroad operating costs and that 100 annual carloads per mile provide sufficient revenue to meet operating and track maintenance costs. Using these numbers, and the track mileage from Brewer to Calais (127 miles) and Ayers Junction to Eastport (18 miles), yields the need for 8700 carloads per year over the entire system to cover railroad operating costs, and 14,500 carloads per year to meet both operational and track maintenance costs annually.

The Commission believes that investment to rehabilitate the Calais Branch for both freight and passenger traffic is in the best interest of all communities and regions served by the rail line. We recommend that (1) the entire Calais Branch be rehabilitated, and the rail link to Eastport be restored, by the year 2010; (2) restoration of passenger service between Bangor and Ellsworth be an integral part of the restoration; and, (3) that both the Maine Port Authority and the Eastport Port Authority play an active role in administering and managing the reactivated lines.

FREIGHT POTENTIAL

The Stafford marketing analysis identified the following potential freight shipments that could be captured by a shortline operator providing rail freight service on the Calais Branch. The Commission believes that these numbers may well be conservative, and that an operator can develop revenue generating business that will meet all expenses during the course of each fiscal year.

1. Up to 6,000 carloads per year can be captured from existing rail. 4,000 carloads are identified as originating/terminating at the Georgia Pacific mill in Woodland and 2,000 carloads are estimated to be captured from Canadian ports and moved through Eastport. The potential Eastport carloadings are a combination of outbound forest products and inbound forest products (chiefly newsprint) from Newfoundland and Nova Scotia, bound for U.S. customers.
2. 2,000 or more carloads of traffic can be captured from trucks. 1,100 carloads of aggregates (e.g. sand, gravel, crushed stone) are identified at the Washington Junction and Calais areas. Up to 500 carloads of aquaculture feeds are identified, requiring a transload facility at Washington Junction, Ayers Junction or Cherryfield. 100 carloads of municipal solid waste are identified moving by container from Marion to Lawrence Station, N.B. 50 cars of bagged compost are identified now moving by truck out of Marion. 100 or more carloads of fuel are identified as moving into the region by truck at various points along the line. Up to 500 cars of logs are identified at the IP yard in Cherryfield. 500 or more carloads are identified in a variety of products including dimensional lumber, frozen blueberries and cranberries, and Christmas trees; from a variety of locations along the line.
3. Stimulated business: Stafford's report did not define carloadings in this category but noted that the possibility of bulk freight to and from Eastport, and the shipment of aggregates from a host of sources in Washington county increases significantly when rail service is reestablished.

Aggregating the above figures produces approximately 8,000 carloads per year over the entire 145 mile Brewer/Calais/Eastport system, or 55 carloads per mile per year. This figure approaches the industry standard of 60 carloads per mile per year for revenues equal to operating expenses. Unidentified amounts of traffic stimulated by the presence of an operating railroad on the line could increase overall volumes in an effort to reach the needed 14,500 annual carloads for revenues to equal operating expenses plus track maintenance costs.

PASSENGER POTENTIAL

MDOT is studying the Rte. 1A/3 corridor between Brewer and Mount Desert Island with an aim to developing transportation options that will relieve congestion in that corridor. Stafford also looked at the corridor strictly from the perspective of introducing rail passenger service to support MDOT's Strategic Passenger Plan.

The Strategic Passenger Plan envisions a direct rail connection between Bangor International Airport and an intermodal site in Trenton near the airport. Both ends of that rail link would provide intermodal connections to air, water, automobile, bus and rail transportation. The Trenton site now being studied would allow rail travelers from Bangor/Brewer to transfer to buses and/or a ferry for the remainder of the trip into Acadia, and vice versa on the exiting trip, eliminating the need for those visitors to bring a private automobile into the Park.

A compilation of data from the 1998 MDOT and Stafford efforts shows the following:

- * Acadia receives 910,000 visitors annually, averaging 3.3 days per visit, or 3 million visitor-days per year.
- * Acadia visitors are increasing 1 to 2% annually.
- * Acadia currently has a parking shortage.
- * Routes 1A and 3 carry 20,000 vehicles per summer day
- * 250 million vehicle-miles are travelled annually between Brewer and Bar Harbor. At \$0.10 running cost per mile, the total annual operating cost equals
-----\$25,000,000
- * The corridor experiences 6 million person-hours of delay annually. At \$5.00 per hour, annual delay costs equal -----\$30,000,000
- * The corridor experiences an average of 500 accidents annually. At an average cost of \$40,000 per accident, annual costs equal -----\$20,000,000
- * Traffic volumes on the Rte 1A/3 corridor are increasing 2% annually.

The Commission also notes that several areas of the Calais Branch, such as the Moosehorn Wildlife Refuge, Machias, and the Phillips & Green Lakes area, offer scenic potential for excursion train operations

FREIGHT & PASSENGER OPERATIONS

The Stafford report suggests that the rail system between Brewer and Calais and Eastport be reactivated in three segments; Brewer to Cherryfield, Calais to Ayers Junction to Eastport, and Ayers Junction to Cherryfield. The termini of these segments are dictated by the location of freight generators along the line, and the potential for passenger service into Acadia.

Freight generators between Brewer and Cherryfield will provide 2,050 carloads or more per year to an aggressive operator. The marketing analysis suggests only 675 carloads per year can be generated between Cherryfield and Ayers Junction. The analysis further suggests that 1,500 carloads per year can be generated between Ayers Junction and Eastport, plus future bulk freight business; and 4,125 carloads per year between Ayers Junction and Calais if the entire line is reopened, allowing traffic generated east of Ayers Junction to move west to Brewer and connection into the national rail system.

Each loaded railcar translates into 3-4 loaded tractor trailer trucks, depending upon the type of commodity being shipped. The existing freight identified by Stafford as potential business on the Calais Branch would be removed from the Route 1 corridor east of Ellsworth, and the Route 1A/I-95/Turnpike or Route 3/Turnpike corridors west of Ellsworth. Freight moving out of State or into Maine from other states would be removed from these corridors all the way to Kittery. Every 100 rail carloads would translate into between 300 and 400 truck trips removed from the noted corridors.

If the Calais Branch is upgraded to maximum 60 mph passenger train speeds and service is initiated between Brewer and Ellsworth/Trenton then, after three years in operation, round-trip train ridership is estimated in the following areas.

Marketing	18,200
Traffic Demand Management	13,300
New Business	10,000
Air Charters	2,000
Commuters/Excursions	<u>2,450</u>
TOTAL	45,950/year

The physical presence of passenger operations on the line will stimulate business. Ease of connections between modes of transport at the Bangor and Trenton sites, allowing users to reach their destinations and travel within Acadia in a timely fashion, will further stimulate ridership levels.

REHABILITATION COSTS

MDOT's Offices of Freight Transportation and Multimodal Project Development provided the Commission with a breakdown of cost estimates to bring the line into operational condition, using the segmental approach defined by Stafford. The Commission discussed and accepted the cost estimates as reasonably accurate. Costs were based upon rehabilitating the track to various Federal Railroad Administration (FRA) safety standards and Class of track. The following shows the relationship between FRA track Class and maximum allowable operating speeds:

Class I	freight = 10 mph	passenger = 15 mph
Class II	freight = 25 mph	passenger = 30 mph
Class III	freight = 40 mph	passenger = 60 mph

Federal work rules require that train operating personnel work no longer than twelve consecutive hours and that they have at least eight hours rest between work shifts. Therefore, Railroad operating rules require that a train be stopped at that twelve hour limit, regardless of the physical location of the train, and that train crews be changed or rested before the train move can continue. A train operating on Class I track could not traverse the 127 miles between Brewer and Calais, or Brewer and Eastport, without stopping the train for the 12 hour rule. **Due to the economic disadvantage incurred by changing crews or halting a train move for a mandated rest period, the Commission believes Class II track (maximum 25 mph train speeds) must ultimately be provided to any shortline operator.**

Cost estimates for segmented rehabilitation of the lines are shown in Appendix "B", and the Commission's preferred reactivation strategy is discussed in the Recommendations section of this report.

POTENTIAL FUNDING SOURCES

Funding sources for track rehabilitation discussed by the Commission are as follows:

1. Brewer to Ellsworth for passenger service -- Federal Highway Administration (FHWA) Congestion Mitigation Air Quality (CMAQ) funds @ 80% of project costs. CMAQ funds can be used on projects that will reduce air emissions, thus improving air quality, in areas that do not meet Federal air quality standards.
2. FHWA 130 Program funds. The 130 program provides federal funds for safety improvements to railroad/highway at-grade crossings. MDOT expends those funds (\$1,000,000/year) on those crossings presenting the highest safety risks to the travelling public.

3. FHWA Bridge funds. If the Eastport Branch is reestablished on the same alignment as Rte. 190 via the old Toll Bridge, FHWA bridge funds could be tapped to cover 80% of the bridge construction costs.

4. United States Department of the Interior, National Park Service and Federal Transit Administration (FTA). DOI is undertaking programs at several national parks around the nation to alleviate vehicular overcrowding at those parks. Acadia is unique among national parks because of its geographic integration with private and municipal lands, a situation that offers opportunities for unique multimodal projects to access Interior funding. FTA funds are provided for new start projects which provide community or regional benefits, such as alleviation of congestion and parking problems in Acadia.

5. Federal Light Density Line Rehabilitation funds. This is a new program authorized under TEA-21, for which funds have not yet been appropriated and regulations have not yet been developed. This program will provide grant money to undertake projects that provide positive economic benefits on rail lines that do not have high traffic density. The Calais Branch will certainly qualify for these funds under that criteria.

6. United States Department of Commerce, Economic Development Administration (EDA) project funds. EDA funds are provided to a broad range of projects that enhance the economy of a community or region. The most recent EDA funded rail transportation project was rehabilitation of a portion of the Lewiston-Auburn Railroad in Auburn.

7. Maine Department of Economic and Community Development - Community Development Block Grants (CDBG). CDBG grants fund a variety of projects that seek to enhance development of, and provide economic development opportunity for, a community and/or region.

8. Transportation and Community and System Preservation Pilot Program. This program, initiated in TEA-21, can provide planning grants and implementation grants for projects that improve transportation efficiency; reduce environmental impacts by transportation; reduce future public infrastructure needs; ensure efficient access to jobs, services and centers of trade; and encourage private sector development which meets the above purposes.

9. Maine General Fund Bonds. Bond funds can be used on projects that are specifically defined in legislation enabling the referendum seeking voter approval for the bonds.

10. Revenue Bonds if a Public Authority administers the line. Both the Maine Port Authority and the Eastport Port Authority can issue Revenue Bonds for work on the rail line if they own that portion of the line to be worked on and if a future revenue stream can be identified.

11. Special Designated Federal Appropriations. Maine's Congressional Delegation can work for the citizens of Maine to pass federal legislation which appropriates specific dollar amounts for special projects, such as rehabilitation of the Calais Branch.

12. Department of Defense funds. DOD funds could possibly be accessed to cover the cost of expanding capacity at the Port of Eastport in the event that DOD determined such expansion was in the strategic interest of the country.

13. Public/Private Partnerships. Private entities who will benefit from reactivation of the Calais Branch can participate in the initial capital expenditures needed to put the line back into service. One such interested private party could be Norfolk Southern Railroad, who is now developing a strong market penetration effort into the northeast.

14. Bureau of Indian Affairs. The Bureau could possibly be accessed for funds related to restoration of the rail line to Eastport.

15. License Fees. Railroad rights-of-way are traditionally used by abutters and utilities for a variety of reasons. It is possible that future licensed uses of a significant nature could be negotiated with an up-front balloon payment of annual fees.

PUBLIC AUTHORITIES

The Commission discussed options of creating a new Authority versus using an existing Authority to own the line and to administer operations thereon. Creation of a new Authority would entail Legislative action, appointment of members, and writing of by-laws; and would involve a considerable period of time for members to gain the necessary knowledge to conduct administrative and managerial duties.

Conversely, both the Maine Port Authority and the Eastport Port Authority have past experience conducting similar business related to ports and transportation and both already have the capability of issuing revenue bonds. The Commission believes that prior knowledge and experience qualify both Authorities as logical choices to manage, administer and/or finance the rail lines.

The Maine Port Authority was recently reactivated and is pursuing opportunities statewide to improve and enhance both freight and passenger movements via any mode of transportation. The Authority has broad regional representation and would be an ideal candidate to handle the business of managing and administering the Calais Branch.

The Eastport Port Authority has a more local flavor to its membership, and thus a more intimate knowledge of the Downeast region and its needs. This Authority appears most suited to manage/administer facilities directly related to operation of the Port of Eastport, including a new rail connection from Ayers Junction to Eastport.

The Commission also discussed the option of MDOT continuing to be the owner/manager of the line and having MDOT contract for short-line operation of the line in a fashion similar to that used to reactivate the Rockland Branch (Brunswick to Rockland) and Lower Road (Brunswick to Augusta).

RECOMMENDATIONS

The Calais Branch rail line is one of only three surface transportation corridors running from the Penobscot River to the eastern reaches of Washington County, the other two being Route 1 and Route 9. Loss of this rail transportation corridor for freight and/or passenger movements, either through track removal or continued deterioration of the existing facility, is not in the best interest of Hancock and Washington Counties. The State has invested millions of dollars in new infrastructure at the Port of Eastport and direct rail access to the port is vital to the Port's future growth and flexibility.

Therefore the Commission recommends that the State of Maine embark on an aggressive but phased program to reactivate the Calais Branch and to restore direct rail service to the Port of Eastport. Reactivation of the Calais Branch and restoration of rail service to Eastport would benefit the entire State by improving the transportation and economic climate Downeast, and by providing a direct transportation link to Europe and other markets.

Reactivation of the line will also provide opportunities for traffic congestion relief in the Bangor-Acadia corridor and for excursion operations that will draw tourists to different areas through which the line passes.

We recommend that reactivation be phased as follows:

Phase 1. Reactivation to FRA Class III conditions from Brewer to Ellsworth, allowing maximum 60 mph passenger service, and reactivation to FRA Class I conditions from Ellsworth to Cherryfield for freight service.

Estimated cost = \$21,000,000

Phase 2. Rehabilitate Calais to Ayers Junction to FRA Class I conditions, and reconstruct the rail connection from Ayers Junction to Eastport, all for freight service.

Estimated cost = \$37,000,000

Phase 2A. Should environmental or other hurdles slow the effort to reconnect Eastport, then rehabilitation of the entire Calais Branch to FRA Class II conditions should be completed in this phase.

Estimated Cost = \$17,000,000

Phase 3. Rehabilitation of the entire line to FRA Class II conditions if Eastport is reconnected in Phase 2.

Estimated Cost = \$15,000,000

Phase 3A. Reconnection to Eastport if delays postpone the effort in Phase 2.

Estimated Cost = \$35,000,000

NOTE: See shaded area of flow chart in Appendix "B".

We recommend that the above phased rehabilitation/reactivation concept be accepted by the Legislature, and that,

* phase 1 and initial engineering on Phase 2 be completed in the next biennium; and,

* phase 2 be completed in the following biennium; and,

* phase 3 be completed by the year 2010.

PHASE 1	----->	PHASE 2	----->	PHASE 3
Cost \$21,000,000		Cost \$37,000,000		Cost \$15,000,000
		cumulative		cumulative
		total \$58,000,000		total \$73,000,000

We note that the presence of an operator on the line will naturally enhance the marketability of rail freight transportation between Brewer and Calais and Eastport and therefore recommend that when funding constraints exist, the minimum amount of track rehabilitation necessary to establish an operator on the line be conducted so that an operating presence be established as early as possible.

We recommend that MDOT's Strategic Passenger Plan be an integral part of branch reactivation and that appropriate Federal funds be used whenever and wherever justified. It should be noted that the above reactivation plan and cost estimates do not include costs associated with making a direct rail connection from Brewer to Bangor International Airport, or from Ellsworth to Trenton.

We further recommend that MDOT seek as much Federal support as possible through the Light Density Line program noted earlier in this report.

Lastly we recommend that MDOT explore transfer of ownership of the line to the Maine Port Authority; that the Maine Port Authority in turn work with potential private operators to fund service restoration, and with the Eastern Maine Railroad Commission to promote and market the line; and that the Eastport Port Authority work to fund truck to rail transfer facilities, and other facilities to improve rail service to the Port of Eastport.

12-21-98

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CALAIS BRANCH REHABILITATION-PHASING AND FUNDING OPTIONS

APPENDIX "B"

OPTIONS
1) Rehabilitation from Brewer to Ellsworth to FRA CLASS III Standards in Support of Passenger Plan Cost \$14,000,000 from \$11.2 million CMAQ & \$2.8 State
2) Rehabilitate from Brewer to Ellsworth to FRA CLASS I Standards to Provide Limited Freight Service Cost \$8,250,000 from State Bond Funds
3) Rehabilitate from Ellsworth to Cherryfield to FRA CLASS I Standards to Provide Limited Freight Service Cost \$7,000,000 from State Bond Funds
4) Rehabilitate from Calais to Ayers Junction to FRA CLASS I Standards for limited freight service to Port of Eastport Cost \$2,000,000 from State Bond Funds
5) Reconstruct rail connection into Eastport and rehabilitate Calais to Ayers Junction to FRA CLASS I Standards Cost \$37,000,000 from State Bond Funds
6) Rehabilitate the entire line to FRA CLASS II Standards for Freight Service Cost if Options 1,3,4 are completed: \$15,000,000 from State Bond Funds Cost if Options 2,3,4 are completed: \$18,000,000 from State Bond Funds

**Brewer to Cherryfield
PHASE 1**

**Calais to Ayers Jct./Eastport
PHASE 2**

**Brewer to Calais
PHASE 3**

Options 1 and 3 →
Cost \$21,000,000

Option 4 →
Cost \$2,000,000 plus \$21,000,000 already spent
Total: \$23,000,000

Option 6 →
Cost \$15,000,000 plus \$23,000,000 already spent
Total: \$38,000,000

Options 1 and 3 →
Cost \$21,000,000

Option 5 →
Cost \$37,000,000 plus \$21,000,000 already spent
Total: \$58,000,000

Option 6 →
Cost \$15,000,000 plus \$58,000,000 already spent
Total: \$73,000,000

Options 2 and 3 →
Cost \$15,250,000

Option 4 →
Cost \$2,000,000 plus \$15,250,000 already spent
Total: \$17,250,000

Option 6 →
Cost \$18,000,000 plus \$17,250,000 already spent
Total: \$35,250,000

Options 2 and 3 →
Cost \$15,250,000

Option 5 →
Cost \$37,000,000 plus \$15,250,000 already spent
Total: \$52,250,000

Option 6 →
Cost \$18,000,000 plus \$52,250,000 already spent
Total: \$70,250,000

CALAIS BRANCH REHABILITATION COSTS

APPENDIX "B" - Pg 2

Brewer \longrightarrow Ellsworth \longrightarrow Cherryfield \longrightarrow Ayers Junction \longrightarrow Calais

					TOTAL	
FRA Class I		\$8,250,000	\$7,000,000	\$8,300,000	\$2,000,000	\$25,550,000
FRA Class II	(incremental)	<u>\$1,750,000</u>	<u>\$2,000,000</u>	<u>\$3,500,000</u>	<u>\$1,200,000</u>	<u>\$8,450,000</u>
	TOTAL	\$10,000,000	\$9,000,000	\$11,800,000	\$3,200,000	\$34,000,000
FRA Class III	(incremental)	<u>\$4,000,000</u>	-	-	-	\$4,000,000
	TOTAL	\$14,000,000				

FRA Class I

Ayers Junction	\longrightarrow	Eastport
\$35,000,000		<u>\$35,000,000</u>
		<u>\$73,000,000</u>