

2-1995

# Railroad Transportation Policy & Plan: Recommended by the Maine. Governor's Advisory Committee for the Development of a Rail Transportation Policy for the State of Maine

Maine Governor's Advisory Committee for the Development of a Rail Transportation Policy for the State of Maine

Maine Department of Transportation

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STATE  
OF  
MAINE

**RAILROAD  
TRANSPORTATION  
POLICY  
& PLAN**



Recommended by the  
GOVERNOR'S ADVISORY COMMITTEE  
FOR THE  
DEVELOPMENT OF A RAIL TRANSPORTATION POLICY  
FOR THE STATE OF MAINE

**February 1985**







STATE OF MAINE  
**DEPARTMENT OF TRANSPORTATION**

TRANSPORTATION BUILDING

STATE HOUSE STATION 16

AUGUSTA, MAINE

04333

mdot

DANA F. CONNORS

*Commissioner*

February 28, 1985

Joseph E. Brennan, Governor  
Executive Department  
State House - Sta. #1  
Augusta, Maine 04333

Subject: Recommendations of the Rail Policy Committee

Dear Governor Brennan:

I am pleased to attach hereto the recommendations of the Committee which you appointed on June 1st, 1984 to review the status of rail transportation in Maine and to make recommendations for action by the State to insure, to the extent possible, an adequate level of rail transportation service to meet the present and future needs of Maine's industry and its general economy.

Since June, the Committee has met ten times. Three meetings were devoted to the receipt of comments and recommendations from the rail industry, rail service users, and various interest groups which included rail labor, and those interested in railroad passenger service among others.

It is the unanimous opinion of your Committee that rail transportation is an integral part of the State's total transportation network and is essential to the future well-being of our State.

It is clear that a program should be initiated in order to respond to the developing problems in the rail industry at the state level. The initiation of a state program becomes even more necessary as it is anticipated that the small federal program will probably be terminated within the year.

Among the transportation modes that serve our State, the rail industry is somewhat unique in that it continues to operate essentially as a privately owned system utilizing facilities that it owns and maintains. Other modes of transportation generally utilize facilities that are provided with public funds, such as airports, marine terminals, and the public highway system. Accordingly, the issue of equity in the treatment of various transportation modes has been an important part of the Committee's deliberations.

Our recommendations are also made with the object that the rail system remain in the private sector.

The Committee has identified areas of particular concern in formulating its recommendations for action. Those concerns can be grouped out into seven basic areas:



(a) Planning - The Committee recommends that a continuing rail planning process be initiated by MDOT.

(b) Equity in Treatment of the Railroads vis-a-vis Other Modes -  
In this area, the Committee recommends:

1. That the Department of Transportation assume 50% of the cost of the maintenance of railroad highway grade crossing and highway bridges over railroads for which the railroads have a maintenance responsibility.
2. That the railroads be exempted from paying sales tax on materials they use to improve their roadways, i.e., rail ties, etc.
3. The enactment of legislation to make permanent the inclusion of long-term freight car leases in the definition of operating investments in the calculation of railroad excise tax.

(c) Branchline Abandonment Procedures and Assistance Program -  
As you are aware, the immediate concern is the future of the branchlines of the Maine Central Railroad between Brewer and Calais, between Brunswick and Rockland, and that portion of the Mountain Division in the State of Maine between Portland and Fryeburg.

The Committee recommends that MDOT be charged with the study of these lines to determine whether they are essential to the State Rail System, the effect of the loss of rail service upon present users and the communities involved, together with recommendations as to what, if any, action the State should take to preserve service.

These studies are expected to be completed by mid-March with recommendations submitted to you and the Legislature for action before the end of the session.

If the State Rail Program is going to have any hope of success, it is important that the long-term stability of our railroads be considered and the use of rail transportation be encouraged.

The Committee recommends that the State Development Office, in conjunction with the railroads, develop a program to encourage industries to locate along the right of way within the State.

(d) Railroad Passenger Service -  
As might be expected, there was considerable interest shown by several individuals and groups in the reinstitution of railroad passenger service in Maine. To respond to this interest;

It is recommended that MDOT, acting on behalf of the State, initiate a request to the National Railroad Passenger Corporation known as Amtrak to conduct a feasibility study on restoring railroad passenger service in Maine.

(e) Experimental Rail Service -

The Committee recommends that the Department of Transportation be given the responsibility to coordinate with the State Development Office and other state agencies, such as Agriculture and Conservation, the development of experimental rail service that will lead to greater use of rail transportation.

(f) Revise and Clarify State Statutes Relating to Railroads -

It is recommended that the Department of Transportation undertake the responsibility of drafting an act to modernize and clarify statutes as they relate to railroad corporations with an advisory committee consisting of railroads, labor, Maine Municipal, and other appropriate organizations.

Many of the statutes governing rail transportation were enacted as early as 1858. The language is antiquated and the purpose of many of these laws has long since disappeared.

(g) Funding Requirements and Mechanisms -

The Committee suggests that the cost of maintaining grade crossing and highway over bridges be assigned to the highway program.

Other costs which the Department will incur in conducting studies and administering the recommendations previously discussed can be funded from excise and sales taxes paid by the railroads to the State of Maine. Such funds could be dedicated for use to assist the rail system or may be appropriated from the General Fund.

Whatever course is adopted, funding would be made available in accordance with an approved annual program and budget submitted by the Department of Transportation.

Funds necessary to support approved assistance projects that are not available from the sales taxes and excise taxes will have to be made available by a General Fund appropriation or a Capital Improvement Bond Issue as appropriate.

It is estimated that the basic program will require \$3.3 million for the next biennium. \$2.8 million will be assigned to the highway program and \$.5 million would be assigned to the General Fund or dedicated railroad taxes. The basic program does not include any funding that may ultimately be recommended for the Calais or the Rockland Branches.

Sincerely,



Dana F. Connors  
Commissioner

DFC/WFF/el

Attach.



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## State of Maine Rail Policy and Plan

### INTRODUCTION

#### Background

The railroad industry in the United States and particularly the State of Maine, has a long and proud history of public service. In the modal evolution of transportation, railroads replaced the stage coaches and the coastal steamers because they could offer flexibility and efficiency that couldn't be matched by their competitors. This took place within the frame work of private investment and private ownership of essentially all transportation. The railroads dominated the transportation industry for nearly a century thereafter.

#### Public Policy

Public policy concerning transportation has generally been developed on a mode-by-mode basis without any real consideration of integrated transportation planning or policy. Without giving much, if any, consideration to the inherent advantages of the several modes, public policy has come down solidly on the side of highway transportation since World War II.

Throughout its existence, the rail system has been operated for the most part as a private taxpaying enterprise subject to regulation by both the State and Federal Governments.

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In contrast, public investment has always been a significant factor in the development of other modes, including highways, airways, and waterways. In those instances, almost without exception, public investment has provided the basic support facilities, such as airports, airways, highways, and the inland and coastal waterway systems.

The competitive nature of the transportation industry and the long-term effect of public policy has resulted in the fact that the railroads today are operating a number of marginal or light density branchlines and further losses of traffic will force the carriers to start divesting themselves of these unprofitable branches. The Carleton Bridge/Rockland Branch, the Calais Branch and the Mountain Division of the Maine Central Railroad are only part of what will probably be an increasing number of railroad lines that are being considered for abandonment in the next five or perhaps less years if present conditions continue.

The attached map (Appendix 1) and table indicate those rail lines that are currently potential for abandonment. These lines in total constitute about 25% of the present rail mileage in the State which, if lost, will impact the State's future transportation services in a significant way. The railroads have agreed that they will not proceed with abandonment applications until the Rail Policy Committee has completed its work and the Legislature has an opportunity to act on its recommendations.



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### THE PRESENT STATE RAIL PLAN AND PROGRAM

Federal legislation first enacted in 1973 and amended in 1976, for the first time provided major public funding for the railroad industry. The result was the development and creation of what is now the Conrail System which is essentially the old Penn Central plus several other regional carriers. The Boston & Maine, Maine Central, and Delaware & Hudson became what is now the Guilford Transportation Industries System. The Bangor & Aroostook and the Canadian railroads, which in Maine include the Canadian National and Canadian Pacific, continue to operate in the region as independent carriers.

Because Maine was one of the 17 states in the Conrail region, it qualified as a recipient of such assistance, provided a State Rail Plan was developed and approved by the Federal Railroad Administration.

#### The State Rail Plan

The first State Rail Plan was developed and filed with the Federal Railroad Administration in December 1975. The Plan included a detailed inventory of all the rail lines in the State, a classification of the system, a statement of goals and objectives, and a methodology for identifying and developing projects. This Plan has been updated several times since then in order to maintain the State's eligibility for Federal funds. These updates include a detailed description of the proposed projects, methodology for

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comparing benefits and costs of such projects, and the criteria and goals of the Department in selecting projects for which funding will be sought.

### The Federal Program

The Federal Rail Assistance Act provided for three categories of assistance.

Planning. Funds are provided to state agencies responsible for rail planning. This is the funding which supported the development of the State Rail Plan and the subsequent updates.

Light Density Line Rehabilitation. Funds are provided for the rehabilitation of light density lines, where a positive cost benefit ratio can be established for the project. Such projects are intended to save potentially viable light density lines before they are abandoned rather than attempting to subsidize continued operation after the abandonment has been authorized.

Operating subsidies. Under contractual arrangements with shippers receiving service on the Farmington Branch, operating subsidies were paid for the continuation of such service using Federal and local funds from 1978 through 1982. Subsidy for the last year of service was paid 100% by the shippers and the Franklin

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County Commissioners. Because of increasing costs and decreasing traffic, the shippers decided to withdraw their subsidy, and the line was subsequently abandoned in 1983.

Until the last two years, matching requirements for the Federal Program were 80% Federal and 20% local funds. This has since been changed to 70%/30%. All local funds are provided by either the railroads or the shippers on the line. The State has made no contribution to this program.

### The State Program

The State is extensively involved in a crossing improvement program whose purpose is to improve the railroad-highway grade crossings throughout the State utilizing federal funds that are available specifically for the improvement of safety conditions on all public rail-highway crossings. The federal share of the cost is 90% with the State providing the 10% match except in cases where the projects involve the rehabilitation of the area between the rails. In these cases, the railroad involved provides one-half of the match or approximately 5%. The program includes improvements such as the installation of automatic flashing signals, replacing antiquated wig-wag signals with flashing lights and modernization of electronic components on existing flashing light installations, as well as rehabilitating the crossing surfaces, improving sight distances by



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the excavation of embankments and clearing and improving approaches to eliminate adverse grade conditions. The railroads are responsible for 100% of the cost of maintaining these facilities.

### Recent Rail Abandonments - State Action

The Rail Plan and current updates set forth the State's position on abandonment as follows:

Where no potential reuse can be shown, the line is abandoned.

Where potential reuse can be shown within the next five years, the rail line should be acquired by the State.

Where the reuse would occur sometime beyond the five-year period, acquisition of the right of way only would be undertaken.

Unlike the other states in the Northeast, Maine has not as yet experienced large scale abandonment of its rail lines. The Bangor and Aroostook has abandoned most of its old mainline between Houlton and Van Buren, but the major points receive rail service from other lines. The abandoned lines have been leased by M.D.O.T. The Maine Central has abandoned its Eastport, Hartland, and a portion of its Bingham branches. These lines were not acquired or leased by the State. The Farmington Branch of the Maine Central Railroad was subsidized for several years before it was finally abandoned.

### The New England Regional Commission Program

In addition to the Federal Railroad Administration Program, the New England Regional Commission, sponsored a rail rehabilitation program in the New England States for four years. Under this

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Program, funds for rehabilitation projects were provided to cover the cost of labor only. The carrier on whose line the work was being done provided all material and assumed the cost of administering and inspecting the project. The states were required to assume the cost of administering the program at the state level including monitoring and inspection of the projects.

Appendix 2 is a summary of the Federal and State funds that are currently available and how they have been assigned to previously planned projects.

Appendix 3 provides a summary of the rail program administered by the Department of Transportation since 1976.

It is important to note that the Federal Program is expected to be terminated in 1985.

### GOVERNMENT REGULATION

The railroad industry has been regulated at both the State and Federal level since 1887 "to the end that the public safety and convenience of the transportation of passengers and merchandise may be provided for and secured".

The creation of the U. S. Department of Transportation in the mid-60's led to similar action in most of the states. In Maine, the Department of Transportation was created in 1972 and included what was then the State Highway Commission, the Department of Aeronautics, and the Maine Port Authority, along with several other small boards and commissions.

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As the transportation industry became more competitive the financial problems encountered by the railroads, the airlines, and the highway for-hire carriers, developed support for minimizing or the outright elimination of economic regulation. In 1981, the Maine Legislature eliminated all economic regulation of railroads and motor carriers operating in intrastate commerce. Safety regulation of the railroads continues and is administered by the Department of Transportation. Safety regulation of motor carriers is administered by the Maine State Police.

Although the change in regulation at the federal level was not as complete as it was in Maine, the Airline Deregulation Act, the Motor Carrier Deregulation Act, and the Staggers Act resulted in the removal of a substantial part of the federal regulatory burden that the carriers had lived with for many years.

In the case of the railroad industry, the level of rates and services which had been tightly regulated are now largely determined by free market conditions. The abandonment of railroad branchlines is easier and quicker but remains subject to some federal regulation. Each railroad is required to file a System Diagram Map with the Interstate Commerce Commission designating all lines in its system by category. The System Diagram Map is also filed with the Governor's Office and the State Department of Transportation. Of particular concern are those lines shown on the System Diagram in Categories 1 and 2 as such lines are under study by the railroads for abandonment.



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Appendix 1 shows the lines in this State as the carriers have designated them on the System Diagram Maps currently on file with the Interstate Commerce Commission.

Appendix 4 contains a description of the System Diagram Categories (1 through 5) in which a line may be placed and a brief summary of the current abandonment procedures of the Interstate Commerce Commission.

### THE FUTURE OF RAIL TRANSPORTATION IN MAINE -- WHAT SHOULD THE STATE'S ROLE BE?

#### Future Rail Transportation Needs

NOTWITHSTANDING THE DECLINE IN THE USE OF RAIL SERVICE, MAINE HAS A SIGNIFICANT STAKE IN CONTINUING A STRONG AND EFFECTIVE RAILROAD TRANSPORTATION SYSTEM. This is demonstrated by the fact that the paper industry which is Maine's largest manufacturing industry relies on rail transportation for something like 50 - 70% of its manufactured tonnage. The poultry and dairy industries which are significant agricultural activities, and therefore very important to the general economy, rely almost wholly upon rail transportation for the receipt of feedgrains, principally corn and soybean meal.

A shipper survey conducted by a consultant for the New England Regional Commission indicated that slightly over 63,000 jobs out of a total employment of 400,000 in 1973 were related to the availability of rail service. The potential energy problem and the

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future availability of highway transportation are of particular concern to some Maine industries. While public policy appears to strongly favor highway transportation, there is still uncertainty about its availability, which results in part from the current free market approach to transportation. Future transportation needs are of more concern to the shippers in Maine than has been true in the recent past. Many of them are concerned with the availability of trucks, particularly under the current practice of owner-operator deregulation which means that private trucks transport their own products or exempt for-hire loads in one direction and make themselves available for for-hire hauls in the opposite direction.

While there is reason to assume that Federal deregulation will make it possible for more truck operators to go into business, there is also reason to be concerned that it is going to be more difficult than ever to entice trucks to Northern Maine to handle potatoes particularly when they have to travel some 600 - 700 miles empty for a load. If a truck is unloaded in New York or Boston for example, the opportunity of obtaining a load in that region is much better than it was under regulation, in which case the trucker will not need, as he has in the past, to travel to Northern Maine for a load of potatoes or other Maine products. BECAUSE OF THE UNCERTAINTY OF HIGHWAY TRANSPORTATION, THE AVAILABILITY OF RAIL SERVICE IS CONSIDERED TO BE NECESSARY TO PRESERVE TRANSPORTATION ALTERNATIVES FOR THE FUTURE.

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### Future Policy

In order to insure that an adequate level of rail service will be available for the future, consideration will have be given to the establishment of a program at the state level for identifying and preserving essential rail lines and services. Such a program will require that the Department of Transportation do the necessary planning and analysis and provide support where appropriate. The State has been able to do this in the past with funds received from the Federal Railroad Administration. However, with the elimination of that Program, it will be necessary for the State to fund Department activities in this area.

THE ALTERNATIVE TO REPLACING THE FEDERAL PROGRAM WITH A STATE PROGRAM IS TO ACCEPT THE FACT THAT THE RAIL SYSTEM IS GOING TO SHRINK BY APPROXIMATELY 25% IN THE NEXT FIVE YEARS. THIS WILL ALSO REQUIRE ACCEPTANCE OF THE LOSS OF A RAIL TRANSPORTATION OPTION AND LIMITED ECONOMIC DEVELOPMENT OPPORTUNITIES IN AT LEAST WASHINGTON AND HANCOCK COUNTIES AS WELL AS THE MID-COASTAL AREA OF THE STATE. HIGHWAY CAPACITY AND CONDITION IN THESE AREAS WILL ALSO REQUIRE ATTENTION TO ACCOMMODATE INCREASING USE BY MORE AND LARGER TRUCKS.



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### THE GOVERNOR'S RAIL POLICY COMMITTEE, ITS MEMBERS, AND ITS CHARGE

#### Executive Order

In order to be in a position to respond to the present and developing rail transportation problems, Governor Brennan issued an Executive Order on June 1, 1984 (Appendix 5).

The Executive Order established the Rail Policy Committee and charged it with the responsibility of developing and recommending State policy for future rail transportation that will adequately meet the present and future needs of Maine industry and the State's economy. Such policy shall also provide guidance to the Department of Transportation and State Government in general in responding to anticipated rail line abandonments.

#### Committee Membership

In order to obtain a broad range of interests in the Committee's make-up, the Governor's Executive Order provided for membership from the paper industry, the Legislative Transportation Committee, agricultural interests, food processors, Maine Municipal Association, the railroad industry, and railway labor. In addition, the Committee has had the participation of the Maine Development Office, the Office of Energy Resources, the State Planning Office, the Department of Conservation, and the National Association of Railroad Passengers. A list of the Committee's members is attached as Appendix 6.

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Among the numerous meetings which the Committee has held, three were designed to receive the comments of specific groups. The meeting on July 17th, 1984, provided an opportunity for the railroads serving this State to present their views and suggestions on the future of rail transportation and what involvement, if any, the State should have in assuring the availability of essential service. A summary of the results of that meeting are attached as Appendix 7.

On July 24th, 1984, a meeting was held to receive the comments and views of representatives of various rail users, that is to say, shippers and receivers. Among those submitting comments were representatives of the paper industry, forest products industry (lumber - particle board), feed grains, processed foods, and fresh agricultural products. A summary of the comments received at this meeting is attached as Appendix 8.

The third of the Committee's meetings of this type was held on July 31st, for interests representing railway labor, municipal governments, economic development groups, rail passenger service; and several regional planning commissions participated. A summary of the comments and suggestions received at this meeting is attached to this report as Appendix 9.

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### A Summary of Comments and Suggestions on State Involvement

AMONG THOSE WHO HAVE PARTICIPATED IN THE COMMITTEE'S MEETINGS,  
IT IS UNANIMOUS THAT RAIL TRANSPORTATION IS AN ESSENTIAL PART OF THE  
STATE'S TOTAL TRANSPORTATION SYSTEM. There is less unanimity as to what, if any, involvement the State should have in insuring that essential rail services remain available. The railroads seek what they term equity in treatment by the State in such matters as taxes and the assumption of costs which they incur in maintaining at-grade highway/rail crossings and the maintenance of highway bridges that cross railroad tracks. The railroads point out that these latter facilities benefit highway users and those who benefit most should assume the cost to maintain them.

RAIL USERS (SHIPPERS AND RECEIVERS) WERE EMPHATIC IN THEIR  
POSITION THAT RAIL SERVICE IS ESSENTIAL IN FULFILLING THEIR  
TRANSPORTATION NEEDS. MOST OF THEM SEE AN OPPORTUNITY TO EXPAND  
THEIR USE OF RAIL SERVICE IN THE FUTURE. Some of the rail users suggest that the State's involvement be limited to equitable treatment of the railroads in relation to other modes of transportation in a manner similar to that suggested by the railroads themselves. Others would have the State make an effort to preserve some of the light density lines for future use that may be abandoned with service being continued by either the owner carrier



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or a so-called shortline railroad replacement. Still others would include State support for the operation of experimental services, such as trailer on flat car trains, operating from Northern Maine through the State to terminal points in Southern New England or New York.

A NUMBER OF PEOPLE OFFERED COMMENTS AND TESTIMONY IN SUPPORT OF THE REINSTITUTION OF RAILROAD PASSENGER SERVICE INCLUDING A SUGGESTION THAT THE STATE INITIATE A FEASIBILITY STUDY BY AMTRAK, THE NATIONAL RAIL PASSENGER CARRIER. A statement was also received on behalf of a group who are interested in inaugurating a specialized type of passenger service which would be designed to attract excursion passengers, its trains being specially equipped with coaches, diners, etc. operating along the coast between Portland and Rockland and from Portland through Central Maine to Ellsworth and Bar Harbor.

Subsequent meetings of the Committee have focused on analyzing the material previously received and the development of a policy and program to assist rail transportation and its future availability. This includes the development of a planning process which will be the responsibility of the Department of Transportation and the development of recommendations for State involvement where necessary and appropriate to preserve essential rail services.

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### A RECOMMENDED RAIL TRANSPORTATION POLICY AND PROGRAM FOR THE STATE OF MAINE

#### A Proposed Rail Transportation Policy

The original State Rail Plan, its supporting policy statements, goals, and objectives was developed in 1975 in response to the situation which existed at that time and to establish eligibility for participation in the federal rail assistance program. With the elimination of the federal program and the developing problem in rail transportation, it is appropriate to restate the State of Maine's policy, goals and objectives, for rail transportation to reflect the more active role that the State will have to play.

Having carefully considered the factual data developed and the statements of present and future need for rail transportation submitted by the private sector, the Committee has unanimously reached the following conclusion.

RAIL TRANSPORTATION IS AN ESSENTIAL ELEMENT OF THE STATE'S  
TRANSPORTATION NETWORK. AN ADEQUATE LEVEL OF RAIL SERVICE MUST BE  
MAINTAINED OVER THE RAIL LINES THAT ARE ESSENTIAL TO THAT NETWORK IN  
MEETING THE NEEDS OF THE STATE OF MAINE IN SUPPORTING ITS PRESENT  
ECONOMY AND IN DEVELOPING AND MAINTAINING ECONOMIC GROWTH FOR THE  
FUTURE.

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Maine's geographic location in the Northeast corner of the nation makes a viable rail transportation network especially significant as our industries are located substantial distances from major markets and sources of supply. In addition, the major employers of Maine people rely to a significant extent upon the availability of efficient rail service. Accordingly,

IT IS THE POLICY OF THE STATE OF MAINE TO PROMOTE BALANCE AND, WHERE APPROPRIATE, INTEGRATION AMONG THE MODES THAT MAKE UP THE STATE'S TRANSPORTATION SYSTEM INCLUDING A LEVEL OF RAIL SERVICE ON ESSENTIAL RAIL LINES THAT IS NECESSARY TO SERVE THE NEEDS OF MAINE'S PEOPLE AND ITS INDUSTRIES AND TO SUPPORT IMPROVEMENTS IN RAIL SERVICE WHEREVER IT IS POSSIBLE AND APPROPRIATE TO DO SO.

In addition, the State will encourage and fully participate in action at the national level to foster a sound rail transportation system throughout the nation that is necessary to support the rail system in the State of Maine enabling our industries to have rail access to sources of supply and markets.

### Rail Line Abandonment

The State will not oppose all petitions before the Interstate Commerce Commission to abandon light density local service branchlines. Opposition by the State will be based upon a determination that the line is an essential part of the rail system

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and that the owning railroad can continue to operate it on a profitable or break-even basis.

### Assistance Programs

Subject to the availability of state, federal, and local funds, the State of Maine, through its Department of Transportation will assist in the continuation of rail service over essential rail lines in the State of Maine that are subject to abandonment by the owning railroad. The assistance program should include a specific effort to encourage the use of rail service by the private sector and a program to encourage industrial development along the rail system right of way.

### Intermodal Transportation

The State recognizes that in dealing with rail issues, other modes of freight transportation must also receive consideration to the end that the inherent service advantages of each mode are not unduly infringed upon by state-supported assistance programs.

### Goals and Objectives of the State Rail Policy

To encourage the present and future financial stability and efficiency of the railroad system and to maintain and develop a balanced intermodal transportation system in the State of Maine.

That a continuous planning process will be undertaken with sufficient flexibility to recognize the changing conditions of the

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transportation industry and in particular the rail transportation industry, its potential, its problems, its traffic, and its users.

To support the implementation of programs which will reduce financial burdens upon the railroads, such as:

The development of proposals for equitable taxation of the State's rail system.

The elimination of duplicate and unnecessary facilities.

Updating and rehabilitation of all necessary rail lines to increase operating efficiency.

Advocate and support industrial development along railroad rights of way.

Encourage businesses and industries to increase the use of rail transportation wherever a more effective utilization of resources can be obtained and the economic growth and development of the State of Maine will be enhanced.

To support the operation of rail transportation in the private sector to the greatest extent possible including the encouragement of qualified shortline operations on lines which cannot be continued by the larger owning railroads which have been authorized for abandonment by the Interstate Commerce Commission or on which service has been discontinued.

To preserve abandoned rail corridors wherever it is determined there is a future transportation or other public use therefor.



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### The Proposed State Rail Planning Process

As explained in the original State Rail Plan, the Department of Transportation has a planning process that includes the development of an inventory of facilities, the evaluation of all rail lines in the State, and the traffic (tons) handled on each line. It is proposed to continue to use this information to establish a Functional Classification of each line that is based on millions of gross tons per mile per year handled on the line.

The plan will also establish a methodology for determining whether a line is essential and to make the quantitative analysis necessary to determine what, if any, assistance the State should provide for the continuation of service on the branch or other line that is under study by the owning railroad for abandonment.

The plan will be updated annually to provide the Governor and the Legislature with the following:

- An analysis of the current condition of the rail system.

- A description of the recommended State assistance projects.

- The project funding requests for the next year.

- A report on the results of assistance projects that the State has undertaken.

- Provide information on the status and effectiveness of the regional and national rail system.

- The status of any federal programs that may be available to assist in the preservation of essential rail services.

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The State Rail Plan will also include as appendices thereto, an inventory of the physical rail plant within the State of Maine together with an analysis of its condition. This data will be updated on a five-year cycle.

### Functional Classification

The present traffic volumes indicated by the gross ton/mile on each line segment provide a practical and flexible means to designate segments of the rail system in Maine for classification purposes.

The gross tons per mile is the combined weight of the engines, cars, and lading of each train, multiplied by the mileage traveled divided by the line segment mileage of each line.

Three classifications will be used as follows:

<u>Annual Gross Tons/Miles</u>	<u>Line Classification</u>
Over 3 million tons	Primary
1 to 3 million tons	Secondary
0 to 1 million tons	Local Service

A Functional Classification Map showing these lines is attached as Appendix 10 and may be related to a Freight Density Map showing 1973 and 1982 tonnage figures for each line segment in the State of Maine (Appendix 11).

A comparison of these maps will show that with a few exceptions, most line segments have experienced loss of traffic over the past ten years.

## State of Maine Rail Policy and Plan

The overall decrease in tonnage handled by Maine Railroads in this period is 14%. It has been suggested that 1982 was a recession year and therefore not representative. Also, there is some evidence that rail tonnage has increased significantly in 1984. Hopefully, the trend is increasing. However, there continues to be general agreement that the rail share of the total transportation market has declined significantly.

### Definition of Essential State Rail System

As indicated on the Functional Classification Map (Appendix 10), the Primary and Secondary Lines run from the southwest part of the State northerly to Madawaska and an east-west route through the middle of the State provided by C.P. Rail's transcontinental (Canada) mainline.

THE NETWORK OF PRIMARY AND SECONDARY MAINLINES AND BRANCHLINES THAT HANDLE OVER ONE MILLION GROSS TONS PER MILE CONSTITUTE THE STATE'S BASIC ESSENTIAL RAIL SYSTEM. (Appendix 11)

Because of the volume of tonnage handled, this "core" of rail lines is considered essential to the long-term vitality of Maine's economy. The remainder of the system is classified as Local Service Lines some of which may also be part of the Essential System. Whether a Local Service Line is part of the Essential System will be determined after a community-regional-state impact analysis (as hereinafter described) is completed. This determination will be

## State of Maine Rail Policy and Plan

made when the carrier notifies the State that the line is being considered for abandonment. Accordingly,

THE ESSENTIAL RAIL SYSTEM WILL BE DETERMINED IN PART BY THE FUNCTIONAL CLASSIFICATION AND THE EFFECT THAT THE LOSS OF A PARTICULAR RAIL LINE WILL HAVE ON THE COMMUNITIES SERVED AND UPON THE STATE AS A WHOLE.

### Procedures for State Involvement in Rail Abandonments

WHEN A RAIL LINE IS PLACED UNDER STUDY FOR ABANDONMENT BY THE OWNING RAILROAD, IT MUST FIRST BE DETERMINED WHETHER THE LINE IS PART OF THE ESSENTIAL RAIL SYSTEM.

Lines which the owning carrier seeks to abandon that are clearly not profitable will not be opposed by the State before the Interstate Commerce Commission. If it is determined that the line is nonetheless an essential part of the State's rail system, the Commissioner of Transportation will undertake negotiations with the owning railroad to determine what means are available to continue service on the line. Such solutions may include a short term lease between the State and the owning railroad and a contract for continued operation by the owning railroad until a permanent

## State of Maine Rail Policy and Plan

solution can be recommended to the Legislature. The short term solution must of necessity be based on the facts and circumstances existing at the time.

IF IT IS DETERMINED THAT THE LINE IS NOT PART OF THE ESSENTIAL SYSTEM, THE CARRIER WILL ABANDON AS PLANNED WITHOUT STATE INVOLVEMENT.

### Analysis of Local Service Line Abandonments

IN DETERMINING WHETHER A RAIL LINE THAT IS UNDER STUDY FOR ABANDONMENT IS PART OF THE STATE'S ESSENTIAL RAIL SYSTEM, A BENEFIT/COST ANALYSIS WILL BE UNDERTAKEN. The information necessary to make such an analysis will be developed from the rail service users and the communities located on the line involved in accordance with the following outline.

Data to be collected:

A Rail User Information Survey is undertaken to:

Obtain data on firms using the line, commodities and tonnage shipped.

Current and projected business as related to rail shipments.

Foreign and domestic market.

Future or potential market.

Marketing program.



## State of Maine Rail Policy and Plan

Growth potential.

Strengths and weaknesses of the industry.

Economic projections.

Ideas on improving transportation.

Alternative transportation.

Number of employees affected by loss of rail service.

Local taxes paid by industry.

### Railroad Transportation Analysis

Past and present traffic.

Present and proposed marketing program.

Projected revenues and expenses.

Annual maintenance performed on line.

Condition of track.

Service provided.

Freight handling facilities.

Estimate to rehab the line.

Other options available.

### A Community-Region Information Survey is Undertaken to Determine:

The geographic area served by the line (sq. miles).

Number of municipalities served and populations.

Funding rail projects (to what extent should towns and counties participate?)

## State of Maine Rail Policy and Plan

Loss of jobs, revenues, local taxes, etc.

Increase in general assistance.

Future economic development of the area.

Economic Development Policy and Program of the area and its municipalities.

### Implementation - Project Development

The data will be compiled and analyzed by MDOT staff and a Benefit/Cost ratio determined based on the "Methodology for Comparing Benefits and Costs of Local Rail Service Assistance Projects" by David F. Wihry, Ph.D., University of Maine. (Attached hereto as Appendix 12.) This determination will also be based upon an evaluation of the geographic area, the type of industries and their dependence upon rail service, the overall transportation needs of the area involved, and its present and future development prospects.

IF THE LINE IS FOUND TO BE A PART OF THE STATE'S ESSENTIAL RAIL SYSTEM, THE MOST COST EFFECTIVE OPTIONS TO PRESERVE RAIL SERVICES WILL BE IDENTIFIED AND A PROGRAM RECOMMENDED TO THE GOVERNOR AND THE LEGISLATURE FOR FUNDING.

Wherever possible, any State sponsored assistance should be initiated before it is necessary for the owning carrier to file an application with the Interstate Commerce Commission to abandon the line. If, however, this is not possible, such action should be

## State of Maine Rail Policy and Plan

initiated when the owning railroad places the line in Category II or when the carrier notifies the Department of Transportation that the line is under serious study for abandonment.

Assistance may include several options that the abandonment analysis will identify, such as the following:

State provide subsidy for continued operation.

State purchase or lease the line.

If service is to be continued without interruption or reinstated in the near future, the State may consider the purchase or lease of the line intact including track, track appurtenances, ties, bridges, and other necessary structures for long term lease to the existing carrier or to a shortline railroad, or

If service is to be discontinued and the right of way retained for a future transportation corridor, the State should consider purchase of the right of way allowing the other materials to be salvaged by the owning railroad.

The communities or the industries served may purchase the line or it could be acquired by the formation of a transportation authority or a corporation of that type that could operate the service or subsidize the existing carrier or a shortline railroad.

## State of Maine Rail Policy and Plan

Any state-supported service will be evaluated annually but should not be extended beyond a five-year period unless specifically authorized by the Legislature. The municipalities and major users of rail service that will benefit from state-supported service will be encouraged to participate in the cost of providing it.

### Priority Assignments

IT WILL BE NECESSARY TO ASSIGN PRIORITIES TO THE RECOMMENDED PROJECTS FOR THE USE OF AVAILABLE FUNDS. The Benefit/Cost Analysis will determine this. The projects selected should benefit the greatest number of rail users, communities, and people employed by industries using rail transportation.

It is not likely that assistance projects will be recommended on the Primary or Secondary System; however, should assistance for these lines become necessary they will receive priority consideration. In addition, it may be necessary to choose between two projects on Local Service Lines. In making this choice and assigning Priority #1 to one or the other, the following criteria will be considered.

The priority assignments must of necessity be somewhat judgmental, but will be based on:

Community Impact (shippers, employment, taxes, etc.).

Present transportation needs.

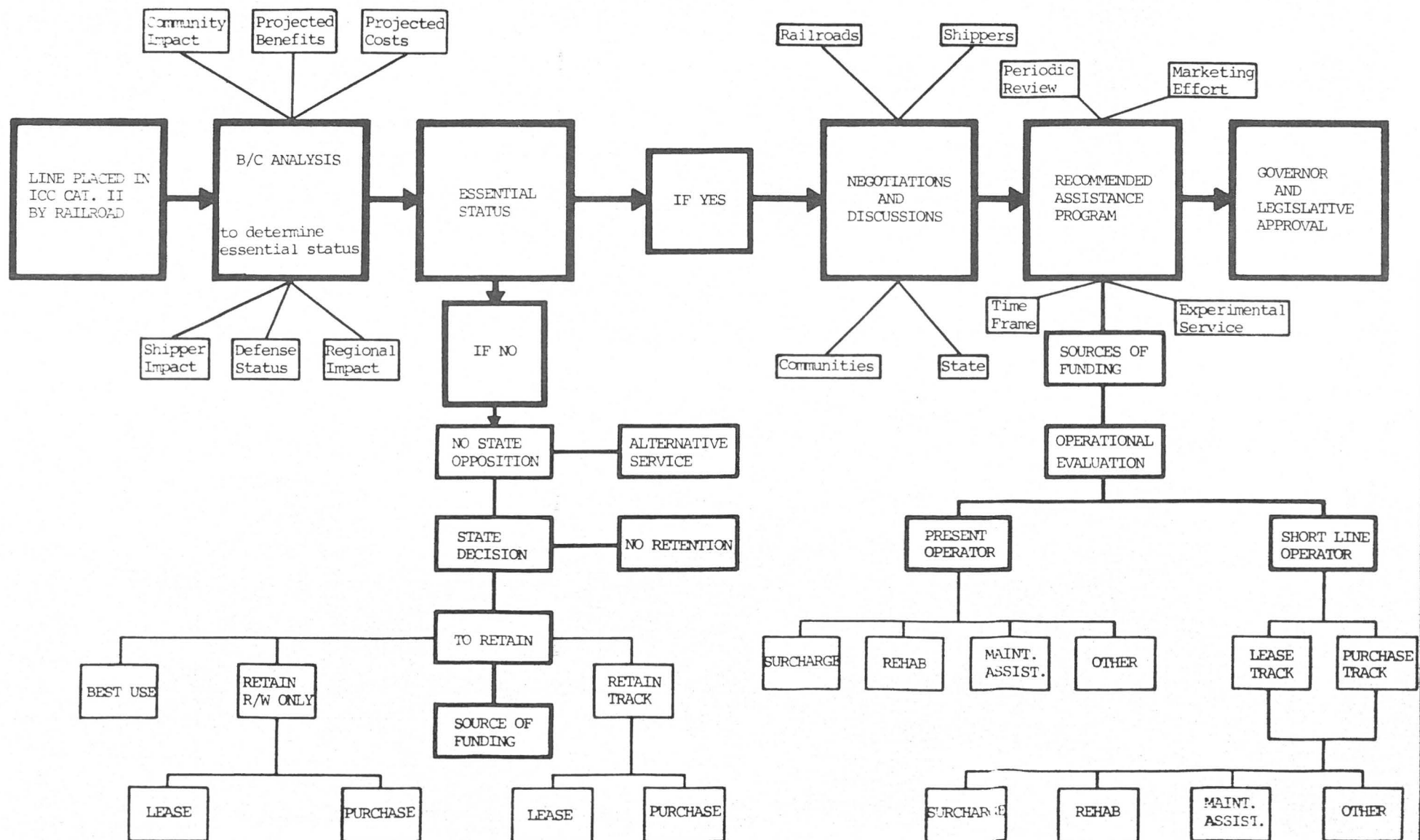
Condition of line.

Potential economic development of the area.

National Defense System.

Position in State's Essential Rail System.

# MAINE DEPARTMENT OF TRANSPORTATION RAIL PLANNING FLOW CHART





## State of Maine Rail Policy and Plan

### COMMITTEE RECOMMENDATIONS FOR ACTION TO ASSIST THE STATE RAIL SYSTEM

The Rail Policy Committee has identified areas of particular concern in formulating its recommendations for action. Those concerns can be grouped into seven basic areas:

Planning

Equity in Treatment of the Railroads vis-a-vis other modes.

Branchline Abandonment Procedures and Assistance Programs.

Railroad Passenger Service.

Experimental Service.

Modernize and Clarify State Statutes Relating to Railroads.

Funding Requirements and Mechanisms.

### RAIL TRANSPORTATION PLANNING

This Committee has concluded that rail transportation is an essential part of the State's transportation network. The first step to be taken in response to this conclusion is to continue and expand rail transportation planning. Accordingly,

IT IS RECOMMENDED THAT THE MAINE DEPARTMENT OF TRANSPORTATION UNDERTAKE A CONTINUING PLANNING PROCESS WITH SUFFICIENT FLEXIBILITY TO REFLECT THE CHANGING CONDITIONS OF THE TRANSPORTATION INDUSTRY AND IN PARTICULAR THE RAIL TRANSPORTATION INDUSTRY, ITS POTENTIAL, ITS PROBLEMS, ITS TRAFFIC AND ITS USERS.

## State of Maine Rail Policy and Plan

### EQUITY IN THE TREATMENT OF RAIL TRANSPORTATION IN RELATION TO OTHER MODES OF TRANSPORTATION

Railroads have not received State assistance in providing or improving facilities which they use in performing service as have other modes. For example, it is generally accepted that the trucking industry derives benefit from the available highway system which is built for public use and is available to them without assuming the initial capital costs that an exclusive truck highway would require.

A similar situation exists with State participation in the development of the airport system as well as the river and harbor improvement projects which the State and the Federal Government have supported in more recent years.

One area of concern to the railroads, which appears to the Committee to have considerable merit, is the fact that they are required to assume the total cost of maintaining highway/railroad crossings at-grade, the crossing protection devices such as automatic signals, gates, and warning signs, as well as the cost of maintaining certain bridges which carry highways over the railroads.

It is suggested that these facilities do not benefit the railroads except in a very subsidiary way, but in fact are of substantial benefit to highway users by providing access over railroad property and also provide protective devices to warn travellers of the approach of trains at grade crossings.

## State of Maine Rail Policy and Plan

Information supplied by the railroads, which has been verified by MDOT, indicates that there are 997 public at-grade crossings throughout the State which are maintained at an average annual cost of \$2,718. This results in a total annual expenditure of \$2,709,846. There are 36 highway-over-rail bridges for which the railroads have some maintenance responsibility at an average annual cost of \$4,500, or a total of \$162,000. These two elements combined produced a total cost of \$2,871,846 in 1983. Accordingly,

IT IS RECOMMENDED THAT THE STATE ASSUME 50% OF THE COST OF MAINTENANCE OF AT-GRADE RAILROAD/HIGHWAY CROSSINGS, CROSSING PROTECTION DEVICES INCLUDING AUTOMATIC SIGNALS, GATES AND CROSSBUCKS AND HIGHWAY BRIDGES FOR WHICH THE RAILROADS CURRENTLY ASSUME SOME PART OR ALL OF THE MAINTENANCE COSTS.

or

THAT THE RAILROADS MAY CONVEY OWNERSHIP OF SUCH HIGHWAY BRIDGES TO THE STATE SUBJECT TO THE AGREEMENT OF THE MAINE DEPARTMENT OF TRANSPORTATION AND PROVIDED THE CONDITION OF THE BRIDGE(S) IS IN COMPLIANCE WITH THE APPLICABLE REGULATORY ORDER OR DECREE IN EFFECT AS OF THE DATE OF THIS REPORT.

This would require an expenditure by the State of Maine of approximately \$1,435,923 the first year assuming that the maintenance of both grade crossings and bridges are included.

## State of Maine Rail Policy and Plan

It is assumed that bridges will be conveyed a few at a time in a condition that will require relatively little maintenance for several years.

The maintenance of crossings and signals frequently requires engineering and maintenance expertise that is within the knowledge and skill of railroad maintenance personnel. Accordingly, the maintenance of crossings and crossing protective devices can be done most effectively by railroad forces who should continue to perform the work.

It is proposed that the program not result in a complicated system of control and inspection by the State. An annual contract will be entered into between the State and each railroad to provide a single one time payment for each public at-grade crossing and highway bridges for which the railroad is responsible. Such payment will be based on the 1983 average maintenance cost for public at-grade railroad/highway crossings multiplied by the number of such crossings on each railroad in this State and the 1983 average maintenance cost for eligible highway bridges multiplied by the number of such bridges on each railroad in this State. The 1983 average maintenance costs will be adjusted annually by application of the Bureau of Labor Statistics Consumer Price Index, "All Items, All Urban Consumers."

The Department of Transportation will retain the right to review records and supporting data of the costs incurred by the carriers. The distribution of the funds for this program is to be within the

## State of Maine Rail Policy and Plan

control of the Department of Transportation. Each participating railroad will submit an annual report to the Department of Transportation describing in general terms its public grade crossing and highway bridge maintenance program indicating the total costs incurred, total quantities of material used, and man hours used.

### IT IS RECOMMENDED THAT LEGISLATION BE ENACTED TO EXEMPT TRACK MATERIAL FROM THE APPLICATION OF THE SALES TAX.

The exemption would apply on materials used in railroad roadway, such as ballast, rail, ties, drainage structures, and track fixtures.

Based on tax data collected by the MDOT as supplied by the railroads, it is estimated that approximately 17% of the sales tax paid by the railroads each year is related to the purchase of track material. The enactment of the exemption would result in a reduction in the sales tax payments to the State by the railroads of an estimated \$180,000 annually. For an analysis and estimate of the taxes paid by the rail carriers to the State of Maine, see Appendix 13.

This recommendation is one action that would result in more equitable treatment of the rail carriers in providing their own roadway which is now paid for 100% by the carriers themselves and is considered to be one very cost effective way to help the carriers achieve long term stability in fulfilling their role in providing necessary transportation services to the State.



## State of Maine Rail Policy and Plan

### IT IS RECOMMENDED THAT LEGISLATION BE ENACTED TO MAKE PERMANENT THE INCLUSION OF LONG TERM FREIGHT CAR LEASES IN THE DEFINITION OF OPERATING INVESTMENT FOR CALCULATION OF THE RAILROAD EXCISE TAX.

This would not change the amount of tax collected as there is presently a temporary exemption which the carriers have had for a number of years. This legislation has already been introduced as L.D. 357.

This is a provision that has been considered by the Legislature several times in the past. During the first regular session of the 111th Legislature, provisions were enacted to make this a permanent part of the railroad excise tax calculation. This legislation was not signed by the Governor and temporary provisions were again enacted which are due to expire in 1985.

This along with other legislative suggestions are attached hereto as Appendix 14.

### BRANCHLINE ABANDONMENT PROCEDURES AND ASSISTANCE PROGRAM

It is clear that the current level of concern for the future of rail transportation to this State is founded primarily in the potential abandonment of several geographically important branchlines, the most notable of which is the line between Brewer and Calais which includes the whole of Washington and Hancock Counties and the line between Brunswick and Rockland that includes significant portions of Knox, Lincoln, and to a lesser extent Sagadahoc County.

## State of Maine Rail Policy and Plan

IT IS RECOMMENDED THAT THE MAINE DEPARTMENT OF TRANSPORTATION PERFORM AN ANALYSIS OF ANY LINE OF RAILROAD IN THIS STATE WHICH IS PLACED UNDER STUDY FOR POTENTIAL ABANDONMENT BY THE OWNING RAILROAD. THE STUDY WILL INCLUDE A BENEFIT/COST STUDY TO DETERMINE THE EFFECT OF THE LOSS OF RAIL SERVICE UPON THE PRESENT RAIL USERS, COMMUNITIES INVOLVED AND THE STATE IN GENERAL; WHETHER THE LINE IS PART OF THE ESSENTIAL RAIL SYSTEM AND A RECOMMENDATION AS TO WHAT, IF ANY, ACTION THE STATE SHOULD TAKE TO PRESERVE THE SERVICE WILL BE MADE TO THE LEGISLATURE.

It will be necessary for the Department of Transportation to establish working arrangements with the railroads operating within the State to notify it when a particular line or line segment is placed under serious study for abandonment or to notify the Department when such a line is placed in ICC Category II of the Carrier's System Diagram Map.

Acquisition cost to the State of a line with rails and ties in place, should be based on the net liquidation value of the line reduced by the value of State funds expended for the maintenance of at-grade crossings and highway-over-bridges which have not been conveyed to the State or the net salvage value of the crossing, crossing potential devices material or bridge whichever is less.

When a line is abandoned, any highway-over-bridge which the railroad owns or maintains will be conveyed to the State at no cost to the State and the State will thereafter be responsible for its maintenance.

## State of Maine Rail Policy and Plan

When abandonment occurs, it is the Committee's opinion that as a matter of prudent investment the State should acquire the right of way after all salvageable materials have been removed. The acquisition of right of way only would be based upon the appraised value of the land to be agreed upon between the State and the railroad.

It is important that the State program address the long-term stability of the rail system by including a major effort to encourage the use of rail transportation generally and for the State's industrial development program to emphasize the location of industries along the rail right of way.

IT IS RECOMMENDED THAT THE STATE DEVELOPMENT OFFICE DEVELOP, IN CONJUNCTION WITH THE RAILROADS, A PROGRAM TO ENCOURAGE INDUSTRIES TO LOCATE ALONG THE RAIL SYSTEM RIGHT-OF-WAY. THE STATE DEVELOPMENT OFFICE WILL DEVELOP AND IMPLEMENT A COMPLETE MARKETING PROGRAM INCLUDING REASONABLE MARKET RESEARCH AND COMMUNICATIONS INCLUDING TRADE MISSIONS, ADVERTISING, DIRECT MAILINGS, AND TELEMARKETING.

The marketing program should be developed and implemented in conjunction with all Maine railroads, the staff of the Department of Agriculture, Department of Conservation, and the Department of Marine Resources. The railroads and the state agencies should share marketing information, market and service needs, site location information, and current marketing strategies.

## State of Maine Rail Policy and Plan

### PASSENGER SERVICE

#### IT IS RECOMMENDED THAT THE STATE INITIATE AN ACTION TO REQUEST THE STUDY BY AMTRAK OF THE FEASIBILITY OF RESTORING RAILROAD PASSENGER SERVICE IN MAINE.

Public meetings held by the Committee indicated that there is a substantial amount of interest within the public sector for the restoration of some level of railroad passenger service within the State of Maine.

Currently the National Railroad Passenger Corporation, commonly known as Amtrak is authorized by the U. S. Congress to provide railroad passenger service throughout the United States. Under current Federal Law, Section 403B of The Rail Passenger Service Act, permits Amtrak to share the cost of new or additional service with a state or agency of a State, and in some cases private and individual contributors. The State must agree to pay 45% of the short term avoidable loss (operating losses) during the first year of operation, and 65% of such losses each year thereafter. In addition, the State must agree to provide 50% of any capital improvements necessary to upgrade the track and station facilities, as well as a monthly capital cost for the use of Amtrak equipment.

The first step in the process is for the State to request that Amtrak conduct a feasibility study. The request should include as much specific information as possible, such as the proposed routes, schedules, intermediate stops, etc. If approved by Amtrak's management (and such requests made by states usually are), then a

## State of Maine Rail Policy and Plan

study will be scheduled and conducted. It is understood that a number of requests are made each year, many of which are still pending.

During the course of the study, it will be necessary for an inspection train to be operated, and it is our understanding that the State will be expected to assume 50% of the cost of such train, which could be approximate \$10,000.

### EXPERIMENTAL SERVICE

Several of the Committee members believe that any State rail assistance program should include assistance for the inauguration of experimental rail service that is designed to attract new users of rail service or to increase use by present customers. Most of the discussion centered around the inauguration of a daily trailer or container on flatcar service that would originate in Northern Maine designed to attract business that is now moving by highway.

It was the consensus of the Committee, however, that no state funding should be made available for such experiments. Rather the Department of Transportation, in cooperation with the State Development Office and other state agencies, such as the Department of Agriculture and the Department of Conservation, would provide their good offices to facilitate and promote the inauguration of such services by providing data, promotion and other services that would assist in such an effort, accordingly

## State of Maine Rail Policy and Plan

IT IS RECOMMENDED THAT THE DEPARTMENT OF TRANSPORTATION ACTING AS LEAD AGENCY IN COOPERATION WITH THE STATE DEVELOPMENT OFFICE AND OTHER STATE AGENCIES, ENCOURAGE THE DEVELOPMENT OF EXPERIMENTAL SERVICES THAT WILL LEAD TO GREATER USE OF RAIL TRANSPORTATION AND PROVIDE RELIEF FROM THE INCREASING FREIGHT TRANSPORTATION BURDEN BEING IMPOSED UPON THE HIGHWAYS.

### REVISION OF STATUTES RELATING TO RAILROADS, PROPOSED MODERNIZATION, AND CLARIFICATION

State law that governs railroads has been changed, modified, and added to many times. The most recent change included the assignment of most rail transportation matters to the Department of Transportation and eliminated most economic regulation by the State.

Many of the state statutes governing railroads were enacted as early as 1858 when the Legislature created the Railroad Commission. Some of the language is antiquated, and the original purpose and need for some of these laws has long since disappeared.

It is the Committee's opinion that State law relating to railroads should be revised and clarified to more appropriately reflect current conditions. An undertaking of this nature will require the cooperation of those directly concerned including the Department of Transportation, the Railroads, Railroad Labor, the Maine Municipal Association, and an organization to represent the business community such as the Maine Chamber of Commerce and



## State of Maine Rail Policy and Plan

Industry. Accordingly, it is:

RECOMMENDED THAT THE DEPARTMENT OF TRANSPORTATION DRAFT AN ACT TO MODERNIZE AND CLARIFY STATE STATUTES RELATING TO RAILROADS IN COOPERATION WITH AN ADVISORY COMMITTEE CONSISTING OF THE RAILROADS, RAILROAD LABOR, MAINE MUNICIPAL ASSOCIATION, AND AN APPROPRIATE ORGANIZATION TO REPRESENT THE INTEREST OF BUSINESS AND INDUSTRY.

### FUNDING NEEDS AND OPTIONS

It is recommended:

THAT THE FUNDING NECESSARY TO REIMBURSE THE RAILROADS FOR 50% OF THE COST OF MAINTAINING AT-GRADE CROSSINGS AND HIGHWAY BRIDGES BE MADE A PART OF THE DEPARTMENT OF TRANSPORTATION'S HIGHWAY PROGRAM.

THAT FUNDS NECESSARY TO ADMINISTER THE REMAINDER OF THE PROGRAM INCLUDING ASSISTANCE PROJECTS BE PROVIDED FROM EXCISE AND SALES TAXES PAID BY THE RAILROADS TO THE STATE OF MAINE. SUCH FUNDS MAY BE DEDICATED FOR USE TO ASSIST THE RAIL SYSTEM OR APPROPRIATED FROM THE GENERAL FUND. WHATEVER COURSE THE LEGISLATURE CHOOSES TO ADOPT, THE FUNDING WILL BE MADE AVAILABLE IN ACCORDANCE WITH AN APPROVED ANNUAL PROGRAM AND BUDGET SUBMITTED BY THE DEPARTMENT OF TRANSPORTATION.

THAT FUNDS NECESSARY TO SUPPORT APPROVED ASSISTANCE PROJECTS THAT EXCEED FUNDS AVAILABLE FROM RAIL PAID EXCISE AND SALES TAXES TO BE MADE AVAILABLE FROM A GENERAL FUND APPROPRIATION OR INCLUDED IN A BOND ISSUE IF CAPITAL IMPROVEMENTS ARE INVOLVED.

## State of Maine Rail Policy and Plan

The following is an estimate of the cost of a basic rail program for the next biennium (7-1-85 thru 6-30-87).

<u>Item</u>	<u>FY 86</u>	<u>FY 87</u>
1. Grade Crossing & Bridge Maintenance Program - 50% State	\$1,436,000	\$1,436,000
2. Marketing and Economic Development Program S.D.O.	125,000	125,000
3. Railroad Passenger Service Study (Inspection Train)	10,000	--
4. Department of Transportation - Program Administration		
Planning - Annual Update	30,000	30,000
Branchline Abandonment Analysis	40,000	25,000
Project Development - Inspection	20,000	35,000
Experimental Service Development	10,000	10,000
Revision of Statutes - Rail	<u>15,000</u>	<u>--</u>
Total	\$1,686,000	\$1,661,000
Total Biennium	\$3,347,000	

Studies are in progress to evaluate the effect of the loss of rail transportation in Maine on three branch lines of the Maine Central Railroad; i.e., Rockland, Calais, and the Mountain Division. As previously indicated, the railroad has agreed not to proceed with its abandonment applications until the Committee has

## State of Maine Rail Policy and Plan

completed its work and the Legislature has an opportunity to act on its recommendations. The studies will be complete by mid-March 1985 for review by the Committee and recommendations, if any, for State assistance to preserve service will be made to the Governor and the Legislature immediately thereafter. Funding required to implement such recommendations will be in addition to the basic program.

The basic program will cost an estimated \$1.68 million in FY 86 and \$1.66 million in FY 87. Because the crossing and bridge maintenance program benefits highway users, it is proposed that the Department of Transportation include those costs in its highway program. This will require a total expenditure of \$2.87 Million for the biennium. It is believed that highway monies can be used for this purpose without violating constitutional constraints.

An additional \$475,000 will be needed from other sources to fund the basic program. In 1983, the railroads paid \$1,657,370 to the State of Maine in Excise and Sales taxes. These monies are deposited in the State's General Fund and could provide a basic source of funding for the rail program. If the recommended sales tax exemption on track material is enacted, these funds would be reduced by an estimated \$180,537 to \$1,476,833 annually. (See Appendix 13)

Until the studies on the branchlines are completed, the extent of State funding necessary to preserve essential service will not be known; therefore, the total funding requirements for the program cannot be determined at this time.

## APPENDICES

Appendix No.	Subject
1	System Diagram Map
2	Current Program Funding
3	Rehabilitation and Crossing Improvement Programs
4	ICC Categories & Rail Line Abandonment Procedures
5	Executive Order Establishing the Advisory Committee
6	Committee Members
7	Summary of Public Meeting (Railroads)
8	Summary of Public Meeting (Users)
9	Summary of Public Meeting (Interest Groups)
10	Functional Classification Map
11	Freight Density Map and Tables
12	Methodology for Comparing Benefits and Costs for Assistance Projects
13	Taxes Paid by Maine Railroads
14	Proposed Legislation
15	List of Commentators

**APPENDIX 1**  
(PAGE 1 OF 2)

**I - SUBJECT TO ABANDONMENT  
WITHIN 3 YEARS**

## II - LINES UNDER STUDY

### III: LINES PENDING ABANDONMENT

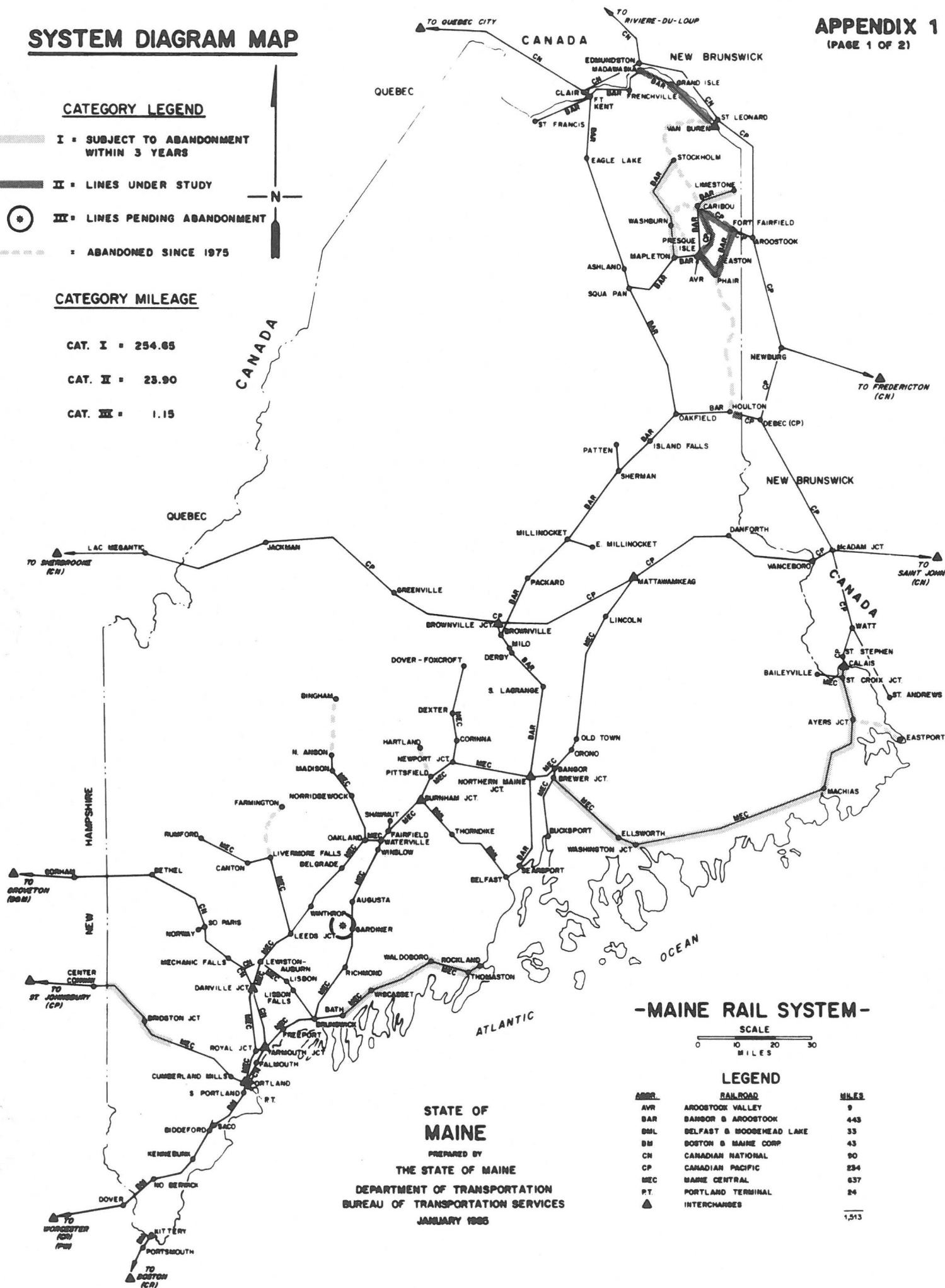
= ABANDONED SINCE 1975

**CAT. I - 254.65**

**CAT. II = 23.90**

CAT. III - 1.15

CAT. III = 1.15

STATE OF  
MAINE

PREPARED BY  
THE STATE OF MAINE

DEPARTMENT OF TRANSPORTATION  
BUREAU OF TRANSPORTATION SERVICES  
JANUARY 1965

**-MAINE RAIL SYSTEM-**

**SCALE**



A horizontal scale bar with markings at 0, 10, 20, and 30.

### LEGEND

<u>ADDR</u>	<u>RAILROAD</u>	<u>MILES</u>
AVR	ARROSTOCK VALLEY	9
BAR	BANSON & ARROSTOCK	443
BGL	DELFABT & MOOSEHEAD LAKE	33
BM	BOSTON & MAINE CORP	43
CH	CANADIAN NATIONAL	90
CP	CANADIAN PACIFIC	234
MEC	MAINE CENTRAL	637
PT	PORTLAND TERMINAL	24
▲	INTERCHANGES	

1.513

STATE OF MAINE  
DEPARTMENT OF TRANSPORTATION  
RAIL TRANSPORTATION DIVISION  
SYSTEM DIAGRAM MAP  
January 1985

CATEGORY I - Subject to abandonment within 3 years  
Miles

Bangor & Aroostook  
Caribou to Limestone  
Mapleton-Stockholm

15.67  
33.32

Maine Central  
Brunswick-Rockland  
Brewer-Calais  
Mt. Division

52.12  
126.92  
26.62

Category I Total 254.75

CATEGORY II- Lines under study for abandonment

Bangor & Aroostook  
Phair to Fort Fairfield  
Van Buren to Madawaska  
Presque Isle - Phair

13.27  
23.50  
4.80

Canadian Pacific  
Houlton to Canadian Border  
Presque Isle to Canadian Border

3.15  
29.18

Category II Total 73.90

CATEGORY III - Lines Pending Abandonment Procedures

Maine Central  
Cobbosseecontee

1.15

CATEGORY IV - Lines under subsidy - None.

CATEGORY V - All other lines operated 1183.30

TOTAL SYSTEM MILES 1513.00



SUMMARY OF CURRENT  
RAIL PROGRAM FUNDING

June 1984

	<u>Funds Available</u>	<u>Obligated Current To Projects</u>	<u>Potentially Available for Projects (Pending Federal Audit)</u>
Federal	\$ 908,238	\$488,993	\$419,245
State	115,000*	0	0
Total	\$1,013,238	\$488,993	\$419,245

Current Projects

BAR - Limestone Branch Rehab	\$200,000
Aroostook Valley Rehab	200,000
MDOT - Planning Grant	88,993

\*1979 Bond funds for purchase of abandoned MEC rail rights-of-way on  
Eastport and Bingham Branches

MAINE DEPARTMENT OF TRANSPORTATION

APPENDIX 3

Page 1 of 6

RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Recipient</u>	<u>Project Location</u>	<u>Project Description</u>	<u>Federal Funds</u>	<u>Non-Federal Funds</u>	<u>Total</u>
76	NERC	B&M	Rigby to N.H. Line	Rail end welding, 4 clearance improvements 250 insulated joints 400 poles, surface & line masonry repairs	\$ 350,000	\$296,181	\$ 646,181
76	FRA	MDOT	Statewide	Planning	26,498	0	26,498
				Program Operations	36,680	0	36,680
		B&ML	Belfast & Burnham Jct.	2 miles 90# rail, 12,000 ties, bridge & switch timber, culvert repair, surface & line	747,100	0	747,100
			Total Rehabilitation Program		\$1,160,278	\$296,181	\$1,456,459
			Total Crossing Improvement Program		897,949	99,772	997,721
			Total FY 76		\$2,058,227	\$395,953	\$2,454,180
77	NERC	MEC	Waterville Lewiston	5,000 ties 1 mile 115# rail, clearance improvement	\$105,000	\$269,701	\$374,701
		PT Co	Rigby Yard	Painting building, switch timbers, surface leads, ballast, ties	300,000	128,300	428,300
		BAR	Masardis Ashland Eagle Lake Fort Kent Frenchville	2.78 miles 115# rail 1.33 miles 112# rail 5.89 miles 100# rail	150,000	360,700	510,700
			Total Rehabilitation Program		\$ 555,000	\$758,701	\$1,313,701
			Total Crossing Improvement Program		1,246,071	138,452	1,384,523
			Total FY 77		\$1,801,071	\$897,153	\$2,698,224

MAINE DEPARTMENT OF TRANSPORTATION

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RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Recipient</u>	<u>Project Location</u>	<u>Project Description</u>	<u>Federal Funds</u>	<u>Non-Federal Funds</u>	<u>Total</u>
78	NERC	BAR	Oakfield to Fort Kent E. Millinocket	10.81 miles of rail	\$ 350,000	\$1,016,492	\$1,366,492
		MEC	Royal Jct. to Darville Jct. Royal Jct. to Auburn	24,000 tons of ballast 10,000 hardwood ties	170,000	261,696	431,696
		CN	Lewiston Auburn	3 miles of 100# rail, 7600 tons of ballast, 2500 hardwood ties, circuit upgrading, bridge & culvert repairs	111,900	97,000	208,900
78	FRA	MDOT		Rail Planning	129,480	14,387	143,867
				Program Operations	88,615	22,154	110,769
		B&ML	Burnham Jct. to Belfast	6,000 hardwood ties, drainage improve- ments, bridge repair, 45,000 tons of ballast, masonry repairs	1,689,553	186,969	1,876,522
		MEC	Livermore Falls to Farmington	Operating Subsidy	167,554	41,889	209,443
		Total Rehab Program			\$2,707,102	\$1,640,587	\$4,347,689
		Total Crossing Improvement Program			1,246,071	138,452	1,384,523
		Total FY 78			\$3,953,173	\$1,779,039	\$5,732,212

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RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Recipient</u>	<u>Project Location</u>	<u>Project Description</u>	<u>Federal Funds</u>	<u>Non-Federal Funds</u>	<u>Total</u>
79	NERC	BAR	Oakfield to Madawaska, East Millinocket	2.22 miles of 115# rail 10.08 miles of 100# rail	\$ 246,300	\$ 652,187	\$ 898,487
		CN	South Paris	300 ties 200 100# rails	12,900	9,000	21,900
		MEC	New Gloucester to Yarmouth	40,000 tons of ballast	219,000	229,464	448,464
		B&M	Scarborough to N.H. Line	22,000 hardwood ties	79,292	438,968	518,260
79	FRA	MDOT		Rail Planning	100,000	25,000	125,000
				Program Operations	32,358	8,090	40,448
		B&M	Saco	900 ties, 700 tons ballast, 5.68 MBM timber, 2500 anchors, line & surface drainage	76,212	19,053	95,265
		MEC	Waldoboro to Thomaston	32,500 tie plates, 38370 tons ballast, 7,900 hardwood ties, drainage improvements, surface & line (Phase I)	463,351	115,838	579,189
			Livermore Falls to Farmington	Operating Subsidy	107,592	26,898	134,490
		Total Rehab Program			\$1,337,005	\$1,524,498	\$2,861,503
		Total Crossing Improvement Program			1,297,991	144,221	1,442,212
		Total FY 79			\$2,634,996	\$1,668,719	\$4,303,715

MAINE DEPARTMENT OF TRANSPORTATION

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RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Recipient</u>	<u>Project Location</u>	<u>Project Description</u>	<u>Federal Funds</u>	<u>Non-Federal Funds</u>	<u>Total</u>
80	NERC	CN	Mechanic Falls to South Paris	10,000 cross ties	\$ 96,379	\$227,621	\$ 324,000
		BAR	Oakfield Fort Kent	5 miles of 115# CWR 2.75 miles of 100# rail	147,031	817,325	964,356
		PT Co	Rigby Yard	6,000 tons ballast	99,522	108,336	207,858
		MEC	Auburn	6,000 tons of ballast 600 cross ties 20 MFEM of switch timber Rehab 3 crossings	114,869	147,619	262,488
80	FRA	MDOT		Rail Planning	75,000	18,750	93,750
				Program Operations	39,426	9,857	49,283
		MEC	Waldoboro to Thomaston	32,500 tie plates, 38,370 tons ballast, 7,900 hardwood ties, drainage improvements, surface & line, (Phase II)	380,346	95,087	475,433
		BML	Belfast to Burnham Jct.	10,000 hardwood ties 10,000 board feet hardwood switch timber Timber	260,000	65,000	325,000
		MEC	Livermore Falls to Farmington	Operating Subsidy	130,313	32,578	162,891
		MDOT		Appraisal of MEC's Eastport Branch & BAR's Houlton-Monticello Branch	20,000	5,000	25,000
Total Rehab Program					\$1,362,886	\$1,527,173	\$ 2,890,059
Total Crossing Improvement Program					1,286,130	158,960	1,445,090
Total FY 80					\$2,649,016	\$1,686,133	\$ 4,335,149

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RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Recipient</u>	<u>Project Location</u>	<u>Project Description</u>	<u>Federal Funds</u>	<u>Non-Federal Funds</u>	<u>Total</u>
81	FRA	MDOT		Rail Planning	\$ 50,000	\$ 12,500	\$ 62,500
				Program Operations	32,862	8,216	41,078
		BAR	Phair to Fort Fairfield	20,000 hardwood ties, Drainage improvements Surface & line	658,985	164,746	823,731
				Total Rehab Program	741,847	185,462	927,309
				Total Crossing Improvement Program	<u>1,286,000</u>	<u>159,000</u>	<u>1,445,000</u>
				Total FY 81	\$2,027,847	\$344,462	\$2,372,309
82	FRA	MDOT		Program Operations	16,667	7,143	23,810
		MEC	Waldoboro to Thomaston	32,500 tie plates, 38,370 tons ballast 7,900 hardwood ties, drainage improve- ments, surface & line (Phase III)	333,333	142,857	476,190
82	Local	MEC	Livermore Falls to Farmington	Operating Subsidy	<u>0</u>	<u>198,564</u>	<u>198,564</u>
				Total Rehab Program	350,000	348,564	698,564
				Total Crossing Improvement Program	<u>1,643,000</u>	<u>182,000</u>	<u>1,825,000</u>
				Total FY 82	\$1,993,000	\$530,564	\$2,523,564



MAINE DEPARTMENT OF TRANSPORTATION

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RAIL REHABILITATION AND  
CROSSING IMPROVEMENT PROGRAMS

FY 76 thru FY 82

SUMMARY  
(Thousands)

Fiscal Year	Crossing Improvement Program			Rehabilitation Program			Total		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total	Federal	Non-Federal	Total
76	\$ 898	\$ 100	\$ 998	\$1,160	\$ 296	\$ 1,456	\$ 2,058	\$ 396	\$ 2,454
77	1,246	138	1,384	555	759	1,314	1,801	897	2,698
78	1,246	138	1,384	2,707	1,641	4,348	3,953	1,779	5,732
79	1,298	144	1,442	1,337	1,524	2,861	2,635	1,668	4,303
80	1,286	159	1,445	1,363	1,527	2,890	2,649	1,686	4,335
81	1,286	159	1,445	742	185	927	2,028	344	2,372
82	<u>1,643</u>	<u>182</u>	<u>1,825</u>	<u>350</u>	<u>349</u>	<u>699</u>	<u>1,993</u>	<u>531</u>	<u>2,524</u>
Totals	\$8,903	\$1,020	\$9,923	\$8,214	\$6,281	\$14,495	\$17,117	\$7,301	\$24,418

Interstate Commerce Commission  
Categories and Rail Line Abandonment Procedures

- Category 1 - All lines or portions of lines which the carrier anticipates will be the subject of an abandonment to be filed within the 3-year period following the date upon which the diagram, or any amended diagram, is filed with the Commission.
- Category 2 - All lines or portions of lines potentially subject to abandonment are those which the carrier has under study and believes may be the subject of a future abandonment application because of either anticipated operating losses or excessive rehabilitation costs, as compared to potential revenues.
- Category 3 - All lines or portions of lines for which an abandonment or discontinuance application is pending before the Commission on the date upon which the diagram or amended diagram, is filed with the Commission.
- Category 4 - All lines or portions of lines which are being operated under the rail service continuation provisions of 49 U.S.C. 10905 or of Section 304(c) (2) of the Regional Rail Reorganization Act of 1973, as amended, on the date upon which the diagram, or any amended diagram is filed with the Commission; and
- Category 5 - All other lines or portions of lines which the carrier owns and operates, directly or indirectly.

ICC Rail Abandonment Procedure.

The following is a brief summary of the current abandonment procedures of the Interstate Commerce Commission:

Stage I. Railroad lists branchline under Category I in its annual system diagram update. The line must be in Category 1 at least four months before a "Notice of Intent" can be posted.

Stage II. (Up to three years after Stage I), Railroad posts and publishes "Notice of Intent to Abandon Line or Discontinue Service". (At least 15 - not more than 30 days - before end of four-month period.)

Stage III. (At least 30 days after Stage II), Railroad files abandonment application with ICC (filing date) accompanied by a certification that the posting and publishing requirements of the "Notice of Intent" have been satisfied.

Stage IV. (Within 45 days of the filing date):

- a. If no protest is received from State, shipper or other parties within 30 days of filing date, the ICC shall find that the public convenience and necessity require or permit the abandonment or discontinuance. In such a case, the ICC shall, within 45 days of the filing date, issue a certificate which permits the abandonment or discontinuance to occur within 75 days of the filing date.

## Rail Abandonment Procedure

- b. If a protest is received within 30 days after the filing date, the ICC shall, within 45 days after the filing date, determine whether an investigation is needed.
  - i. If the ICC decides that no investigation is to be undertaken, the ICC shall, within 75 days after the filing date, decide whether or not to permit abandonment, taking into consideration the application of the railroad and any material submitted by protestants. If the ICC decides to allow abandonment, it shall, within 90 days of the filing date, issue a certificate which permits the abandonment to occur within 120 days of the filing date.
  - ii. If the ICC decides that an investigation should be undertaken, the investigation must be completed within 135 days and an initial decision rendered within 165 days after the filing date. The initial decision shall become the final decision 30 days after its issuance unless it is appealed. If an appeal is heard by the ICC, the ICC shall issue its final decision within 255 days after the filing date. Whenever the ICC decides upon investigation to permit abandonment, it shall, within 15 days of the final decision, issue a certificate which permits abandonment to occur within 75 days of the final decision date.

## Rail Abandonment Procedure

Stage V. (Within 10 days of the publishing of the ICC's abandonment decision in the Federal Register)

Any person or party may offer to pay the railroad a subsidy or offer to purchase the line.

Stage VI. (Within 15 days of the publishing of the ICC's abandonment decision in the Federal Register)

If the ICC finds that a financially responsible person (FRP) (including a government authority) has offered financial assistance which will likely equal railroad costs for that line, the ICC shall postpone the issuance of the abandonment certificate and:

- a. If the railroad and the FRP enter into an agreement which will provide continued rail service, the Commission shall postpone the issuance of the certificate for so long as the agreement is in effect.
- b. If the railroad and the FRP enter into an agreement to purchase the line and continue rail service, the ICC shall approve the transaction and dismiss the application for abandonment.
- c. If the railroad and the FRP fail to agree on the same amount or terms of the subsidy, within 30 days after the offer is made:

### Rail Abandonment Procedure

- i. If either party requests the ICC to establish the conditions and amount of compensation, the ICC shall render its decision within 60 days of the request and shall be binding on both parties, except that the RFP may withdraw his offer within 10 days. In such case, the ICC shall immediately issue the certificate of abandonment.
- ii. If neither party requests that the ICC establish the conditions and amount of compensation, the ICC shall immediately issue the certificate of abandonment.





OFFICE OF  
THE GOVERNOR

NO. 11FY 83/84  
DATE June 1, 1984

AN ORDER TO ESTABLISH A GOVERNOR'S ADVISORY COMMITTEE FOR THE DEVELOPMENT  
OF A RAIL TRANSPORTATION POLICY FOR THE STATE OF MAINE.

WHEREAS, the rail system of the State of Maine constitutes one of the major transportation modes relied upon by existing Maine industries for the distribution of manufactured products and goods and materials consumed in the operation of such industries; and

WHEREAS, the present and future transportation needs of such industries as well as those industries which may be located as a result of the state economic development efforts will require a certain level of rail transportation service; and

WHEREAS, the Department of Transportation and other sources have indicated that a number of the lines that make up the rail transportation network of this State are the subject of study as to the feasibility of future operations by the owning railroads; and

WHEREAS, it is anticipated that a number of these lines will be the subject of petitions for abandonment within the next few years, and it is deemed necessary and prudent that the State have in place a policy to respond to such actions in a timely manner; and

WHEREAS, such responses should be made within the framework of a State Policy for the future of rail transportation; and

WHEREAS, the development of such a policy shall be undertaken as soon as possible, and recommendations submitted to this Office and the First Regular Session of the 112th Legislature in January, 1985;

NOW, THEREFORE, I, JOSEPH E. BRENNAN, Governor of the State of Maine, do hereby establish The Governor's Advisory Committee for the Development of a Rail Transportation Policy for the State of Maine.

MEMBERSHIP

Individuals to serve on the Advisory Committee shall be designated by the Governor and shall include a representative of the paper industry, the Chairmen of the Joint Standing Committee on Transportation of the 111th Legislature, a representative of the Maine Municipal Association, a representative with experience in so-called shortline rail operations, a rail management person representing the larger carriers, a representative of the food processing industry, a representative of the Maine Poultry Association, a representative of the Maine potato industry, a representative of railroad labor, and the Commissioner of Transportation. The Commissioner of Transportation shall serve as Chairman and he shall call the first meeting.

RESPONSIBILITIES

The responsibilities of the Advisory Committee shall be: To develop and recommend State policy for future rail transportation that will adequately meet the present and future needs of Maine Industry and the State's economy. Such policy shall provide guidance to the Department of Transportation and the State Government in general in responding to anticipated rail line abandonments.

In developing such recommendations, consideration shall be given to:

1. The transportation needs of current and prospective rail transportation users, and the general role that rail transportation may be expected to play in the future economic development of the State.
2. Alternative means of transportation through the State generally and, in particular, areas where abandonments may occur.
3. The impact upon future economic development and existing shippers in the area affected by abandonment.
4. The impact upon railway labor of rail consolidations and abandonments.
5. The potential for the development of shortline rail services to replace service abandonment by existing carriers.
6. The views of the general public as to the present and future value of rail transportation service to the State of Maine.

ADMINISTRATION

The Governor's Advisory Committee for the Development of a Rail Transportation Policy for the State of Maine shall serve without compensation and shall receive staff support from the Department of Transportation. The Commissioner of Transportation shall receive additional support as he deems necessary from the Office of Energy Resources, the State Planning Office and the State Development Office.

  
JOSEPH E. BRENNAN  
Governor

Copy: Gerald  
6-4-84

Governor's Advisory Committee for the Development  
of a Rail Transportation Policy for the State of Maine

Paper Industry -	Thomas Golden, T.M. Georgia-Pacific Corp. Woodland, Maine 04694 (427-3311)
Transportation Committee -	Senator Peter W. Danton 7 Beach Street Saco, Maine 04072 (282-0637)
	Representative George A. Carroll Elm Street, R.F.D. #2 Limerick, Maine 04048 (793-2339)
Agriculture -	William Bell, Executive Director Maine Poultry Federation P.O. Box 228 Augusta, Maine 04330 (622-4443)
	Stanley P. Greaves, Exec. Vice President Maine Potato Sales Association P.O. Box 30 Presque Isle, Maine 04769 (768-5571)
Food Processors -	Perley R. Langley, T.M. J. R. Simplot P.O. Box 809 Presque Isle, Maine 04769 (768-5911)
Maine Municipal Association -	Thomas Stevens, Town Manager Town Office 27 Church Street Limestone, Maine 04750 (325-3131)
Railroad Industry -	J. F. Gerity, Vice Chairman of Board Maine Central Railroad Company 242 St. John Street Portland, Maine 04102 (774-4017)
	Thomas B. Bamford Railroad Consultant Box 210 - R.F.D. #2 Lincolnville, Maine 04849 (338-1081)
Railroad Labor -	E. R. Plourd, Legislative Director United Transportation Union 679 Forest Avenue, Room 5 Portland, Maine 04103 (772-7354)

Governor's Advisory Committee for the Development  
of a Rail Transportation Policy for the State of Maine

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Maine Development Office -	Leslie E. Stevens, Director, or designate Station #59
Office of Energy Resources -	John M. Kerry, Director, or designate Station #53
State Planning Office -	Richard E. Barringer, Director or designate (Joyce Benson, Lloyd Irland) Station #38
National Association of Railroad Passengers -	Henry Ferne, 2nd Box 427 Wiscasset, Maine 04578
Department of Consdervation -	Richard Anderson, Commissioner or designate (Michael Cyr) Sta. #22

SUMMARY OF PUBLIC MEETING

RAILROADS

7-17-84



## Summary of Public Meeting - Railroads - 7-17-84

September 5, 1984

Memo to: Rail Advisory Committee  
From: Dana F. Connors, Chairman  
Subject: July 17th Meeting - Railroads

The July 17th meeting was held to receive the views and comments of the railroads serving this State on the future of rail transportation, and what, if any, involvement the State should have in insuring that an adequate level of service was available.

The following is a summary of the statements received at that meeting:

For the convenience of the committee members, there is attached a copy of the information outline or questions that were supplied to those who were invited to submit statements.

1. Maine Central and Boston & Maine

The Maine Central Railroad and Boston & Maine Corp. were represented by Mr. John F. Gerity, who is Vice-Chairman of the Board of Maine Central and a member of this Committee.

Mr. Gerity's verbal statement was accompanied by a tabulation of present service being provided by Maine Central together with certain traffic statistics for the year 1983. For the convenience of the Committee, that data is attached to this memorandum.

Most of system receives daily service except Category I lines (subject to abandonment receive less).

The biggest interchange points are at Northern Maine Junction with the Bangor & Aroostook Railroad and at Rigby (South Portland) with the Boston & Maine. The third largest is with the Canadian National Interchange at Danville or Yarmouth Junction.

Major products transported are paper and forest products.

Memo to: Rail Advisory Committee  
From: Dana Connors, Chairman  
Subject: July 17th Meeting - Railroads

September 5, 1984

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1. Maine Central and Boston & Maine (Cont'd.)

Anticipated growth is in handling of piggy-back trailers by rail in the hope that this service will divert truck traffic.

Abandonments will probably occur sooner than in the past.

Maine Central and Boston & Maine consider lines not in Category I to constitute their essential system.

Right of ways will be disposed of after abandonment unless acquired by the State or other interested persons.

Mr. Gerity indicated that a State funded experimental service project might be beneficial to all concerned.

Mr. Gerity suggested that State assistance could include the following:

- A. Maintenance of grade crossings.
- B. Maintenance of a highway over bridges that the railroads still have responsibility for.
- C. Exemption from the fuel tax for fuels used in locomotive operation.

It is Maine Central and B&M's view that the railroads should receive more equitable treatment in areas such as taxes and maintenance requirements for facilities that are essentially there to protect highway rather than rail users.

2. Bangor & Aroostook Railroad

The Bangor & Aroostook Railroad was represented by Linwood Littlefield, its Senior Vice President; William Houston, Vice President and General Counsel, and Mr. Linwood Hand who is the legislative representative for the Bangor & Aroostook and Canadian Pacific Railway. A prepared statement was submitted on behalf of the Bangor & Aroostook in response to the information request. A copy of this statement is attached for the convenience of the Committee members.

The Bangor & Aroostook operates 463.6 branch and mainline tracks, primarily in Aroostook County but also through Penobscot and Waldo Counties to Searsport.

Freight is interchanged with the Maine Central at Northern Maine Junction (Herman), the Canadian Pacific at Brownville Junction, and the Canadian Pacific and Canadian National at St. Leonard, New Brunswick (across the St. John River from Van Buren).

Mr. Littlefield stated that the Bangor & Aroostook will not abandon its Category I lines at least until the Committee has an opportunity to develop recommendations and the Legislature has acted on them.



Memo to: Rail Advisory Committee  
From: Dana Connors, Chairman  
Subject: July 17th Meeting - Railroads

September 5, 1984

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The existing system, less the Category I lines, which include the Limestone Branch and the line from Mapleton to Stockholm are considered by the railroad to constitute its essential system.

During 1983, the BAR handled 52,898 carloads, the principal commodities being paper and forest products, with petroleum (Bunkers C), chemicals and clay following in that order.

They are projecting a modest growth in basic traffic for 1984 and the eventual development of mineral deposits that have been found on its line in the next five to ten years.

The BAR indicated a reluctance to accept operating subsidies but a recognition that subsidies may be warranted in certain cases where the public interest requires. The BAR suggested that State assistance include the following.

- A. Exemption from sales tax for material required for maintenance of right of way.
- B. The State assume responsibility and cost of highway bridges over railroad, and railroad bridges over highway.
- C. State assume the cost for installation and maintenance of crossing protection devices and the cost of maintaining public grade crossings.
- D. Equitable taxation by municipalities.
- E. Enforce all motor vehicle laws, especially weight laws insofar as they apply to truck operations.
- F. Abolish certain antiquated laws, particularly laws requiring railroads to fence their right of way.

3. The Canadian National Railway, the Canadian Pacific Railway, and the Aroostook Valley Railroad were not present at the meeting but indicated that written statements would be submitted.

As late as August 31st, those statements have not been received, and it was determined to proceed with this summary.

#### 4. Belfast & Moosehead Lake Railroad

The B&ML is a so-called shortline that operates between Burnham Junction where it connects with the Maine Central Railroad and Belfast. Five to seven trains are operated per week over the line and the typical train consists of five cars. In-bound traffic consists of corn, soybean meal, and various feed supplements. Out-bound traffic consists of fertilizer, sardines, and wood products. The major customer is the feed mill located at Thorndike. B&ML was represented by Alan Socea, General Manager.

Memo to: Rail Advisory Committee  
From: Dana Connors, Chairman  
Subject: July 17th Meeting - Railroads

September 5, 1984

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Belfast & Moosehead Lake Railroad (Cont'd.)

During a six month period of 1984, 464 cars were handled over the railroad which would indicate that the carrier's total traffic is something less than 1,000 cars per year.

A problem that is common to all shortlines, is the cost of purchasing freight tariffs which are required by the Interstate Commerce Commission, to be on file at some point that is accessible to the public. It is the B&ML's suggestion that the State consider helping the shortlines purchase one set of tariffs that all could use with each carrier sharing in the costs. This results in a substantial amount of money per year. Mr. Socea gave one example of a tariff reissued at a cost of \$2,225 per copy. These costs were shared by the shortlines in Maine. Each carrier, that is the B&ML and the AVR, would assume one-half of this cost, and both could use the tariff and still be in compliance with the Interstate Commerce Act.

The construction of the ethynol plant in Auburn is of concern to the B&ML because of the potential it will have for making feed grains available to the mills in Central and Southern Maine.

B&ML considers its line an essential portion of the State rail system, and is suggesting that all present routes into and out of the State of Maine via Danville, Portland, and Matawankeag be continued.

B&ML suggests that the State assume the cost of crossing, maintenance, and protection and that it provide some assistance to the shortlines in marketing service.

It is also suggested that the State consider a program similar to that adopted by the State of Vermont who has acquired most of the railroad in the State and leases it back to private operators who are responsible for maintaining it and sharing any profits earned with the State.

At the conclusion of the meeting, a number of the Committee members had comments for the record.

1. Tom Bamford - State should undertake a major industrial development effort on the so-called light density branch railroads in Maine.

2. Mr. Phillips indicated that the lightly used branchlines were important to the total system and therefore should receive the State's primary consideration.

3. Stan Greaves indicated that it was very important to maintain and develop mainline service which would in itself have a preserving effect upon the branchlines. In other words, without an attractive level of service on the mainlines, it would be impossible to develop additional traffic for the branchline operation.

Memo to: Rail Advisory Committee  
From: Dana Connors, Chairman  
Subject: July 17th Meeting - Railroads

September 5, 1984

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4. Mr. Fern indicated that any assistance the State decides to provide the carrier should be for an extended period of time of 16 to 18 months rather than one year or less in order to give any ~~assistance~~ program adequate time to prove itself.

DFC:WFF:gh

Attachments

SUMMARY OF PUBLIC MEETING

RAIL SERVICE USERS

7-24-84



September 10, 1984

To: Rail Advisory Committee

From: Dana F. Connors, Chairman

Subject: July 24th Meeting - Rail Service Users

The July 24th meeting was held to receive the views and comments of some of the principal users of rail service in the State as to the future needs for rail transportation and what, if any, involvement the State should have in ensuring that an adequate level of service is available.

The following is a summary of the statements received at that meeting.

For the convenience of the Committee members, there is attached a copy of the information outline or questions that were supplied to those who were invited to submit statements.

1. The Paper Industry: The paper industry was represented by Mr. Thomas Golden, who is Traffic Manager of the Georgia Pacific Company Mill at Woodland, Maine, and also a member of the Committee.

Mr. Golden's verbal statement indicates that the GP Mill at Woodland uses rail service for approximately 40% of its outbound production, and between 10 and 15% of inbound materials. The principal commodities are pulp, paper, and waferboard - outbound; and chemicals and various mill supplies - inbound.

The primary concern in using rail service is its reliability; and modal selection is dictated by both service and cost. However, service tends to be the more important factor. Up to 800 miles, highway trucks are very competitive to rail, but over 800 miles, railroads are the preferred mode primarily because of the substantial rate advantages.

The continued availability of rail service is essential to GP, and the continued operation of the mill. Loss of rail service could result in closing the mill and the loss of 800 jobs in the critically under-employed Washington County area. Highway transportation cannot meet all present and future needs. The critical problem with rail service is its reliability or consistency.

Rail Advisory Committee  
Page 2  
September 10, 1984

Mr. Golden indicated that the shortline railroads' operations on light density lines should be investigated thoroughly before any attempt is made to subsidize either a short line or the existing rail carrier.

The paper industry, including Georgia Pacific, uses a substantial amount of chlorine which now moves by rail. If this particular commodity had to move by truck, it would be not only more expensive but substantially more dangerous to the general travelling public.

GP does not feel it will suffer any service problems as a result of the potential abandonment of the Calais Branch, on which the mill is located. Apparently an agreement is in the process of being established between Georgia Pacific, Maine Central, and Canadian Pacific which would permit the rerouting of Georgia Pacific traffic by the CP, Vanceboro to Maine Central. This arrangement would provide GP with a six-day service, which compares with the present three-day service offered by Maine Central on the Calais Branch.

When GP produced mostly newsprint at its Woodland Mill, 80% of its outbound traffic moved by rail. Information available to the Department indicates that this is still true of some mills -- particularly in Northern Maine -- located on the Bangor & Aroostook, where 80 - 90% of their outbound traffic moves by rail. However, our information also indicates that the mills in Central and Southern Maine that produce printing papers and other paper products are more comparable with GP's present usage of rail service (40%). It should be noted that this is a marked difference from the results that were obtained from the last shipper survey in 1975. At that time, on average, the paper industry relied on rail service for 80% of its outbound shipments.

2. Forest Products: Statements on the use of rail service by the forest products industry were presented by Mr. Richard York of the J. M. Huber Corp. of Easton, Maine; Mr. Gerald Blanchard of the Pinkham Lumber Company, Ashland, Maine; and Mr. Glen Clifford of the Louisiana Pacific Corp., New Limerick, Maine. These companies produce and ship lumber, waferboard, and various other forest products and building materials.

The outbound shipments of these commodities use rail service at a range of 62% for lumber to a high of 90% for one of the waferboard plants. All of these plants indicated that the continuation of rail service is essential to their future existence and development. Inbound materials consist primarily of logs, approximately 25% of which moves by rail. The length of haul and rehandling costs appear to influence the modal selection of the inbound logs.

All predict increased use of rail service, even at its present level, indicating that more traffic would move by rail if service were increased. There is considerable interest in diverting some of the highway movements to rail via the use of piggyback service, which some are experimenting with at the present time.



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J. M. Huber's statement appears to represent the position of this industry, which, after stating the importance of rail service to its present and future operations, indicates that "The State of Maine should encourage free enterprise amongst the railroads through reasonable regulation and fair taxation. It should not provide direct assistance or fund experimental service improvement projects. Line abandonments, though extensive, have not affected service to-date. However, any additional loss of trackage should be reviewed carefully."

3. Chemical Industry: Both the LCP Maine, Inc., located in Orrington, Maine on the Bucksport Branch of the Maine Central Railroad and Delta Chemicals, Inc., located at Stockton Springs, Maine, on the Searsport Branch of the Bangor and Aroostook Railroad were invited to submit statements on the status of rail transportation and how it affects the industry. Neither company was represented at the meeting, and no written statements have been received since that time.

It is known, however, by the Department that these industries rely heavily upon rail service, and that a substantial part of their production is in the so-called "hazardous materials" classification, such as chlorine, which is used extensively by the paper industry. It is clear that the removal of this traffic from rail to highway would not only place additional heavy truck traffic on the highways, but would also potentially increase the safety hazard to the general motorists.

4. Feed Grains: A statement for Maine Feedmills Association was presented by William Bell, who is Executive Director of the Maine Poultry Federation, and also a member of this Committee.

Maine feedmills' use an estimated 407,500 tons of various grain and feed ingredients annually. These mills are for the most part located in Central and Southern Maine on the Maine Central Railroad. One of the large mills is located in Thorndike on the Belfast-Moosehead Lake Railroad. Only one is located on any of the branch lines that are potential for abandonment at this time -- Dennysville, on the Calais Branch of the Maine Central. This mill receives an estimated 70 carloads per year.

The primary product is corn, followed by soybean meal, gluten feed, wheat midlings, etc. This traffic all moves inbound 100% by rail. The feeds produced by these mills are shipped to local farms by truck. Rail service, therefore, is absolutely essential if these mills are to continue to function, and the poultry and dairy industries are to continue to exist in the State of Maine. The dairy industry, with 2,000 farms, employs about 3,000 persons directly, plus an additional 1,000 employees in related dairy industries. The poultry industry employs approximately 2,000 persons.



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The preservation of presently endangered branch lines is not considered vital to the well-being of this industry. "The State should use whatever methods of assistance appear most efficient and necessary to maintain the required service (primarily main line service) as outlined above. Requiring the preservation of unprofitable branch lines -- or forcing the expenditure of railroad funds for passenger service -- would appear contrary to the needs of our industry."

Mr. Bell indicated that given present rail rates from Midwest origins, the Auburn Ethynol Plant would only be a back-up source of grain in the event that rail rates get out of line. In such a case, the feedmills could obtain all or part of the supply from Auburn. This would probably result in trucking from Auburn to local mills.

5. Agriculture: A statement for the fresh potato shippers of Northern Maine was presented by Stanley Greaves, who is Executive Vice President of the Maine Potato Sales Association, Presque Isle, and a member of this Committee.

In 1964, 25,115 carloads of potatoes were shipped from Maine by rail. Except for about 120 trailer-on-flatcar shipments in January of 1984, the Maine fresh potato industry has become 100% dependent on trucks. Mr. Greaves indicated that the transition from rail to truck was a gradual process, and if this business is to return to rail, it will also develop gradually. The diversion from rail to highway was in part the result of a decline in the quality of rail service, a ready availability of trucks via the Interstate Highway System, and some changes in the methods of doing business of the produce dealers in the large metropolitan areas. According to this statement, as truck competition increased, the railroads attempted to meet the competition by reducing rates, compensating for the loss of revenue by reducing rail operating costs through longer trains, etc.

In the absence of improved rail service, which in this case means dependable or consistent, and reasonably fast, fresh potato shippers will probably continue to rely fully, or nearly so, upon truck transportation. If service can be restored close to the level of 25 years ago, such as three days in New York City and the second morning in Boston, on a consistent basis, Mr. Greaves indicates that shippers would gradually and cautiously start to divert traffic back to the railroad. Apparently this is being done from other potato producing areas into Maine's traditional Boston and New York markets through the use of dedicated piggy-back trains.

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While Aroostook County's potato production has declined in the past fifteen years, some crop diversification has also occurred through increased acreage of oats, peas, broccoli, cauliflower, and various types of grain or silage. In 1983, approximately 28,000 truckloads of fresh eating and seed potatoes were shipped from the County, and some 15,000 truckloads in processed form, with an estimated total freight bill of \$77 million. Production in the Aroostook County area of potatoes and other products of this type is expected to increase in the next decade, which could expand the transportation needs by as much as 20%.

Potato shippers suggest that State assistance be provided to railroads to conduct an experimental piggy-back service for products throughout the State. Such an experiment should extend for at least a period of 18 months, suggesting that the rehabilitation of branch lines and subsidies to preserve rail properties will not automatically result in the diversion of traffic from highway back to rail. This will happen only if service improvements and rate incentives are provided.

The trailer on flat-car service (piggy-back) that was tried during the month of January 1984 was discontinued because of lack of participation by the shippers in Aroostook County. A report on this service is attached, along with Mr. Greaves' statement on behalf of the fresh potato shippers. Essentially, a combination of things apparently occurred that resulted in the failure of the traffic to develop to the extent anticipated. The potato shippers feel that the experiment was not long enough, and that a State-supported service of 18 months would give the experiment a reasonable opportunity to succeed.

6. Processed Foods: A statement was presented in regard to the needs of the frozen and processed food industries by Perley Langley, Traffic Manager of J. R. Simplot of Presque Isle. Mr. Langley is also a member of this Committee.

This statement indicates that the outbound frozen food traffic by rail has declined from a high of 2,700 carloads in 1969 to 231 carloads in 1983. Mr. Langley points to the deterioration of rail service, plus the flexibility of truck transportation and competitive truck rates as the primary reason for this decline. As only approximately 5% of the frozen food shipments are currently moving by rail, the industry is heavily dependent upon trucks. However, transportation alternatives are important, plus the frequent truck shortages that plague Northern Maine and heavy reliance on rail transportation for inbound products, such as cooking oils, plant supplies and heating oils. "The processors feel that the State should consider subsidizing a joint venture (probably a piggy-back operation) in order to help build up the volumes of rail traffic to sustain at least a main line operation in and out of the area."

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Mr. Langley indicated that in his opinion piggy-back service was the only practical way rails can participate in the frozen food business, but service must be available on a year-round basis. In addition, rail service is necessary for the growth of Maine's agriculture and processed foods businesses.

7. Energy Industry. Representatives of the liquified petroleum gas, coal, and petroleum industries were invited to participate. None of those invited attended this meeting, and although two indicated they would submit written statements, they have not done so as of this date.

During this meeting, Committee members' comments were as follows:

John Gerity: The "East-Wind" piggy-back train was initiated on Guilford's commitment to compete for this type of traffic, and the United Transportation Union's commitment to man the train with a two-man crew.

Senator Danton: The railroad has made a commitment, Labor has made commitments, shippers want the railroads to continue operating -- what should the State's commitment be?

Representative Carroll: I have a problem with only a main line system. This would leave the more remote areas without the rail option for development and other purposes.

DFC/WFF/el

Attachs.

SUMMARY OF PUBLIC MEETING

VARIOUS INTEREST GROUPS

7-31-84



September 14, 1984

To: Governor's Rail Advisory Committee Members  
From: Dana F. Connors, Chairman *DFC*  
Subject: July 31st Meeting - Various Interest Groups

The July 31st meeting was held to receive the views and comments of various groups having interest in the future needs of rail transportation and what, if any, involvement the State should have in insuring that an adequate level of service is available. Notice of the meeting was published twice in several statewide dailies.

The following is a summary of the statements received at that meeting. For the convenience of the Committee members there is attached a copy of the information outline or questions that were supplied to those who were specifically invited to submit comments.

1. Railroad Labor - Railroad labor interests were expressed by E. R. Plourd, Director, Maine State Legislative Board, United Transportation Union, and a member of this Committee; E. F. Lyden, UTU Vice President; E. A. Phillips, General Chairman - UTU (who also represents Mr. Plourd on this Committee); Frank Michaud, Brotherhood of Maintenance of Way Employees; and Eldon McKeen, BRAC.

Railroad labor has a direct interest in the preservation of as much rail service and rail mileage as possible, thereby protecting the jobs of their members. In addition, however, railway labor has a genuine interest in the preservation of rail service because of the importance that it has to the State's economy in fulfilling the transportation needs of Maine industry. It views the present situation as a marked retrenching of rail service not only with the potential abandonment of several significantly large branch lines but also the reduction in service that the carriers are providing over the rail system in general.

Without exception, all of those representing labor contend that the State must take some action to stop the decline in rail service. The State must take an active role to encourage rail carriers to recapture their portion of the transportation business that has been lost to trucking. It should provide incentive for the railroads to rehabilitate deteriorating facilities. It should seek to block future abandonment of track when it slips from a profitable

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to nonprofitable operation. It should establish a partnership with the railroads and rail labor to accomplish these purposes.

All of the remaining trackage in the State including that which is subject to abandonment, should remain as it constitutes the State's essential rail service. Further reduction of rail service and the abandonment of rail trackage would cause a loss of jobs to the rail industry as well as the businesses that the rails serve; and if any such businesses are to survive, they would either relocate to main line positions or at some location out of state.

The UTU suggests that a conservative level of subsidy and/or State-labor rail operations be established, in order to continue to provide service on light density branch lines. It is the position of the UTU that main line service which continues to be profitable does not need assistance. The UTU suggests subsidies and not tax relief to insure that any assistance goes to rehabilitate and support the so-called light density branch lines.

Subsidy support should be conditioned to insure that the railroads receiving it will continue to operate all existing trackage for a specific period of time (i.e., 10 years). Specifically, UTU suggests:

- a. Offer operating subsidies in the manner of diesel tax returns from railroad purchases of diesel fuel on a pro-rated basis. This is subject to railroads insuring railroad work historically done in Maine will not be transferred out of state.
- b. The State should participate in 25% of the cost of light density branch line rehabilitation: subject to the railroads receiving same, insuring such lines will not be subcontracted nor leased to companies paying substandard wages and fringe benefits (Union or not).
- c. The State should assume 30% of the financial expense for highway over bridges that are not the responsibility of the railroads on light density branch lines provided this is subject to railroads receiving same being required to submit to the MDOT all changes in freight and yard service on such branches ten days in advance of implementation (so the State may make suggestions to better protect its interests and that of the shippers/receivers).

No tax relief should be granted, rather to establish adequate checks and balances, the tax that the railroads pay might be returned in subsidies as suggested in the preceding items. In addition, the State should acquire any and all future rail lines abandoned and then work with rail labor to ascertain if any operations are reasonably possible. Funds for these purposes should be drawn from the taxes the railroads now pay to the State.



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The costs that railroads incur in maintaining public grade crossings is unfair to the carriers as the crossing and its protective devices are intended to protect trucks and the general motorists. Taxes that the railroads pay should be considered for some type of return provided it goes into places where upgrading is needed. Put the railroads in the same formula as trucks, in other words, the carrier's taxes that are paid to the State be returned in the form of improved facilities for the carrier's use.

2. Municipal Governments - Statement on behalf of municipal governments in Maine was submitted by Thomas Stevens, Town Manager - Limestone, who is also a member of this Committee. This statement indicates that without exception the communities contacted felt that rail service is essential; some of the most repeated reasons for wanting to retain rail service were:

- a. Adverse impact on area industry.
- b. Loss of a potential development tool of luring industry to a community - especially in communities active in economic development or that have an industrial park.
- c. Adverse impact on roads if heavy shipments were diverted to highways.
- d. Increased risk of having hazardous materials shipped over highways and through populated areas.

Communities that are currently on a branch line targeted for abandonment stand to lose the most and have the greatest concern for retaining rail service. Preserving rail lines seems to be in the interest of all communities.

Line rehabilitation seems to be favored over operating subsidy and taxes. There was some surprise among municipal officials that the State has not more aggressively pursued line rehabilitation in the past much like it does highways for the trucking industry.

The effort of maintaining and developing existing lines over-shadows funding experimental services unless the user is willing to fund the project. If a line were abandoned, the individual communities would respond on its disposal. Very little is shown on developing passenger service except to reestablish it where it once existed and possibly in the more populated areas of the State.



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3. Economic Development Groups - A statement was delivered at the meeting by Mr. Henry Bourgeois, President of the Maine Development Foundation. This statement was later followed by a written description of the development of a business plan to be used in connection with a line that the railroad proposes to abandon.

Mr. Bourgeois's statement indicates that in the Foundation's opinion, the State does have a role in preserving essential rail service; however, in determining what action the State should take, many questions need to be answered, such as:

- a. Consider what regional, local, and state development strategy is in regard to the area affected by the proposed abandonment.
- b. Quantify impact on businesses in the area affected.
- c. Insist that a business plan for that line be developed.

The business plan proposed by Mr. Bourgeois would contain seven steps as follows:

- a. Economic projections.
- b. Market analysis.
- c. Resources (capital and personal).
- d. Financial analysis.
- e. Investment decision.
- f. Management and marketing.
- g. Work schedule.

The State Development Office was unable to participate in this meeting, but indicated it would submit written comments. To-date these comments have not been received.

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4. Rail Passenger Service - Eight persons presented statements in support of various schemes to reinstitute railroad passenger service in Maine. Two of these statements were written and are attached hereto for the convenience of the Committee members. An oral statement was also submitted by Mr. George Lawson which was accompanied by a number of press clippings which primarily relate to actions of Guilford Transportation Industries in making changes in the service on the Maine Central, Boston & Maine, and Delaware & Hudson as these properties were acquired by GTI.

The statement submitted by Mr. Tom Crikelair of Bar Harbor urges that this Committee recommend to the Governor that he send a request to Amtrak asking for a preliminary market study of Boston to Bangor service as the necessary first step in reinstituting railroad passenger service in the State of Maine.

This statement recognizes the low population densities and the lack of through connections in Boston. In addition, it points to Amtrak's limited resources which are reflected in the chronic shortage of passenger equipment.

It is suggested that rail passenger service might be funded under Section 403B of the Amtrak law which provides that Amtrak may operate passenger trains on behalf of individual states if the state agrees to pay 45% of the first year's operating deficit and 65% of subsequent year's deficits. Currently, Amtrak has many requests for this type of service and the market analysis originally suggested is the first step in getting a proposal of this type in line for eventual funding. Mr. Crikelair's statement is accompanied by an excerpt of the Federal Statutes, specifically Section 403 which describes the state and federal involvement in initiating railroad passenger service.

A prepared statement was also submitted by Roy G. Paulsen, Ph.D, Professor of Finance, College of Business Administration at the University of Rhode Island.

Dr. Paulsen points out that the proved petroleum reserves worldwide are depleting at a rapid rate, rail transportation is one of the most fuel-efficient modes for the movement of people and goods, and that public transportation modes are more efficient than the private automobile, particularly in relation to fuel consumption.

The statement also identifies charges that are imposed upon railroads that are not imposed upon other modes of transportation. In the case of highways, airports, airways, and waterways, public funds provide a substantial amount of total capital investments needed.

Dr. Paulsen suggests that an initial service restoration between Portland and Boston providing non-stop service with seasonal extension to Bangor might be appropriate. This suggestion is based upon the success of other experiments at Cape Cod, Rhode Island, etc.

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Dr. Paulsen's statement also points out that a project which would depress the Boston Central artery and construct a third Cross Harbor tunnel is an opportunity to provide a direct connection between North and South Stations for a rail passenger service. Such a connection would enhance any service experiments of a train from Boston to points in Maine. (It is understood that at the present time, this tunnel project does not include the rail element. As a matter of fact, it is further understood that Congress has yet to approve the special funding required for this project.)

Mr. Frank Menair represented a group that has done extensive planning and have a substantial interest in the operation of a specialized type of passenger service which would be designed to attract excursion type passengers.

The train would consist of specially-equipped coaches, diners, etc. to attract this kind of clientele. Excursions along the coast between Portland and Rockland and from Portland to Central Maine to Ellsworth and Bar Harbor are identified as particularly attractive markets.

In addition, standard coaches would be available on the train for regular passenger service. Plans are also being made to operate service via Portland and the Canadian National to Montreal. Some, or perhaps all, of these trains would originate in Boston.

Mr. Menair indicated that he did not believe that a service of this type would require operating subsidies but would require that the State or some other entity would need to provide capital assistance through the acquisition and maintenance of lines like the Rockland Branch and the Calais Branch over which the excursions trains would operate.

Mr. George Lawson, who is also a member of the Brotherhood of Maintenance of Way Employees, has been deeply involved in efforts to initiate an experimental passenger service between Portland and Old Orchard Beach. The idea behind this service would be to attract visitors that are located in Old Orchard who wish to travel to Portland and people in Portland who wish to travel to Old Orchard for attractions at the beach and the "ballpark". Mr. Lawson has been assisted in this effort by Frank Michaud who testified earlier on railroad labor's interest in this matter.

At the time of this meeting, the experimental service was to start on August 18th and run through August 31st for a two-week period with five trips a day priced at \$8.00.

Mr. Lawson and those who are working with him also have an interest in operating a train to Canada with excursions to Rockland and Lewiston. Service would be on a seasonal basis, probably four months during the summer.



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The idea of rail passenger service including a commuter service on the Rockland Branch to Bath was supported by six other persons who made oral statements.

5. Other Interest Groups - The Regional Planning Commissions were represented by the statement of Mr. Fortin Powell of Eastern Midcoast Regional Planning Commission and Mr. Elery Keene of the North Kennebec Regional Planning Commission.

Mr. Powell spoke generally in support of rail passenger service indicating that energy is still an important factor, although being more ignored at the present time than it should be and that rail passenger service could be supported in part by the handling of mail and parcels. This testimony also cited the fact that granite from Vinalhaven to Smithfield, R.I. is shipped by truck rather than rail indicating that the rail marketing efforts should be reviewed.

Mr. Keene's statement indicates that railroads are necessary for future economic development of the State of Maine. If railroads are not available, no heavy industry will locate here. Mr. Keene pointed to the importance of keeping the locomotive repair facility in Waterville because of its importance to the area, the essential nature of the North Anson Branch Line, and that right of way when abandoned should be acquired by the State.

Mr. and Mrs. Roland Shafter of Rockland both spoke of their need for rail service in conducting their scrap iron business. They suggested that if the rail line to Rockland is abandoned, this business could very well close -- it would be extremely difficult, perhaps impossible, to find an alternate means of transportation.

DFC/WFF/el

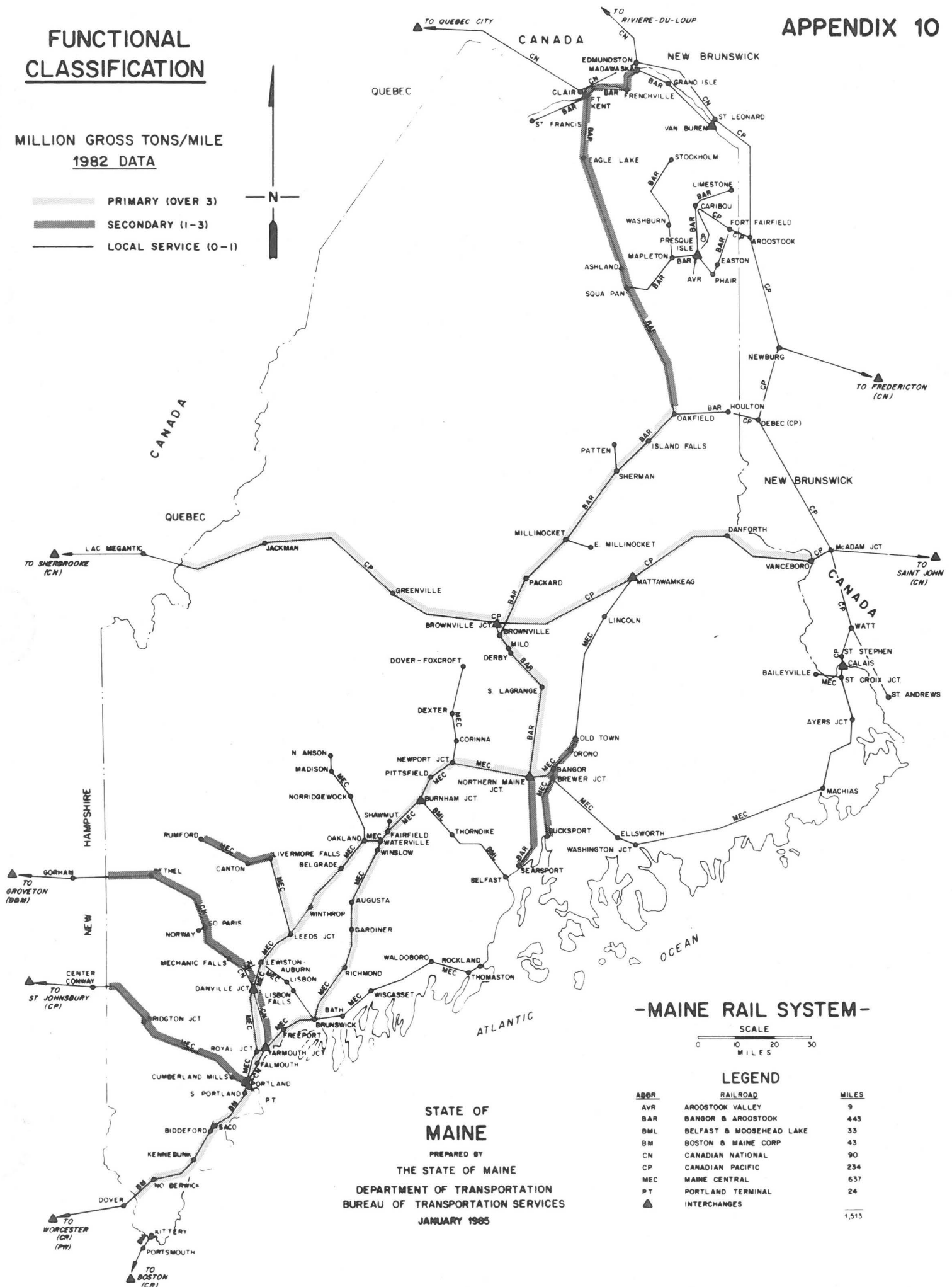
Attachs.

# FUNCTIONAL CLASSIFICATION

MILLION GROSS TONS/MILE  
1982 DATA

- PRIMARY (OVER 3)
- SECONDARY (1-3)
- LOCAL SERVICE (0-1)

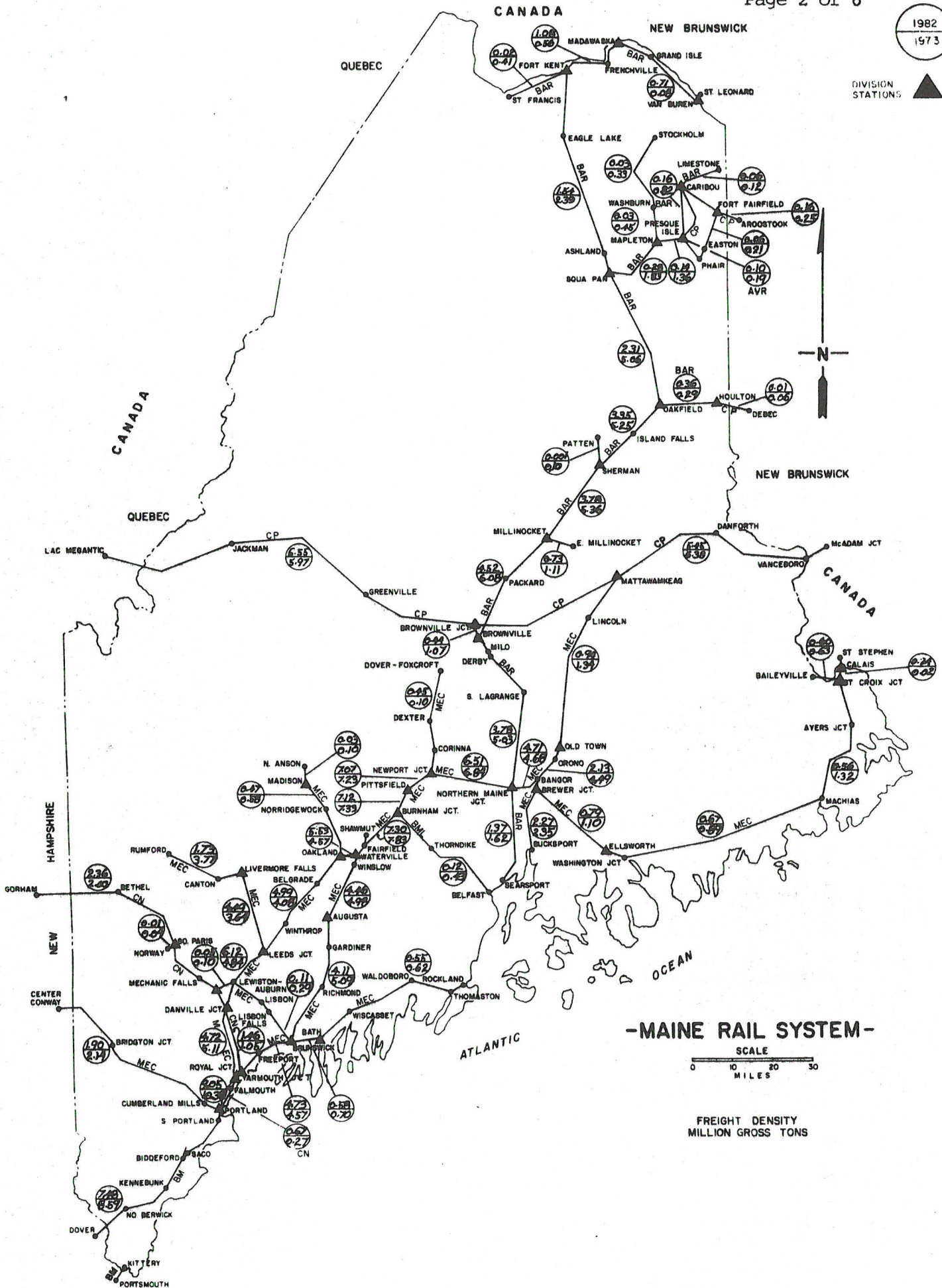
## APPENDIX 10



FREIGHT DENSITY MAP  
AND TABLE

MAINE RAILROADS

1973 - 1982





RAILROAD DENSITY (TONNAGE) STATISTICS  
MILLION GROSS TONS

<u>Railroad Segments</u>	<u>1973</u>	<u>1982</u>	<u>% Change</u>
B & M			
Dover-Rigby Yard      B & M Total	<u>8.59</u>	<u>7.48</u>	<u>-13</u>
MEC			
Rigby-Royal Jct.	10.38	9.05	-13
Royal Jct.-Danville Jct.	5.11	4.72	- 8
Danville Jct.-Leeds Jct.	4.84	6.12	+26
Leeds Jct.-Oakland	4.08	4.99	+22
Oakland-Waterville	4.57	5.53	+21
Royal Jct.-Brunswick	4.57	4.73	+ 4
Brunswick-Augusta	5.09	4.11	-19
Augusta-Waterville	4.98	4.46	-10
Waterville-Burnham	7.83	7.30	- 8
Burnham-Pittsfield	7.33	7.12	- 3
Pittsfield-Newport	7.23	7.07	- 2
Newport-Northern Me. Jct.	6.84	6.51	- 5
Northern Me. Jct.-Brewer Jct.	4.68	4.71	+ 1
Brewer Jct.-Old Town	4.49	2.13	-53
Old Town-Mattawamkeag	1.34	0.94	-30
Brewer Jct.-Ellsworth	1.10	0.79	-28

<u>Railroad Segments</u>	<u>1973</u>	<u>1982</u>	<u>% Change</u>
MEC Cont'd.			
Ellsworth-Machias	0.89	0.67	-25
Machias-St. Croix	1.32	0.56	-58
St. Croix-Woodland	0.63	0.60	-0.05
St. Croix-Calais	0.02	0.24	+1100
Bucksport Branch	2.35	2.27	- 3
Dover Branch	0.10	0.45	+350
Hartland Branch	0.02	Abandoned	
Shawmut Branch	0.51	0.68	+33
Oakland-Madison	0.58	0.47	-19
Madison-Bingham/N. Anson	0.10	0.03	-70
Leeds-Livermore Falls	3.64	4.49	+23
Livermore Falls-Rumford	3.77	1.73	-54
Livermore Falls-Farmington	0.04	Abandoned	
Mountain Division	2.14	1.90	-11
Brunswick-Bath	0.70	0.58	-17
Bath-Rockland	0.62	0.55	-11
Brunswick-Lewiston	<u>0.29</u>	<u>0.11</u>	<u>-62</u>
MEC Total	102.18	95.61	- 6
BAR			
Searsport-No. Me. Jct.	1.62	1.37	-15
No. Me. Jct. - Brownville Jct.	5.03	3.78	-25
Brownville Jct.-Millinocket	6.08	4.52	-26
Millinocket-Sherman	5.36	3.78	-29

<u>Railroad Segments</u>	<u>1973</u>	<u>1982</u>	<u>% Change</u>
BAR Cont'd.			
Sherman-Oakfield	5.25	3.35	-36
Oakfield-Squa Pan	5.06	2.31	-54
Squa Pan-Fort Kent	2.39	1.54	-36
Fort Kent-Madawaska	0.56	1.08	+93
Madawaska-Van Buren	0.08	0.71	+788
Van Buren-Stockholm	0.25	Abandoned	
Stockholm-Washburn	0.33	0.03	-91
Washburn-Mapleton	0.45	0.03	-93
Mapleton-Squa Pan	1.83	0.28	-85
Mapleton-Presque Isle	1.36	0.14	-90
Presque Isle-Caribou	0.82	0.16	-80
Caribou-Limestone	0.12	0.06	-50
Caribou-Stockholm	0.12	Abandoned	
Presque Isle-Fort Fairfield	0.21	0.06	-71
Presque Isle-Bridgewater	0.02	0.03	+50
Oakfield-Houlton	0.29	0.36	+24
Houlton-Monticello	0.04	Abandoned	
Millinocket-E. Millinocket	1.11	0.73	-34
Sherman-Patten	0.10	0.001	-99
Brownville-Brownville Jct.	1.07	0.44	-59
Fort Kent-St. Francis	<u>0.41</u>	<u>0.02</u>	<u>-95</u>
BAR Total	39.96	24.78	-38

<u>Railroad Segments</u>	<u>1973</u>	<u>1982</u>	<u>% Change</u>
<b>C.P. Rail</b>			
Megantic-Brownville Jct.	5.97	6.55	+10
Brownville Jct-Vanceboro	6.38	5.45	-15
Debec Jct. to Houlton	0.06	0.01	-83
Aroostook/Presque Isle	<u>0.25</u>	<u>0.16</u>	<u>-36</u>
CP Rail Total	12.66	12.17	- 4
<b>C.N. Rail</b>			
Berlin-Danville Jct.	2.00	2.36	+18
S. Paris-Norway	0.04	0.01	-68
Danville Jct.-Yarmouth Jct.	1.05	1.46	+39
Yarmouth Jct.-Portland Ter.	0.27	0.67	+148
Lewiston Jct.-Lewiston	<u>0.10</u>	<u>0.05</u>	<u>-50</u>
CN Rail Total	3.46	4.55	+32
<b>BML</b>	0.43	0.12	-72
<b>AVR</b>	0.19	0.10	-47

Portland Terminal Company is included in Boston & Maine, Maine Central, and Canadian National figures.

METHODOLOGY FOR COMPARING BENEFITS AND COSTS  
OF LOCAL RAIL SERVICE ASSISTANCE PROJECTS

A report submitted February 5, 1982, to

The Bureau of Public Transportation  
Maine Department of Transportation

by

David F. Withry, Ph.D.  
Department of Economics and  
Social Science Research Institute

University of Maine at Orono  
SSRI Project #1260



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### Introduction

This report presents methods of calculating and comparing benefits and costs for projects eligible for assistance under the Local Rail Service Assistance Act of 1978. The description of these methods is pursuant to 49 CFR Part 266.15 (c) (5) and has been prepared for inclusion by the Maine Department of Transportation (MDOT) in the Maine State Rail Plan.

The methods described below were developed on the basis of a review of the following documents:

U.S. Department of Transportation, Federal Railroad Administration, Rail Planning Manual, Vol. II, Guide to Planners (Washington, D.C., 1978).

U.S. Department of Transportation, Federal Railroad Administration, Office of Federal Assistance, Office of State Assistance Programs, "Benefit-Cost Guidelines Rail Branch Line Continuation Assistance Program" (mimeographed, January 11, 1980).

Methodological statements contained in Rail Plans submitted by states other than Maine were also examined prior to the preparation of this document.<sup>1</sup>

### Project Selection

The benefit-cost methodology described herein is applied to all projects submitted to the Federal Railroad Administration (FRA) for funding under Section 5 of the Department of Transportation Act. The projects subject to analysis are selected through a screening process applied to potentially eligible projects.

Potentially eligible projects are those that involve some form of assistance to eligible and potentially eligible lines. Eligible and potentially eligible lines include the following:

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<sup>1</sup>A good overview of issues in benefit-cost analysis is presented in Richard A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice, Third Edition (New York: McGraw-Hill, 1980), Chapters 8 and 9.

Lines subject to possible abandonment. This category includes two types of lines specified on carrier ICC system diagram maps: Category 1, all lines or portions of lines which the carrier anticipates will be the subject of an abandonment or discontinuance application to be filed within the three-year period following the date upon which the diagram or any amended diagram is filed with the Commission; and Category 2, all lines or portions of lines potentially subject to abandonment which the carrier has under study and believes may be the subject of a future abandonment application because of either anticipated operating losses or excessive rehabilitation costs as compared to potential revenues.<sup>2</sup>

Lines eligible or potentially eligible under Section 5 density criteria. This category includes two types of lines: all lines carrying less than 3 million gross ton miles per mile and all lines carrying more than 3 million but less than 5 million gross ton miles per mile, pending authorization by the Federal Railroad Administration Administrator.<sup>3</sup>

Eligible and potentially eligible lines, as defined above, comprise the overwhelming majority of total rail mileage in Maine. It is estimated that lines carrying less than 3 million gross ton miles per mile account for approximately two-thirds of the state's total rail mileage.<sup>4</sup> In light of the large number of eligible lines, MDOT will limit the number of projects subject to detailed benefit-cost analysis to those satisfying a variety of relevant criteria. Projects will be given higher priority to the extent that:

- a. abandonment is anticipated at an earlier date;
- b. gross ton mileage carried is greater;
- c. the condition of the track warrants rehabilitation;
- d. the employment impact from abandonment is expected to be greater;
- e. continuation or upgrading of service is consistent with State industrial development policies;
- f. there is strong carrier and local shipper interest in the project.

The screening process will rely on data generated through the MDOT's Light Density Line Evaluation and Prioritization Project. This project, as outlined in the Department's 1979 Planning Work Statement,<sup>5</sup> will generate a data base covering all eligible track mileage in the state. With the assistance of a

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<sup>2</sup>Maine Department of Transportation, Rail Transportation Plan, '79-80 Update (June 1980), p. IV-3.

<sup>3</sup>Ibid., p. IV-5.

<sup>4</sup>Maine Department of Transportation, Rail Transportation Plan, Planning Work Statement (February 1979), p. 17.

<sup>5</sup>Ibid., pp. 17-18.

consultant, the Department will establish prioritization criteria and gather information relating to such variables as:

- a. weight and condition of rail;
- b. type and condition of ties;
- c. condition of roadbed and drainage;
- d. volume of traffic (tonnage);
- e. type of traffic;
- f. frequency of train movements;
- g. economic data for the service area;
- h. strategic importance of the line.

These variables will then be examined by the Department in order to rate each eligible line for project assistance eligibility and will serve "as a basis for prioritization should a railroad file for a project on that line in a given year."<sup>6</sup> High priority projects considered for submission to the FRA for assistance will be subject to a detailed benefit-cost evaluation in accordance with the methodology described below.

Local rail service assistance is available under Title 5 of the DOT Act, as amended, for the following types of projects:

Acquisition. ". . . the cost of acquiring, by purchase, lease, or in such other manner as the State considers appropriate, a line of railroad or other rail properties, or any interest therein, to maintain existing or provide for future rail service."

Subsidy. ". . . the cost of rail service continuation payments."

Rehabilitation. ". . . the cost of rehabilitating and improving rail properties on a line of railroad to the extent necessary to permit adequate and efficient rail freight service on such line."

Substitute service. ". . . the cost of reducing the costs of lost rail service in a manner less expensive than continuing rail service."

Construction. ". . . the cost of constructing rail or rail related facilities (including new connections between two or more existing lines of railroad, intermodal freight terminals, sidings, and relocation of existing lines) for the purpose of improving the quality and efficiency of rail freight service."

Benefit-cost analyses are prepared for all types of assistance other than subsidy ("rail service continuation assistance").

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<sup>6</sup>Ibid., p. 18.

<sup>7</sup>49 U.S.C. 1654, Section (f) (1) through (5).



### The Benefit-Cost Model

Benefit-cost analysis can be used in a variety of ways. In the present context, the purpose of the analysis is to determine if the proposed expenditure contributes to or subtracts from total economic welfare, regardless of the distribution of benefits and costs among citizens. Economic welfare is assumed to be enhanced if the present value of benefits exceeds the present value of costs (i.e., the ratio of benefits to costs is greater than one). Economic welfare is assumed to be lowered if the present value of benefits exceeds the present value of costs (i.e., the ratio of benefits to costs is less than one).

It should be emphasized that benefit-cost analysis is an analytical component of a larger decision-making process and that the positive net-benefit criterion is not the sole criterion upon which acceptance or rejection of projects is based. Distributional considerations are a valid concern of the planning process and cannot be evaluated in the benefit-cost framework. These considerations, in addition to such questions as the relationship between a given project and the State's regional growth policies, are addressed outside of the benefit-cost model through the political decision-making process. Thus, the model presented here makes no effort at incorporating distributional weights for direct and indirect benefits and costs.

For each proposed project, the following ratio is calculated:

$$\frac{PVB}{PVC}$$

where

$$PVB = \frac{B_1}{1+i} + \frac{B_2}{(1+i)^2} + \frac{B_3}{(1+i)^3} + \dots + \frac{B_n}{(1+i)^n}$$

and

$$PVC = \frac{C_1}{1+i} + \frac{C_2}{(1+i)^2} + \frac{C_3}{(1+i)^3} + \dots + \frac{C_n}{(1+i)^n}$$

PVB is the estimated present value of benefits and PVC is the estimated present value of costs. B and C are benefits and costs for each of the n years of the project's life. The discount rate is i.



CostsPrinciples

In general, costs involve two components: the opportunity cost of resources used in executing the project and any environmental damage ("external cost") associated with the execution of the project. For purposes of the benefit-cost analyses of local rail service assistance projects, cost estimates are limited to the former category, which may be referred to as "project costs." It is recognized that negative environmental impacts should be considered in determining overall project desirability, but that these impacts are often difficult or impossible to express in dollar terms. Consequently, an attempt is made to discover and quantify external costs, but no effort is made to place dollar values on these effects or to include such effects in calculated benefit-cost ratios.

Furthermore, project costs are adjusted to reflect differences that are thought to exist between project expenditures and opportunity cost. Ideally, project cost should measure the value of goods and services foregone due to the diversion of productive resources away from alternative uses. The prices these resources command in the market would measure this opportunity cost if market structures conformed with the perfectly competitive model. However, there may be gross differences between what resources are paid in their current uses and what they could command in their best alternative uses. Such differences can result, for example, from artificial or real constraints on the local supply of a productive service. In cases where such distortions appear to be present, project costs are measured not by payments made but rather by estimates of the prices that a given resources or service would be expected to command in its best alternative use (so-called "shadow prices").

### Cost Measurement

Project costs are defined and measured in accordance with the cost categories outlined for each type of project in "Benefit-Cost Guidelines Rail Branch Line Continuation Assistance Program."<sup>8</sup> These costs sum to total program outlays as specified in the application for Federal assistance, including all Federal as well as non-Federal funds.

Appropriate shadow prices for labor inputs whose wage is thought to overstate opportunity cost are obtained from the Maine Bureau of Employment Security.

### Benefits

Project benefits can be divided into two major categories: direct benefits and indirect benefits. Direct benefits, in turn, are defined as either primary or secondary. Primary direct benefits consist of project-induced reductions in the cost of transporting the amounts of commodities that would be shipped by firms located on a branch line if the proposed project were not undertaken. Secondary direct benefits consist of increases in economic surplus attributable to increased shipments by firms located on the branch relative to quantities that would be shipped if the project were not undertaken. Indirect benefits consist of the economic surplus generated by firms that would cease operations if the branch were closed. The principles defining direct and indirect benefits are set forth below.

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<sup>8</sup>Op. cit., pp. 36-40.

Direct Benefits: Principles

The total direct benefit from any investment project is defined as equal to the change in economic surplus expected to result from the project. (The benefit, of course, may be positive or negative.) Economic surplus consists of two components: (1) consumer surplus--the sum of the differences between the prices purchasers are willing to pay for each unit of a service and the price they have to pay; and (2) producer surplus--the sum of the differences between the opportunity cost of each unit of a service and the price the producer receives.

Given the demand for a service, the economic surplus generated by that service changes when unit cost changes. If unit cost falls, as a result of an assisted project, economic surplus will rise. The increase in economic surplus will consist in several components. First, if unit cost falls and price remains unchanged, the quantity of the service purchased will remain unchanged. The increase in surplus will be equal to the reduction in unit cost times the amount of the service purchased. (It is also equal to the total cost of the service prior to the change in unit cost minus the total cost of the service after the change in unit cost.) This is the primary direct benefit of the project. Secondly, if the decrease in unit cost is accompanied by a decrease in price, then normally an increase in quantity purchased will occur. If an increase in quantity purchased occurs, there is a further accompanying increase in economic surplus. This further increase has two components, which, combined, are defined as the secondary direct benefit of the project. The first component is an increase in producer surplus attributable to the increased quantity sold. This increase will be equal to the change in quantity sold times the difference between the new unit cost and the new price. The second component of increased surplus is an increase in consumer surplus. The increase in consumer surplus will be equal to the difference between the prices purchasers are willing to pay for each of the additional units



purchased and the price they have to pay -- the new, lower price.

In general, the changes in producer surplus that are expected to arise from a projected change in unit cost are directly measurable. Measurement requires knowledge of the projected new price, the projected new unit cost, and of the old and projected quantities purchased.

The change in consumer surplus that may arise from a change in price is not directly measurable since the prices that people are willing to pay for additional units of the service are not known. However, the increase in consumer surplus can be estimated to be equal to one-half of the additional quantity purchased valued at the difference between the old and new price.

#### Direct Benefits: Application

The investments being evaluated for purposes of light density rail assistance applications are investments in transportation. The unit of service is the transportation of one ton of a given commodity from origin to destination. (It is important to emphasize that distance traveled is not the unit of service. That is to say, prices and costs are expressed in terms not of ton-miles but in terms of the rate or cost for carrying one ton from origin to destination.)

In order to estimate the direct benefit of a light density rail line assistance project in accordance with the above principles, several variables must be known or estimated. These are the following:

For each commodity shipped:

$q_0$  = the number of tons expected to be shipped in the absence of the project;

$p_0$  = the price per ton for shipping the commodity from origin to destination in the absence of the project;

$c_0$  = the cost per ton of shipping the commodity from origin to destination in the absence of the project;

$q_1$  = the number of tons expected to be shipped if the project is carried out;

$p_1$  = the price per ton for shipping the commodity from origin to destination if the project is carried out;

$c_1$  = the cost per ton of shipping the commodity from origin to destination if the project is carried out.

If each of these is known or acceptably estimated, the impact of the proposed project on economic surplus can be measured as the sum of the following three elements, for each commodity shipped.<sup>9</sup>

$$(1) (c_0 - c_1)(q_0)$$

$$(2) (q_1 - q_0)(p_1 - c_1)$$

$$(3) \frac{1}{2}(p_0 - p_1)(q_1 - q_0)$$

Element (1) is defined as the primary direct benefit of the project. Elements (2) and (3) constitute the secondary direct benefit of the project.

The application of this formula may be illustrated with reference to an hypothetical rehabilitation project. For purposes of illustration, it is assumed that only one product is shipped over the branch line. It is also assumed that if track improvements are not made the branch will be abandoned. The commodity in question would then be shipped by truck from origin on the branch to destination somewhere off the branch. If the cost per ton of shipping the commodity from origin to destination is lower by rail than by truck, then the primary direct benefit of the project will be positive. The gain in surplus attributable to the reduced cost of shipping by rail the same quantity of the commodity that would have been shipped by truck if the branch line closed is equal to  $(c_0 - c_1)(q_0)$ , where  $c_0$  is the truck cost per ton shipped the required distance;  $c_1$  is the rail cost per ton shipped the required distance; and  $q_0$  is the amount that would be shipped by truck if the branch were to close.

The change in surplus will be altered if rail shipping rates for the given commodity are lower than truck shipping rates and the differential in rates results in increased shipments. Here the two remaining components of the above formula

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<sup>9</sup>"Benefit-Cost Guidelines . . . ," pp. 21-25.



come into play. The additional producer surplus generated will be equal to  $(p_1 - c_1)(q_1 - q_0)$ , where  $(q_1 - q_0)$  is the additional amount shipped. The additional consumer surplus can only be estimated. On the assumption that the demand schedule has a constant slope between the point representing the truck rate and truck quantity and the point representing the rail rate and rail quantity, the gain in consumer surplus is equal to one-half the amount of gain that would be generated if the net surplus attributable to each additional unit shipped were measured by the difference between the truck rate and the rail rate, i.e.,  $\frac{1}{2}(p_0 - p_1)(q_1 - q_0)$ .

On the further assumption that none of the values of the above-specified variables will change over the life of the project, the annual direct benefit of the project will be the sum of the three components described above for the single commodity shipped. If more than one commodity is shipped, then the total direct benefit will be the sum of the calculated annual benefit for each commodity.

#### Indirect Benefits

Projects receiving local rail service assistance may affect industrial location. A rehabilitation project that either up-grades a branch or prevents abandonment may forestall the closing of plants located on the line. Acquisition or provision of substitute service may do likewise. New construction may stimulate the location of new production facilities on the branch or the expansion of existing facilities. The impacts on economic surplus stemming from such changes in industrial location are defined as indirect benefits.

In general, indirect benefits are considered legitimate components of benefits and are included in benefit calculations when they are measurable, expected to be of significant magnitude, and valid within a state-wide perspective on benefit incidence.

When a plant closing is expected to be avoided as a result of the project under review, the value of the associated benefit is the economic surplus that would have been generated by the plant. This economic surplus -- again, equal to the sum of producer and consumer surplus -- is the difference between the value consumers place on the commodity and the opportunity cost of the resources used to produce it. If a national perspective were taken on benefits measurement and if productive resources were perfectly mobile, the opportunity cost of inputs would be equal to their current rate of pay. However, the rate of pay of a resource that would otherwise be unemployed overstates its opportunity cost. For example, if a plant closing resulted in the release of labor resources that were to become permanently unemployed, the opportunity cost of those resources would be zero. In this case, calculation of surplus would exclude from total cost the cost of labor services. Similarly, if a plant closing resulted in the release of plant and equipment that were to become permanently unused, the opportunity cost of that plant and equipment would be zero and would not be included in cost in calculating consumer surplus. The effect of excluding from production cost the returns to resources that will become unemployed is to add the value of those resources in their current use to the amount of surplus. Put another way, when the effect of a project is to avoid displacing resources that will become unemployed, the value of those resources in their current use is a true benefit of the project. In the case of labor resources, this value is equal to the amount of labor times its current wage. In the case of plant and equipment, this value is equal to the current imputed rental value of this plant and equipment. In all instances, the imputation of values for otherwise unemployed resources should be limited to the duration of unemployment.

In practice, the imputation of the value of otherwise unemployed resources is generally the only element of economic surplus included in measured benefits

attributable to the avoidance of plant closings. The computation may also include an estimate of producer surplus when reliable information on cost of production is obtainable. Consumer surplus is omitted from indirect cost calculations in light of the fact that demand functions are not known and can be estimated with a reasonable degree of confidence only at great expense.

The geographical perspective taken for purposes of defining indirect benefits is that of the state. For example, the value of otherwise unemployed resources is included as a benefit even when they are expected to be reemployed outside of the state. The shift of value from in-state to outside the state when resources move is considered a loss from the state's perspective and the avoidance of this loss through an assisted project is considered a benefit.

#### External Benefits

Values for external benefits are not included in the benefit-cost calculations. These benefits can be of two types: pecuniary and real. Pecuniary external benefits amount only to increases in the value of assets or additions to money income stemming from the project. For example, if increased rail traffic and higher local employment levels have the effect of raising local land values, the increase in land values is a pecuniary benefit. However, the increase is not included as a project benefit because it does not represent an increase in the net value of goods and services produced by the national economy; there will be a corresponding decrease in asset values elsewhere. Similarly, if increased local economic activity forces up wage rates in the community, the increase in wages is not considered a benefit for purposes of the analyses. The increase is considered a transfer of money income from elsewhere in the economy.

Real external benefits are, in principle, legitimate components of the benefits from any investment project. These effects include the enhancement of the environment or of human health and well-being through means other than the price system. For example, closing a branch that passes near a residential area may have the positive effect of reducing noise pollution. Although



such effects constitute changes in human welfare, they are not included in the benefit calculations for analyses prepared in support of local rail service assistance applications. This omission is justified by the difficulty of placing dollar values on these impacts and by the general assumption that such impacts are likely to be small. In instances where direct non-pecuniary external impacts are likely to be substantial, an effort is made to describe and quantify these impacts and evaluate their significance through the planning process.

### Summary

While all of the direct and indirect benefits defined above are in principle legitimate components of benefits, not all are calculated for each analysis. In all instances, primary and secondary direct benefits are calculated. The indirect benefit calculation is, however, truncated. In recognition of the difficulty of measuring consumer surplus, indirect benefits calculations are limited to that portion of increased output that arises from avoiding the unemployment of resources for that period over which resources are expected to be unemployed.

### Measurement Conventions and Data Sources

The data required to complete calculations of direct and indirect benefit may be obtained by various means that differ in regard to specificity relative to the case at hand and cost of acquisition. At one extreme, data on transportation costs and rates can be taken from published sources. The cost of these data is low, but they may not represent local or carrier-specific cost conditions accurately. At the other extreme, costs can be developed for each branch and for each alternative transportation mode by examining railroad, shipper, and non-rail transportation firm records. In practice, for purposes of constructing benefit-cost ratios for proposed projects, a mix of sources is used. The conventions that govern the choice of sources and methods of calculations are

outlined below. For purposes of this presentation, the condition of not undertaking the proposed project will be referred to as the null case and the condition of undertaking the proposed project will be referred to as the project case.

#### Direct Benefit Calculations

Rates. Rail rates ( $p_1$ ) and rates for the null case ( $p_0$ ) are obtained from carriers and shippers. Rates are stated in terms of dollars per ton for a specified distance shipped. The distance shipped is the distance shipped in the null case. This distance will be either the distance in miles from origin to destination or the distance in miles from the shipper's location on the branch to the nearest rail connection. Information on origins and destinations and on whether, in the null case, the shipper will ship from origin to destination or to the nearest rail connection is obtained from a survey of shippers on the branch. When the shipper expects to ship by other means to the nearest rail connection for transfer to rail, rates are defined to include transfer costs.

Unit costs. As noted above, rail costs ( $c_1$ ) and null case costs ( $c_0$ ) may be estimated in a variety of ways. In instances in which the null case involves shipment by truck, variable line-haul trucking costs are obtained from published Interstate Commerce Commission (ICC) schedules.<sup>10</sup> Origins and destinations and amounts expected to be shipped in the null case are obtained through a survey of shippers. Distances from origin to destination (or from shipper to nearest rail connection, as the case may be) are estimated from the Rand-McNally Standard Highway Mileage Guide, most recent edition. Estimated costs of transferring commodities from truck to rail are included in alternative-mode cost estimates, when appropriate. Transfer costs are based on estimates provided by shippers. Total null case costs are expressed on a per-ton basis

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<sup>10</sup>U.S. Interstate Commerce Commission, Bureau of Accounts, "Update Ratios for Class I and Class II Motor Common Carriers of General Commodities . . ." (Washington D.C.: mimeographed, most recent date of publication).



for each commodity shipped and aggregated over all commodities to estimate total annual cost of transportation in the null case.

In general, on-branch rail costs for the project case are derived from carrier data. When economically feasible, these costs are developed specifically for the branch in question. Otherwise, system-wide cost estimates are used. When costs are developed for the branch in question, they are defined to include the full costs of shipping over the branch (including imputations of indirect cost) and include each of the following cost components: locomotive costs, crew costs, car costs, and maintenance-of-way. The methods used for estimating the contributions of each component are generally those outlined in "Benefit-cost Guidelines Rail Branch Line Continuation Assistance Programs."<sup>11</sup> However, the bases for calculating specific cost components may vary from project to project depending on the availability of data from the carrier. Carrier labor costs are replaced by shadow price values for labor services when it seems apparent that carrier wages exceed those for persons of comparable skill levels in Maine. Shadow prices are obtained from the Maine Employment Security Commission. Off-branch rail costs are taken from ICC published schedules.<sup>12</sup>

In instances in which the null case does not involve shipment by alternative modes (e.g., up-grading the branch line), cost data are derived solely from rail carrier records.

Quantities. Estimates of quantities to be shipped in the null case are based on interviews with shippers. Raw data on shipments in recent periods are provided by the carrier. Using these data as a reference point, shippers are asked to indicate expected levels of shipments in the null and project cases. Shipper responses are evaluated for reasonableness through discussions with carrier representatives and other potentially knowledgeable sources.

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<sup>11</sup>Op. cit., pp. 52-59.

<sup>12</sup>U.S. Interstate Commerce Commission, Bureau of Accounts, Rail Carload Cost Scales, 1977, updated to most recent date by Rail Update Ratios.

### Indirect Benefit Calculations

As noted above, in general, the only element of indirect benefit included in estimated project benefits is the value of resources that would become unemployed in the null case. The primary source of information on indirect impacts is the shipper survey. Shippers are asked to indicate if they expect to remain in operation should the null condition occur. For shippers who indicate that they expect to go out of business, information is obtained on numbers and types of employees and pay rates. Estimates of the expected duration of unemployment for each type of employee are developed from duration-of-unemployment statistics provided by the Maine Bureau of Employment Security. Estimated lost income is then included as a benefit in the years during which unemployment is expected to persist.

### Discounting

Benefits and costs are discounted to present value when they accrue during future periods.

Costs. In general, project costs are assigned to years in which they are incurred. The opportunity cost of the project is assumed to consist only of foregone consumption, since there is no ready basis for estimating the proportion of costs that take the form of foregone capital formation. In the case of rehabilitation projects, direct project costs will be incurred solely during the construction phase. For projects that are to be completed within one year, project costs are assigned to the calendar year in which the majority of expenditures are to be made. That year is then treated as Year Zero, and costs are not discounted over the one-year period. (In effect, direct project costs are treated as if incurred entirely on the first day of the year in which the expenditure is made.) For projects requiring more than one year to complete, expenditures are assigned to the calendar years in which the expenditures are made -- and discounted accordingly.

Benefits. Benefits are assigned to the calendar years in which they are expected to accrue. For rehabilitation projects that are expected to require more than one year for completion, benefits are pro-rated to construction-period years in proportion to project expenditures. In cases where the rehabilitation is premised on the avoidance of abandonment, benefits are assumed not to accrue until the year abandonment would be expected to take place in the absence of the rehabilitation effort.

Project life. The project life establishes the outer limit of the time period over which benefits are discounted. For rehabilitation projects, project life is defined as that period over which the railroad is expected to maintain the line at a level sufficient to avoid deterioration to a standard below that which is achieved as a result of the rehabilitation. This expectation is established through agreement between MDOT and the railroad.

Discount rate. Project benefits and costs are discounted at a rate intended to represent the real private marginal rate of time preference. This rate is estimated as equal to the yield on Federal bonds of a term equivalent to project life, minus the estimated inflation premium contained in that yield. (Use of the real rate is justified since estimates of future benefits and costs are not adjusted upward for expected inflation.) On the assumption that the inflation premium reflects a market expectation that inflation will continue at current rates, the inflation premium is estimated to be equal to the current annual rate of increase in consumer prices as measured by the U.S. Department of Labor Consumer Price Index (All Urban Consumers).

TAXES PAID BY  
MAINE RAILROADS  
(State and Municipal)

## Railroad Taxes

Taxes paid by the Railroads in Maine for the years 1981 through 1983 are shown on page 5 of this Appendix. Taxes are paid in three basic categories as follows:

### Excise Tax

The Excise Tax is assessed on railroads operating in the State of Maine in lieu of property (real estate) taxes on the standard right-of-way.

This tax is based on the relationship of net operating income to gross transportation receipts as calculated by the Bureau of Taxation. This amounts to a tax for doing business in Maine.

### Sales Tax

The railroads may pay the standard diesel fuel tax for locomotive fuel or the 5% State sales tax. All of the carriers have elected the sales tax as the least expensive of the options.

In addition, the sales tax is applied to all other material purchased by the railroads for equipment (except rolling stock), track materials, and supplies. As some of the recommendations will affect the sales tax, an estimated breakdown of the sales tax paid is set forth on the following page.

### Local Property Tax

Taxes are assessed by the municipalities on real property owned by the railroads located outside the standard right-of-way, such as yards, sidings, shops, etc. State Corporate Income taxes were paid in only one of the last three years, the total amount being only \$36,774.



State of Maine Sales Tax Paid by Railroads Operating in Maine

Following is a breakdown of the 5% Sales tax that Maine Railroads pay on purchases of track material, operating equipment, and supplies, and locomotive fuel. Excluded from operating equipment are sales tax on freight cars used in interstate commerce.

Over the last three years (1981-1983), \$3,185,950 was paid into the State's General Fund from these purchases, or an annual average of \$1,061,983.

As the taxes paid in 1981 were comparatively larger than 1983, the average for the three years is considered to be a reasonable approximation of the annual sales tax.

The amount of tax will vary from year to year due largely to track material or locomotive purchases. For example, one mile of new rail will cost approximately \$260,000 which will produce \$12,928, or one new locomotive at \$1,000,000<sup>+</sup> would generate \$50,000 in sales tax.

Based on figures supplied by the MEC and BAR, it appears that total purchases by the railroads, subject to the sales tax, can be broken down into three major categories:

Track Material	17%
Other Material, Machinery and Supplies	32%
Locomotive Diesel Fuel	51%

The percentages reflect the amount of the expenditures that each category bears to the total. Applying these percentages to the three-year average (\$1,061,983), we arrive at the following sales tax paid by Maine Railroads in each category.

<u>Item</u>	<u>Percent</u>	<u>Estimate</u>
Track Material	17%	\$ 180,531
Other Material, Supplies & Equipment	32%	339,835
Locomotive Diesel Fuel	51%	<u>541,611</u>
		\$1,061,983

The sales tax and percentage for each category were developed as follows for 1983 using the BAR and MEC information.

<u>Railroad</u>	<u>Purchases</u> \$	<u>Sales Tax</u> \$	<u>Material</u> \$	<u>Fuel</u> \$	<u>All Other</u> \$
BAR	5,690,700	284,555	35,500	160,335	88,700
MEC	6,755,620	337,781	69,521	158,289	109,971
Combined	12,446,320	622,336	105,021	318,624	198,671
Average	6,223,160	311,168	52,511(17)	159,312 (51)	99,336 (32)

( ) = Percent of Total Sales Tax

Note: The Canadian railroads pay Maine sales tax on any material purchased in Canada and used in track. Locomotives are not based in Maine, thus are exempt from Maine sales tax; however, there is a very high custom duty (\$300,000<sup>+</sup> C.P.) assessed.

## RAILROAD TAXES PAID IN STATE OF MAINE - 1981, 1982, and 1983 (Revised)

	EXCISE TAX			SALES TAX *			LOCAL PROPERTY			IND. TOTAL
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MEC	128,352	142,609	135,567	716,796	455,391	337,781	269,276	313,255	289,125	2,788,152
BAR	65,025	69,118	61,339	421,311	341,516	284,535	301,560	283,650	294,669	2,122,723
B&M	9,491	9,155	9,019	15,730	15,693	18,665	7,018	5,496	6,738	97,005
CN	288,334	16,398	278,191	48,652	49,480	50,776	16,611	25,594	22,123	796,159
CP	712,790	743,569	373,136	48,316	30,192	24,578	25,568	25,865	24,893	2,008,907
AVR	810	761	951	538	677	476	8,347	9,288	8,006	29,854
BML	3,500	1,016	3,759	2,503	1,168	649	2,088	3,177	2,950	20,810
PT Co	46	90	79	132,826	109,832	77,869	330,077	351,260	380,738	1,382,817
Category Totals	1,208,348	982,716	862,041	1,386,672	1,003,949	795,329	960,545	1,017,585	1,029,242	<u>9,246,427</u>

\*Locomotive Diesel Fuel is included in Sales Tax

Combined: Sales: \$3,185,950  
Excise: 3,053,105  
Property: 3,007,372

Corporate Income Taxes:

BAR - '83 \$36,757  
BML - 17  
\$36,774

Yearly Totals:

1981 \$3,555,565  
1982 3,004,250  
1983 2,686,612

Yearly Totals:

(Excise & Sales)  
1981 \$2,595,020  
1982 1,986,665  
1983 1,657,370

In addition to the above, CP paid \$103,377 to U. S. Customs in 1983.

PROPOSED LEGISLATION

AN ACT TO EXEMPT RAILROAD TRACK MATERIAL FROM THE APPLICATION OF SALES TAX

Be it enacted by the People of the State of Maine as follows:

36 MRSA, § 1760, Subsection 48 is enacted to read:

48. Rail Track Materials. Railroad track materials purchased and installed on railroad lines located within the boundaries of the State of Maine. Such track material shall consist of the following: rail, ties, ballast, joint bars and associated materials such as bolts, nuts, etc., tie plates, spikes, culverts (steel, concrete, or stone), switch stands, switch points, frogs, switch ties, bridge ties, bridge steel.

Statement of Fact

This bill is one of the recommendations made by the Governor's Committee on Railroad Policy. The Committee has submitted several recommendations to the Governor and the Legislature that are designed to provide assistance to the rail industry in response to developing rail transportation problems.

The purpose of this recommendation is to exempt track material from the application of the sales tax which would result in more equitable treatment of the rail carriers in providing their own roadway. These roadways are now paid for 100% by the railroads themselves. This recommendation is considered to be one cost effective way to help the carriers achieve long term stability in fulfilling their role in providing necessary transportation services to the State. It is estimated that the enactment of this exemption would result in a reduction in the sales tax payments to the State by the railroads of \$180,000 annually.



FIRST REGULAR SESSION

ONE HUNDRED AND TWELFTH LEGISLATURE

Legislative Document

No. 357

H.P. 287

House of Representatives, February 1, 1985

Reference to the Committee on Taxation suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Manning of Portland.  
Cosponsored by Senator Twitchell of Oxford.

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-FIVE

AN ACT Concerning the Rate of Return on  
Investment Factor Under the Railroad  
Excise Tax.

Be it enacted by the People of the State of Maine as follows:

36 MRSA §2621-A, sub-§2, as amended by PL 1983, c. 593, §1, is further amended to read:

2. Operating investment. "Operating investment" means investment in railway property used in transportation service, less depreciation, plus cash, including temporary cash investments and special deposits, plus material and supplies plus freight car operating leases of 10 years or more, valued at cost less straight-line depreciation over the initial term of the lease. For purposes of railroad excise taxes payable in 1984 and 1985, based upon operations for the calendar years 1983 and 1984, respectively, "operating investment" also includes freight car operating leases of 10 years or more, valued at cost less

1 straight-line depreciation over the initial term of  
2 the lease.

3 STATEMENT OF FACT

4 The purpose of this bill is to remove the sunset  
5 provision on the inclusion of freight car operating  
6 lines of 10 years or more as an operating investment  
7 under the railroad excise tax.

8 1176011985

## Organizations and individuals who offered testimony or written comments.

<u>Name</u>	<u>Representing</u>
Tom Crikelair	Downeast Transportation, Inc.
Edith Beaulieu	Legislative Committee on Labor
J. R. Lagace'	V.P., CN Rail
G. E. Benoit	V.P., CP Rail
Gordon E. Ramsdell	Downeast RC & D
Henry Bourgeois	Maine Development Foundation
Michael Fairfield	Railroad Labor
Ron Shafter	Shipper from Rockland
John Kerr	
Elery Keene	North Kennebec Regional Planning Commission
Fourtin Powell	Eastern Mid-Coast Regional Planning Comm.
Charles MacArthur	Maine Reinvestment Corporation
E. F. Lyden	U.T.U.
F. Michaud	Brotherhood of Maint.-of-Way Employees
Lee Smith	Waldoboro Town Manager
Roy G. Poulsen, Ph.D.	University of Rhode Island
Henry Ferne II	Daybreak Farm
Frank Menair	Railroad Consultant
Richard York	J. M. Huber
Gerard Blanchard	Pinkham Lumber Company
Ken Spaulding	Dept. of Conservation
Glen Clifford	Louisiana Pacific Corp.
L. W. Littlefield	V.P., BAR
Ross Capon	National Association of Railroad Pass.
John H. Montgomery	Jensen, Baird, Gardner & Henry
Gary A. Burke	Carmel, Maine
Allan Socea	B&ML Railroad
Eugene Phillips	United Transportation Union
George Lawson	Railroad Labor





