

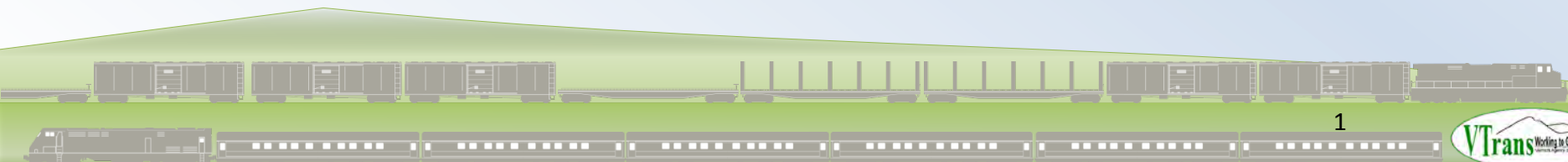


Vermont State Rail Plan Status Update

July 16, 2014 – 1:00 PM

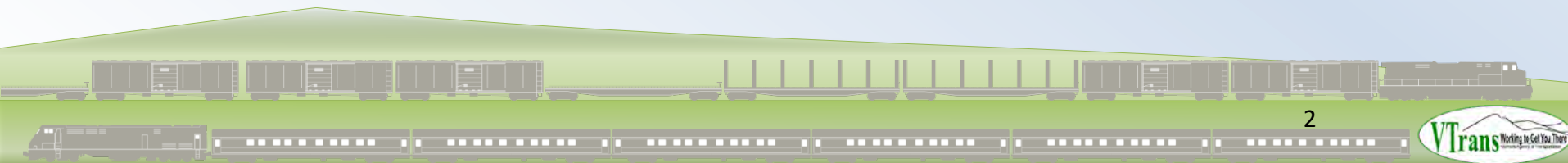
Vermont Rail Advisory Council

VTrans Headquarters, Montpelier



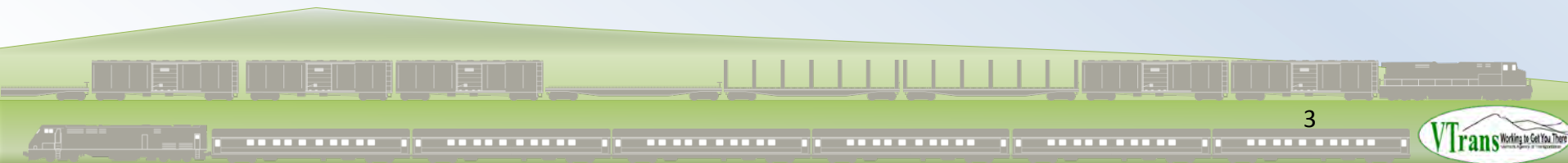
Agenda

- **Introductions**
- Rail Plan Goals and Objectives
- Progress Since 2006 Plan
- Rail Ownership
- Project Prioritization



Agenda

- Introductions
- **Rail Plan Goals and Objectives**
- Progress Since 2006 Plan
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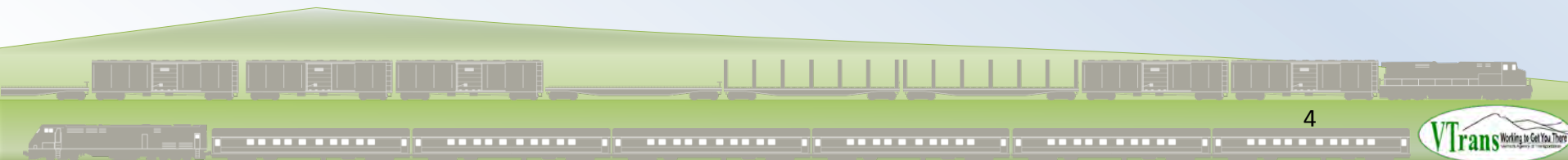


Rail Plan Draft Goals and Objectives

Goal #1: Maintain the State's Rail System in a State of Good Repair

Objectives

- Maintain all bridges to the 263,000 lbs. carload standard
- Maintain track to appropriate FRA track class
- Remove slow orders – priority along passenger rail routes
- Upgrade rail to continuously welded rail along passenger routes
- Maintain Customer Service Indicators Scores at minimum FRA targets (see attached)
- Rehabilitate passenger rail stations

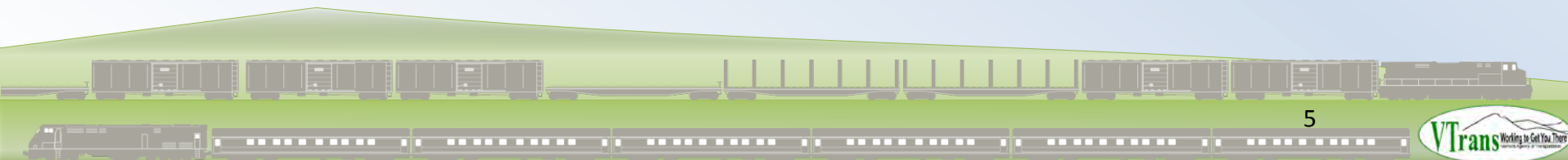


Rail Plan Goals and Objectives

Goal #2: Expand the Rail System's Capacity to Accommodate Growth Objectives

Objectives

- Upgrade all bridges to the 286,000 carload standard
- Upgrade to 115 lbs rail
- Eliminate vertical clearance obstacles
- Install platforms at new passenger stations



Rail Plan Goals and Objectives

Goal #3: Expand the Rail System's Use

Objectives

- Attract new rail shippers to locate along rail lines
- Preserve inactive rail corridors
- Implement new intercity passenger rail service along western corridor (Burlington, Vergennes, Middlebury, Rutland, Manchester, Bennington) and extend Vermonter to Montreal
- Meet FRA All-Station On-time performance measure standard (FRA standard is 90% in 1st Quarter FY 2014 - Ethan Allen 82.3%, Vermonter 71%)
- Increase existing and planned passenger routes to FRA Class 4 Track in order to increase operating speeds to 79MPH.

Comprehensive Energy Plan Objectives

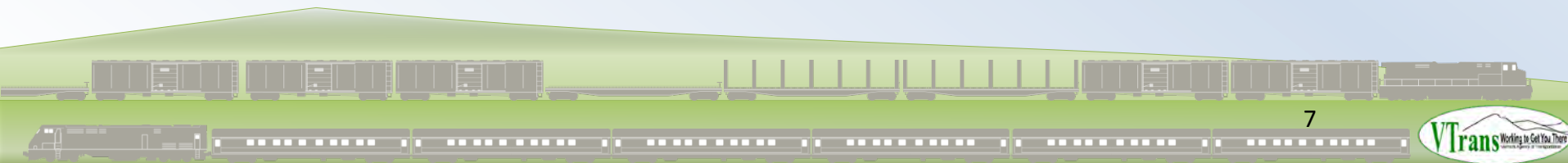
- A. Quadruple passenger rail trips from 2011 levels, to 400,000 Vermont-based trips by 2030
- B. Double the amount of rail freight tonnage in the state from 2011 levels by 2030

Rail Plan Goals and Objectives

Goal #4: Provide a Rail System that is Financially Sustainable

Objectives

- Examine other passenger rail service providers to cut operating subsidies.
- Pursue federal grant opportunities.



Rail Plan Goals and Objectives

Goal #5: Improve Intermodal Connectivity

Objective

- Integrate rail stations with local and intercity bus transportation

Goal #6: Improve the Rail System to Support Economic Development

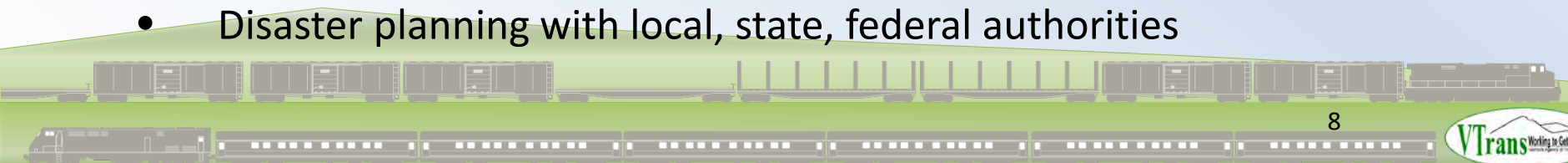
Objective

- Coordination among rail and economic development officials

Goal #7: Enhance Safety of the Rail System

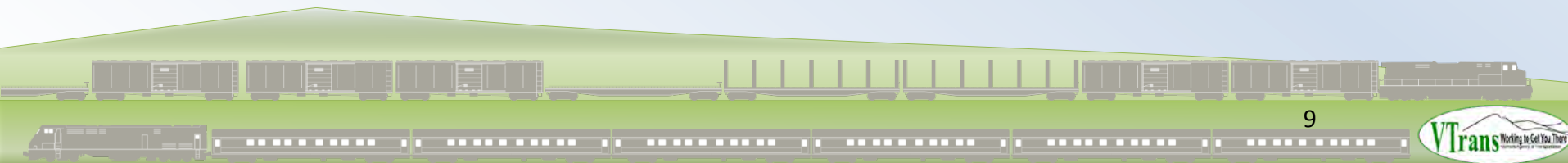
Objectives

- Reduce rail-highway grade crossing collisions
- Disaster planning with local, state, federal authorities

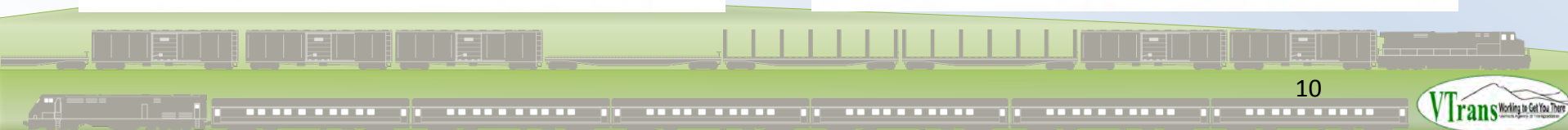
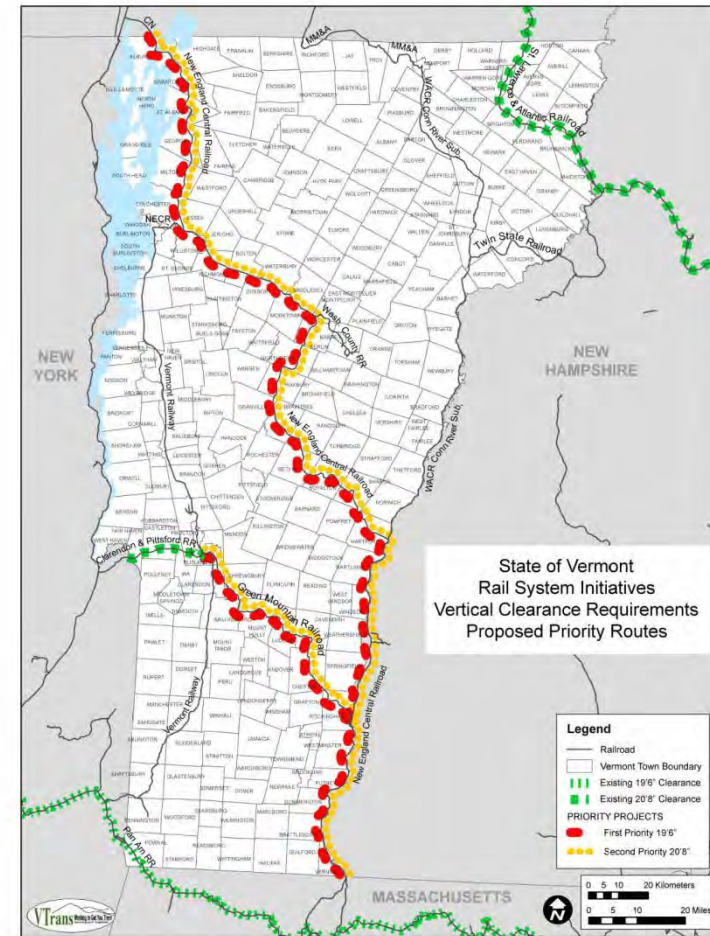
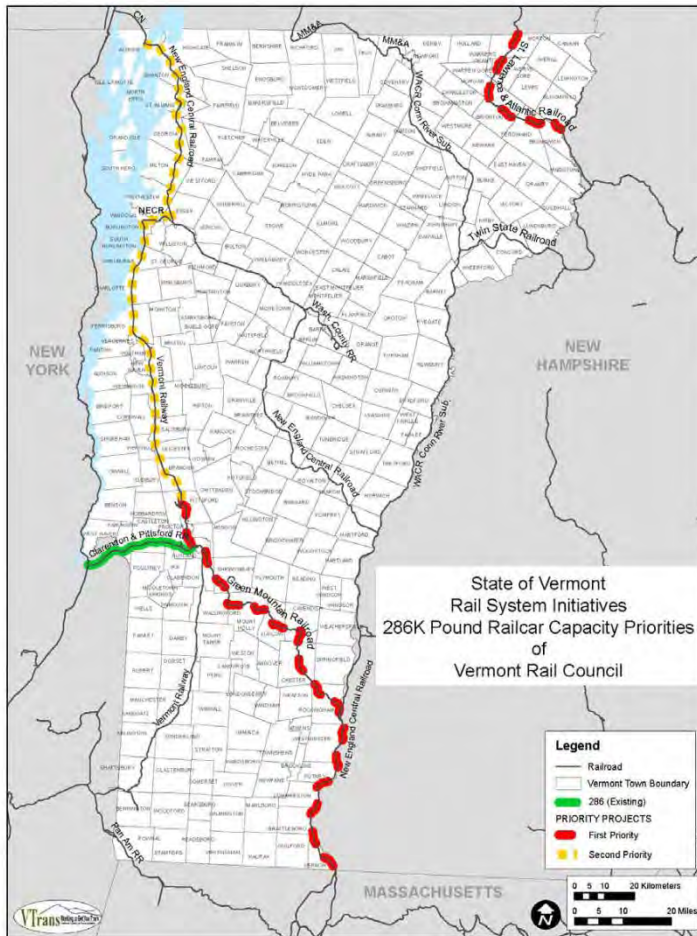


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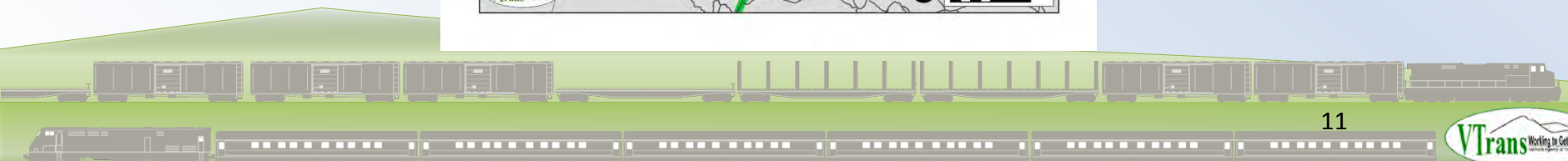
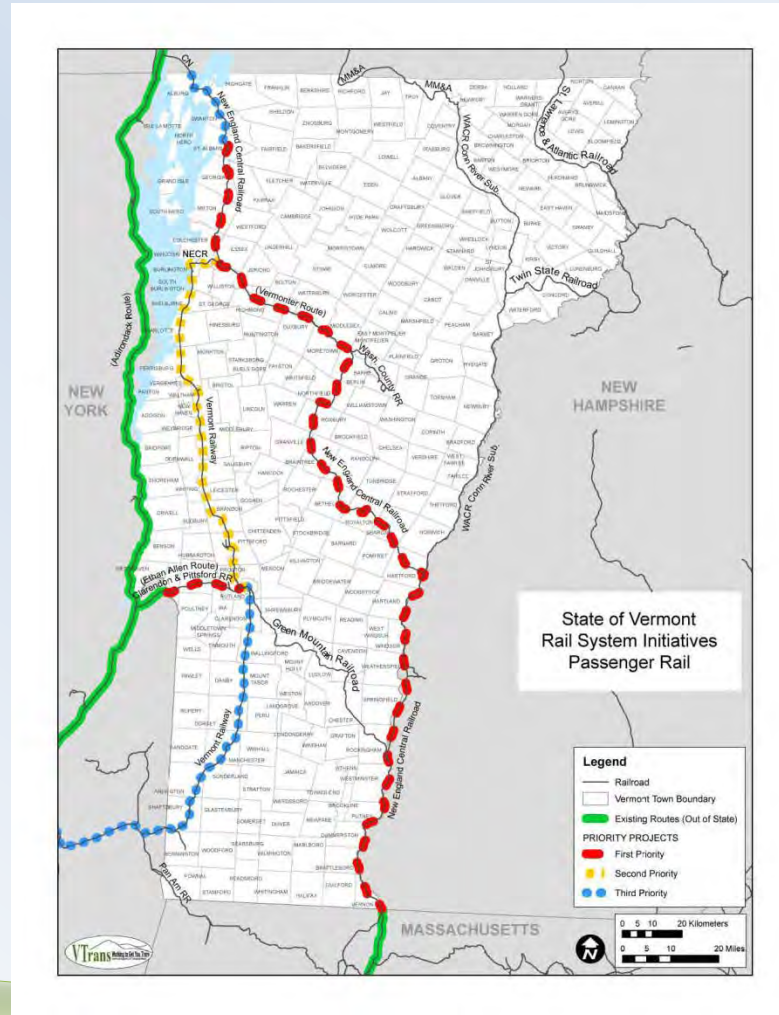
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2006 Rail Plan System Initiatives

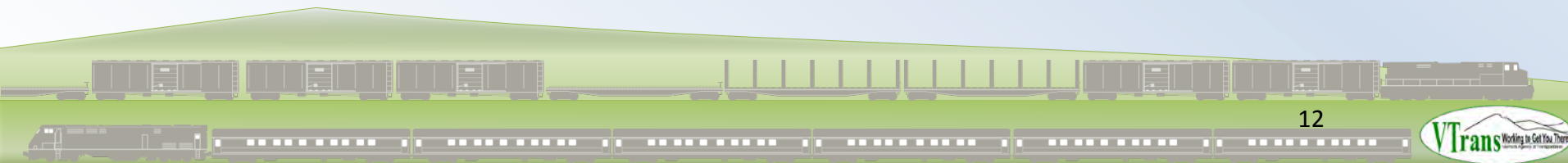


2006 Rail Plan System Initiatives



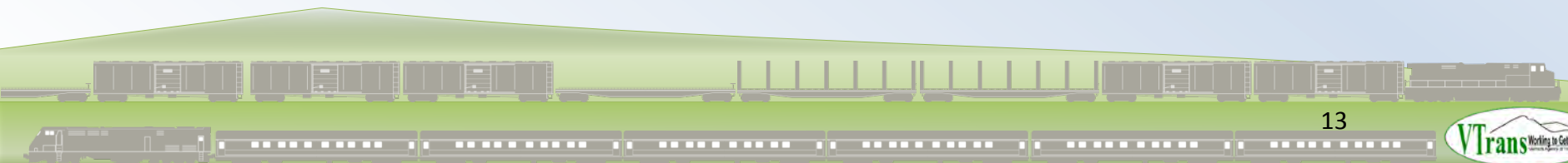
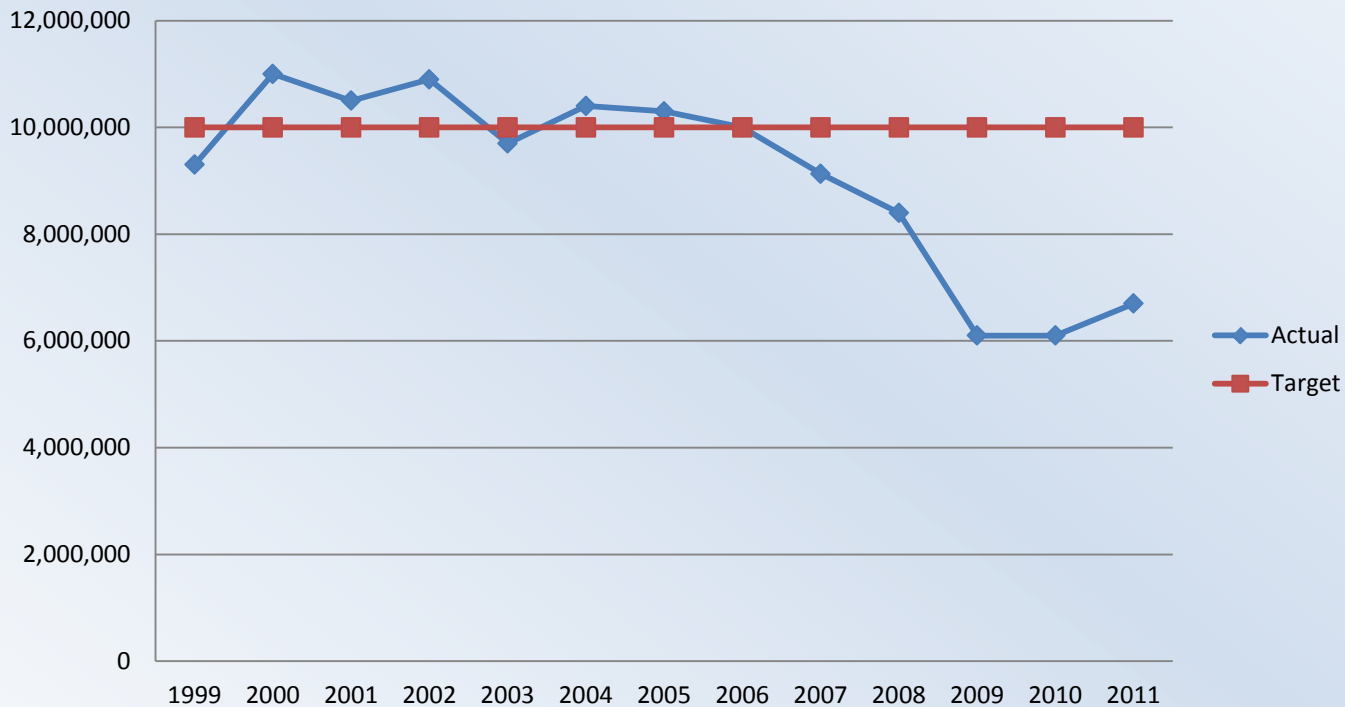
2006 Rail Plan Performance Measures

		Performance Measure	2006 Conditions	Target	Current Conditions
Performance Category	System Effectiveness	Freight rail volumes	9.7 million tons	10 million tons, then 2% annually	6.7 million tons
		Passenger rail trips in VT	64,647 ons and offs at Vermont stations	3% annual increase	8% annual increase (100,829 in 2013)
	System Condition	Bridge Ratings	Approximately 128 state owned bridges need improvement for 263K cars	Increase annually bridges meeting line requirements by 3%	3.3% annual increase (30 of 128 bridges)
		Number of miles that do not comply with VT Track classification	Current track conditions consistent with track class	Maintain track conditions consistent with track class.	Difficult to quantify
		Average grade crossing ratings	VTrans has priority rating for crossing improvements	Improve 3 or more crossings annually	6.4 annually (45 crossings)
	System Initiatives	Number of railcar loading restrictions on priority Routes	1 st Priority Routes – 21 restrictions	Eliminate 1 st priority restrictions within 5 years	NECR Yes, GMRC No
		Number of clearance constraints in priority Routes	1 st Priority Routes - 6 constraints	Eliminate 1 st priority constraints within 5 years	NECR Yes, GMRC Yes
		Number of transload facilities that meet operational/business needs	Approximately 12	Support improvements of intermodal and transload facilities	No
		Number of railcars originated & terminated in Vermont	9,420 carloads orig. 16,040 carloads term.	10,000 carloads orig. 17,000 carloads term.	7,500 carloads orig. 23,600 carloads term.



2006 Rail Plan Performance Measures

Vermont Actual and Target Rail Tons by Year

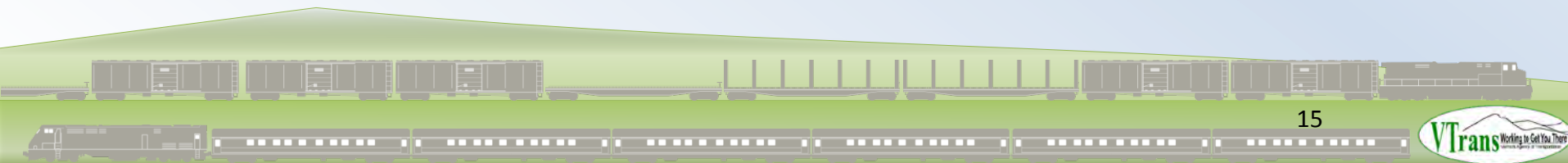


Discretionary Federal Rail Grants Awarded to VTrans

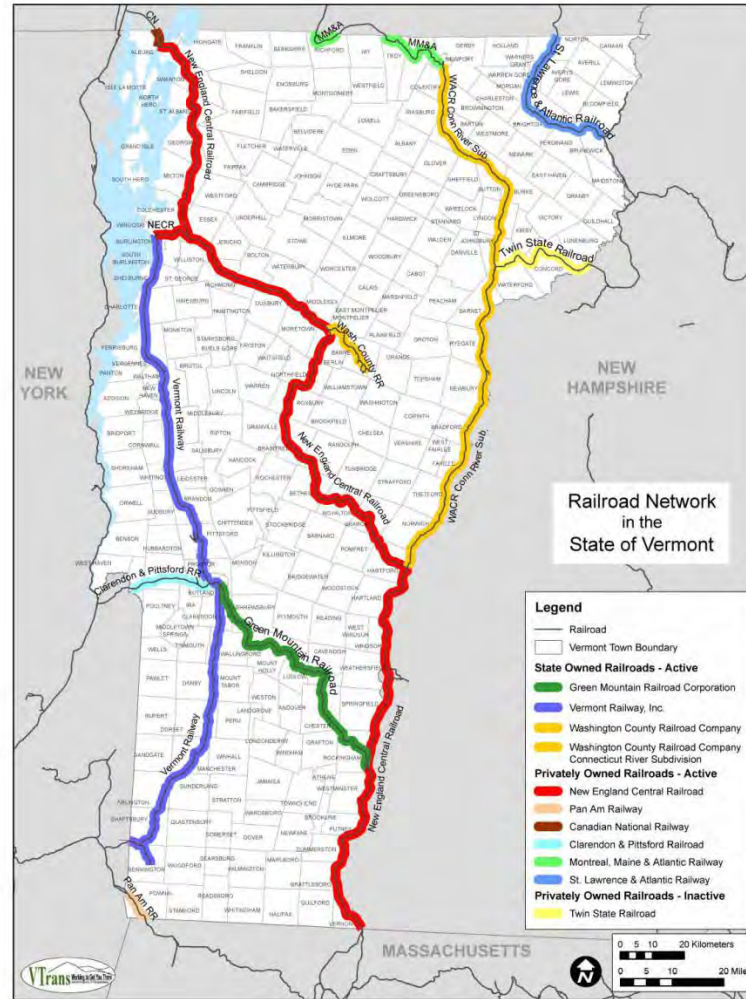
Program	Year	Railroad	Project Description	Federal	State	Railroad	Total
High Speed & Intercity Passenger Rail	2009	New England Central Railroad	Rehabilitating track between St. Albans and Vernon on Vermonter route	\$50,000,000	\$0	\$19,962,000	\$69,962,000
High Speed & Intercity Passenger Rail	2010	New England Central Railroad	Continuing rehabilitation of track between St. Albans and Vernon on Vermonter route	\$2,722,258	\$0	\$0	\$2,722,258
Rail Highway Crossing Hazard Elimination	2011	New England Central Railroad	Installing active protection at 15 unprotected crossings on Vermonter route	\$2,248,687	\$0	\$840,284	\$3,088,971
TIGER IV	2012	New England Central Railroad	Upgrading track between St. Albans and the Canadian border	\$7,912,054	\$0	\$3,348,022	\$11,260,076
TIGER V	2013	Vermont Railway (Western Corridor)	Replacing approximately 9 miles of outdated track	\$8,992,007	\$2,000,000	\$200,000	\$11,192,007
Grand Total							\$98,225,312

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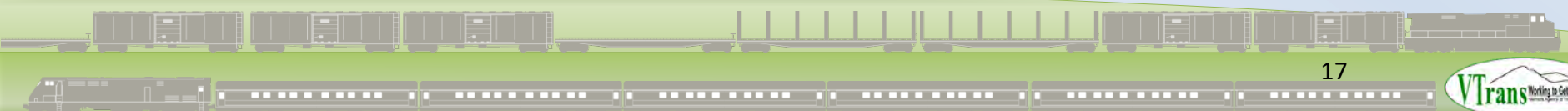


Rail Ownership



Rail Ownership Issues to Consider

- Commercial viability
- Financial impact
 - Amount of federal funding already invested and what percentage might require repayment
 - Revenue to be gained by the State of Vermont from asset sale (relates to commercial viability)
- Operational and service impacts
 - On the rail operator
 - On the level and quality of rail service (passenger and rail)
 - Access to required equipment and facilities
- Competition
 - Initial: market for these lines (related to commercial viability)
 - Ongoing: enhancing (or limiting) competition among private railroads?
- Legal obligations/requirements
 - State's obligations to the current operator
 - Operator's obligations to the State of Vermont



Rail Ownership

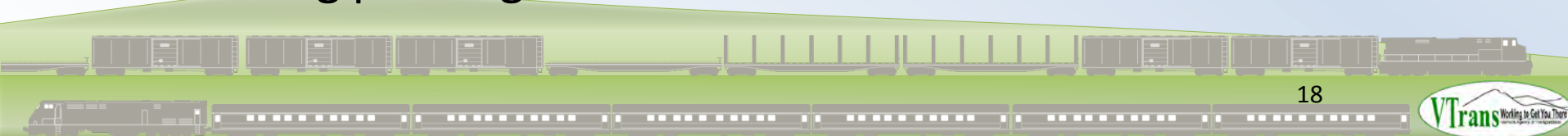
Pros and Cons of State Ownership

Advantages

- State can manage rail assets for the public good in line with stated goals
- Allows the preservation of rail corridors that would otherwise be permanently lost
- State-owned rail may compete better with other modes for public funding.
- Simplified liability and tax issues, particularly when initiating passenger service.

Disadvantages

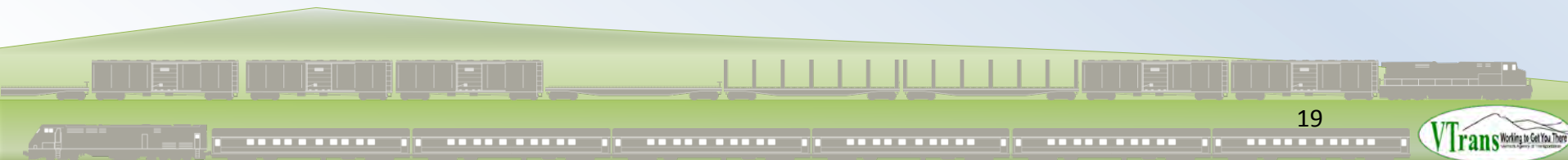
- Ties up public investment and funding
- Significant operating and capital outlays may be needed to maintain and repair the lines
- Does not guarantee ongoing operations or self-sufficiency
- Reduced tax revenues



Rail Ownership

Comparison with Other States

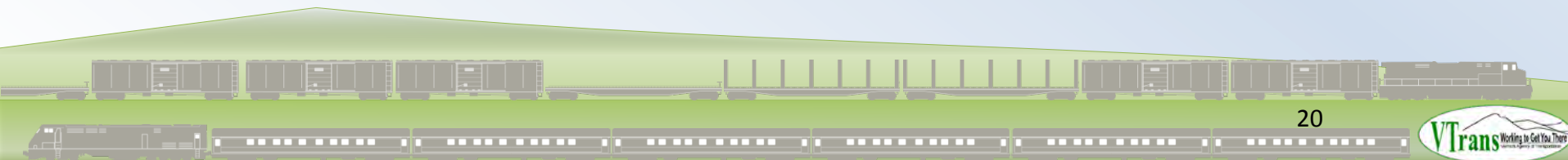
State	Description of Rail Line(s)	State Responsibility of Maintaining/ Inspecting	Operator Responsibility for Maintaining/ Inspecting	Inspection	Length of Lease	Lease Payment	Severability	Exclusivity	Other
Ohio	“Panhandle” line leased to Columbus & Ohio River Railroad with 141.5 miles of mainline and 19.4 miles of branch lines.	Operator can have rent reduction for recovery from natural disaster or performing periodic (30 year) maintenance.	Responsible for maintaining to specific FRA standards. Can apply to have lines downgraded.	State reviews every 5 years, including customer satisfaction survey. If unsatisfactory, review becomes annual. If unsatisfactory 3 years, operator considered in default of agreement.	25 years, with 5 year renewals afterward.	\$83,333 per month adj. by inflation, if >25,000 carloads per quarter, \$3 per carload originating/ terminating, \$1.5 per carload overhead.	Operator can terminate with 180 day notice. State can terminate agreement in case operator is in default of agreement.	State can allow others to use the line under conditions, including passenger rail operations.	



Rail Ownership

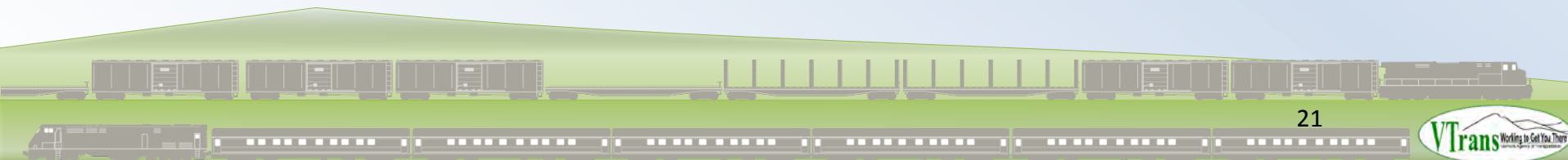
Comparison with Other States

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Oklahoma	“Sooner Sub” leased to Watco between OK City and Sapulpa, about 100 miles.	Not specified.	Responsible for maintaining to FRA Class 2 standards, or to new standard if state upgrades. Lease agreement describes type of maintenance.	If operator and state disagree on the status of line, FRA inspector will review, results of review are binding.	5 years with 5 year renewals.	12% gross revenues.	In case of default, mutual agreement of parties, or upon expiration of renewal or base period.	Operator acquires right to manage property as sees fit, but state may commence passenger service under conditions.	Per purchase from BNSF, BNSF is required to have access.



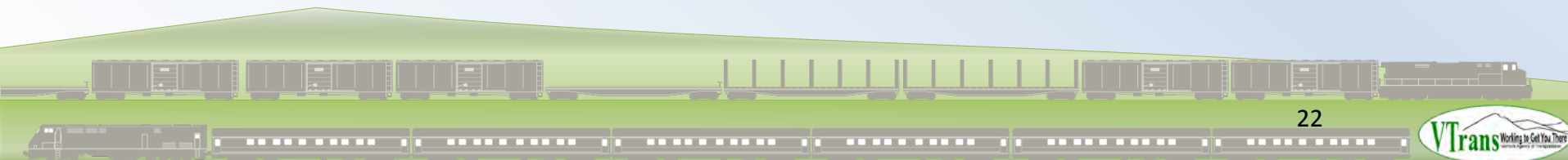
Rail Ownership Comparison with Other States

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Texas	“South Orient Line” leased to Texas Pacifico about 391 miles.		Responsible for maintaining the line to “industry standards.” Must be able to provide service to shippers upon reasonable request.	Joint inspections are to be conducted annually. If disagree, FRA inspector will review. Results of FRA inspection are binding.	40 years with 10 year renewal periods.	\$10,000 per year, subject to review and adjustment every 5 years to account for inflation.	In case of default, mutual agreement of parties, or upon expiration of renewal or base period.	Operator acquires right to manage property as sees fit.	Stipulates that the state should help operator with grant applications



Rail Ownership Comparison with Other States

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Vermont	Lines acquired from Rutland Railway Corporation leased to Vermont Railways.	Lease payments are capped at 7 percent if operator spends more than \$500,000 on maintenance and repairs. VTrans is responsible for structures greater than 10 feet over water bodies.	Operator responsible for maintaining to at least FRA Class 1 or 2 standards.	Operator is required to keep and make records available, but there is no schedule set for inspections.	Lease renews every 10 years,	Between 7 and 11 percent of operating revenues, depending on VTR revenues	If operator finds the agreement unduly burdensome, can petition to state to change agreement terms.	Leased to "have and to hold."	Operator responsible for operating a minimum schedule of train service.



Rail Ownership

Options for Moving Forward

- Maintain *status quo*
- Change the terms of the existing leases so that the new terms cover areas such as the responsibility for capital maintenance of lines, rental payments, etc.
- Initiate a process to rebid leases and evaluate other potential operators
- Initiate process to consider bids for selling commercially viable rail lines
- Consider benefits/costs of continuing operations on non-commercially viable rail lines with the possibility of converting some lines to inactive or interim use status
- Initiate a process to divest both commercially viable and non-commercially viable rail lines

