

Maine State Rail Plan
Public Information Meeting
Presque Isle, Maine
October 6, 2009, 6-8 pm
University of Maine, Presque Isle

Presenting: Commissioner Cole, MaineDOT; Nathan Moulton, MaineDOT; Dennis Coffey, HNTB; Carol Morris, Morris Communications

The meeting opened at 6:08 pm.

Commissioner Cole: Thanks to all of you for coming tonight. It's great to see such a great turnout. We're here to listen; we want your thoughts and feedback. When we contemplated the state rail plan, we wanted to do something more than meet a state requirement. We want a solid, strategic rail plan. The Governor is a big fan of both freight and passenger rail, and an advocate for intermodal transport. As a rural state, we need to make sure we can provide our manufacturers a way to move goods, as well as to offer a viable passenger system. We know this is a challenging time for rail in northern Maine, with the reduction in output of the pulp and paper industry and the recent announcement of potential line abandonment by MMA. Mr. Robert Grindrod is here tonight, and I'm sure will have something to say about that topic. We look forward to getting your input tonight. Thank you.

Opening comments: Nate Moulton, MaineDOT

- Thank you, Commissioner. We're here tonight to hear from you. We have a short presentation, and then we'll turn it over to you to get your thoughts, ideas and feedback.

POWER POINT PRESENTATION

Why a State Rail Plan: Nate Moulton, MaineDOT

- Meet current and future system demands

- Establish a vision to guide future investment
- Provide a basis for Federal and State investment in rail
 - Requirement of Passenger Rail Investment and Improvement Act (PRIIA) of 2008
 - Submission to USDOT every 5 years
 - MaineDOT Critical Rail Program
- Ensure we prioritize investments to achieve maximum public benefit

What We Know: Nate Moulton, MaineDOT

- Rail supports the State's economy
 - Provides mobility for people and goods
 - Supports business/industry/jobs
- Rail knits communities together
- Rail can reduce highway congestion
- Rail is good for the environment
 - Reduces energy use and harmful emissions
- *Rail is a vital part of a State's multimodal transportation network*

Our Challenges: Nate Moulton, MaineDOT

- Rail is important to Maine's future, but funding for infrastructure and passenger operations is scarce
- Changes in Maine's economy make it harder to predict future needs
- Informed, long-term planning and prioritization is key
- Input from the Technical Advisory Committee and the public will help guide prioritization

MaineDOT and Rail: Nate Moulton, MaineDOT

- The Governor's Rail and Port investment plan started needs identification/funding framework
- Developing this State Rail Plan will help shape rail's future and allow us to qualify for federal rail funding
- Actively support public-private partnerships such as IRAP
- *Willing* to put capital \$\$ into infrastructure rehabilitation and preserving non-active rail ROWs
- *Willing* to provide operational subsidy for viable passenger rail projects
- *Not willing* to subsidize freight rail operation and maintenance

Public Outreach Benefits: Carol Morris, Morris Communications

- Solicit feedback from key stakeholder groups without which the study cannot be successful
- Encourage the public to provide comment and thereby improve the end result
- Key is encouraging productive comment that will help MaineDOT develop a method to prioritize rail investment over the next ten years

Plan Outreach: Carol Morris, Morris Communications

- Public Meetings: September and October, again in December
- Technical Advisory Committee Meetings: September/November
- Individual Stakeholder Meetings/Surveys
- Media
- Project Website is www.maine.gov/mdot/railplan - will be used for additional public input

Technical Advisory Committee: Carol Morris, Morris Communications

- NNEPRA/Downeaster, Patricia Quinn
- Amtrak, Paul Eastwood
- Montreal, Maine & Atlantic Railway, Robert C. Grindrod
- Maine Eastern Railroad, Gordon Fuller
- St. Lawrence & Atlantic Railroad, Ed Foley
- Pan Am Railways, Sydney Culliford
- Eastern Maine Railway Company/New Brunswick Southern, Ian Simpson
- GPCOG, Neal Allen
- AVCOG, Don Craig
- SMRPC, Tom Reinauer
- BACTS and EMDC, Rob Kenerson
- Northern Maine Development Commission, Robert Clark
- LA Economic Growth Council, Lucien Gosselin
- Maine International Trade Center, Janine Cary
- Maine Port Authority, John Henshaw
- State Planning Office, MacGregor Stocco
- DEDCD, Brian Doyle
- DEP, Lynne Cayting
- Maine Legislature, Hon. Ed Mazurek, co-chair State Transportation Committee, (Dist. 47)
- Safe Handling, Ford Reiche
- VERSO, Patty Aho

- Sappi, Michael Segal
- Fore River Distribution Center, Michael Cella
- Northeast Rail Shippers, Joe Gearin
- Trainriders , Wayne Davis
- Sierra Club, Paul Weiss
- Maine Rail Group, Jack Sutton
- MBTA, Maria Fuentes
- Maine Motor Transport Assn., Brian Parke

Public Meetings: Carol Morris, Morris Communications

- Two rounds of meetings
 - September 28, 29 and October 6 and 22: to talk with public on challenges, issues and prioritization criteria
 - Early December 2009: to review and comment on draft plan recommendations

Today’s Discussion Topics: Carol Morris, Morris Communications

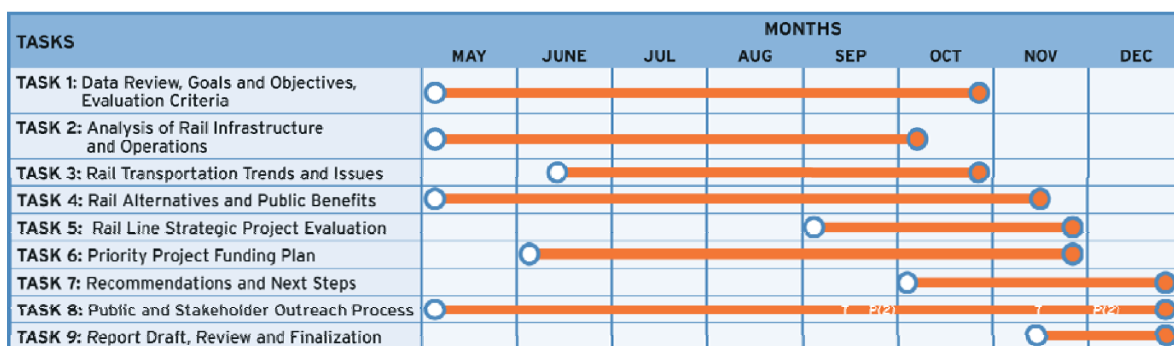
1. What are the most pressing statewide and regional rail issues and barriers over the next five to ten years?
2. What criteria should Maine use to prioritize rail investments?

Project Overview: Dennis Coffey, HNTB

- Project schedule
- Draft investment criteria
- Economic, employment and transportation trends

Schedule: Dennis Coffey, HNTB

MAINE STATE RAIL PLAN PROJECT SCHEDULE



P = Public Meeting

T = Technical Advisory Committee Meeting

Draft Investment Criteria: Dennis Coffey, HNTB

- Enhance freight and passenger rail service that provides dual transportation system benefit
- Service key manufacturing industries
- Provide a net reduction in overall greenhouse gas emissions from the transportation sector
- Help facilitate the shift of rail-appropriate freight from road to rail
- Promote the leveraging of private or other funds for every state dollar invested

Economic trends: Dennis Coffey, HNTB

(see Power Point for chart)

Employment forecast: Dennis Coffey, HNTB

Key item: Downturn in Forest Products and Pulp & Paper industries is related to both downturn in the national/global economy and productivity improvements (esp. in Pulp & Paper). Thus, demand for moving raw materials in and finished products out is level or increasing. Thus, the transportation system has to provide for adequate goods movement in the region.

(see Power Point for chart)

Peak period congestion on National Highway System, projected 2035: Dennis Coffey, HNTB

(see Power Point for graphic)

Train volumes in 2035 compared to current capacity: Dennis Coffey, HNTB

(see Power Point for graphic)

Rail System Inventory: Dennis Coffey, HNTB

- Freight Rail:
 - Historical Trends
 - Current Conditions/Future Needs
 - Opportunities
- Passenger Rail:
 - Current Conditions/Future Needs
 - High-Speed Rail Vision
 - Opportunities

Rail Mileage History: Dennis Coffey, HNTB

(see Power Point for chart)

Freight Rail: Dennis Coffey, HNTB

- 1154 active route miles
 - 100 public ownership
 - 1054 private ownership
- No Class 1 Railroads
- 3 Class II Railroads
- 4 Class III Railroads
- Rail terminals and intermodal facilities
 - Portland
 - Auburn
 - Waterville
- 90,700 carloads in 2007
- 40th State in Rail Miles Nationwide

Freight Rail Status: Dennis Coffey, HNTB

- 1,154 active route miles
- 230 miles inactive with no service, but track exist
- 85 miles removed, interim trail use
- 300 miles State owned railway

Maine Rail Ownership Comparison: Dennis Coffey, HNTB

- At least 20 other States own rail lines over which freight service is largely operated by private entities
 - Alaska – ARC owner/operator 544 miles (*unique case*)
 - Georgia – approx. 486 miles
 - New Hampshire – largest owner of NH rail (~201 miles)
 - North Carolina – NCR, privately run company owned by NC leased 317 miles to NS
 - Oklahoma – approx. 800 miles
 - South Dakota – approx. 301 miles
 - Vermont – approx. 305 miles
 - ***Maine has approx. 100 active route miles***

Share of total freight shipments by mode and tonnage (2007) for United States and Maine: Dennis Coffey, HNTB

(See Power Point for chart)

Share of total freight shipments by mode and value (2007): United States and Maine: Dennis Coffey, HNTB

(See Power Point for chart)

Maine freight shipments in thousands of tons by direction (2007) ALL MODES: Dennis Coffey, HNTB

(see Power Point for chart)

Maine freight shipments in thousands of tons by direction (2007) RAIL: Dennis Coffey, HNTB

(see Power Point for chart)

Top 10 rail commodities in thousands of tons (2007): Dennis Coffey, HNTB

Pulp & Paper are primary rail users

(see Power Point for chart)

Top 10 rail commodities in millions of dollars (2007): Dennis Coffey, HNTB

(see Power Point for chart)

Maine Paper Industry, 2006 Production numbers: Dennis Coffey, HNTB

- Bucksport – Verso Paper
 - 4,700 tons per day (235 TPD)
- Skowhegan – Sappi
 - 4,000 tons per day (200 TPD)
- Rumford – New Page
 - 2,800 tons per day (140 TPD)
- Jay – Wausau Paper
 - 1,800 tons per day (90 TPD)
- Woodland – Domtar
 - 1,460 tons per day (73 TPD)

- Madawaska – Fraser Papers Inc
 - 1,300 tons of paper per day (65 TPD)
- Lincoln – Lincoln Paper
 - 760 tons per day (38 TPD)
- Madison – Madison Paper
 - 750 tons per day (38 TPD)
- Millinocket – Katahdin Paper
 - 500 tons of paper per day (25 TPD)

Freight rail issues: Dennis Coffey, HNTB

- Heavy reliance on paper & pulp industry
- Insufficient rail cars & service to accommodate needs
- System abandonments and state ownership
- Weight and vertical constraints
- Junction constraints
- Lack of private and public capital to maintain and operate current system and future improvements

Freight rail opportunities: Dennis Coffey, HNTB

- Rail-to-Port Triangle
 - Port of Portland seaport
 - Auburn Intermodal Facility
 - Lewiston / Auburn port inland rail port connections
 - Redeveloped Brunswick Naval Air Station
- Searsport – Bangor rail connection, Sears Island?
 - Inland port
 - Port to rail
 - Port to truck
- Eastport Gateway
 - Rail—Port connection

Passenger rail: Dennis Coffey, HNTB

- Amtrak Downeaster offers five daily roundtrips between Portland and Boston
- FY 2008, over 266,000 Amtrak passengers started or ended their trips in Maine.
 - 170,100 in Portland
 - 48,500 in Wells
 - 35,300 in Saco-Biddeford

- 12,200 in Old Orchard Beach
- Ridership business travelers, tourist and college students

New England high-speed rail vision: Dennis Coffey, HNTB

- Downeaster
 - Extend rail from Portland to Brunswick, stop in Freeport
 - Reduce travel time between Boston-Portland to 2 hours
 - Increase capacity to support 7 daily roundtrips
 - Connect Brunswick to Rockland, via Maine Eastern, subsequent service to island communities via Maine State Ferry Service

Vision for high-speed rail in America: Dennis Coffey, HNTB

(see Power Point for graphic)

Shared-use benefits: Dennis Coffey, HNTB

- Most of the rail networks are privately owned
- Freight and passenger networks have different operational profiles
- Addressing shared-use scenarios can have broad benefits for multiple stakeholders

DISCUSSION/AUDIENCE COMMENTARY

Dennis reminded the audience that we are interested in learning what are most pressing issues are from their perspective and what ways to prioritize future investments in rail. He said this is a challenge because rail lines are privately owned – they are for-profit companies – and the customers they serve are private companies, so the question of where the state can and should invest is complex.

Comment: Speaking as a citizen, I have been up here for many years. A priority for us would be to improve the tracks in northern Maine. If we don't have good trains, there will be no business. We should have passenger rail – that would allow us to not worry about weather or moose when traveling. We could connect to Quebec, a big city that is just 4.5 hours away, it's closer than Boston. We want high-speed rail here.

Comment: Has a passenger feasibility study been done for up here? Would passenger rail make sense in northern Maine?

Dennis: The high-speed rail vision put forth by the Administration does want us to get into Canada. Until PRIAA, there was no federal push/authorization for this at all, so it is a step in that direction. But even down in Portland where there is more population, Amtrak has been working hard to increase market share – competition from highway and busses. Our Federal Delegation has supported efforts to increase passenger rail in Maine. But no, we have not done and do not have funding at this point to do feasibility study of passenger rail for northern Maine.

Comment: Who would fund a passenger feasibility study up here?

Nate: We would have to find a pot of money to do that. As Dennis pointed out, the focus has been on southern Maine because you need a population density. We are building in the more populated areas of the state. Nothing has been done to-date in terms of feasibility. It has not been a priority because we are looking at building from the population bases out.

Commissioner Cole: It will cost \$35 million to upgrade 28 miles of track between Portland and Brunswick. Up here, we would also be sharing passenger rail with freight rail. Passenger rail needs to be time-efficient. We are looking at building out incrementally: Brunswick, Lewiston, Augusta. There was \$8 billion in federal rail stimulus offered and more than \$100 billion requested in applications. The California proposal is \$40 billion alone.

Dennis: This is input into the planning process, and we will be looking at a range of options. So it is good to hear all the possibilities.

Comment: We have been without a first-rate rail system for 40 years. We are now looking at being without a rail system at all due to the abandonment issue. We have been assuming the rail system would be here. We need to retain those miles of rail.

Dennis: The density of rail traffic has not been meeting the needs of the rail owners, which is why we see the potential of abandonment here.

Comment: In the study, will you consider benchmarking other regions and looking at the growth of rail: what are the key elements of success, what are the lessons learned?

Dennis: Yes we are, we know you can't just look within the state. North Carolina is a good example to benchmark. Ohio has been aggressive in pushing both freight and passenger rail

Comment: Will you look at Canada?

Dennis: The port of Eastport project has a rail component, and that component is dependent on the Canadian rail system.

Comment: Regarding the rate of decline in the use of rail – you highlighted some of the causes, but some you did not mention - some of the real causes are poor service and high cost. Rail has to be competitive and have reliable service. I have product I need to get to the west coast/pacific rim in two days. If it is tied up within the rail system here, I will have to find another way to get that container there. Right now it does not work.

Dennis: We will not go to a full-scale technical analysis, but we will be looking at service, cost and reliability issues. We have heard these issues before. That is part of what we will be looking at. We will be studying why there is a decline in the tonnage moving via rail? It's not just the economy.

Comment: There are lots of railroads down the line that do not add value to the process. Example – last spring we moved railroad ties from the mill, and a company in Pennsylvania wanted to buy them. The rail transport rate was too high to get into that market. The rail had to go through Montreal to get to Pennsylvania and it was too expensive. But the rate to go through the state of Maine was even higher. I hope you can come up with something to solve these issues – otherwise your report will gather dust. You must address the service and price issues.

Comment: Two of our companies (Irving-owned) ship (the equivalent of) 10,000 truckloads through Maine, both finished and raw product. Most of these customers we cannot access by road, we can't make it pay. We have invested in rail infrastructure – sidings and switches. We see two pros to using rail – one is economics and the other side is the carbon footprint. If we can't compete economically with folks from Brazil, we will be out of business, and if northern Maine can't get its carbon footprint down, we can't compete. Northern Maine is a long way from everywhere. This is critical to our region's success. Having rail infrastructure is one thing. We also need people and resources so carriers can ensure that freight moves any day we need it. Carriers must put together a seamless network, north and south.

It's tough for us to talk about 5-10 years out. But today, we need to talk about the abandonment. This will sever the critical connection to Class 1 carriers in the west. If this goes, we will need to go to trucks. We need an alternative to MMA's proposed approach. If the TIGER grant money is awarded, that still leaves the question of who operates and provides service afterward. We need an unimpeded flow. The way it is proposed today, if we have to add another day from Millinocket to Van Buren, it will greatly limit traffic flow north and south in the County. Every time you hand off there is a switch fee. It very quickly becomes uneconomical. Rail is a key component to economic survival of the County. Will you do a cost comparison based on taking trucks off the highways? What impact does that have on the State highway budget? Investments can't be driven solely by population – they must focus on having rural areas provide the raw materials that supply the rest of the state and country.

How should you prioritize? It should be driven on the basis of the level of quality of service received from the carrier. Where service is poor, we should not be investing. There should be a way for the public to get involved so they can change the level of rail service before it gets too bad. We have been investing so that we can do more and more via rail. We need to ship a mix of product. The market will stay in this "just in time" inventory mode. Wal-Mart does not want to hear that it snowed in northern Maine and the shipment will get there a week later.

Dennis: Cost becomes a factor. If the state makes an investment in a private company, when each railroad charges for a switch, is that fair? That is where we are looking for help – how can changes in pricing enhance the opportunity? You have to make money, the rail companies have to make money: does the state have to prop all this up? There are issue of public support – and how to address equity.

Comment: Regarding switch rates, we are a carrier from the north. We see a volume of X amount of traffic coming through, and we ask, what can we do on these rates? We need predictability. We need to work more as partners than adversaries.

Comment: If we had reliable service, as a shipper we could put more on the rail line (Fraser). Because we don't have reliable service, we have to go with higher cost trucks. It costs more, but we know we will get it there.

Nate: In terms of reliability, is it the number of days or is it knowing *which* day a shipment will arrive?

Comment: Madawaska to Bangor via rail takes 3-5 days. By truck it takes hours. To California, it takes 18-22 days in winter. By truck it takes 5, and intermodal can do it in 10 days.

Comment: You ask do you want the state to prop us up. The answer is yes, but what I want to say first is, we have been propping up roads for decades. We can't give up these miles of track – it has to be the State of Maine or the federal government. I am not sure how the interaction goes with MMA or the next company that uses the rail. We have done a good job on road infrastructure - we need to use some of the same strategies. There is lots of interest in electric and hybrid cars to be energy efficient: rail can also make a big difference.

Comment: This is a question to the Commissioner - can you fix the problem of reliability? If you could it would go a long ways toward getting enough product on the rail.

Commissioner Cole: Most of roads and rail in 30s was publicly owned. But now, as Dennis noted earlier, most of rail is privately owned. There is a limit as to how much the state can be involved.

Nate: As a state, we have limited powers based on interstate commerce laws. States cannot pass laws that interfere with or regulate interstate commerce. The federal government can do that, but the states do not have that authority.

Commissioner Cole: In Danville Junction we co-funded a project to improve switching. To some extent, it's a new day now, with the federal stimulus grants. Rail projects were encouraged for stimulus grants. But except for that we have been on our own for funding, using bonds.

Comment: We have identified this as an issue and the issue is as much intra-state as interstate – can the state represent us in this in Washington? Can MaineDOT represent the people in Maine to make sure we have reliability of service?

Nate: The federal delegation can support you in filing a petition, but it is the shippers who have standing – they can ask to have another operation brought in.

Commissioner Cole: Our critical mass here has shrunk to the point where we have to work together on this. You can't regulate. A lot of the problems are a function of volume.

Comment: Unless we have reliability and service, it won't work.

Comment: We need to ask are we moving all the products we can on that line. If the line is abandoned due to not enough business, there is no business case, no profitability. How will the State of Maine do any different? If we resolve to improve or increase utilization, we will still be challenged by revenues. We can't expect MMA to invest if we don't utilize the line. The business community needs to plan and promise more utilization. If we see more trains moving more with more products and different products, it can be a success.

Dennis: Yes, we need a win-win strategy vs. beating each other over the head. With the state's involvement we can have that third leg. You don't run trains for the sake of running trains, you need to move product.

Commissioner Cole: At the end of the day, it's about people who work in mills – they are the end beneficiary. If we do our part, all can benefit.

Comment: We talk about reliability of service – trains move at 15-20 mph now. We are going to have to invest a lot of money to make them move faster. We need to include economic development in the mix to support building rail infrastructure.

Commissioner Cole: If there are other funds we can leverage, we will. We are meeting with Bob Clark of NMDC tomorrow.

Dennis: I have heard of the USDA funding rehabilitation projects and we will be pursuing that.

Comment: I am with the Loring Redevelopment Authority of Maine. The rail line that once served the base is inactive, but still in place. It can be the site of numerous large and small businesses. Some would use rail. Developers have indicated that efficient rail is necessary. These concerns are a barrier to development. Over time, rail development will permit Loring to prosper.

Dennis: In Massachusetts, Fort Devens now has more civilian employees than federal employees when the Army was there. There are three or four active customers and an intermodal facility. However, we have to remember

that Fort Devens is on the Pan Am line in middle of New England. This is somewhat different than Loring.

Comment: I am with the Presque Isle Industrial Council. It is imperative that the MMA rail line be acquired with the assistance of the State. We acquired the rail line adjacent to the industrial park. We didn't stop there. We are concerned with the loss of rail to the industrial park, having rail in the toolbox to promote industrial development is critical. Regional rail does not have access to Class 1 rail – This summer, we were contacted by General Electric in February, they were looking for a place where they could bring in to store and ship out wind turbines. A deal was struck – they brought 72 rail cars of wind turbine equipment into the yard, leased until the end of September. The components came from Florida and rail was the least expensive way to get them here. They brought nacels and hubs, and they have a lay-down area where they could store blades. The industry has developed a special rail car so these items can be shipped by rail. The can also ship the towers in three sections. (The base must be shipped by truck.)

You ask why some business would ever come to northern Maine. Well, those components ended up in Nova Scotia. They can be stored competitively within 300 miles of wherever the components end up. There are very interesting underutilized assets in northern Maine. It is all about partnership at the end of day. With financial assistance, we can increase the number of shipments. There are only two intermodal sites in the state – Auburn is one – Presque Isle is the other. The other asset that should be talked about in this plan is a 90,000 square foot building that rail comes right into. There are other products that can be shipped by rail that we should be looking at.

Comment: Reliability is not going to come without maintenance. With the condition the tracks are in now, you will not get the reliability everyone wants. Maintenance has to happen.

Dennis: One of the issues is a need for ongoing maintenance. Just as the DOT is expected to maintain the highway system, railroads have to keep the system maintained, but they do it on dollars made, or profit. I have also been hearing that we need a public investment in the asset (the rail infrastructure) so we can start the rebuilding process sooner.

Commissioner Cole: New Hampshire has the same amount of federal transportation funding and the same population as Maine, but they have half

the amount of roads and bridges. The same situation can be said with railroads. They had to go to private investors. We all need to work on this together.

Comment: I have heard the term business model tonight. Will this plan provide that?

Dennis: We will not provide a business model, but we will provide different possible approaches, guidelines and direction so shippers and the State and railroads can work together.

Comment: We need to know how to make it work. We need figures to start with so we know how to make it work.

Dennis: As I said earlier, 90,000 carloads per mile per year is what is being shipped at this time. The rule of thumb – the business model – is in order to maintain you need 100 carloads per mile/per year. So on a statewide based we are already shy of that.

Comment: We need revenue numbers per mile.

Dennis: Yes, we are collecting that information from the railroads. Much of it is proprietary business information, but it is helping us to set the framework as to where we want to be in five to ten years. We will be setting parameters and frameworks. The consultant team is getting good cooperation and feedback. We will produce something that will help not just MaineDOT, but all of you.

Commissioner Cole: The MMA potential abandonment goes beyond the plan. We are also working on that separately.

Comment: If the state purchases the MMA rail section with a TIGER grant, how does that benefit MMA's ability to adapt their business model? The Catch 22 is we need more cars to get revenues up, and we need more stuff to ship. How does this allow a new lessee to do any better?

Nate: When the state takes control, it takes some of the financial burden off the operating railroad. Then the railroad is really focused on service and reliability – building a business – and the state is responsible for capital investments. After the railroad infrastructure is built up to good repair, the operating railroad takes over again and keeps it up.

Comment: If this happens, what part of the plan ensures that the rail will adapt to the needs you are hearing about today? We used to ship bulk agricultural products via rail. As we move to a just-in time-system, we watched how the trucking industry adapted. If Hannaford calls, I can tell them right where that truck is and when it will arrive. How will what you are describing ensure that rail will do this. We need to ship higher value products.

Dennis: Usually there are metrics by which this can be measured. They are not always easy to enforce.

Commissioner Cole: We all have to work together. If we are lucky, the TIGER grant will upgrade the track that will help to pay down the company debt. It is not all worked out and will require cooperation.

Comment: We need a business model for a public-private enterprise. Dollars are infused to benefit the private sector, and when they improve we all improve. There is no definitive model of public-private enterprise. We need an adaptation to make this work.

Dennis: Yes, he is right. State acquisition is not the answer. Where this has happened in other places – the partnership - the rail companies have become very responsive. There are 90 mph intermodal trains with built-in GPS units so shipments can be tracked. Of course, where this is the case it reflects density in corridors, Los Angeles, for example. The federal government loaned the Alameda Corridor Commission \$400 million to get a line out of their port into the national rail system. The loan was paid back in two years. We will not see this kind of innovation unless we see commitment from the community to use rail. You have to make an investment to get speeds up. You don't make that investment without products to ship. Rails need to be creative in responding to market demands.

Commissioner Cole: There is not a lot of overhead (though-state traffic) to pay costs here. That is why the governor proposed a port strategy.

Dennis: When we look at the numbers, just looking at what originates in the State of Maine, but also coming in from New Brunswick, we need to figure a way for the north-south segment to pick up traffic. It will take seed capital to get this to work.

Comment: In other words, we need to create the opportunity for good rail service. Northern Maine really deserves this. If you want northern Maine to grow, you have to give them this.

Comment: We talk about where the money will come from. If rail is not maintained, the added trucks on the road will also cost money. Have you done a study to see what that added cost would be? Can some of that money be used?

Dennis: Yes, sometimes it is better to invest in rail. We have to do the calculation to assess that.

Commissioner Cole: We would be happy to get our rail participation funding levels up to the national average. Transportation funding comes in silos (separate funding packages) and there is not a lot of interconnectivity or ability to shift funds from one mode to another mode. We are encouraging the federal agencies to look at this so that states can look at different ways of solving local problems.

(Before the meeting closed, Robert Grindrod, president and CEO of Montreal, Maine and Atlantic, asked if he could speak. His comments are below.)

Bob Grindrod: Much of what you have been saying is correct. The service on the MMA line isn't what it should be. The track is not what it should be. That was because of economic necessity. We have lost 50% of our revenue in the last two years. The recession started up here in 2005. We lost \$2.5 million in 2007, \$7-3/4 million in 2008 and \$3.5 million so far in 2009. As a private company, we cannot continue to do that. Do I want to be able to offer better service? Yes.

Rail carries large volumes that move at a moderate pace. That is okay because it is cheaper than trucks. I earnestly hope that this situation does not come to abandonment. We can't close down because business is fallen off. Under the law, we have an obligation to provide service regardless of financial consequences. The only out is the abandonment process. I earnestly hope and will work with all of you to find an alternate solution. But in reality, a private company cannot continue to lose money at this rate. We have had to slow down and reduce service because of the financial situation. We are providing as much as we can.

If we go out of business, all the railroads will disappear. Three paper mills have shut down. We have had to make drastic changes in service and in maintenance - not because we want to, but because we have no choice. I will talk with any of you – we will support your effort and will work with all of you to develop a plan going forward. I hope there will be alternatives.

Dennis: Thank you very much, Mr. Grindrod. And thank you all for coming tonight.

The meeting ended at 8:05 pm.