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Background Brief on ...

Freight and Passenger Rail

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History

Oregon's first north-south rail line required two decades to complete, beginning at Portland in 1869. Track reached Salem in 1870 and Roseburg in 1872. Track did not extend to Ashland until 1884. Federal land grants financed this early track building. Construction continued over the Siskiyou Mountains into California, and by 1887 the continuous route between San Francisco and Portland was completed. Meanwhile, in 1883, completion of a railroad along the Columbia River gave Oregon a transcontinental connection across the northern tier states. Late in 1884 completion of a line from Umatilla over the Blue Mountains established a second transcontinental link through Idaho, Wyoming, and Nebraska. Track mileage in Oregon peaked in the 1930's at nearly 4,350 miles. More than 90 percent of the track in 1927 featured both passenger and freight service, including 11 daily passenger trains between Portland and Eugene. Passenger trains served Medford into the 1950's. Other milestones include the formation of Amtrak in 1971, national deregulation of freight rates and routes in 1980, and acquisition of Southern Pacific by the Union Pacific in 1996.

Today's Freight System

Oregon currently has 2,400 miles of active track and 23 federally franchised freight railroads. Two carriers, Union Pacific (**UP**) and BNSF Railway Co., dominate rail transportation west of the Mississippi River. UP has lines extending from Portland into Washington state and east through Pendleton, La Grande and Ontario, and from Portland south through Eugene and over the Cascade Range to Klamath Falls and into California. BNSF track connects Portland and Seattle to Canada, and another line along the north bank of the Columbia River links Portland to Spokane and beyond. Track diverging from the Columbia River line passes through Madras, Redmond, Bend and Klamath Falls into California. North of Klamath Falls, BNSF and UP jointly use 80 miles of track. All together, UP operates over 1,076 miles of track in the state, and BNSF on 330 miles.

Oregon's 21 other freight railroads are regional and short line carriers. As a group, Oregon's short lines operate more than half of the state's rail mileage. They serve much of the Willamette Valley, all of the Oregon coast, and the major communities along Interstate 5 between Eugene and the California border. Short lines serve the lower Columbia River basin and rural locations in Hood River, Gilliam, Union, Wallowa, Crook, Malheur, Lake and Klamath Counties. Most

of today's short line network, derived from former branch lines of major carriers, was spared the fate of other lines that were abandoned following mill closures and rail deregulation in 1980. Oregon's longest short lines today are the Portland & Western, operating over 577 miles, and the Central Oregon & Pacific with 387 miles.

Total Oregon rail freight tonnage in 2004 was 68.9 million tons, up more than 50 percent since 1984. Principal commodities carried by trains are wood/paper products, farm-related products and chemicals (largely soda ash or potash), although transportation equipment, petroleum, metals products, stone, scrap materials, and varied wholesale and retail shipments are also hauled. Sixty-three percent of rail freight tonnage originated in Oregon in 2004 was attributed to forest products while 40 percent of terminating tonnage that year was chemicals and farm products. Condition of the main line track is generally good, but the number of trains that can be safely and efficiently carried depends on several factors, including signal systems and the length of and intervals between sidings. Sidings, where trains pull off to allow passing, are critical, since most main lines are single track. Modernization of rail yards is also needed, and a number of tunnels in Oregon won't allow passage of double stacked domestic containers.

Traffic on short lines has grown substantially in recent years as operators have improved service, upgraded track and equipment, and added customers. Yet a significant portion of Oregon's short line network won't allow 25 MPH freight speed, the state's minimum goal for secondary line operation, because of deferred maintenance under previous ownership. Track conditions on some short line segments necessitate lighter loads in addition to slower speeds. Because new rail cars can weigh up to 286,000 pounds when fully loaded, track incapable of hosting heavier vehicles discourage customers if they must load cars below capacity. The Oregon Department of Transportation (**ODOT**) estimates that Oregon's short lines need at least \$230 million (2001 dollars) to upgrade track and bridges for safe and cost-effective passage of new equipment.

Most Oregon businesses that ship by rail, whether located on a major railroad or short line, have access to only one of the state's two interstate railroads. This lack of competition is of concern to shippers and the short lines.

A 2004 study commissioned by the Port of Portland, *Freight Rail and the Oregon Economy*, indicates that although the rail industry is stable, productive, and competitive enough to increase business, railroads are not in the financial position to increase capacity quickly due to the industry's capital-intensive nature. On average, railroads reinvest 18 percent of revenues back into improvements. With reasonable economic growth, freight volume is expected to double in the next 20 years. If railroads are not able to maintain their current share of that increase, the study notes, additional tonnage will travel by truck, increasing public-sector costs for highways and private-sector costs for transportation.

Funding Improvements

Aside from four publicly-owned short lines, Oregon's railroads are private companies that pay federal, state, and local income taxes as well as property taxes assessed on their rights of way, buildings, and locomotives. All railroads, whether public or private, maintain their own equipment, track, and right of way. They pay an annual fee based on gross revenue for state track and equipment safety inspections and for rail crossing infrastructure.

Both federal and state highway funds support rail crossing improvements, but very little federal money has been allocated to the states for other track improvements. The exception is a federal loan program and congressional earmarks. Railroads pay a 4.3 cent per gallon federal diesel tax, but the revenue currently goes toward federal deficit reduction, not to railroad infrastructure.

Although federal rail programs are included in six-year transportation authorization bills, funding generally comes through "earmarking" for specific projects. The 2004 federal appropriation included \$8 million for continued rehabilitation of the railroad drawspan over the entrance to Coos Bay harbor; \$7.5 million for replacing the trestle on the

north approach to the Willamette River rail bridge at Albany; \$7.1 million for new rail yard capacity in the Rivergate District of Portland; \$1 million for enhancements at Eugene's rail passenger station; and \$700,000 for upgrading a branch line serving Willamina.

In 2001 the state started a \$2 million Short Line Credit Premium Account, with lottery bond proceeds to fund short line infrastructure improvements and to pay the credit risk premium required for federal loans. Nine projects were funded, and the Mount Hood Railroad obtained a \$2.6 million federal loan, with state dollars paying the credit premium. The nine projects entailed replacement of ties and track, placement of ballast rock, and repair of bridges. The short lines provided an average of 67 percent match for the improvements.

The 2003 Legislature authorized another \$2 million for the short line rehabilitation program and funded a new \$8 million Industrial Rail Spur program to create or improve rail access to industrial sites.

The 2005 Legislature provided \$100 million of lottery bond authority for non-highway transportation grants and loans for aviation, rail, transit, and marine modes (Senate Bill 71). Under the program, known as *Connect Oregon*, the Transportation Commission approved \$39 million in grants for 17 rail projects. Of the rail total, \$34.7 million was approved for short line improvements throughout the state; \$3.7 million will help add trackage at UP's Hinkle yard; and \$658,000 will go toward passenger rail facilities at Chemult and equipment for the Eagle Cap excursion train in Wallowa and Union Counties.

Today's Passenger System

Oregon is currently served with passenger train service by the daily Amtrak *Coast Starlight*, which runs between Seattle and Los Angeles, and by two state-sponsored round-trip Amtrak *Cascades* trains between Eugene and Portland that also connect to Seattle and Vancouver, B.C. The state contracts with Amtrak for operation of the two Amtrak *Cascades* trains.

The state also contracts with Oregon bus companies to operate Amtrak *Thruway* buses to supplement the train service. The program includes routes connecting points in Central, Eastern, and Coastal Oregon with the Amtrak train stops in the valley. It also includes two daily round trips between the Portland and Eugene Amtrak stations via Salem and Albany, connecting with other trains at Portland.

Oregon lost Amtrak *Pioneer* service to Eastern Oregon and Boise in 1997. Amtrak's *Empire Builder* still serves a section of the Washington side of the Columbia River from Vancouver to Pasco, and then on to Spokane and Chicago.

The Vancouver, B.C.-to-Eugene rail corridor is one of eleven federally designated high speed rail corridors. "High speed" refers to speeds of 125 mph or more, though top speeds on the line today are 79 mph. The locomotives and Talgo cars in operation today are designed to handle the higher speeds, but the track system is not. The strategy to reduce run time between Eugene and Portland involves incrementally addressing bottlenecks along the corridor.

Amtrak trains operate principally on UP mainline in Oregon. Using federal funds, the state completed major track improvements north of Union Station in Portland and a project using federal, UP, and Amtrak funds in southeast Portland. These projects helped improve schedule performance and allowed addition of a new Amtrak *Cascades* stop in Oregon City in April 2004 without adding more run time. To mitigate the impact on the freight system from the second Amtrak *Cascades* train, Oregon pledged \$15 million to create new capacity between Eugene and Portland. In 2005, UP completed a new signalized running track through Portland's Albina yard to improve schedule performance for the Amtrak *Cascades* service. Approximately \$4.5 million of the state commitment remains to be invested in the corridor.

Federal designation makes the line eligible for very limited Federal Railroad Administration funds. A High Speed Rail Investment Act was

introduced in Congress in 2002 but was unsuccessful.

The 2005 Legislature appropriated \$9.4 million to support the *Amtrak Cascades* trains and allied bus service. State support is considered critical to retaining services. The states of Washington and California have provided substantial financial support for passenger trains over the past few years.

In 2005, ridership on the *Amtrak Cascades* trains and the Oregon segment of the *Coast Starlight* was 132,855 passengers, not counting persons boarding in Portland to go north. Another 31,161 persons traveled in the Portland-Eugene corridor in 2005 aboard *Amtrak Thruway* buses. Since 1996 the Oregon passenger rail system and its allied bus network have shown continued ridership growth despite serious delays affecting the on-time performance of the *Coast Starlight*.

The Oregon Department of Transportation estimates that at least \$120 million in track and signal improvements are needed along the corridor between Eugene and Portland. The upgrades would allow increased speeds and the addition of more trains as conflicts with freight trains are reduced. Funds would also be needed to buy additional equipment if trains are added.

Excursion Trains

Excursion trains are becoming increasingly important to the financial survival of some Oregon short lines and to the economies of the regions in which they operate. Four small freight carriers offering excursions include Mount Hood Railroad, Port of Tillamook Bay Railroad, City of Prineville Railway and Wallowa Union Railroad. A fifth line, Sumpter Valley Railroad, runs exclusively for tourists.

Amtrak

Passenger rail funding discussions in Congress are tied to discussion of Amtrak's future. In 2002 Amtrak was on the brink of closing lines. Missing Congressional deadlines to be operationally self sufficient, Amtrak is under direction to reorganize. With the exception of the eastern seaboard, Amtrak operates lines at a loss,

with its cross-country lines showing the highest losses. Affected communities and states are urging Congress to more fully support the system in order to provide alternatives to crowded highways and airports. While California, Oregon, and Washington are financing their share of state-supported trains, states on the East Coast are not. Some states don't currently contribute at all. According to rail planners, serious infrastructure needs threaten continuation of services.

Oregon Rail Division

The Rail Division within ODOT carries out programs in Rail Safety, Rail Employee Safety, Crossing Safety, Planning, and Operations. Most division staff are involved in regulatory activities focusing on safety. They ensure compliance with federal and state regulations related to track, equipment, operating practices, railroad employee safety, highway-railroad crossings, and hazardous materials handling. The division directly manages 170 miles of state-owned railroad right of way in six counties and they manage federal and state-funded crossing improvement projects. Finally, they manage and help market the *Amtrak Cascades* passenger service and connecting bus network.

Commuter Rail Initiatives

The South Metro (Washington County) Commuter Rail project will, upon completion late in 2008, provide 16 passenger trains daily each way over a 15-mile freight short line connecting Wilsonville, Tigard, Tualatin and Beaverton. Construction began in July 2006. Federal funds will pay for half of the project's \$117.3 million budgeted costs. The Oregon Legislature has committed \$35 million in lottery-backed bonds for the project.

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