FRA BUILD Grant: Closing the Gap in New England: Western Massachusetts Freight Rail Upgrade Project

MassDOT Board Meeting
February 22, 2021
Presented by: Jim Eng, Deputy Rail Administrator
Project Overview

• Utilizes FRA FY18 “Better Utilizing Investments to Leverage Development” (BUILD) Grant Program Funding

• Rehabilitation of 55-mile New England Central Railroad (NECR) freight rail corridor in MA: Monson-Palmer-Northfield

• “Closing the Gap” - Final track section within 320-mile NECR freight rail corridor from New London, CT to St. Albans, VT
2018 Rail Plan Recommended Project

• This project was highlighted in the 2018 MA Rail Plan and recommended to increase freight car capacity from 263K lbs to 286K lbs in accordance with national standards

• Good example of identifying and moving a recommended need through project development, identification and securing funding; now ready for construction

• FRA BUILD Grant funding was competitively awarded to MassDOT; mixed with NECR and MassDOT match funding allowing the project to move to construction
Western MA Economic Development

- Freight Rail capacity improvement to 286K benefits Western MA businesses as well as the overall MA freight delivery system
- Provides improved raw material and finished product delivery options to shippers
- Reduces shipping costs as freight cars can be fully loaded to 286,000 lbs capacity; a 10% capacity increase from 263,000 lbs.
NECR Freight Rail Customers in Monson-Palmer-Belchertown Area

<table>
<thead>
<tr>
<th>Name</th>
<th>Town</th>
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<tbody>
<tr>
<td>Universal Forest Products</td>
<td>Belchertown</td>
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<td>Northeast Treaters</td>
<td>Belchertown</td>
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<td>Prime Distribution</td>
<td>Palmer</td>
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<td>Maple Leaf Distribution</td>
<td>Palmer</td>
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<td>American Dry Ice/American Carbonation Corp.</td>
<td>Palmer</td>
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<td>Greater Boston Transfer</td>
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<td>Maple Tree Commerce Center</td>
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<td>Turley Publications Inc</td>
<td>Palmer</td>
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<td>Eagle Logistics</td>
<td>Monson</td>
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NECR Customer Profiles and the need for 286K

Maple Leaf Distribution, Palmer, MA

PRODUCTS DISTRIBUTED:
Paper products, Wood Pellets, Beverages, Food

CLIENTS:

Why 286K GRL Matters to Maple Leaf

Wood pellets are a vital commodity serving regional New England yet Maple Leaf closed all their wood pellet accounts due to slow delivery service due to existing slow orders as well as having to load their freight cars not being able to ship enough product due to the existing 263K lbs. GRL load capacity restriction rail line.

TESTIMONIAL:
"My company, Maple Leaf Distribution Services, has been working with NECR to give New England businesses competitive access to rail for long-distance movement of goods combined with local truck service for the first or last miles of a freight movement.
President of Maple Leaf
Mark A. Marasco"

American Dry Ice / American Carbonation
Palmer, MA

PRODUCTS DISTRIBUTED:
Beverages & Medical Grade CO2 & dry ice products

CLIENTS:
Polar Beverages, soft drink and regional micro-breweries Hospitals in central and southern New England

Why 286K GRL Matters to American Carbonation

Owns and operates 32 freight cars and must light load their rolling stock due to the 263K lbs. load capacity restrictions.

American Carbonation misses out on potential to ship an additional 736,000 lbs. of product.
This is the equivalent of 2.5 freight cars or 283 tons of additional product per trip.
Upgrading the NECR line to maximum gross rail load (GRL) of 286K lbs/car means an equivalent of 10 freight trucks would be kept off the nation’s interstate highways.

Sherwood Lumber/Prime Distribution
Palmer, MA

PRODUCTS DISTRIBUTED:
Lumber for the construction industry

CLIENTS:
Builders and National Commercial Retail Stores

Why 286K GRL Matters to Sherwood Lumber

In 2008 during the Great Recession Sherwood Lumber relocated to Palmer, MA to expand their operations by buying failing lumber companies located on the NECR line. They are considered a premier growth customer on the NECR line.

Sherwood Lumber was awarded a state grant through the Industrial Rail Access Program (IRAP) for rail-related infrastructure projects that identify public benefits that will facilitate economic growth on the NECR line.
Kanzaki Specialty Papers, Ware, MA

PRODUCTS DISTRIBUTED:
Thermal transfer, Inkjet coated papers & films

CLIENTS:
Casinos that use the TITO slot machines

Why 286K GRL Matters to Kanzaki
With a revenue of $27.1M and 89 employees, Kanzaki along with their parent company, Oji Paper Company of Japan, is the largest manufacturer of direct thermal imaging papers in the world.

Kanzaki’s rail dock requires that the boxcar paper deliveries be augmented by truck shuttles from nearby warehouse.

Northeast Treaters, Belchertown, MA

PRODUCTS DISTRIBUTED:
Pressure treated lumber products for residential, commercial & industrial markets.

CLIENTS:
Builders and National Commercial Retail Stores

Why 286K GRL Matters to Northeast Treaters
Northeast Treater is considered another premier growth oriented customer on the NECR line.

Currently flat cars of lumber must be “light loaded” at origin and their business is an exception to the normal loading patterns of our suppliers. Railcars shipped fully loaded at 286K must be stopped enroute before reaching the NECR and load reduced which decreases the company’s efficiency resulting in time and revenue loss.
Economic Loss Due to Existing 263K lbs. GRL on the NECR Line—Traffic Diversion

**Georgia Pacific Northwoods**

**PRODUCTS WANTING DISTRIBUTION:**
Paper products, Oriented Strand Board (OSB)

**FORMER CUSTOMER:**
Eaglewood Logistics, Monson, MA
Supplies builders throughout eastern CT, RI, and MA

**WHY THEY LEFT**
Shipping product from Ontairo, Canada to Monson, MA, Georgia Pacific wanted to cut rates and remain competitive within their market sector by shipping 286K lbs. GRL. Not being able to do so Georgia Pacific now distributes through Albany, NY and ships by truck freight.

Example - lost Monson, MA Freight Rail Traffic due to 263K;

Now ships by truck pending railroad increase to 286K capacity
Project Scope of Work - Construction

- Replace approximately 22.7 Track Miles of existing jointed rail with new continuous welded rail (CWR)
- Replace 30,000 wood ties
- Replace 30 Turnouts
- Installation of 25,000 tons of new stone ballast; align and surface 54.7 track miles
- Perform bridge deck repairs on 16 railroad bridges
Project Cost Summary

• $30M Total Project Funding
  ➢ $10.8M FRA BUILD Grant
  ➢ $  9.6M NECR Match
  ➢ $  9.6M MassDOT Match

• MassDOT’s contribution to the Project contractually limited to $9.6M

• NECR assumes all risk associated with cost and/or schedule overruns related to its completion of the Project as the Grant Subrecipient and rail corridor owner
Project Schedule – Key Dates

• FRA Grant Agreement fully executed; FRA Notice to Proceed (NTP) Sept 1, 2020

• MassDOT/NECR Project Agreement Pending Board Approval - Feb 2021

• Anticipated Construction Start - April 2021

• Substantial Completion - Aug 31, 2023

• Revenue Service Date - Feb 28, 2024 (FRA Grant Milestone Date)
PROPOSED ACTION

WHEREAS the Massachusetts Department of Transportation (“MassDOT”) received a Federal Railroad Administration BUILD Grant in the amount of $10.8 million (the “Grant”) to partially fund a project to upgrade certain freight rail trackwork in Western Massachusetts to meet certain industry standards (the “Project”); and

WHEREAS the total planned cost of the Project is $30 million, which cost will be funded by the Grant ($10,800,000), MassDOT capital funds ($9,600,000), and The New England Central Railroad ($9,600,000); and

WHEREAS The New England Central Railroad (“NECR”) has been identified as the general contractor for the Project and subrecipient of the Grant; and

WHEREAS MassDOT seeks to enter into a contract with NECR in connection with the Project in the amount of $20,400,000, which is comprised of the amount of the Grant ($10,800,000) and the capital funds programmed for the Project in the current MassDOT Capital Improvement Plan ($9,600,000);

It is hereby VOTED:

To authorize the Secretary/Chief Executive Officer, or his designee, to execute in the name of and on behalf of MassDOT, and in a form approved by the General Counsel, an agreement (number 113053) with NECR in the amount of $20,400,000 to complete the Project.