

Rail

CENTENNIAL 1912-2012



NEW MEXICO
LAND OF ENCHANTMENT





Overview: Rail

Railroads and New Mexico are intertwined in their histories, and railroads still play a major role in the economy and commerce of the state. Truck / rail intermodal services are a primary revenue generator for the national railroads and are used to connect West Coast ports with major markets.

However with the Union Pacific Railroad's construction of a new intermodal facility in southern New Mexico, the Santa Teresa area will have a key inland port that will be a focal point for goods movement in southwestern U.S. and to the Mexican *maquiladora* industry.

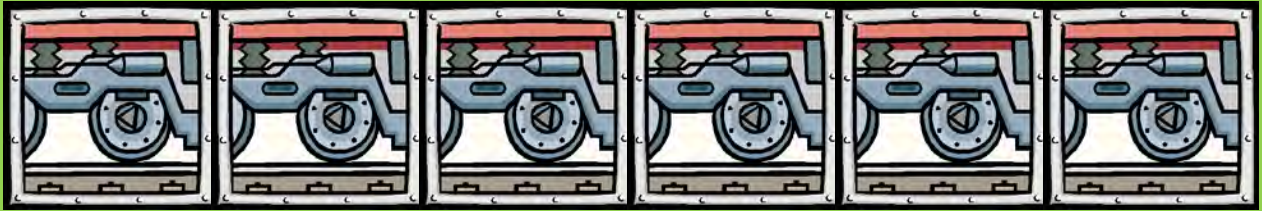
The freight railroads in New Mexico employ approximately 1600 staff with an annual payroll / benefit package of \$160 million. In addition each rail employee supports 4.5 jobs in New Mexico. With the UP construction of a major rail hub in southern New Mexico, the freight rail employment will increase by 600 in New Mexico.

The freight railroads also invest about \$0.40 of each dollar in capital improvements to

the rail system. The UP is investing over \$400 million in the Santa Teresa Facility and the BNSF has invested over \$1.8 billion in the Transcon. This construction work is largely done by New Mexico contractors.

Freight rail traffic in New Mexico is critical to the nation as a whole due to the traffic mix. While little of the freight is destined for New Mexico consignees, both major railroads in the state are important arteries for international commerce as well as domestic manufactured products and refined chemical traffic. The movement of that traffic through New Mexico has always been a major employer for the state and will continue to be.

New Mexico has taken an aggressive stance that other states have been reticent to do in relation to passenger rail development and cooperation with freight railroads. The development of the Rail Runner Express as an alternative to further highway expansion was major movement to a multi-modal transportation system in New Mexico. The two metropolitan areas of Albuquerque and Santa Fe are connected by I-25.



Overview (cont'd)

This corridor required additional capacity primarily for the commuter traffic. Providing alternate routes or adding lanes to I-25 was constrained due to the Indian Lands. The existing rail corridor paralleling I-25 was selected for a passenger transit corridor to provide the needed capacity and redundancy as well as an alternate mode of travel for those without automobiles. In terms of ridership, the initial Belen to Santa Fe segment has been a success. The future of its further development is critical in preservation of a historically important rail route that has great potential to further the interest of New Mexico and its neighboring states for both freight and passenger uses.

Through the New Mexico Department of Transportation (NMDOT), the state has been cooperative in working with private freight railroads to develop grade separation projects and other improvement projects that enhance the safety and quality of life for the general public while providing operational improvements for the railroads. These projects have been mutually beneficial to the public and the railroads resulting ultimately in a cleaner, safer environment for everyone.

While this proactive position has had positive benefits, the general state of the nation's economy has had its effects on rail infrastructure. Development of future projects, both publicly and privately funded, is heavily dependent upon a resurgence of the economy.

An example is the UPRR Strauss Yard that was delayed two years in construction due to decreased freight traffic. Tax revenues are down on the public side because the economy is slow on the private side.

The train traffic in New Mexico decreased about 25% in 2008 with the economic recession. However, the current rail traffic is moving back to the pre-recession period. Funding of capital improvements for the private railroads has been limited to projects that are essential or are funded by shippers or third parties who will benefit from that construction.

Lack of tax revenues has resulted in substantial retrenchment in proposed expansion of the Rail Runner Express not to mention the traditional highway transportation projects more normally associated with NMDOT.



Overview (cont'd)

At the same time there has been a significant economic downturn, the federal government has taken a keen interest in development of passenger rail ranging from light rail to high-speed rail.

While we may not have a comprehensive view of how long and how deep the investment in passenger rail transportation will be, the development of a funding plan provides a necessary tool for being able to set priorities and apply for funds available under the federal Passenger Rail Investment and Improvement Act (PRIIA).

Other funding mechanisms have been available in the past and it is likely that other avenues will be available in the future.

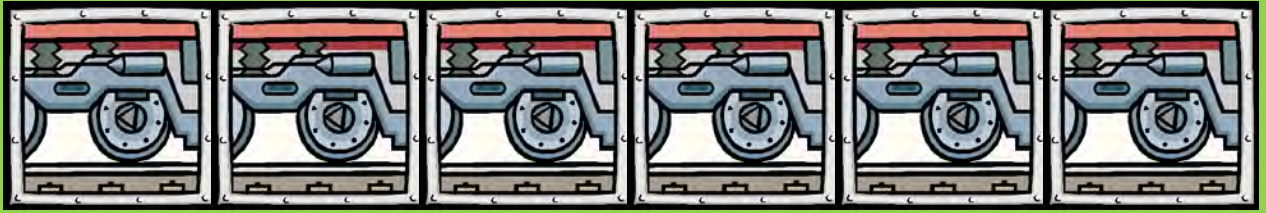
The BNSF line from Gallup to Clovis is part of the "Transcon," the pre-eminent transcontinental route across the United States. The Transcon is major conveyor of consumer goods and international trade in the United States depends upon the quality of service that is provided on the route. The UPRR line from El Paso to the west coast

through Lordsburg, the Sunset Route, is similar in importance.

While also conveying a smaller amount of consumer goods, it is a critical route between the Gulf Coast and the West Coast for chemical traffic and automotive products. UPRR also possess a major Midwest connection with the Golden State Route from El Paso through Vaughn and Tucumcari.

BNSF and UPRR serve El Paso with connection for international traffic at Ciudad Juarez. The current crossing is hampered by limited hours of operation and lack of capacity at the same time. The international traffic has largely consisted of agricultural and automotive products.

Amtrak is represented on BNSF, UPRR and NM Rail Runner tracks. New Mexico has an integrated rail system for moving freight. In addition to the two main Class 1 railroads with Amtrak operations, short line operations exist on former Santa Fe Railway lines.



Overview (cont'd)

The lines operated by Southwestern Railroad include the former Deming and Silver City Subdivisions from Rincon to the copper mines in the Silver City area, and the former Carlsbad Subdivision from Clovis to the potash mines around the Carlsbad area.

BNSF has taken an approach that they determine whether they lease or sell their lines that are spun off. The operations to the copper mines include leased and sold lines while the Carlsbad line is strictly a lease from BNSF. Southwestern Railroad is a subsidiary of The Western Group headquartered in Ogden, Utah.

The Santa Fe Southern Railroad line from Lamy to Santa Fe was one of the early line sales by the then Santa Fe Railway. While Santa Fe Southern was originally owned by investors with headquarters in Santa Fe, the line is now owned by NMDOT.

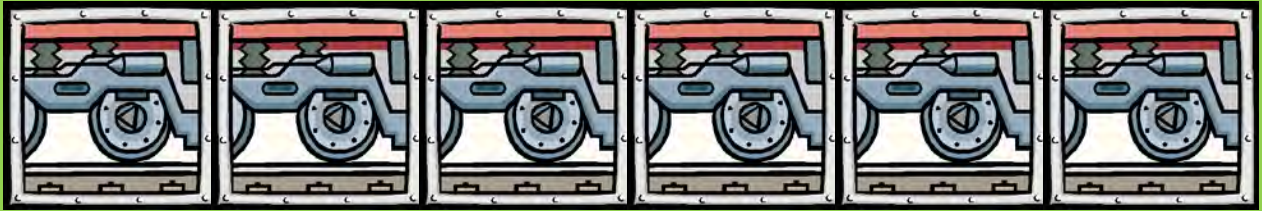
Iowa Pacific Holdings headquartered in Chicago, Illinois owns two separate operations in New Mexico. The former Missouri Pacific line, operated as the Texas-New Mexico Railroad, runs from the

West Texas Permian Basin area through Jal and Hobbs terminating in Lovington. Their other operation is centered around Lordsburg with operations on two former Southern Pacific branches that access the copper mining areas in southeastern Arizona.

In addition to short line operations that are the current model for many branch lines spun off from the Class 1 railroads, coal mining has specialized operations in the state.

One operation is the captive line used to transport coal to the Four Corners power plant over the Navajo Railroad. The other is the Escalante Western Railroad owned by Western Fuels Association to transport coal from mines in the Lee Ranch area to the Prewitt Electric Generating Station. Both of these operations are single purpose lines built strictly for hauling coal to the power plants.

One of the more unique railroad operations in the nation is the Cumbres & Toltec Scenic Railroad operating between Chama,



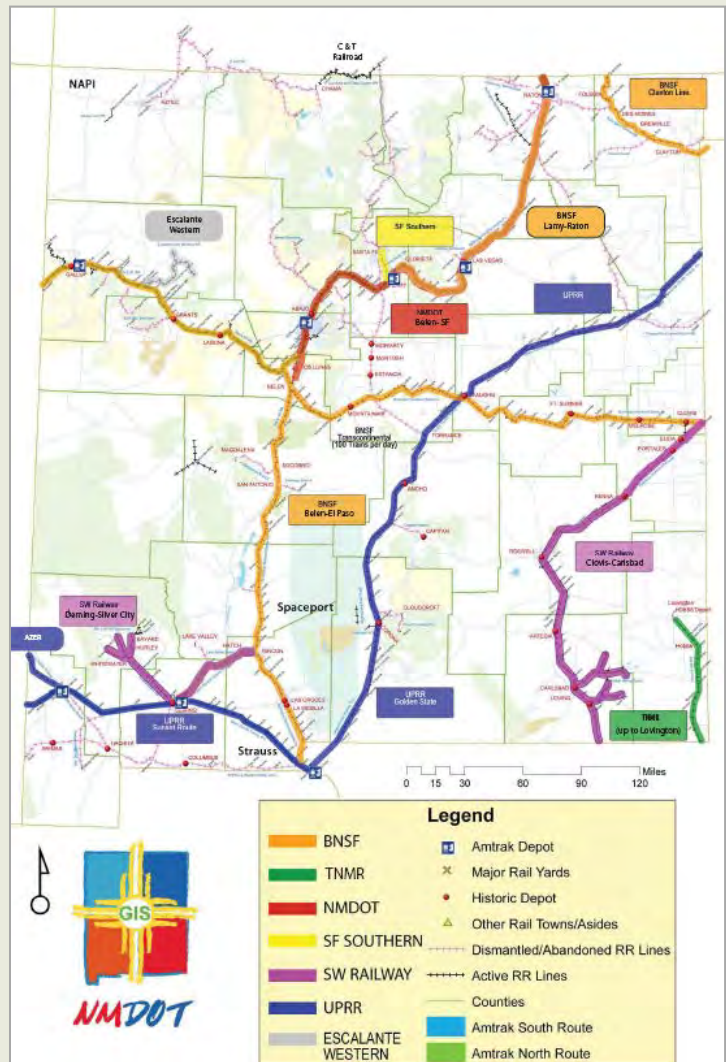
Overview (cont'd)

NM and Antonito, CO. The railroad is jointly owned by the states of New Mexico and Colorado and is one of the remnants of the old Rio Grande narrow gauge railroad.

While this railroad is strictly a tourist operation, its value to the economy of northern New Mexico is quite significant. It is an asset that has proven to be a popular attraction while also providing employment to that area of northern New Mexico.

In summary, New Mexico needs to look at freight movement as an integrated system. Rail movements' major constraint is rail capacity and truck access in a service area.

The rail industry has changed significantly in the last 20 years and will continue to develop to provide cost effective movement of freight. The more efficient the rail system is the less truck traffic will be on the major trade corridors of I-10 and I-40 through New Mexico. A strong rail system integrated with the truck routes in New Mexico will improve roadway safety and the environment.



(Above) Map of New Mexico's rail system prepared by the NM Department of Transportation.



BNSF Transcon

BNSF Transcon. This rail corridor is the heaviest travelled rail corridor in New Mexico with up to 100 trains per day that connects Chicago to Los Angeles.

Amtrak runs the Southwest Chief Route from Belen to Arizona on this line. The corridor is primarily double tracked with two segments single track – Vaughn to Carnero and a segment at Fort Sumner.

The BNSF maintains the Transcon and the track is in good condition. Major improvements for this rail corridor are included in the BNSF CIP including: a Clovis Block Swap Yard; Belen Yard Improvement / El Paso Wye Connection; Double Track of the single track segments; Gallup Yard Improvements for Coal Trains; triple track Belen to Dalies; and numerous other improvements to improve operational efficiencies and train velocities.

The Transcon received high grades for track condition and operations but was graded lower due to capacity constraints and the need for grade separations. The Rail Grade for the Transcon is a B-.

BNSF Belen to El Paso

BNSF Belen to El Paso. This rail corridor is a connector line from the Transcon to the El Paso Industries and Mexico. It has approximately 8 trains per day and is single track with low speed and no centralized train control (dark territory).

The track is in fair condition with maintenance by the BNSF. The track does have issues with occasional flooding and there are projects by the Corps of Engineers in the San Marcial area and the International Water & Boundary Commission in the Elephant Butte Irrigation District area. Also, the at-grade crossings, particularly in Las Cruces, are in need of improvements.

This rail corridor has potential for passenger rail service, industry service, and access to the Space Port. The BNSF Belen to El Paso line requires improvements to the track, drainage structures and grade crossings. The Rail Grade for the Belen to El Paso rail corridor is a C.



BNSF Transcon



BNSF Transcon crossing the Rio Grande River at Belen, NM



BNSF Clayton

BNSF Clayton Line. This rail corridor is a single track line used by the BNSF to return approximately ten coal trains per day to the Powder River Basin in Wyoming. The track is in fair condition and basically runs from the Texas line through Clayton to the Colorado line at Branson.

The City of Clayton has expressed interest in developing a rail served siding for an ethanol plant and possibly other rail served industries. This line is maintained by the BNSF. This rail corridor was rated high on capacity and fair on track condition with the need for crossing improvements. This low volume rail corridor was graded at a C+.

UPRR Sunset Route. This rail corridor is the Union Pacific Railroad's primary route from Los Angeles to El Paso where the UPRR routes divide to go northwest to Chicago (Golden State Route), west to Dallas, and southwest to Houston / New Orleans. Amtrak operates the Sunset Limited Route on this line. The UPRR runs about 45 trains per day on this track and the line is currently restricted due to

UPRR Sunset Route

capacity constraints. The UPRR is investing over \$1 billion to double track the Sunset Route and is adding a Terminal at Strauss, NM to improve efficiency and to bring on new customers.

The Strauss facility will move the fueling facility from El Paso and include a run through fueling platforms capable of fueling 8 trains, expandable to 16. The Strauss Yard will also include a block swap yard to connect trains together running west and to disconnect trains running east where the tracks split into three directions. The existing intermodal yard in El Paso will be relocated to the Strauss Yard to serve the region.

In addition, the UPRR Sunset Route has the potential to add chemical/mining sidings and facilities. The rail grade for this corridor is graded a C due to the rail corridor restrictions and the need for grade separation and crossing improvements. The UPRR is constructing the double tracking and the Strauss Yard with completion estimated in 2015.



UPRR Sunset Route



Photo of Strauss Yard, Union Pacific Railroad Sunset Route, under construction (May 2012).



UPRR Golden

NMDOT Belen – SFe

UPRR Golden State Route. This is the northwest rail route from El Paso to Chicago that follows US54 in New Mexico. The rail corridor carries up to 30 trains per day and is a single track that crosses the BNSF Transcon at Vaughn, NM.

The UPRR has a rail auto facility in Santa Rosa and services Fort Bliss and White Sands from this line. The track is in good condition and is maintained by the UPRR. There is potential for transload / industries at Alamogordo and Tucumcari.

This rail corridor is in good condition and has fair capacity. This rail corridor was graded at a B.

NMDOT Belen to Santa Fe. The Rail Runner is a commuter passenger train operated by Herzog and managed by the Rio Metro Transit District. The rail corridor is owned by the NMDOT and operating funds come from gross receipts taxes in Valencia, Bernalillo, Sandoval and Santa Fe Counties. Additional funding is received from the Federal Transit Authority (FTA),

fares, and NM Legislative funding. The track is a single track with sidings with 14 stations between Belen and Santa Fe. The Rail Runner has 8 train sets that carry 4,000 passengers round trip daily.

The Rio Metro Transit District has made great strides in developing bus service to complement the rail service. In addition to the passenger trains, the BNSF runs 6 trains per day to provide freight service to industries primarily in the Albuquerque area.

Currently the track and bridges are in average condition with tie / rail needed along with mechanical facilities in the Albuquerque Yard. The Rail Runner operations are limited in the Belen to Bernalillo area and a double track is needed to yield the maximum ridership.

Due to the track conditions, capacity constraints, the need for Positive Train Control, and grade crossing improvements, the rail inventory grade for the Rail Runner is C-.



BNSF Lamy to Raton

BNSF Lamy to Raton. This is a single track rail line through the northern mountains of New Mexico that is owned by the BNSF. The only trains using this line are Amtrak – the Southwest Chief. The track and bridges are maintained in fair condition as required by Amtrak. As part of the Rail Runner negotiation between the BNSF and NMDOT this line was to be purchased for passenger service to tie into the Colorado Front Range passenger system. This sale never occurred

and the BNSF maintains ownership of this line. Recently there have been discussions to move the Southwest Chief off of this line and move to the BNSF Transcon. There is potential for industry development along this line tied to the communities of Las Vegas and Raton and to the mining potential in the area. Due to the track condition, funding constraints and need for crossing improvements, the rail inventory grade for this rail corridor is C-.

Albuquerque Rapid Ride
Train Station. Photo by Lee
Engineering.





SWRR Clovis

SWRR Clovis to Carlsbad. This short line rail line is owned by the BNSF and operated by the Southwestern Railroad (SWRR). This line has approximately three trains per day and interchanges with the BNSF at Clovis.

The short line serves industries at the Roswell Industrial Park, Artesia, and Carlsbad. Improvements in various stages of development include:

Artesia – expand the Holly Refinery rail storage yard into the Industrial Park;

Carlsbad – add a transload for frac sand and oil field supplies and potash transload for Mosaic.

The rail inventory grade for this short line is C due to track condition.

SWRR Deming to Silver City and Deming to Rincon. The Southwestern Railroad operates the rail line between

SWRR Deming

Rincon and Deming. This line is owned by the BNSF and provides service to the Hatch Uvas Grain Dairy. The flour mill five miles west of Rincon is provided rail service from this line. The SWRR interchanges with the BNSF at Rincon.

The Bayard / Hurley line from Deming to Silver City primarily serves the Phelps Dodge mines in the Silver City area. This line is operated by SWRR, and as the mining industry increases in activity this line's rail traffic increases.

These lines operated by the SWRR are in fair condition and are funded by industries and SWRR / BNSF. The future usage is minimal and may include the Peru Mill in Deming. Grade crossing improvements are needed.

The rail inventory grade for these rail corridors is C due to the track condition.



TNMR-UP

Santa Fe Southern

TNMR - UP to Lovington. The Texas – New Mexico Railroad (TNMR) operates 104 miles of railroad extending from a Union Pacific connection at Monahans, TX to Lovington, New Mexico. The railroad serves the oil fields of west Texas and southeast New Mexico.

The primary commodities hauled are oilfield chemicals and minerals, construction aggregates, industrial waste and scrap. This rail line is owned by Iowa Pacific Holdings. The rail line has a single track in good condition with the potential for industry service to the Permian Basin and the Eunice Waste Line. Communities served are Jal, Eunice, Hobbs, and Lovington.

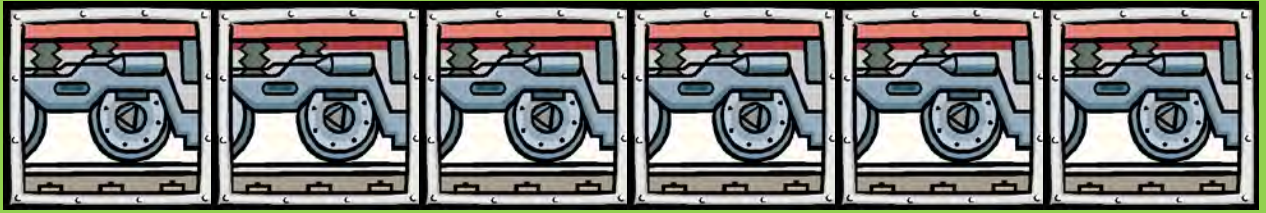
Potential projects on this rail line include a distribution center at Jal and improvements to the Univar USA in Lovington. The grade crossings need improvement in Hobbs and Artesia. The rail inventory grade for this line is C due to the track condition.

Santa Fe Southern Rail. The Santa Fe Southern Rail line is a short line between Santa Fe and Lamy that is owned by NMDOT and operated by the Santa Fe Southern Railway.

The rail line has an occasional excursion train and a freight train providing aggregates to Santa Fe. The line has potential for a green terminal / warehouse and transload facility in Santa Fe and a transload facility in Lamy (see NM Rail Plan 2012).

The track / ties are in poor condition on this rail corridor and several grade crossings need improvements. This rail line has a grade of D+ due to the poor condition of the track and the grade crossings. This rail line could be improved with an economic development investment in the warehousing and transload facilities.

State funding would probably be needed to develop this project.



Additional Short Lines

Escalante Western Rail. This short line rail corridor is a coal line from the Lee Ranch to the BNSF Transcon near Milan, NM. The line is maintained by the short line and has a single purpose of shipping coal from Lee Ranch to the coal-fired generating plants at Prewitt, NM and Holbrook / St. Johns, AZ. The line has potential for providing rail service to the uranium mines in the area. This rail line was given a grade of C+

Arizona Eastern Rail. The AZER line is a single track short line from Lordsburg to the AZ copper mines. The track is in poor condition and AZER has applied for a \$28 million Railroad Rehabilitation and Investment Financing (RRIF) loan for rail rehab (relay rail, install new ties, and resurface track) to increase safety, speeds and to improve efficiency. The rail line is currently graded a C- but will improve with the RRIF upgrade.



Combres & Toltec Excursion Rail (C&TS). This rail line is an excursion narrow gage scenic corridor from Chama, NM to Antonio, CO. The C&TS has recently overhauled the existing track and replaced a bridge that had burned down. The funding for these improvements was provided by the states of NM and CO. The rail inventory grade for this line is C-. This line is not critical to the transportation network but was included in the NM State Rail Plan and thus included in this report.



Railroad	1	2	3	4	5	6	7	8	9	Rail Line Type
BNSF Transcon	80	B-	85	95	70	75	95	70	70	Class I
BNSF Belen to El Paso	77	C	90	80	70	70	75	75	80	Class I
BNSF Clayton Line	79	C+	90	80	70	75	75	75	90	Class I
UPRR Sunset Route	76	C	70	85	70	75	95	70	70	Class I
UPRR Golden State Route	84	B-	85	95	75	80	90	80	80	Class I
NMDOT Belen to Santa Fe	69	D+	80	70	60	70	70	70	60	Rail Runner
BNSF Lamy to Raton	71	C-	85	60	60	75	75	60	85	Amtrak
SWRR Clovis to Carlsbad	74	C	85	70	70	75	75	75	70	Shortline
SWRR Rincon to Deming to Silver City	75	C	85	75	70	75	75	75	70	Shortline
TNMR UP - Lovington	74	C	75	75	70	75	75	75	70	Shortline
Santa Fe Southern Rail	68	D+	85	60	60	70	60	70	70	Shortline /Excursion
Escalante Western Rail	79	C+	85	80	80	75	80	80	75	Shortline
Arizona Eastern Rail	72	C-	85	60	60	75	75	75	75	Shortline
Combres & Toltec	71	C-	75	75	70	70	70	70	70	Excursion

KEY: 1 = Composite Grade, 2 = Grade, 3 = Capacity, 4 = Condition, 5 = Funding, 6 = Future Need, 7 = Operation and Maintenance, 8 = Public Safety, 9 = Resilience.



Rail Network

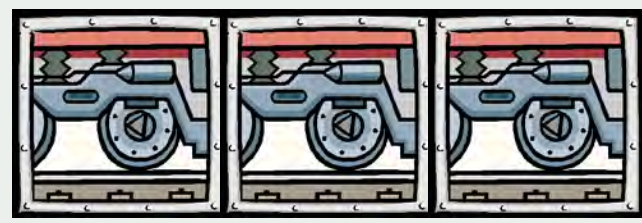
The NM Rail Network is critical to the economy in New Mexico and investments are needed to build and maintain a safe, reliable, efficient and affordable system. The information provided in this report is a snap shot of the condition of NM's rail infrastructure.

Summary NM Rails 2012:



Rail Type	Overall Grade
Class I	B-
Rail Runner	D+
Amtrak	C-
Short Lines	C
Excursions	C

Rail System Final Grade = C (74.9)





Recommendations



BNSF Transcon

The NM Legislature had a bill in the 2012 session that would provide the BNSF a deduction from the gross receipts tax and compensating tax for locomotive fuel if the BNSF invested \$50 million or more in rail infrastructure improvements. This bill got through the Committees but did not get on the Senate floor at the end of the 30 day session. With the passage of this bill the BNSF would upgrade the Transcon and “Raise the Grade” for this important rail corridor in New Mexico. Additional public – private partnerships for grade separations and industry facilities would also optimize the safety and economic opportunities with the Transcon.

BNSF Belen to El Paso

The rail corridors could be improved by working with the communities and private industries to develop transload facilities and multiple commodity switching yards for the agricultural and Space Port support facilities. Also if the BNSF El Paso Yard is relocated to Vado, NM as part of the TXDOT Border Highway project, the Vado area could become a rail intermodal and switching yard to serve El Paso and Southern New Mexico.

UPRR Sunset Route

The Strauss, NM Yard and Fueling Facility was made possible by the NM Legislature by passing a bill giving the UPRR a tax exemption on diesel fuel that was passed in 2011. This bill made NM competitive with TX and provided the stimulus for the UPRR to invest approximately \$500 million in the area. This type of public – private cooperation is necessary to develop the rail infrastructure in New Mexico.





Recommendations (cont'd)



Rail Runner

The Rail Runner grade can be improved with the following actions:

Federal – continue the FTA funding and evaluate the tie to the population. If the Rail Runner region would have had 8,000 more population in the last census, the Rail Runner would have received \$10 million more in FTA funding. State – continue the support of the Rail Runner and publicize the benefits to the State to enhance the transit operations. The Rail Runner is unique to New Mexico and enhances tourism and commuter options. Locally, support the areas around the Rail Runner Stations by providing multi-modal access – trails, sidewalks, parking facilities – along with the property zoning to develop transit-oriented facilities.

BNSF Lamy to Raton

To maintain this rail corridor from Lamy to Raton in the transportation system it is important that the Amtrak service be maintained and the rail industry service be developed.

Short lines

Short line freight railroads provide an integral part of the transportation network providing shipping links for industry in the state. A key legislation important to short line railroads is the Short Line Credit Extension (HR 721 and S 672). This legislation is important to allow short line railroads to invest in their rail infrastructure.

