



Track maintenance equipment stands ready at MRL's Laurel, Mont., yard.



Montana Rail Link trains transport freight on 900 miles of track in Montana and Idaho.

The little railroads that could

In any network, main arteries carry the bulk of the load, but smaller branches and capillaries share that load, distributing it to and from outlying parts of the system. In the Ninth District's rail network, about two dozen smaller railroads transport goods within limited service areas and link up with the major railroads for long-haul deliveries.

Because regional and short-line railroads tie into a nationwide rail network, traffic slows for them when congestion strikes major railroads. Conversely, backups on railroads serving smaller territories can contribute to delays on the major railroads.

Montana Rail Link, a regional railroad operating in Montana, Idaho and Washington state, connects with BNSF Railway

at Helena and Laurel, Mont., and several other points along its 900 miles of track. MRL President Tom Walsh said the railroad probably lost business in 2014 as customers frustrated with delays and higher shipping costs on the BNSF-MRL network sought other outlets for their goods.

In hopes of alleviating or preventing congestion in their parts of the rail network, the district's smaller freight railroads have made their own investments in infrastructure, equipment and people.

MRL's recent investments mirror those made by BNSF, albeit on a much smaller scale. "We, both BNSF and Montana Rail Link, have been working real hard to fig-

ure out how to crack this [congestion] problem, how not to let this happen," Walsh said.

Last year, MRL spent \$60 million to add sidings on its mostly single-track mainline, reconfigure train yards and add four locomotives to its fleet. The company has also increased its employee headcount by 20 percent over the past two years, to about 1,100. "That's a big jump for a little company like ours," Walsh said. Most of the new hires were train crews—locomotive engineers and train conductors.

Other smaller railroads in the district that have increased spending to accommodate increasing volume and battle backups include Twin Cities & Western Railroad and Red River Valley & Western Railroad.

Last summer, Twin Cities & Western, a short-line railroad with over 200 miles of track extending west from the metro area into South Dakota, hired five additional

crews to help shepherd trains through metro bottlenecks to connect with more fluid lines on the Union Pacific Railroad. "Because of that, we were able to keep the trains moving," said TC&W President Mark Wegner.

The railroad also upgraded track, constructed a new passing siding and leased an additional 100 railcars in 2014, and this year plans to repair a bridge over the Minnesota River to gain direct access to barge terminals.

Red River Valley & Western, a short-line operating mostly in eastern North Dakota, is upgrading 37 miles of track west of Davenport, N.D., this summer. The \$14 million project, the biggest infrastructure investment in the company's 28-year history, will allow that section of track to handle BNSF shuttle trains, increasing capacity—and revenue—for both Red River Valley and BNSF.

—Phil Davies

with little capacity to spare. Whether or not crop prices rally, large amounts of crops are expected to come out of storage and head to market via rail, piling onto a seasonal rise in overall freight volume.

Walsh said that MRL and other railroads would be ready for a spring surge in traffic if it came. "There probably will be some frustration, but I think the railroads are more equipped than ever to handle that new business," he said. "We've invested so much in people, power and infrastructure over this last year that we're better equipped to handle it."

Nevertheless, it's clear that the railroads see more expansion work to be done in the district. This year, BNSF planned to spend \$1.5 billion in northern states, including \$326 million in North Dakota and \$124 million in Montana, on maintenance and line expansion projects. Slated work included laying more double track through the Bakken oilfields; expanding a terminal in Dickinson, N.D.; and installing central-

ized traffic control on extensive stretches of track in central Minnesota and eastern North Dakota.

The improvements are needed to handle anticipated higher shipments in a resurgent national economy, said BNSF Executive Chairman Matthew Rose. "We're expecting big growth this year. [Expanding capacity] is not only to relieve bottlenecks, it's also to handle the additional units we believe we're going to get from the marketplace."

Canadian Pacific, also expecting increased freight demand, planned roughly \$1.5 billion in capital spending on its North American network this year. Over \$100 million was earmarked for new sidings, siding extensions and technology upgrades along the line from the Twin Cities to the Canadian border.

Painful medicine

For all the new and improved infrastructure, hiring and other investments that railroads have made and plan to make,

industry analysts expect traffic slowdowns and snarls to persist in parts of the rail network as railroads continue their efforts to increase capacity.

Like construction on a busy highway, expansion projects impede traffic, reducing capacity until work is complete. Hatch, the New York railroad consultant, visited North Dakota last summer and witnessed the upheaval on BNSF's mainline as crews labored to lay a second main track and build sidings amid huge piles of new rail, ties and gravel. "You saw the problem and the solution, but the solution is a slow process," he said. "In many ways, the cure is tough on the patient."

The railroads face other constraints on meeting freight demand. For example, railcar supplies are tight. Railroads and large shippers looking to build up their railcar fleets face a backlog of 18 months or more for new railcars, said David Nahass, a Chicago-based railroad investment adviser. "There are people

who would love to have more cars today, and they're not going to get them because of the backlog," he said. Demand has increased prices for most types of new railcars about 25 percent since 2010.

Railcar supply is also affected by new federal regulations for railcars used to transport flammable liquids such as crude oil, gasoline and ethanol. These regulations will likely constrict tank car supplies as current models are retired or taken out of service for modifications. The U.S. Department of Transportation has proposed implementing the regulations in 2016; the railroad industry has asked for more time.

In addition, railroads face a federal mandate to implement positive train control (PTC) technology to avert train collisions and derailments by year's end. Particularly for smaller railroads, spending on PTC will divert resources from maintenance and expansion projects. "The costs are significant," said Mark Wegner, president of Glencoe,