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February 24, 2011

Brian R. Searles, Secretary
Vermont Agency of Transportation
Office of the Secretary
One National Life Drive
Montpelier, Vermont 05633-5001

Re: February 23, 2011 – Letter regarding AMTRAK on time service – CLP

Dear Secretary Searles:

I am in receipt of your letter dated February 23, 2011, wherein is attached a letter to you from Stephen Gardner, Vice President of Policy Development for AMTRAK dated February 17, 2011. It is our understanding that this letter to you from AMTRAK was informational and not intended by AMTRAK to cause the State to react in some manner. As I am sure you are aware when President Bush made high speed rail a priority of his administration the Congress was generous, however, it also demanded a level of accountability. Pursuant to Section 207 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (49 U.S.C. §26101 et seq.) AMTRAK and the Federal Railroad Administration, in consultation with the STB and others, were required to work together to establish uniform metrics and standards. Specifically, the legislation required improvement of existing or development of new “metrics and minimum standards for measuring the performance and service quality of intercity passenger train operations including cost recovery, on-time performance and minutes of delay, ridership, on-board services, stations, facilities, equipment, and other services.” The Act signed into law on October 16, 2008, gave them 180 days to complete the metrics and standards. According to our dispatch logs our failure to meet on-time performance is generally around 7 minutes. In other words instead of a 55 minute trip from Rutland to Whitehall and vice versa it averages 62 minutes. It has essentially been this way from the beginning and has not changed. What has changed and the reason you received that letter is the new federal law (PRIIA) and AMTRAK’s Congressionally mandated “accounting” of these delays.

Before speaking to the issues that were raised in both your letter and that of Mr. Gardner, I must first express my disappointment in the tenor of your letter and your unwillingness to discuss this issue with me on the phone when I called yesterday. Very soon we will be celebrating our 50th anniversary of Vermont Railway and its relationship with the state of Vermont. I would invite you to speak with any of our customers who I am sure will speak to the high quality of our rail service and our outstanding safety record. My family started this company and our other railroads and my family continues to operate these railroads with our 140 employees, and we are all Vermonters dedicated to making our state a good place to do business.

“Serving America’s Industry With Pride”

Vermont Rail System® is a registered trademark licensed to:

*Vermont Railway, Inc. - The Clarendon and Pittsford Railroad Company - Green Mountain Railroad Corporation
Washington County Railroad Company - New York & Ogdensburg Railway Company, Inc.*

www.vrs.us.com

I would have hoped that upon your receipt of AMTRAK's letter you would of at least extended the courtesy of meeting with me about this matter before setting into motion what you have.

Please be advised that Vermont Rail System (VRS) is a federally registered trademark under which we market the services of our five separate railroads. VRS is not a separate company. All of our railroads are owned by my family and they are small Class III railroads working very hard to serve their customers with safe reliable service. The Clarendon and Pittsford Railroad Company (CLP) owns the railroad that is the subject of the AMTRAK letter and it is privately owned and operated, and it is not on state leased property. The CLP contract with AMTRAK is subject to a 12 month termination right vested in both parties. Given the changes in the law brought about by PRIIA and the lack of State or Federal funds to make necessary upgrades to the CLP line we are currently evaluating whether or not we should invoke our termination right if we cannot come up with an acceptable "get well plan."

In 1995 when AMTRAK was first proposing that the state host the Ethan Allen Express into Rutland all the players were involved and it was determined that the CLP needed at least \$7.5 million in renovations and track repairs to meet the expectations and standards of AMTRAK for "on time" service from Whitehall, New York to Rutland. Senator Jeffords worked very hard to obtain that level of funding, however, he was only able to secure less than half that amount. The state of Vermont and AMTRAK were highly motivated to start up this train service and reluctantly the CLP agreed to work with that amount to get the train moving, with the expectation that the remaining needed funds would be forthcoming.

The CLP from the start was in a no win situation. The CLP has done an excellent job in serving its customers over the years and has invested a substantial amount of its own money in track repairs and upgrades to maintain its tracks for the safe transport of freight on the line. Everyone involved in this process knows how much money is needed to bring track conditions up to a level for the higher speeds desired for passenger rail, but at the same time there has been little additional public money invested in this line. Ironically, the Governor's proposed budget now before the legislature does not include any funding of upgrades on the CLP. None whatsoever. I for one would like to know why the CLP was not even considered in the budget, especially given the tenor of your letter and concern over this 7 minute delay. When we met with AMTRAK and the State in 1995 and collectively arrived at the \$7.5 million cost of bringing this line to AMTRAK minimum standards we were under the assumption that eventually this necessary public funding of upgrades would be made. We were mistaken and sadly now AMTRAK and the State apparently want to blame the CLP for the State's and AMTRAK's deficiency in supporting this project. Frankly Mr. Secretary that is not fair.

I must take umbrage with your inference that our companies are not capable of running passenger trains in a manner that meets the public sector's expectation of "on time" service. Thankfully, when the state of Vermont funded the upgrades necessary to run the Champlain Flyer up to that standard, the State lived up to its commitment, every dollar, and the upgrades were all made. What was the result? We were able to deliver just shy of 100% "on time" service. If AMTRAK and/or the State had fulfilled its commitment to make up the difference back in 1995 we would not be having this discussion right now. It really is that simple. If AMTRAK, the State and the public want this level of service frankly it needs to pay for it.

That being said, the CLP stands ready to assist you in whatever upgrades of the CLP the State may want to fund. We fully intend to continue to maintain our railroad as we have always done, but we never agreed to fund the upgrades that AMTRAK would like and frankly there is no way possible that our small railroad could ever afford the estimated \$20 million needed to have this corridor brought up to high speed rail standards.

It is disheartening that your letter has sought to direct an all out investigation of all of our other railroads that are not even involved in the Ethan Allen Express. It is also confusing to us because as we speak we are nearing the end of an extensive state audit that is almost complete. And, this audit appears to include some of the same scope you laid out in your letter. Please clarify. Are you intending to stop the current audit and start another one with some other firm? We certainly hope not. We have spent countless hours assisting the current auditors and providing documents etc., so that they can complete their work. I would hate to have this audit stopped since we have both already expended so much time and money to have it done and then have to start all over again.

As far as your request for the State Auditor to undertake an additional audit of Vermont Railway, Inc. (VTR), the Washington County Railroad Company (WACR) and the Green Mountain Railroad Corporation (GMRC), we welcome it. We of course are always prepared and willing to participate in yet another audit because we are confident that we are meeting and exceeding all that is required of us. We are proud of our record of service to our customers, our safety record and many other contributions we make to the community we serve.

Also for your information all of our railroads and equipment are inspected by the FRA on a regular basis, sometimes several times within a month. In fact, the FRA was on the CLP inspecting the track last Thursday. Their inspection report indicated that they found "no exception noted" which in essence means that our track is up to standard. I have attached the FRA report to this letter for your review. We routinely meet and exceed federal safety regulations which we take very seriously. I am not sure what more you may be expecting from the FRA, but from the tenor of your letter one could conclude that we have not had any FRA inspections, which of course is simply not true. As far as additional inspections from the FRA are concerned, we welcome them. We regularly inspect our track as required by federal law and certainly welcome another set of eyes looking as well. It goes without saying that we do not want a track or system failure ever, therefore additional inspections are most certainly welcome.

The AMTRAK letter accurately states that we are currently engaged in developing a "get well plan." Your agency is directly involved in this and I was under the impression that all these issues were known and understood. Your letter leaves the impression that this is a new revelation. As I stated above CLP was placed in a no win situation in 1995 when this all started because of the State's and AMTRAK's failure to fully fund what was needed to meet its expectations. This has never changed. I just wish I knew why you chose to take the course you have set as described in your letter.

We sincerely hope that our nearly 50 year relationship will continue. The state of Vermont has worked hard along with us during those 50 years to bring back the railroads that

Brian R. Searles, Secretary

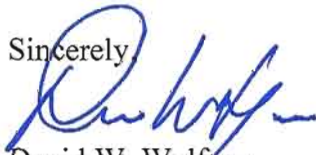
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were on the brink of extinction in our state and look at what we have been able to accomplish. Sure we have had some bumps along the way, but frankly our successes in working together are so much greater than the problems we have had. We want to build for the future. We are committed as anyone to making high speed inter-city passenger rail service a reality in Vermont, but we are a small company and we can't possibly fund it alone. Thanks to the vision the State had back in 1963 when my family first forged with the State the future of Vermont's western rail corridor, we have a strong commercial and industrial customer base all along our rail lines that use the railroad. We have a strong foundation laid for the future which hopefully one day will include passenger rail. If we work together I am confident it will be a reality.

Now, let's talk about what we can do together to get a source of revenue to bring the CLP line up to the level of the Champlain Flyer and the Vermonter, then the State and AMTRAK would have a basis to expect 100% "on time" service which we know we can deliver, because we have.

Sincerely



David W. Wulfson

President

The Clarendon and Pittsford Railroad Company

DW/erb

cc: Jeb Spaulding, Secretary of Administration
Hon. Richard Mazza, Chair Senate Transportation Committee
Hon. Patrick Brennan, Chair House Transportation Committee
Thomas Salmon, State Auditor
Stephen Gardner, V.P. of Policy and Development AMTRAK
Hon. Karen Rae, Dep. Administrator, Federal Railroad Administration
Jean MacDonald, Acting Commissioner, NY Dep. Of Transportation
Senator Patrick Leahy
Senator Bernard Sanders
Congressman Peter Welch

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DEPARTMENT OF TRANSPORTATION
FEDERAL RAILROAD ADMINISTRATION (FRA)

INSPECTION REPORT

OMB Approval No.: 2130-0509

Inspector's Name Cipollini, Mikel		Inspector's Signature <i>Mikel J. Cipollini</i>		Inspector's ID No. 15823	Report No. 10	Date yy mm dd 2011 02 17		
Railroad/Company Name & Address CLARENDON & PITTSFORD RR CO. 118 POST STREET RUTLAND VT				IRCC R	Division SYSTEM	IR/Co. Representative (Receipt Acknowledged) Name ERIC OLSEN Title ASSISTANT SUPERVISOR Signature <i>Eric Olsen</i>		
From City WHITEHALL	Codes 6660	Destination City & County HAMPTON			Codes 2517	From Latitude 43.545517		
State NY	36	City HAMPTON			2517	From Longitude -73.404617		
County WASHINGTON	C115	County WASHINGTON			C115	To Latitude 43.588932		
Mile Post: From 0077.35 To 0084.09		Inspection Point CLP LINE			To Longitude -73.296165			
Activity Code:	MTH	TOM	RMM					
Units:	8	4	1					

Item	Initials/Milepost	Equipment/Track #	Type/Kind	49 CFR/USC	Defect	Subrule	Speed	Class	Train #/Site	SNFR*	RCL**	# of Occ.***	Activity Code
1										N	N	0	
Description - [** Comment to Railroad/Company **] INSPECTED CLP LINE WITH ASSISTANT SUPERVISOR ERIC OLSEN FROM WHITEHALL, NY (MP 77.35) TO HAMPTON, NY STATE LINE (MP 84.09). NO EXCEPTION NOTED. TRACK SNOW COVERED UP TO BALL OF RAIL.													
Violation Recommended:				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Latitude:		Longitude:					
Written Notification to FRA of Remedial Action is:				<input type="checkbox"/> Required <input checked="" type="checkbox"/> Optional		Railroad Action Code: [] [] []		Date (mm/dd/yyyy): [] [] [] [] [] []		Comments on back?			