Formal issue 12#08A 20 August 2012

*Article unchanged from e-bulletin.
**Blue type in article: changes from e-bulletin.
Blue header & table of contents: new article

REGional

GWI-RA: STB filing has proposed schedule, short line details, support letters from regional shippers.**

PW: Traffic lower, one train cut.*
Logistec: 2Q12 maritime results on 2Q11 par.*

New York

D&H: Global building propane terminal in Albany.
D&H: Colonie yard expanded for Albany traffic.**

PAS: Auto terminal opened 9 July.*

Québec

[No report.]

Connecticut

[No report.]

Maine

MDOT: IRAP winners. Rehab Sappi Hinckley.*

MMA: Great Northern restarting 2nd machine.*

NMR-NBSR: Traffic tripling some weeks.*

Pan Am: Yields to residents on crossing fees.
Pan Am: Verso mills to produce more paper.*

Massachusetts

MassDOT: To study of safety of ethanol by train.*

MassDOT: Bond bill industrial rail access program.*

MBTA: MBCR, Veolis bid on commuter rail.*

CSXT: Westborough bulk yard nears completion.*

GU: Seven ask STB to rule on pre-emption.*

New Hampshire

MBRX: No decision by NHDOT. Appeals date 12 September.*

Rhode Island

[No report.]

Vermont

[No report.]

Maritimes

Halifax-Montreal-Sydney-Canso: FMC says HMT could help Canadian ports. Proponents say no.

Rail Shippers/Receivers

A cross-reference to companies mentioned here.

People, Positions, Events

Anna Barry

Editorial

Searsport and crude oil: Could the port become an export terminal for the stuff?

FROM THE PUBLISHER

Major addition
The 8 pages comparing Prince Ruper to Sydney and Melford, and my complaints to the FMC about its wild optimism.

-Chop Hardenbergh

Next formal issue 5 Sept.

REGIONAL

LOGISTEC: 2Q12*

10 August, Montreal. **CONSOLIDATED REVENUE FOR 2Q12**...[WAS] **UP BY $10.1 MILLION OR 20.2% OVER $50.2 MILLION FOR THE SAME PERIOD IN 2011** – all attributable to the environmental services segment per Logistec’s second quarter report.

**Bulk down, break-bulk up**

'The marine services segment’s revenue was stable, with revenue of $32.4 million, equal to the second quarter of 2011. The reduction in bulk was offset by higher revenue from break-bulk activities....

'The environmental services segment’s revenue was up by $10.1 million to $27.9 million in the second quarter of 2012, compared with $17.8 million for the second quarter of 2011. We posted positive performances in all business activities, particularly in Aqua-Pipe® services.'

Addition of Cross-Globe at Port of Virginia

'The outlook is positive as Sanexen is keeping up its momentum, whereas prospects for the marine services segment are also sound with the integration of our new business acquisition, CrossGlobe Transport, Ltd. (“CrossGlobe”). The Company has acquired 100% of the issued and outstanding shares of CrossGlobe for approximately US$16 million, which was drawn from Logistec’s existing credit facilities.

'CrossGlobe provides port logistics services for forest products, auto parts, and other cargoes in three terminals in the Port of Virginia and also operates an off-dock facility. Services include container stuffing and destuffing, warehousing and distribution, and other value-added services to its industrial customers.

'CrossGlobe’s operations are a natural fit to Logistec’s network of terminals as they extend not only our footprint to ports in Virginia, but also provide an increased scope of services to our industrial market.

'As this acquisition closed subsequent to the end of the second quarter of 2012, it had no impact on our financial results at the end of the quarter, but will have a positive impact on both revenue and profit in the coming months.

'Apart from this transaction, operations in the marine services segment should remain stable. Over the longer term, we continue to actively analyze various projects that, if successful, will translate into higher value for the Company’s shareholders.' {text of report from Logistec website}

PW: TRAFFIC LOWER*

6 August, Worcester. **P&W IS GOING TO BEGIN CONSOLIDATING 2 NIGHT TRAINS INTO ONE (WODA) this week, with PR3 servicing ProvPort. This is the way it was a couple of years ago. Please note that P&W has always adapted its schedule to traffic,’** wrote Marie Angelini, general counsel. {e-mail to ANR&P}

This reduction follows reports of the loss of ethanol and coal traffic [see 12#07B].

PROPOSED SCHEDULE

GW1 very much wants to close on its purchase of RailAmerica [see 12#07B] by December 2012. Toward that end, it proposed the following scheduling in its filing on 6 August to the STB:

August 6, 2012 – Application Filed.
September 5, 2012 – Notice of acceptance of application to be published in the Federal Register.
September 19, 2012 – Notices of intent to participate in the proceedings are due.
October 5, 2012 – Comments, protests, requests for conditions and supporting evidence, including filings by the government agencies are due.
October 26, 2012 – Applicants response to comments and rebuttal in support of application are due.
October 26, 2012 – Close of evidentiary proceedings.
TBD – Oral argument – if deemed necessary by the Board.
December 10, 2012 – Service of final decision.
December 20, 2012 – Decision effective date.

RAILROAD DETAILS (information about regional railroads found in the filing)

Buffalo & Pittsburgh Railroad, Inc. (GWI)
Located in New York and Pennsylvania. BPRR owns and operates approximately 405 miles of rail lines. It also leases considerable additional mileage.
BPRR handled 65,888 carloads in 2011. In 2011, BPRR's gross revenues were $56,392,199. BPRR has an average of 137 crew starts per week and provides seven days per week service. BPRR has 219 employees.

Genesee and Wyoming Railroad Company (GWI)
Located in New York, GNWR owns and operates approximately 27 miles of rail lines, interchanging with RSR at Caledonia (P&L Junction), NY.
In 2011, GNWR's gross revenues were $1,850,642. GNWR has an average of six crew starts per week and provides six days per week service. GNWR is operated by employees of Rochester & Southern Railroad, Inc. (RSR).

Rochester & Southern Railroad, Inc. (GWI)
Located in New York, RSR owns and operates approximately 58 miles of rail lines.
RSR handled 25,198 carloads in 2011. In 2011, RSR's gross revenues were $9,520,417. RSR has an average of 20 crew starts per week and provides five days per week service. RSR has 28 employees.

St. Lawrence & Atlantic Railroad Company (GWI)
SLR owns 140.3 miles and operates approximately 178 miles of rail lines in Maine, New Hampshire, and Vermont.
SLR handled 17,215 carloads in 2011. In 2011, SLR's gross revenues were $15,988,467. SLR has an average of 27 crew starts per week and provides six days per week service. SLR has 59 employees.

Connecticut Southern Railroad, Inc. (RA)
Located in Connecticut and Massachusetts, CSO owns and operates approximately 23 miles of rail line, and has a freight easement over 55 miles of Amtrak rail line located between Amtrak milepost 7.0 near North Haven, CT and Amtrak milepost 62.0 at Springfield, MA.
CSO handled 19,687 carloads in 2011. In 2011, CSO's gross revenues were $10.4 million. CSO has an average of 36 crew starts per week and provides six days per week service over the rail lines. CSO has 18 employees.

The Massena Terminal Railroad Company (RA)
Located in New York, MSTR owns and operates a 2.24-mile rail line located between the Alcoa facility at Massena and the CSXT interchange in Massena Yard. (It has an inactive interchange with CN.)
MSTR handled 4,087 carloads in 2011. In 2011, MSTR's gross revenues were $2.6 million. MSTR has an average of seven crew starts per week and provides seven days per week service over the rail lines. MSTR has nine employees.

New England Central Railroad, Inc. (RA)
Located in Vermont New Hampshire, Massachusetts, and Connecticut, NECR owns and has freight easements over 343 miles of rail lines. [The filing inaccurately states that NECR has rights to interchange “traffic” with CSO. In fact, in the Conrail breakup NECR and CSO were permitted only to interchange locomotives and
traffic originating on one railroad and terminating on the other.]

NECR handled 36,211 carloads in 2011. In 2011, NECR’s gross revenues were $28.7 million. NECR has an average of 98 crew starts per week and provides seven days per week service over the rail lines. NECR has 78 employees.

Wellsboro & Corning Railroad, LLC (RA)
Located in Pennsylvania and New York, WCOR operates on the Corning Secondary Track between milepost 74.7 at Corning, NY and milepost 106.15 at Wellsboro, PA and the Wellsboro Industrial Track between milepost 0.3 and milepost 3.9 at Wellsboro, PA for an approximate total track distance of 35.35 miles. The principal commodities transported are non-metallic minerals. WCOR interchanges with CP and NS at Corning, NY.

For 2012, WCOR's budgeted gross revenues are $16,194,000. WCOR has 55 employees. [An e-mail to RA asking for the carloads and service data was not returned by publication deadline.]

SUPPORT LETTERS (190)
Of the roughly 190 letters of support from shippers appended to the filing, 22 came from the Atlantic Northeast:

CBNS – Acadia Drywall, Dieppe, New Brunswick. It has 16 operational branches in Atlantic Canada, Quebec, and Ontario, plus manufacturing facilities in several regions. 'Presently rail service is provided to our facility in Port Hawkesbury NS, Cabot Gypsum'.

CSO – Anastasio & Sons, New Haven. Steel, lumber and utility pole transload, plus waste facility. Directly served by CSXT with interchange to CSO. Anastasio owns over 290 railcars, and handles 'thousands of cars each year at this location.' [See 08#01B.]

NECR – Baldwin Logistics, Bondsville Massachusetts.

BPRR – Buffalo Crushed Stone Buffalo

RSR – Church & Dwight, transload.

QGRY – Ciment Quebec St-Basile, Quebec

BPRR – Gernatt Asphalt Products Collins, NY

International Forest Products Uses eight different railroads [See 06#10A for using MSC out of Boston.]

SLR – Maine Wood Treaters, Mechanicville, Maine, 'hundreds of railcars'. [An IRAP recipient – see 04#06A.]

NECR – Maple Leaf Distributors, Bondsville, Massachusetts. 'Our customers are able to obtain very competitive rail rates to and from areas throughout the United States and Canada because the NECR directly connects to the four major railroads which serve New England - CSX, NS, CN, and CP. Our joint services help lower transportation costs and keep New England employers competitive by providing rail transportation to companies that are not located along a rail line.'

CBNS – Northern Pulp Nova Scotia, Pictou, Nova Scotia. 290,000 tonnes/year produced. [See 09#04B.]

SLR – NEPW Logistics, Auburn, Maine

New Hampshire Central Railroad

Omya, eight facilities, served by RA and GWI

RSR – P&CG Scottsville NY

SLR – RCP Transit Island Pond, Vermont.

SLR – Rymes Heating Oils, North Stratford, New Hampshire (via NHCR)

SLR – Savage Safe Handling, Auburn, Maine.

1If NECR is granted the right to connect with the CSO, the two railroads would be able to achieve a number of efficiencies. For example, employees could be utilized more efficiently and locomotives could be shared thereby reducing costs for both carriers. Because of current [Conrail] restrictions, it takes two weeks for NECR to move a locomotive over the 30-mile [Conrail] line between the NECR [at Palmer] and CSO [at Springfield]. Under current conditions, locomotive sharing between NECR and CSO is simply not practical.

2NECR is aware of traffic currently handled by trucks to markets served by its affiliate, the Connecticut Southern Railroad (CSO), which could be diverted to a joint NECR-CSO movement. We estimated that NECR would be able to generate about $2 million annually from this traffic.' {STB Finance Docket No. 33388 (Sub-No. 75) Decision No.100 4.Nov.98}
NECR – Schnitzer, Claremont, New Hampshire.
CBNS – Superior Gas Liquids, Atlantic Canada. [More in a future issue.]
NECR Walsh Transportation Group, located in Exeter New Hampshire, with a warehouse in Monson, Massachusetts.
RSR – Wm. B. Morse Lumber Company, Rochester, New York. A 150-year old company in the Rochester area for five generations. 'Our lumber yard was located on the intersection of the Brie and Genesee Valley Canals to take advantage of freight cost advantages provided by canal shipping in the eighteenth century.' {STB website, filings page FD 35654 6.Aug.12}

NEW YORK

D&H: NEW FACILITY TO SERVE

9 August, Albany. **GLOBAL IS CONSTRUCTING A NEW PROPANE FACILITY** north of the Port of Albany and Global's existing facilities [see map and 12#07A]. Dan Hershberg, consulting engineer with the firm Hershberg and Hershberg, expects completion by October, and operation in time for the winter heating season. City officials said the planning and zoning boards approved it by March.

The site

The area immediately around the site is largely vacant, with the two interstate highways to the north and east, a National Grid regional headquarters and vehicle storage area to the west, and several warehouses to the south.

Traffic will range from four to thirteen trucks per day. {Eric Anderson in Albany Times-Union 9.Aug.12}
The work
Global is re-constructing the former D&H bulk materials yard at 47 Erie Boulevard, which had five spurs, by
removing one spur and re-using four spurs [see plan]. It will install six propane tanks as 'mounded storage', with designed space for six more in 'phase 2'.

The unloading terminal will have racks for twelve tank cars. A fence will surround it, with sliding gate entrances for trucks and railcars. A truck-loading terminal will have six loading racks. (plans by Hershberg and Hershberg from Bradley Glass, City of Albany Department of Development & Planning, Division of Planning, Zoning and Land Use)

D&H: NEW YARD**

8 August, Watervliet. THE RAILROAD IS EXTENDING THE THREE-TRACK COLONIE YARD here. Ed Greenberg, CPR spokesperson, wrote: 'Ideally, traffic flow will allow us to move the volume of trains directly to the Port-area facilities, but when required, trains will be staged at Colonie, where they will move as soon as possible. These trains will not be stored at Colonie Yard; they will only be there for a short period of less than
24 hours until they can be placed back on the main line.'

Currently about eight trains move through the yard every 24 hours. “The growth of our energy portfolio has contributed to our railway identifying the need to take steps to enhance our efficiencies and customer service....At present, we are targeting two trains a day to Albany. The model is to eventually operate 120-car trains. We have been moving 80-car trains, but are now moving 104-car trains for the Port of Albany.” [See 11#12B and Global expansion 12#07A.]

“Overall, our crude volumes continue to grow at a pace that exceeds our earlier expectations. We had expected to grow the crude-by-rail market from 13,000 carloads in 2011 to 70,000 carloads by 2014. Based on the momentum we have, we now expect to reach that run rate a year earlier, by 2013.” 11.Aug.12

Actual work

The three tracks currently being used for storage will each be expanded south about 1,500 feet to bring each to about 3,000 feet. All three tracks will converge into the existing lead track at the south end but before the grade crossing of First Street/Lincoln Avenue.

The turnout off the lead at the south end into the larger yard south of First Street will remain, and the switch at the south end from lead track onto the main line will remain. {e-mails to ANR&P; Eric Anderson in Albany Times-Union (with photos) 6.Aug.12}

PAS: AUTO TERMINAL OPEN (CORRECTION)*

14 August, North Billerica. THE NEW MECHANICVILLE AUTO RAMP OPENED ON 9 JULY, as scheduled [correcting the account of 12#06B]. PAS serves it as an NS ramp.

Cyndi Scarano, Pan Am executive vice-president [PAR operates the trains for PAS], wrote in response to a request for the train count to the facility, 'pursuant to internal policy Pan Am Southern does not publish train information.

'The primary reason for this is because of a possible security risk, but also of the economic challenges facing our customers in this difficult business climate make predictability of customer needs very elusive.

'Such critical factors as car volume, for example, are subject to extreme fluctuation. Suffice it say that Pan Am Southern endeavors to meet the needs of its customers in this sector of its business to the greatest extent possible given the economic realities which both it and its customers face.' {e-mail to ANR&P 14.Aug.12}

MAINE

MDOT: IRAP*

6 August, Augusta. MDOT NOTIFIED THE WINNERS OF THE INDUSTRIAL RAIL ACCESS PROGRAM GRANTS in July, wrote Nate Moulton, the department's rail administrator.

'Each project in this round [see 12#01A] is being matched by the applicant, all private sector money [localities and other entities can also match – editor]. Agreements have gone out and projects are getting underway.'

Moulton said others were also interested, but 'most projects were not quite ready to go forward at this time. We were really looking for projects that were needed immediately and important to business growth at this time. We plan on doing another round of IRAP next year.'

2012 IRAP Projects

<table>
<thead>
<tr>
<th>2012 IRAP Projects</th>
<th>IRAP amount</th>
<th>Rail provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southpark – Biddeford</td>
<td>$187,000</td>
<td>Pan Am</td>
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</table>

Rail siding improvements to facilitate opening of a new bulk propane transfer facility and rail transload facility. $347K in private sector infrastructure investment. [See 12#07A.]
<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Railroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Rivers Paper – Madawaska</td>
<td>$35,000</td>
<td>NBSR</td>
</tr>
<tr>
<td>Rehabilitation of rail yard infrastructure.</td>
<td>$35K in private infrastructure investment.</td>
<td></td>
</tr>
<tr>
<td>Savage Services – Auburn</td>
<td>$197,500</td>
<td>SLR</td>
</tr>
<tr>
<td>Improvements to railcar unloading and rail/truck transfer equipment.</td>
<td>$198K in private infrastructure investment.</td>
<td></td>
</tr>
<tr>
<td>Fraser Timber, LLC – Masardis</td>
<td>$41,050</td>
<td>NBSR</td>
</tr>
<tr>
<td>Rehabilitate rail siding for loading finished lumber. This will allow Fraser Timber to continue to utilize rail for shipping 75% of its finished product.</td>
<td>$41K in private infrastructure investment.</td>
<td></td>
</tr>
<tr>
<td>Sappi Fine Paper NA – Skowhegan</td>
<td>$181,700</td>
<td>Pan Am</td>
</tr>
<tr>
<td>This project will construct three additional yard tracks at the mill allowing capacity for 23-28 additional rail cars at the mill increasing capacity by 20%.</td>
<td>$181,700 in private infrastructure investment.</td>
<td></td>
</tr>
<tr>
<td>Thermogen I, LLC – Millinocket</td>
<td>$311,599</td>
<td>MMA</td>
</tr>
<tr>
<td>Rehabilitation of a rail spur to the site of a first of its kind torrefied wood production facility at the former paper mill site in Millinocket [see 12#07B Regional]. In addition specialized equipment will be purchased to load torrefied pellets.</td>
<td>$311,600 in private sector investment in transportation infrastructure and help support a $25 million investment in the new torrefied wood plant.</td>
<td></td>
</tr>
<tr>
<td>Woodland Rail, LLC. – Baileyville</td>
<td>$345,460</td>
<td>NBSR</td>
</tr>
<tr>
<td>Yard and track improvements at the Baileyville mill and on industrial track leading to the mill.</td>
<td>$345,460 in private infrastructure investment.</td>
<td></td>
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<tr>
<td>GAC Chemical – Searsport</td>
<td>$100,000</td>
<td>MMA</td>
</tr>
<tr>
<td>Installation of two rail switches and 600 feet of rail siding as well as two heating stations to unload liquid products in winter months.</td>
<td>$100K in private infrastructure development.</td>
<td></td>
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<tr>
<td>Maine Propane Distributors – Bangor</td>
<td>$70,000</td>
<td>MMA</td>
</tr>
<tr>
<td>Add rail propane storage capacity and an additional gas line at each unloading stanchion to move vapor from one rail car to another.</td>
<td>$70K in private infrastructure investment.</td>
<td></td>
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<tr>
<td>Seven Islands Land – Portage</td>
<td>$5,797</td>
<td>NBSR</td>
</tr>
<tr>
<td>Louisiana Pacific – New Limerick</td>
<td>$24,499</td>
<td>NBSR</td>
</tr>
<tr>
<td>Rehabilitate rail spur at LP plant in New Limerick [see 06#07B] to increase capacity for more efficient rail operations and switching at the plant.</td>
<td>$25,500 in private sector investment. {e-mail to ANR&amp;P 7.Aug.12}</td>
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**PAN AM: ACQUIESCES TO RESIDENTS**

14 August, Belgrade. **PAN AM WILL LOOK TO THE LEGISLATURE TO PROTECT IT FROM ACCIDENTS AT PRIVATE CROSSINGS**, according to State Representative Dennis Keschl, R-Belgrade.

Dick Bickford, who lives on Kayak Lane, a private road, said on 13 August that he received a 20-page letter from Pan Am in February informing him that fees for maintenance of the road’s railroad crossing were going to be increased and that property owners would need to secure liability insurance. The total cost could be near $1,200 per person per year, much more than previous fees.
Residents, who must cross the rail line which runs between Lewiston and Waterville to reach their properties, asked for a meeting. More than a dozen people showed up at North Belgrade Community Center this evening to meet with Pan Am Executive Vice-president Cyndi Scarano.

During the meeting, “Pan Am promised to issue a letter on how they’re going to proceed and to rescind the letter on previous agreements,” said Keschl. The railroad will seek an amendment to the current statute which already limits the liability of a railroad company if someone is injured while on railroad property while engaging in recreational or harvesting activities. The amendment would broaden the railroad’s liability protection by including injuries or damage suffered by homeowners who live on the private roads. \{Alex Barber in Bangor Daily News 16.Aug.12\}

**NMR-NBSR: TRAFFIC WAY UP**

2 August, Presque Isle. *TRAFFIC IN AROOSTOOK COUNTY HAS TRIPLED SINCE NMR TOOK OVER*, MDOT Commissioner David Bernhardt told a Maine Better Transportation meeting here. Cavendish, a fertilizer manufacturer, has been among those increasing use of rail to transport products to market.

“Irving has money to put into rail that we haven’t seen in the past. It benefits everyone. We’ve seen a lot more rail movement in Maine.”

State Senator Roger Sherman, R-Houlton, asked from the audience if rail speed was going to continue to improve. Bernhardt replied, “That is their intent. What took seven weeks now takes about 36 hours to Boston. (That) was partly due to the relationship with the other rail service \[Pan Am – editor\].”

“Northern Maine Rail has created a relationship with two other companies who are acting more like businesses \[a reference to Pan Am service improvement? – editor\]. Work continues to get up to 25 miles per hour on the line.”

**TIGER grant**

“The $10.5 million TIGER grant was approved over a year ago to fund maintenance and upgrades. As of today’s date, about 60% of the work has been done, with Maine Northern Railway doing the work,” he said. \[See 11#08B and update on progress as of 31 July on Irving website.\]

**Fort Fairfield section**

The state received an eight-mile section in Fort Fairfield. “It was given to us, near Cavendish. We’ll take care of it, since the town doesn’t want to be in the rail business.” \{Kathy McCarty in Presque Isle Star-Herald 9.Aug.12\}

**More on the traffic count**

'The Commissioner's comment is based on weekly traffic numbers...MMA was reporting average weekly carloads of a bit more than 100 cars \[originating and terminating; about 190 including overhead for Fraser – see 10#01B\]. We are now seeing weekly numbers on the Aroostook lines that exceed 300 carloads at times...He was not referencing a first year total. Though with the service MNR is providing and customer feedback we are getting I believe strong growth will continue.' \{e-mail to ANR&P from MDOT rail administrator Nate Moulton 13.Aug.12\}

\[MNR took over the lines from MMA in June 2011 – see 11#06B. By September 2011, traffic had already nearly doubled some weeks – see 11#10A.\]

**MMA: GREAT NORTHERN**

7 August, East Millinocket. *THE PAPER COMPANY FULFILLED A WISH OF MMA* by starting the second paper machine here \[see 12#07B\]. It has a 35-40 day backlog of orders. Part of the mill's surge in business is attributed to producing more than 3,000 tons of its Baxter Brite grade of paper for the racy "Fifty Shades" trilogy of books that has dominated the New York Times fiction bestseller list. \{company announcement cited by Bangor Daily News\}
PAN AM: VERSO PAPER*

2 August, Jay and Bucksport. **VERSO PAPER IS MOVING MORE PAPER MAKING TO MILLS HERE**, closing its mill in Sartell, Minnesota following a Memorial Day explosion and fire that killed one worker and injured five others. The closure reduces Verso’s coated groundwood capacity by 20% and will eliminate approximately 35,000 tons of annual supercalendered paper capacity.

Verso spokesperson Bill Cohen told The Associated Press that some of the work had already transferred and the increased workload will not result in more jobs at the Maine mills. {MaineBiz 6.Aug.12}

MASSACHUSETTS

MASSDOT: BONDS FOR RAIL WORK*

1 August, Boston. **THE GENERAL COURT SENT A TRANSPORTATION BOND BILL TO THE GOVERNOR**, which authorized $300 million for rail. Bill S.2376/H4371 enacted 1 August contained this language on rail spending (http://www.mass.gov/legis/journal/desktop/Current%20Agenda%202011/H4371.pdf):

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
Rail and Transit Division
SECTION 2C.
For the purpose of implementing rail improvements under chapter 161C of the General Laws ‘including the industrial rail access program’:

**Industrial rail access program**

‘The department shall adopt regulations within 180 days of the effective date of this act implementing the industrial rail access program, which shall increase access to rail freight service and preserve or stimulate economic development through the generation of new or expanded rail service;

‘provided further, that the secretary of transportation shall have the responsibility for evaluating and selecting eligible projects, in consultation with the secretary of housing and economic development, where the public benefit will be gained through improved use of the rail transportation network or that will facilitate economic growth through access to the rail assets within the commonwealth; and provided further, that the amounts specified in this item or for a particular project may be adjusted in order to facilitate other projects implementing rail improvements under chapter 161C of the General Laws.’

**Green Line**

$6,000,000 for MBTA Green Line trolley work.

**Commuter rail**

$500,000 to improve safety at the Canton Junction commuter rail station

$300,000 for capital improvements to the Canton Center commuter rail station

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2The Massachusetts State Rail Plan called for an IRAP:

’Equally, Massachusetts’ current Freight Rail Funding Program is similar in many ways to an IRAP program except that the program’s enabling legislation restricts private companies from using public funds for improvements; Despite its similarity in structure, it should be noted that the existing program has many existing financial obligations, and its funding is often restricted due to limited bond cap space. By allowing private companies to use public funds through a new IRAP program, these funds could be greater utilized for improvements to privately-owned rail in Massachusetts, providing public benefits by boosting economic development opportunities and encouraging use of the rail system. By allowing private companies to use public funds or enter into partnerships with public entities, there is an opportunity to leverage private investment for rail infrastructure improvements providing more funding than would otherwise be available to help encourage additional investment. {page 8-28}

1IRAP requirements should include a competitive grant process with at least 50 percent matching funds and projects should demonstrate quantitative and qualitative economic benefits such as job creation and retention, and increased state/local tax revenue from the benefiting businesses with mitigation for any impacts on passenger rail services. {9-10}
$25,000 to study improved access at and around the Wachusett commuter rail station
$1,500,000 for a facility for the operation of the MetroWest Regional Transit Authority
$500,000 for the design of a commuter rail station at Wonderland Park in Revere.
$175,000 for purchasing and/or refurbishing the Stoughton Railroad Station.

Amtrak
$2,000,000 for a passenger rail platform for the knowledge corridor passenger rail project in Holyoke.
$350,000 for an intermodal transportation center in Northampton part of the Vermonter expansion.
$4,000,000 for the Springfield union intermodal station project.

Water shuttle
$1,500,000 for the Lynn-Boston commuter ferry

South Terminal
$2,000,000 for the South Terminal Rail Extension in the city of New Bedford

Bay Colony Rail Trail
$50,000 for Newton's conversion of the rail line parallel to Needham street in Newton. {General Court website}

MASSDOT: STUDY ETHANOL TRAINS

1 August, Boston. THE TRANSPORTATION BOND BILL FORBADE MASSDEP FROM PERMITTING WORK ON ETHANOL FACILITIES UNTIL MassDOT had done a study. Complete text from Bill H4371 passed this day:

SECTION 24. Notwithstanding any general law or special law or rule or regulation to the contrary, the Massachusetts Department of Transportation shall commission a study to determine the impact on the public safety of transporting ethanol by train through the cities of Boston, Cambridge, Chelsea, Everett, and Revere.

Public safety issues to be studied shall include, but not be limited to, the proximity to residences, elderly housing complexes, schools, hospitals, health care facilities and other population and demographic characteristics and emergency response capabilities.

The report shall be completed not later than 6 months after the effective date of this act, and copies of the report shall be provided to the house and senate committees on ways and means, the executive office of public safety and security and the department of environmental protection.

The department of environmental protection shall not issue a license under chapter 91 of the General Laws for the transportation of ethanol through the cities of Boston, Cambridge, Chelsea, Everett, and Revere until it has received the report.

Six months would put the completion date in January 2013. Thus the proposed ethanol facility, for which MassDEP has not yet issued a permit [see 12#05B], is again delayed.

Global, the proposer, may see no urgency due to the price increase of ethanol and subsequent traffic drop [see 12#07B Regional].

Move ethanol by barge?
State Senator Anthony Petruccelli (D-East Boston) filed the bond bill amendment to study the train’s impact [see 12#04B]. He said the federal government has not been forthcoming on security protocols for the train, and that while the legislation cannot stop the train altogether, it can delay the start. “There are a lot of concerns and there’s not a transparent process. The concern is the unknown.”

“Anyone living, working, playing, visiting or driving near a rail line has had their safety greatly enhanced by the action of our legislature and endorsement by the governor,” Chelsea City Manager Jay Ash said. He would like Global to consider barging the ethanol to its Revere facility [it already does! – see 11#05A], where it would benefit from Coast Guard security similar to that of liquefied natural gas (LNG) shipments.

Another ethanol derailment in July. On 11 July, a 98-car train carrying ethanol partly derailed and
exploded north of downtown Columbus, Ohio. The train was reportedly traveling below the speed limit in the middle of the night, and just two people were hurt. Investigators are trying to determine the cause. {Jessie van Sack in Boston Herald 9.Aug.12}

### MBCR OWNERSHIP

Veolia Transportation North America, is the transportation arm of Veolia Environment. Veolia is Europe’s largest passenger transportation company with countries. Working directly with municipal company provides service in France, Middle East, operating 24 rail systems, nine of which are commuter rail systems and employing 72,000 employees worldwide.

In North America, Veolia is the largest private transportation provider, operating bus, rail and paratransit contracts in 19 States and 2 provinces in Canada, and employing over 13,000 people.

Bombardier Transportation, the world leader in manufacturing and maintenance of passenger rail vehicles, employs 36,000 people in 43 countries and has 53 manufacturing sites in 23 of those countries. Bombardier Transportation has extensive rolling stock maintenance diverse contracts, including high-speed, transit systems in 5 continents. In North America, Bombardier maintains the two largest bi-level commuter fleets in the continent, GO Transit in Toronto and Metrolink in Los Angeles. In addition, Bombardier provides maintenance services for the Northeast Corridor High Speed Train, the Ottawa-Carleton Regional Transit System and operation and maintenance of the Southern New Jersey Light Rail Transit System starting October 2003, a portfolio of rolling stock maintenance contracts worth close to $2 billion in North America alone. Bombardier is also the manufacturer of nearly half the coach fleet of the MBTA commuter rail, a unique advantage for the authority in terms of having the Bombardier technical know-how resources and parts & material acquisition capabilities available.

ACI - Alternate Concepts, Inc. (ACI) is a Boston-based transportation operations and consulting firm founded in 1989. It helps manage rail transit systems in Puerto Rico, Phoenix, Denver, and Houston. Its top managers formerly worked for the MBTA.

### MBTA: BIDDING*

6 August, Boston. **ONLY TWO COMPANIES CAN BID TO OPERATE THE COMMUTER RAIL SYSTEM.** Twenty-five companies initially expressed interest in competing for what is believed to be the most lucrative rail contract in North America, and one of the biggest state contracts of any kind in Massachusetts history. Only the French company Veolis and MBCR, the incumbent, filed the necessary paperwork to bid.

MBCR started operating the Boston commuter rail system in 2003 [see 03#07A] and was given two two-year contract extensions to 2013. It earns nearly $300 million per year. {Sean Murphy in Boston Globe 6.Aug.12}

No matter who wins the bid, a foreign company will operate the system [see box].

### CSXT: NEW FACILITY*

8 August, Westborough. **CSXT LOOKS TO MEET THE SEPTEMBER MOVE-IN DATE** [see 12#06A] for the bulk yard, moving the operation here from Beacon Park. Final grading and drainage was complete with most tracks in place and being surfaced. Several support buildings were in various stages of completion. {coverage by ANR&P correspondent Frank Demasi}

### GU: OPPOSITION*

1 August, DC. **SEVEN RESIDENTS FILED A PETITION WITH THE STB** for a declaratory order finding that specific operations in the Town of Upton (the “Town”) claimed to be operated by the Grafton and Upton Railroad (“G&U”) do not constitute “transportation by a rail carrier,” and that the Town’s zoning and other
regulations are therefore not preempted under 49 USCS § 10501 (b). The Petitioners are immediate neighbors to the site on which the G&U operates its facilities and are persons aggrieved thereby.' {STB website, filings page, FD 35652}

They are represented by Concord attorney Mark Bobrowski. They paid $1,400 filing fee but are asking that the funding be reimbursed or reduced.

"Town Counsel, Counsel for the Railroad, and representatives from the Federal Railroad Association have all agreed that the pre-emption is in place," said Doug Pizzi, a spokesperson for the railroad. {Michelle Sanford in Grafton Town Crier 6.Aug.12} [See 12#07B.]

**GU: NO TOWN REQUEST TO STB**

7 August, Upton. **THE SELECTBOARD VOTED UNANIMOUSLY NOT TO PETITION THE STB ON WHETHER THE WEST UPTON YARD FACILITIES ARE PRE-EMPTED BY FEDERAL STATUTE.** The vote followed the filing by seven Upton residents to do precisely that [see above].

Jon Delli Priscoli, the railroad's chief executive officer, was present at the meeting. He asked the board if it would definitively state its intentions. "I understand that there's no action necessary. Is it possible for the board to vote that there's no action necessary?" The Board did so. {Mike Gleason in Milford Daily News 9.Aug.12}

**SALEM COAL***

6 August. **FOOTPRINT CONFIRMED IT IS ACQUIRING THE DOMINION ENERGY COAL PLANT AND WILL CLOSE IT.** [See 12#07B.] It will install a natural-gas fired generator on the site. {company press release}

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**NEW HAMPSHIRE**

**MBRX: STILL FIDDLING***

8 August, Milford. **BOTH THE LAWSUIT AND THE NHDOT DECISION ARE STILL PENDING.** Peter Leishman reported that he had still not heard from the Department [see 12#07A] about its operator decision. {e-mail to ANR&P}

The First Circuit announced that it would hear oral argument for **MBRX v Pan Am** on 12 September in Boston [see 12#07A]. {court website}

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**MARITIMES**

**SYDNEY-MELFORD-HALIFAX-MONTREAL: DOES THE US HMT MAKE A DIFFERENCE?**

A REPORT BY THE US FEDERAL MARITIME COMMISSION, WITH LOCAL REACTION

**Outline**

1. Introduction
2. Increasing use of West coast Canadian ports to move cargo to US
   - Decline in use of East coast Canadian ports
   - Possible Sydney and Melford
3. Why use Rupert rather than US ports
   - Cost for supply chain (only factor)
   -- Transload advantage
- Transit time (leaving boxes on dock in China)
- Other factors
4. Cost differentials
  - Ocean rate
  - Terminal charges
  - Rail rates
  - Drayage
  - HMT
5. Reaction by Melford, Sydney, and Halifax

1. Introduction: HMT and the future of Sydney and Melford
This article recounts the FMC report about competition between US and Canadian ports, requested by Congress because some believed that the increase in traffic at Prince Rupert, British Columbia, came at the expense of traffic at US West coast reports.

Study of U.S. Inland Containerized Cargo Moving Through Canadian and Mexican Seaports was produced by a committee at the US Federal Maritime Commission in July 2012. Braces {} indicate page references to it.

Readers should not only bear in mind the specific notes about Melford and Sydney, but also how the general points of the FMC report bear on the viability of Melford and Sydney.

Could the entire competitiveness of Melford and Sydney, at least in terms of importing containers for delivery to the US by rail, rest on not charging HMT?

Do the hopes for Sydney and Melford rest much more on their role as transloading ports – accepting megacontainer ships and transloading boxes into smaller vessels for delivery to East coast ports which choose not to dredge to the depth necessary to accept the megavessels?

HMT: Harbor Maintenance Tax
'When the HMT was originally implemented, its purpose was to cover 40% of the Corps’ port operation and maintenance costs. The HMT was later increased to cover 100% of the Corps’ port operations and maintenance costs. Millions of dollars are collected every year from the assessment of the HMT and those monies make up the Federal funding for the maintenance of navigation channels in U.S. ports. It cannot be used for the expansion of water and landside facilities, or dredging alongside wharves.

'There have been calls from members of Congress to use the HMT to its full potential. Reports by the Corps tracked 59 of the nation’s ports that handled the largest amount of tonnage. Thirty-three percent of the time, the ports were not dredged adequately, which resulted in vessels being forced to carry smaller loads so that two vessels would be able to pass each other in the channel.

'Currently, there are several proposals to allow for a more efficient use of the HMT. The Revitalize America’s Maritime Promise Act (RAMP Act) would restructure the HMT collection process so that the total budget resources made available from the Harbor Maintenance Tax Fund for a given fiscal year equal the level of receipts plus interest credited to the Harbor Maintenance Trust Fund for that fiscal year. Under the RAMP Act, all of the HMT collected would be spent on harbor dredging and maintenance.' {page 57-58}

2. Increasing use of Western Canada ports to move cargo to US: Sydney and Melford
The FMC produced the following statistics showing that while from the West coast, Prince Rupert's opening in 2007 increased significantly the import containers flowing to the United States, the total Eastern Canada port imports to the United Stated declined.
### Import boxes over Prince Rupert and Vancouver to the United States

<table>
<thead>
<tr>
<th>Estimated TEU</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest states</td>
<td>87924</td>
<td>78676</td>
<td>85000</td>
<td>173604</td>
<td>158236</td>
<td>n/a</td>
</tr>
<tr>
<td>All other states</td>
<td>5848</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total US</td>
<td>93722</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>236436</td>
</tr>
</tbody>
</table>

[But – see table below – the number of boxes over Montreal and Halifax to the United States declined by 105,000 TEUs from 2005 to 2010. During that time total Halifax import boxes declined by 80,000 TEUs, and Montreal total import boxes rose by about 33,000 for a net import decline of 46,000 TEUs. So the Canadian imports must have risen by 49,000 TEUs to offset the US decline. Editor]

### Import boxes over Halifax and Montreal to the United States

<table>
<thead>
<tr>
<th>Estimated TEU</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest states</td>
<td>259828</td>
<td>239496</td>
<td>225964</td>
<td>214812</td>
<td>109616</td>
<td>n/a</td>
</tr>
<tr>
<td>All other states</td>
<td>5372</td>
<td>4216</td>
<td>2788</td>
<td>3876</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total US</td>
<td>265200</td>
<td>243712</td>
<td>288752</td>
<td>218688</td>
<td></td>
<td>160412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Halifax</th>
<th>Montreal</th>
<th>Total import TEUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>272,181</td>
<td>573689</td>
<td>845870</td>
</tr>
<tr>
<td>2006</td>
<td>260398</td>
<td>579223</td>
<td>839621</td>
</tr>
<tr>
<td>2007</td>
<td>236488</td>
<td>607530</td>
<td>843998</td>
</tr>
<tr>
<td>2008</td>
<td>188790</td>
<td>658915</td>
<td>847705</td>
</tr>
<tr>
<td>2009</td>
<td>157031</td>
<td>564348</td>
<td>721379</td>
</tr>
<tr>
<td>2010</td>
<td>191,649</td>
<td>607148</td>
<td>798797</td>
</tr>
</tbody>
</table>

### Possible Sydney and Melford

*Within Nova Scotia on Canada’s East Coast, two competing concepts for a deep-water container terminal are working their way from the drawing board to breaking ground on construction. Melford International Terminal would be located on the southern banks of the Strait of Canso. The competing port concept of Sydney would be located further northeast on Cape Breton.*

Much like Prince Rupert on Canada’s Pacific Coast, both Melford and Sydney’s strategic locations on the great circle route would make either of them the closest east coast North American port to Europe, and Asia via the Suez Canal. Both locations would have no draft issues, are ice free, and have navigational water depths of at least 90 feet, thereby making them capable of handling the largest container ships afloat. Additionally, either terminal would be developed along the same conceptual guidelines as Prince Rupert, to serve as a specialized intermodal facility focusing on cargo bound for the central United States.

It was recently announced that the Melford International Terminal intended to start construction of a new $350 million container facility at the port before the end of 2012. Funding for the privately-funded project has been secured, and Maher Terminals is taking an unspecified stake in the project. When complete in 2014-15, the container terminal and intermodal yard would cover 315 acres, and could have a yearly capacity of up to 1,500,000 TEU. Like Prince Rupert, Melford is connected to the CN rail network.

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3 The FMC used the STB confidential Carload Waybill Sample dataset to estimate the absolute volume and the relative share of US waterborne import containers that move through US west coast and Canadian ports to inland regional destinations in the United States. The dataset contains rail shipment data such as, origin and destination points; type of commodity; number of cars, tons, revenue; length of haul; participating railroads; interchange locations; and shipment variable cost estimates. To convert from carloads to TEU, the number of carloads was multiplied by 1.7. {page 24}

4 According to the statistics of each port, they both have about a 20% higher export than import count.

5 Montreal boxes from Yves Gilson, spokesperson for Montreal Port Authority
Some observers, including your editor, believe that neither Sydney nor Melford will take off as a container port until Halifax becomes congested. At current capacity it can handle one million TEUs, and now handles only about half that [see 12#07B]. The FMC report provided no citation to its claim that Melford would start construction in 2012.

‘Your editor wrote to the FMC about this claim:

Question:The report is wildly optimistic about the startup of Melford. My last report stated that Melford would not start up in 2012 without a carrier commitment. [See my attached issue 12#05B.] Does the report have any footnotes or other citations so I could verify the statement about startup before the end of 2012?

FMC response: We endeavored within the report to make clear that there are two competing ports, both in the conceptual stage, for a deepwater container terminal in Nova Scotia built along the same pattern as Prince Rupert. At the time of publication, we did not have detailed-enough information to determine whether Melford or Sydney would be the eventual project moving forward. In fact, your most recent Atlantic Northeast Rails and Ports weekly trade newsletter – 12#05B, would suggest the same conclusion, as you highlight an article on Melford on page 17 and an article on Sydney on page 18 with the same heading: STILL OPTIMISM.

3.3 Leaving boxes on the dock in China

Also, FMC pointed out that three days less at sea for a container is only valuable if it does not spend those three days at Chinese terminal waiting for a vessel to depart. The use of Prince Rupert significantly reduces the available service strings and frequency of sailing vs. larger ports on the U.S. West Coast. For example, two ships leave Shanghai each week for Prince Rupert compared to 23 sailings per week for LA/LB and 14 to Seattle-Tacoma. Moreover, the latter sailings include some "express services" which offer transit times competitive with those of Prince Rupert.

3.4 The transloading disadvantage for Canadian ports

The FMC reported that large-volume importers and importers of moderate-to-high value products moving in sufficient volume will strip their cargo out of marine containers and stuff them into a fewer number of larger domestic containers [therefore cheaper per cubic foot to move – editor] for onward U.S. domestic distribution. [This permits consolidating various products for the same US destination – editor.]

‘Transloading of U.S.-bound cargo at a Canadian port of entry, however, is considered infeasible because...both Canadian and U.S. duties would be assessed....[T]he U.S. shippers most susceptible to routing containers through Canada’s West coast ports are those who ship comparatively small volumes and those who ship comparatively low value products. These key influences on U.S. shipper’s import supply chain strategies...suggest that Canada’s West coast ports are likely constrained in their ability to attract large volumes of U.S.-bound containers.’

3.5 Other factors

The FMC report listed three other possible factors:

- Risk Mitigation/Diversification – To what extent is the use of foreign seaports the result of risk avoidance and supply chain diversification?

- Rail Assessorial [sic] Charges – Are there significant differences between fuel charges on containers traveling through Canada and Mexico as opposed to the United States? What is the cause of those differences? [For some reason, FMC chose this aspect of the entire set of supply chain costs to focus on. The reasoning was not stated in the report, and the choice seems inexplicable, except that the authors could readily compare the costs.]

- Liability, General Oversight, and Security – Are there advantages to moving cargo through ports in Canada and Mexico rather than U.S. ports based purely on differences in regulatory systems? For instance, are there [hidden] cost advantages in avoiding U.S. jurisdictional requirements such as cargo liability regimes, requirements imposed by the Shipping Act and FMC regulation, or requirements imposed by cargo security laws and regulations?

None of these, the FMC concluded, figured significantly.

4. Cost differentials

The cost differential to move a box to either Chicago or Memphis via Prince Rupert or Los Angeles/Long Beach (LA/LB) varies widely, as this table from the FMC report shows:
ACTUAL COST DIFFERENTIAL FROM SHANGHAI (additional cost in dollars over 'base')

<table>
<thead>
<tr>
<th>Via:</th>
<th>To: Chicago</th>
<th>To: Memphis</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA/LB</td>
<td>160</td>
<td>BASE</td>
</tr>
<tr>
<td>Seattle/Tacoma</td>
<td>120</td>
<td>40</td>
</tr>
<tr>
<td>Vancouver</td>
<td>92</td>
<td>20</td>
</tr>
</tbody>
</table>
| Prince Rupert | BASE        | BASE        | BASE 150

In general, we found that freight rates via Prince Rupert and Vancouver to Chicago are generally less costly than via U.S. west coast ports. Rates from Shanghai to Memphis via Prince Rupert are also generally less costly than the equivalent rate using U.S. ports, although we note that for a 20' container, LA/LB is the least expensive option, and Prince Rupert the most expensive [$60 more].

The FMC claimed confidentiality in declining to divulge the 'base' dollar cost, but it did elsewhere in the report state that the average cost of an IPI container moved from Asia to the U.S. Midwest was about $4,000 in 2007.

Three figures compose the cost: ocean rate, terminal charges, and rail rate.

4.1 Ocean rate

'While these figures would seem to suggest that Prince Rupert is simply a less expensive corridor for cargo heading to the Midwest, even prior to the inclusion of the HMT, discussions with importers suggest that this may not be the case.

'In fact, it has been suggested that [ocean] rates through Prince Rupert are lower to offset higher transportation costs at other places in the supply chain.

'For example, many shippers have made infrastructure investments closer to rail facilities operated by U.S. railroads. In order to utilize Prince Rupert, the cargo must travel by rail on CN; the lower ocean rates are offered to account for the increased trucking cost to move containers from the CN railhead to the ultimate destination. As such, it is difficult to conclude that transportation costs are significantly lower when importers opt to use Prince Rupert as their seaport of choice.'

4.2 Terminal charges: terminal efficiency

The FMC declined to look only at terminal charges, pleading confidentiality. It did argue that Prince Rupert operated more efficiently for two reasons:

- 'Prince Rupert...has on dock rail facilities that allow the gang to make fewer moves with the cargo. The design of the Port of Prince Rupert allows a single gang to move the cargo from ship to train and then move the train to the switching yard. In other ports, there are separate gangs that discharge the cargo, move the cargo to rail sidings, and then to switching yards to be consolidated with other flatcars.'

- 'Most major seaports in the United States are located in or near major population centers, but also compete to serve as the seaport of entry for cargo bound further inland. This presents an inherent difficulty in that intermodal (discretionary) containers, i.e., those that are to be directed inland by train, are generally handled differently from local containers, which are almost always loaded onto a chassis for local trucking.

'Terminals must constantly be looking at how to utilize their limited terminal space, and in most cases, there is little room to expand. Prince Rupert is an example of how a port can essentially do away with virtually all non-discretionary cargo, and develop a terminal that is focused only on intermodal cargo, thereby achieving natural [sic] efficiencies of cost, time, and space that benefit the port users.'
provide opinions or other evidence that concentrating on intermodal cargo made a terminal more efficient. 

Editor

'Prince Rupert’s container terminal...has an on-dock rail facility that allows containers to be loaded directly from the ship to double-stack railcars, permitting intermodal trains to leave the terminal within hours (rather than days) of a ship’s arrival. In short, at its present scale of operation, the Fairview Container Terminal in Prince Rupert is viewed by its supporters as a simpler, cheaper, more efficient “mouse-trap.” {page 13}

[However, Halifax terminal also have direct ship to railcar capability. Many observers note that such capability is not often used, as it is less efficient overall than grounding the box. Editor]

PUBLIC RAIL RATES: WHY NOT USED?
Question to FMC: The report believes that rail rates are confidential. Not so. The public can use publicly-available website procedures to get quotes for rail rates. The use of fuel surcharges perplexes me, to say the least.

Answer: 'While the public can access one-off rail rates from Prince Rupert to destinations in the United States, they are not necessarily reflective of the contract rates agreed to between steamship lines and Canadian National. These contract rates, as with the stevedoring services above, are confidential and cannot be included in a public report. Likewise, the data obtained from the U.S. Surface Transportation Board is shielded by confidentiality, and we were only able to make parts of that data available.’ {e-mail to ANR&P 8.Aug.12}

Editor's note: This rationale for FMC's failure to compare rail rates makes no sense. While the public rates will not state the contractual rates obtained by shippers, a comparison between the public rates would at least inform the discussion. They would lend much more than the comparison of fuel surcharges.

4.3 Rail rates
Likewise, the FMC declined to look at rail rates separately, though these are publicly available on the railroads' websites. [See box.]

4.4 Drayage
The FMC did not discuss drayage rates upon arrival in Chicago. However, the wealth of container yards there should mean that drayage rates are approximately equal whether draying from a BNSF, UP, CP, or CN terminal.

That argument should at least partially vitiate the argument of some importers that CN has lowered its rates, or ocean carriers their rates, to account for the fewer number of CN terminals [see 4.1]. {editor}

4.5 Harbor Maintenance Tax
Finally we come to the nub of the issue. Is the Harbor Maintenance Tax driving import boxes to Prince Rupert? At first blush, the answer would appear to be: No. HMT existed before Prince Rupert, and should have driven boxes to Vancouver, Montreal, or Halifax.

The FMC found that the tax could make a difference, however. It noted that the average HMT on a forty-foot box entering the United States was $109, weighted and averaged over all commodities. {page 42}

It noted that consultants looked at what price difference would drive a box away from LA/LB. 'With respect to the ports of Los Angeles and Long Beach, Leachman estimated that an increase in fees of $100 per FEU at that complex relative to all other West coast ports in 2005 would reduce the ports’ discretionary (Inland Point Intermodal or 'IPI') container volumes from 43% of the ports’ total volume to 27%.

'With respect to container volumes at the ports of Seattle and Tacoma, Leachman later estimated that an increase in fees of $60 per FEU relative to all other ports would reduce container volumes by 30%....

'The long-run elasticity estimates derived from Leachman suggest that up to half of the U.S. containers coming into Canada’s West coast ports could revert to using U.S. West coast ports if these fee adjustments were made. Based on 2010 container volume, this would amount to up to a maximum of 118,000 TEU, and up to a

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maximum of 145,000 TEU based on 2011 container volumes.' {page 53-54}

Conclusion
The FMC's ultimate paragraphs included these three:

'Our findings in this area conclude that numerous factors account for why shippers would elect to use ports in Canada or Mexico - - - overall shipment savings, risk mitigation through port diversification, perceived transit time benefits, avoidance of the HMT, and rail rate disparities - - - but, we conclude that for whatever reason or reasons shippers elect to use foreign ports, they are within their rights under FMC law and regulation.'

In examining port competition amongst the three countries, it is noteworthy that both Canada and Mexico have a strong national port policy and infrastructure strategy. Many have argued that our government should emulate these activities. While the FMC has no statutory authority to bring about such results, we do, as the guardian of our international waterborne commerce, have a responsibility to Congress to identify several proposals that are in the arena of debate.

'It has been stated, “Even if Prince Rupert did not exist, Congress owes it to ports in the northwest and west coast now, and the east coast in the future, to examine our cargo fee structure to keep all U.S. ports competitive with their foreign neighbors for the benefit of all three countries.”

Our final finding is that Congress has many options to consider should it decide to revise or replace the current HMT structure in its goal of ensuring maximum competitive abilities for all U.S. Ports.' {page 3}

5. Reaction from Melford, Sydney, and Halifax
Greater cargo handling efficiencies at the Port of Prince Rupert and not HMT are more likely the reasons US-bound cargo goes through that B.C. port and not U.S. West coast ports, said Richie Mann, spokesperson for the proposed Maher-Melford Terminal in Nova Scotia.

Mann, along with Michele Peveril of the Halifax Port Authority and John Whalley, Cape Breton Regional Municipality (Sydney), responded to the FMC study.

Missed the point?
Mann, who still hopes the $350 million Maher-Melford terminal will start this year at the Strait of Canso [see 12#05B], felt the report was “fairly tame on the poaching issue” and “the recommendations are really focusing on the need for change in the U.S. Harbour Maintenance Tax structure and the need for overall port strategy. I think that the allegations that probably promoted the study certainly didn’t seem to be addressed in the conclusions and recommendations.”

Mann felt the study was politically motivated and said that in an article he read on the subject it was stated “if the HMT was the issue then there probably wouldn’t be very much U.S.-bound cargo that wasn’t going through Canada.

“In the case of Prince Rupert which has brought this to a higher level of scrutiny, I think the efficiency of Prince Rupert has made the difference as I think it will be at Melford. The cargo that Melford gets, and if it's U.S.-bound cargo that maybe currently moving through U.S. ports, it will be the efficiency and reliability and not a Harbour Maintenance Tax that will make the difference.”

Melford pure rail terminal
That efficiency, he said, will come through a combination of many things such as a large footprint, on-dock rail and an efficient workforce.

“The fact you can bring a large vessel into Prince Rupert, that you can efficiently offload from vessel to

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7 The FMC is reasoning that because an increase in fees would drive boxes away from LA/LB or Seattle & Tacoma, a decrease in fees, resulting from removing the HMT, would drive boxes to US West coast ports. The reasoning does not have the certainty of a logical syllogism, though it has some superficial logic. Editor
rail and have the train moving before the vessel is finished loading, is because of the size of footprint, availability of cars and lots of other reasons. Rupert’s dwell time [for containers] is measured in hours not days and that speaks volumes about why people want to use it. [I] think we [Melford] are going to mirror that.

“Melford was envisioned to be a pure rail terminal (PRT) and that is still the case. There are carriers that have expressed interest in looking at the transshipment option and we will certainly do that but I think at least in the initial stages, Melford will be a PRT.”

Terminal financing?
Mann said the equity financing is committed and with a commitment from a shipping line the debt financing will not be an issue. Discussions are ongoing with shipping lines and things are positive. {Discussions with ANR&P correspondent Tom Peters 15.Aug. 12}

Sydney wades in
John Whalley, economic development manager, Cape Breton Regional Municipality, the lead agency in the development of the Port of Sydney, said he has read media accounts of the FMC report and believes it reflects a protectionist attitude.

“There is always a kind of protectionist streak in North America and I certainly think it is natural for some ports to see, whether it is Mexico or Canada, as real competitors. But the reality is we are in a free-trade zone. There are Canadian ports that are going to offer potential advantages whether they are on the West coast or the East coast. “My interpretation of the West Coast is Prince Rupert is an important port and offers important opportunities. But I don’t see Prince Rupert displacing Vancouver or Long Beach or any other port.”

CBRM plans
Sydney has plans to build its own container terminal and has a U.S. marketing firm promoting its assets globally [see 12#07A]. Whalley said whether the terminal relies heavily on rail to move cargo or becomes a transshipment facility has yet to be determined.

“That will very much be determined by the shipping lines that are involved. I think our perspective was always there would be a balance but we have no idea what that will be. I think transshipment was a real opportunity and that was the emphasis the Sydney Marine Group was putting on this and that more traffic would move that way than by rail.”

Halifax – little comment
'We have reviewed the FMC report and are consulting with others in Canada such as the Association of Canadian Port Authorities and the Canadian government regarding the report,' wrote Halifax Port Authority’s Michele Peveril. 'Both groups have been helpful in providing a voice for Canadian ports and ensuring that facts were shared as the FMC gathered information for their report.'

Asked specifically about annual figures of cargo moving inland through Halifax to the U.S. and into Canada, Peveril would only say 'our website states that approximately 20% annually of cargo at Halifax is destined for the U.S.' {e-mail to Peters 16.Aug.12}

In 2011, Halifax handled 410,649 TEUs: 191,649 were import containers, 219,000 export; 24% of the import cargo in 2011 went to U.S. Destinations. {HPA website}

RAIL SHIPPERS

Described in this issue.

Ford (PAS, New York) Auto ramp opened in Mechanicville in July.
Global Partners (D&H, New York) New propane facility in Albany.
Global (NS, Pan Am) Ethanol facility in Revere blocked by legislation.
Great Northern (MMA, Maine) Restarting second paper machine.
Thermogen (MMA, Maine) Rail spur to facility in Millinocket.
Verso (Pan Am, Maine) Gets Minnesota work.

PEOPLE, EVENTS

Anna Barry became deputy commissioner of the Connecticut Department of Transportation. Most immediately, she was MBTA senior director of vehicle engineering and quality assurance. Earlier, she was MBTA director of railroad operations.

EDITIORIAL

CRUDE OIL, SEARSPORT, AND SAINT JOHN*
MMA Chair Ed Burkhardt has pointed to crude oil as a significant boost to the railroad, because of the price differential between overseas crude and Bakken crude [see 12#07B]. According to one source, North American oil producers are keenly aware of the global price differentials, and hesitate to sink money into pipelines, which have a fixed destination, when they can use rail to deliver the crude from the center of the continent to export ports on the Atlantic, Pacific, or Gulf, and export it east, west, or south, wherever they can get the best price.

Irving has its hands full in Saint John receiving Bakken crude for its own refinery, and may not want crude arriving there for export. Could the rolling pipeline of CP-MMA use Searsport to export? It does have liquid bulk handling facilities, to receive petroleum products, including those from Saint John. Perhaps those facilities could reverse their flow?

Burkhardt responds
'If we are talking oil, it doesn't come together in any case. We always have lots of plans for Searsport, but all of them are long-term projects, some of which will work, and many won't. It's far too early to speculate.' {e-mail to ANR&P 14.Aug.12}
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environment they function within. Coverage includes
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Purpose
Atlantic Northeast Rails & Ports, née Maine
RailWatch (1994-1997) and later Atlantic
RailWatch (1998-1999), is dedicated to the
preservation and extension of the regional rail
network. The editor believes that publishing news on
railroads and ports spotlights needed action to
preserve the rail network. The publication also
imbues the region with a sense of an interdependent
community, employing the network to move rail and
port traffic. ‘No railroad is an island, entire onto itself.’

FORMAL E-ISSUE