Helping to move rail and port traffic through New York, New England, the Maritimes, and eastern Québec. A weekly trade newsletter.

Formal issue 12#09B 16 October 2012

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

Pan Am: Updates on various aspects of the railroad, during NEARS.*
NS: Will offer international intermodal service via Elizabeth for Mechanicville and Ayer.*
Future of traffic: domestic coal, natural gas, crude oil, and intermodal.*

NEW YORK
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Maritimes
CBNS: Port Hawkesbury traffic to move again.**
CBNS: Traffic up 10%.

Print issue price change (effective on renewal)
Only 35 of you receive the newsletter by mail. The print issue costs me not the $30/year additional, but about $70. Adding in the time I need to print, fold, tape, and mail each print issue, leads me to raise the price above the e-issue price $100.
You may receive a pdf of the print issue at no additional cost, should you want to save the $100.

- Chop Hardenbergh  Next formal issue 30 October

REGIONAL

PAN AM: UPDATE*

4 October, Brewster, Massachusetts. **PRESIDENT DAVID FINK REVIEWED SEVERAL ASPECTS OF HIS RAILROAD’S APPROACH** at the autumn meeting of the North East Association of Rail Shippers here. During a 'Railroad Town Hall' panel, which answered written and oral questions from the audience, he said:

**Changes in the railroad industry**

Railroading in New England used to be “hardscrabble, things held together with bubble gum and baling wire.” Now, with NS, CSXT, and government investing significant amounts of money, “things are running much better.”

Workers are changing too. At Pan Am, “38% of the people have been there less than five years”; it is “a new railroad.” And of Pan Am's one thousand workers, 58% have been there less than ten years.

**TIH commodities**

When asked about their approach to cars with toxic inhalation hazards, the other three panelists stressed safety, communication with state and federal agencies, and training customers to load and unload safely.

Fink said: “We run a special train service. We were the first ones to do that” five or six years ago, “and we will continue to do that. It's the best way to do that.” In that way, “the customer gets it when we can get it [that is, as soon as Pan Am receives, the car moves to the customer].” [See 11#03A for special trains to Jones Chemical which significantly upped the rate per car. Of note: the reference by the person quoted in that article about losing cars was not referring to lost TIH cars.]

**Track work in Maine**

Asked by moderator Dave Marsh [see FGLK story in New York] about a report that a track crew was working from Mattawamkeag west, Fink responded: “I belong to the Bill Belichek school” - say little. But he went to on: “I just asked” about Pan Am track work. “We have a capital work tie gang in Maine” and five gangs systemwide. “This year capital expenditures are off compared to past years. The CFO Eric [Lawler], who is here, tells us how much we are allowed to spend.”

**Service improvement**

Moderator Marsh read Fink a question specifically addressed to him, citing the railroad's improved transit time over the road and improved terminal dwell, and asking whether that will continue.

Fink responded that “Pan Am has improved, we have improved transit times since our meeting in Providence [where Verso Paper praised the Pan Am improvement – see 12#05A].” He attributed that to the higher number of people “on the train and engine side” [T&E] and an improvement in their training. Now Pan Am senior T&E employees, “folks who know the railroad, and the customers,” train new hires. In the fourth quarter, “we have another large group coming on line.”

As for continued improvement, Fink said Mike Bostwick, vice-president of sales and marketing, must “fill up the trains we have, before we get better on the transit side.”

**3PLs and consultants**

The four panelists were asked about the value of using 3PLs and consultants. Fink told the classic joke: “A consultant is a person who borrows your watch to tell you what time it is.” Pan Am does not use consultants.

As for 3PLs (third-party logistics providers), Fink felt that railroads earlier gave away too much of their normal functioning – selling the intermodal service retail. “I don't deal with those.”

The CN official on the panel, Tom Tisa, director of network strategies, responded differently. Noting that

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1 Bostwick explained later that Pan Am, though it operates intermodal trains, does not sell the service. NS handles all the arrangements for service to the intermodal terminals in Mechanicville and Ayer. {ANR&P discussion}
CN in Canada used the “retail model” for intermodal while in the United States it dealt with 3PLs, Tisa said that “we are rethinking our relation with 3PLs, working with these” outfits – and perhaps reducing CN's reliance on them in the United States.

Specialized fleets
All panelists were asked whether the industry was moving to specialized car fleets. Fink said for Pan Am “the boxcar equation is most important. Everyone is heading to the 60-foot car. The paper guys are nervous because they like 50-footers. We need to figure out as a railroad how to load those [60-footers] in a safe way. We are investing in boxcars.”

Turnover in logistics
All panelists were asked about the greying of the workforce throughout the logistics industry. Fink called this issue “the most difficult we face as an industry: how to manage the transition. We have a different workforce today” which does not go by the old rule, “Just shut up and do what you are told and you too will get onto the first shift.” The new workers question, and they ask good questions.

Now Pan Am asks the workers to go into the shipping docks, to ask what the customer wants. That differs from “my great-grandfather's attitude, 'I got this job for life and it does not matter [what I do].'

Ancillary charges.
Roy Blanchard asked what the railroads were doing about ancillary charges such as demurrage. Fink responded that demurrage is “an age-old problem which becomes anecdotal....It's not the guys with 10,000 cars a year who get three crews switching them seven days a week. It's the guys with 200 cars per year.” As Pan Am has improved service, “cars are arriving in faster fashion, and some customers are not ready for that. Some customers game the system, but that's a small percentage....

“Demurrage is a penalty. There's going to be bunching [of cars]. There's going to be weather. It's a lot of carping by a small percentage of shippers.”

Other points
The #1 business growth potential for Pan Am is “pulp and paper growth. The paper companies are coming back to us” as service improves.

The brief message every customer needs to hear? “We have happy customers right now. We are taking care of needs and appreciate your business.”

Pan Am runs only a few unit trains. The unit trains to Horizon Milling in Ayer, 114 cars split into two 57-car blocks, are unloaded in 20 hours. Formerly grain cars were stored “all over town. That's all gone.”

Force account agreements
During a separate panel on state and federal financing of private railroad projects, Fink spoke from the audience. “We are getting [a substantial amount of money] on all these different programs” for track work. Pan Am “would usually do the work on force account, [which could mean we would] get four hours of work and four hours of delay” while trains went by. [That's] a colossal waste of tax payer dollars.”

Instead, Fink told the audience, Pan Am went to the Volpe Center [the federal transportation center in Cambridge] to negotiate. “It took us a year do something on fixed price...a guaranteed price. We are not going to have four accountants” looking over the contract after its completion. “We said to them [the federal government]: you review the bid, multiply the various percentages.” The FRA did that, and now Pan Am “did this twice to NNEPRA, including the project to Brunswick. It was a fixed price, the government was happy.”

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2 Meaning that it sold intermodal services direct to the end user. Class Is in the United States did that, but much more sold blocks of intermodal service to third parties such as Hub and Pacer, who then packaged the intermodal rail move with other services and offered a door-to-door product. 

*Editor*
RRIF loans
Fink continued: “We would never consider a RRIF [Railroad Rehabilitation and Improvement Financing] loan from the FRA.” Pan Am could do a project, and then “something would come up three or four years down the road. Look at Ed [Burkhardt] trying to get a release” on his mortgage [see 12#08B].

Astrid Glynn, who was on the panel, a former NYSDOT commissioner and now operating a boutique consultancy ‘Transportation Planning and Resource Group’, remarked that the “fixed price approach is increasing. However, she found that “after the fact audits as opposed to preliminary assessments are not the most effective.”

Service outcome agreements
Fink added that in insisting on agreements between freight railroads and Amtrak, “the FRA overplayed their hand.” More work would get done if not the FRA were not so insistent on service agreements. “We would not sign one service outcome agreement.”

He pointed to a deep cut in Brunswick which in winter always freezes and prevents the passage of trains. “I do not want to be responsible for calling out crews on Christmas Day to fix the track so the Downeaster can pass. We told NNEPRA, 'You need to come up with a way to handle this.' [Under a service outcome agreement, Pan Am would be responsible to keep the track open. Editor] ‘We had a good outcome. The state engineers came up with a better, more functional system’ on this stretch of track. {ANR&P coverage}
NS: INTERNATIONAL SERVICE FOR NEW ENGLAND*
4 October, Brewster, Massachusetts. **NS WILL OPEN INTERNATIONAL INTERMODAL TERMINALS ON PAN AM IN 2013**, according to a presentation by Ed Elkins, NS chief of intermodal system planning. He informed the autumn meeting of the North East Association of Rail Shippers here about NS efforts to improve short-haul (under 600-mile) intermodal traffic.

**Growth of short haul**
From a point in the last decade at under 20% of total intermodal traffic on NS, the short-haul share has grown to nearly 25%. Why? Elkins pointed to the increase in all-water service from Asia: the increase is due entirely to growth in international intermodal, from 40% of the total to 60%.

**NS infrastructure for ports**
Elkins noted that Eastern railroads have a high number of nodes. NS has 55 terminals, nine within 200 miles of New York City. It runs 76 intermodal trains a day. It serves six ports, with on-dock rail at four. From 64% of international traffic handled by on-dock transfer, NS now handles 91% of international moves by on-dock rail.

After finishing its corridor projects this year and next, NS will offer 14 new international service lanes.

**Ports the best place**
Ports represent the best point for short-haul intermodal, because short-haul thrives on high density. With the arrival of the mega-container ships in the near future, especially when the widened Panama Canal opens in 2015, NS envisions high-density traffic to or from a port terminal. “Without the density provided by port concentration, short-haul won't work,” Elkins said. Asked about domestic short haul, he said the necessary density might arise if the railroad could link very large metro areas. “We continue to work on this, but the 500-1000 mile shipment is our bread and butter” for domestic shipments on NS.

**Massachusetts terminals**
Out of the Port of New York, specifically the Port Elizabeth Marine Terminal, in 2013 NS will offer second-morning arrival in Mechanicville and Ayer, according to a slide Elkins presented.

In contrast, NS can offer Harrisburg first morning out of Port Elizabeth. {ANR&P coverage}

FUTURE OF DOMESTIC COAL AND GAS*
4 October, Brewster, Massachusetts. **TONY HATCH, THE PRINCIPAL OF ABH CONSULTING IN NEW YORK, TOLD THE NORTH EAST ASSOCIATION OF RAIL SHIPPERS** about the future of moving natural gas, crude oil, and coal by rail during a panel here.

**The shrinking domestic coal market**
The trend away from coal began long before 2012, caused by increasing regulation as well as the drop in price of natural gas, though only this year have the railroads seen the massive shift out of coal The leaders of both Progress Energy and Duke Energy were ready to go to natural gas before 2012, Hatch pointed out.

The merged energy company, now just 'Duke Energy' was NS' largest coal customer and will continue to use coal heavily. Officials were “very careful to say” that NS would continue to have coal traffic despite Duke moving to natural gas; remaining coal would have a longer haul, longer trains, and a more simple transport pattern.

**Export coal**
To the aid of both the railroads and the coal producers has come export coal. However, because of the distances to the major markets, China in the lead, the United States is the “exporter of last resort.”
Gas and oil
Hatch reported that “three separate pipeline companies are building rail terminals” to move gas and oil. Terminals, at $50 million, are not cheap. Now, railroads hold a 50% market share of the traffic, which will grow to 80%, then shrink as a fraction of the market, but overall rail traffic will still grow. Currently, railroads have lost $2 billion in revenue for coal, and made up only $0.3 billion in new oil traffic, and $0.7 billion in sand traffic [see HOST article in New York].

Why not build pipelines? [Jason Seidel, on the panel with Hatch, answered that one way: Because rail can “swivel” to the higher-priced markets, while a pipeline is fixed. The frequent movement of oil rigs from oil field to oil field reflects this fluidity.] Moreover, the transport price gap is not that big. Moving crude by rail costs $7 to $17/barrel, whereas pipeline costs $2 to $5 per barrel, and moving oil by pipeline requires some dilution.

Compare that to the price per barrel differential: $15 to $30 a barrel cheaper in the middle of the continent.

Chemicals
We can expect chemicals as a by-product of natural gas to grow, but that will not occur “for a couple of years,” Hatch estimated.

Other points
- Truckers have passed the point of peak efficiency.
- Ports on the East coast are “way overspending for big ships.” The mega-container ships will stop at two locations at most: New York and Norfolk, perhaps Savannah.

Intermodal
Hatch posited that ‘domestic intermodal is now the huge opportunity. Once international intermodal was at the bottom in terms of profitability for the railroads; it’s now close to the top.” Domestic intermodal will do the same. {ANR&P coverage}

Intermodal Association of North America (IANA) figures bear this out. Through 2Q12, international containers were up 3.9%, whereas domestic containers rose 12.5%. AAR figures note US car traffic has dropped 2.6% to 6 October and Canadian 0.2%, whereas intermodal volume (domestic plus international) has risen 3.7% in the United States and 7.1% in Canada. {IANA and AAR press releases}

Analysis shows CSXT intermodal volume rose 8.6%; KCS saw a jump of 17.7% year-over-year, according to a 5 October Stifel Nicolaus research note. CN and CP intermodal rose 7.3% and 6.1%, respectively.

NS increased 4.5%, while BNSF and UP saw 3.5% and 2.9% respectively. {Mark Szakonyi in Journal of Commerce 8.Oct.12}

NEW YORK

NS: NEW SAND TRANSLOAD*
10 October, Horseheads. HORSEHEADS SAND & TRANSLOADING TERMINAL HAS COMPLETED A 90,000SF TRANSLOADING BUILDING FOR FRACK SAND here. HOST last month broke ground on a second 90,000SF transloading facility due in 2013. “HOST soon will be the premier Marcellus Shale distribution center in the Northeast,” said David Lawson, NS’ vice president industrial products.

Entire facility
“HOST is committed to making this facility a ‘best in class’ leader in servicing the natural gas industry with warehousing, more than 2 million square feet of storage, and more than five miles of rail at the site,” said Ray Bartoszek, managing partner of HOST.

NS has served the terminal [operated by different owners – see below] since 2009, when the railroad
unloaded 104 cars there. During 2010 and 2011, the number of cars increased to 1,800 and 2,600 respectively, while 1,400 cars have been unloaded through the first half 2012. {NS press release}

**History of the terminal**

During World War II, the federal government seized by eminent domain 700 acres of farmland north of the village of Horseheads and constructed an ammunition depot served by rail. A succession of civilians took over and operated the site after the war under the names Horseheads Industrial Center, Holding Point at Horseheads, and Center of Horseheads. {ANR&P discussion with Village of Horseheads official 10.Oct.12; wikipedia}

Beginning in 2009, NS dropped cars of sand at the site for direct transloading to truck. The 1.5 million square feet of building space was leased by tenants such as Schlumberger Technologies, Fedex, American Legion, Pepsi (spur but no cars), Food Bank, Dewitt (construction materials - two cars show here on Bing aerial view), and Thomas & Betts (electrical manufacturer).

At this time the existing structures are 50% occupied.

**Upgrade and new ownership**

A group of four partners formed HOST: RLB Holdings (Ray Bartoszek), Carriage House Partners, Frank McGowan, and Mitchell Wolff. On 14 December 2011, HOST purchased the site, and renamed it Horseheads Sand and Transloading Terminal (HOST). The joint venture has invested $20 million to expand the facility to receive sand by rail from Montana and Wyoming. It tore down a 200,000SF old building (“H” on the map) where the two new ones will locate.

The 200 acres already held five miles of track. Bartoszek said HOST hired TRAC of Mechanicsburg, Pennsylvania (The Railroad Associates Corporation) to upgrade the track. “They are great.”

Some of the old buildings were used to store sand, however unsuitable they were. The move was inefficient for Marcellus Shale operators including Baker Hughes: from railcar to truck to storage, and then back out.

**The new operation**

The first car arrived on 9 October, unloading via a through-track dump. The next day, Bartoszek explained that the system can unload a 100-car train in 25 hours; two Trackmobile/Pettibones are on-site for switching and placement.

An undertrack conveyor then moves the sand into the new building, and drops it from the top of a 60- foot spreader. The interior is bifurcated for the use of two customers: the spreader places sand into two or even three
piles for each customer. If the building were one area, it could hold 50,000 tons of sand of a single grade or 40,000 tons in two separate grades.

When the customer wants sand, a front-end loader inside the building dumps the sand into a second conveyor system which moves it outside and through a hopper into a waiting truck.

The second building, which should open on 1 March 2013, will use the same unloading conveyor system, some of which is located between the two.

Sand ownership
HOST does not own the sand; Bartoszek did not know when the end user takes ownership from the mining company in the West. Enough sand exists: “sand is not a limiting factor, only the price of natural gas.”

Advantages
Currently, Bartoszek noted, “thousands of cars are sitting full of sand and other fracking materials like water and chemicals. This creates backlogs and demurrage costs.” Quickly unloading the sand cars “eliminates these inefficiencies for producers and users, and saves millions compared to how they do it now.” Cycling the cars is far better for NS: it “makes money turning cars, not on demurrage,” Bartoszek noted. {HOST website; ANR&P discussion 10.Oct.12}

Pennsylvania market
Bartoszek said in late September that thousands of approved northern Pennsylvania wells still need to be drilled. “Our plan for 2013 is to serve 4,000 to 5,000 rail cars,” he said. He expects prices will rise from $2.80 per
million British thermal units to between $3 and $5 next year, when refiners get closer to building facilities that convert natural gas for export.

**New York state Marcellus the main target**

In mid-September the administration of Governor Andrew Cuomo announced that the Department of Environmental Conservation will partner with the Department of Health to finish its fracking review. The DEC started its review back in 2008. One source said that meant the state will not make a decision about legalizing fracking until next year.

Bartoszek hoped HOST would soon transload sand to New York area drillers fracking along the state’s Southern Tier. “For the last six months, I felt the momentum was moving towards approval,” Bartoszek said in late September. {Josh Kosman in New York Post 26.Sept.12}

“Governor Cuomo is being very thorough in his approach to studying the technology of fracking and I am hopeful that his ultimate decision on whether or not to allow this drilling process in New York State will be based on science.” {ANR&P discussion 10.Oct.12}

**FGLK: HOST COMPETITOR**

10 October, Seneca. **HOST IS A DIRECT COMPETITOR TO NORTHEAST FREIGHT TRANSFER** at the former Seneca Army Depot [see 12#03A], wrote Dave Marsh, who handles business development for NEFT. 'They have invested a huge amount of money and will be a major player. The benefit that we have in the Depot, that HOST does not have, is the fact we have three class 1 carriers [NS, CSXT, and CP via trackage rights over NS] feeding our short line, FGLK.'

HOST is confined to the Southern Tier NS line, he continued. 'Today's traffic does not create any bottlenecks as the level of traffic is low at this time. When [New York State Marcellus] is up and running the Tier will become once again bottlenecked and our location will be superior as it is not on the Tier. Our operation at the moment is well below capacity, which means we need business.' {e-mail to ANR&P}

**CP: DIVEST D&H?**

10 October, Chicago. **CP CEO HUNTER HARRISON WILL ANNOUNCE CHANGES AT A DECEMBER INVESTORS DAY IN NEW YORK.** Ed Greenberg, CP spokesperson, said the company has issued no official
statement about the meeting; he confirmed the month and place, but CP has no exact date yet. {e-mail to ANR&P 12.Oct.12}

During the summer Harrison toured the property, including a visit to Albany:

What announcements?
Greenberg declined to say anything about the content of any Harrison statement. However, sources at a Chicago meeting in early October between Harrison and labor officials said the CEO offered a preview of plans he will present in December:

- Many hump yards will go out of service, but CP will retain the St.Paul hump yard.
- CP will sell DME lines west of Pierre, South Dakota.
- Harrison has not decided the future of the D&H. He told the meeting that since CP purchased the D&H in 1990, it has never made money on it. He will meet with connecting railroads to discuss shorter routes for CP traffic in exchange for other railroads operating trains over the D&H. If the line's performance can’t be improved, it could be sold.

New oil and gas routing
Harrison said that for CP to make a profit from the expanding Bakken traffic, it should move the crude oil east via NS or CSXT rather than over the current CP route via Detroit, Toronto, and Buffalo to Binghamton, and then over D&H and trackage rights to East Coast destinations. {Trains newswire 10.Oct.12}

Editor's comment
The D&H report comports with Fred Frailey's thoughts in early 2012 [see 12#05A]. If new operators provide better service to local shippers north of Albany, they too would be pleased. Continual reports during 2012 about
the lack of sand and gravel traffic at the Brookhaven Rail Terminal on Long Island were attributed in part to CP price increases. Could one conclude that Harrison might say the following to NS? 'You haul our crude oil from Chicago to Philadelphia area refineries, and we will let you serve our customers between Albany and Rouses Point?' NS now has only haulage rights on that route.

**LIRR & MNR: EXCESSIVE IDLING**

September, New York. LONG ISLAND AND METRO-NORTH HIGHWAY VEHICLES IDLED EXCESSIVELY, according to a report this month by New York Metropolitan Transportation Authority’s (MTA) Office of the Inspector General (OIG). Both railroads use highway fleet vehicles to transport workers and equipment to job sites.

The LIRR data showed that its 586 fleet vehicles idled illegally for 12,600+ hours in January 2012, consuming 13,000+ gallons. The fuel for illegal idling cost $40,000, or 20% of the fleet’s fuel costs for the month. LIRR’s total cost of illegal idling likely exceeds $500,000 annually.

Based on observation of facility parking areas and analysis of data from 1 February 2012 to 30 April 2012, MNR highway vehicles idled 8,000 hours per month. Idling used 7,000+ gallons per month costing $25,000+, or 14% of MNR’s fleet monthly fuel costs. Fuel for such MNR idling could exceed $300,000 annually.

OIG recommended that LIRR and MNR revise their vehicle policies and procedures, educate their managers and employees, and impose appropriate discipline for illegal idling. In their responses to the report, both railroads stated that they have begun to take action to reduce idling. New York state law specifies that vehicles weighing more than 8,500 pounds may not idle for more than 5 minutes, with some exceptions.

{National Idle Reduction Network News 9.12}

Mini-editorial

Nothing riles me up more than people leaving their cars running while they do errands inside stores. Turning their SUV off is a simple thing, but I suppose they – lacking any training – believe that they have a right to pollute the air.

That MNR and LIRR workers have no training on idling dismays me, considering that both railroads pride themselves on the green way to travel. - Chop

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**CONNECTICUT**

**NECR: CORRIDOR**

11 October, Connecticut-Vermont. AN OFFICE CAR SPECIAL PROMOTED THE 'CENTRAL CORRIDOR RAIL PROJECT'. Fifty business and college representatives and politicians boarded five historic passenger rail cars at Union Station in New London to ride north on NECR. As earlier [see 11#10B], Charles Hunter of RailAmerica supported the effort to improve the line for both passenger and freight.

On the train, he said improving 110 miles of track and building depots would cost about $150 million. He noted that in Vermont, NECR is finished with a similar upgrade, a combination of federal grants and NECR matching funds [see Vermont]. Hunter said a similar combination could work for the Connecticut-Massachusetts portion of the track, with state support added. Supporters applied for a $10 million federal TIGER grant in 2011 but did not receive funding. {Claire Bessett of AP in Rutland Herald 15.Oct.12}

**MAINE**

**PAN AM: INTERMODAL?**

20 September, Waterville. REPORTEDLY, THE RAILROAD IS INTERESTED IN REVIVING INTERMODAL SERVICE HERE. The 'Transportation Team' of the Sustain Mid-Maine Coalition discussed
this in considering support for rail in central Maine as part of a comprehensive plan for the City of Waterville. 
{http://www.waterville-me.gov/content/1349095832transportation-team—9-20-12.pdf}

**MMA: TRAFFIC UP**

11 October, Northern Maine Junction. THE RAILROAD DID NOT GET ANY FEDERAL DISASTER AID, after a June freak flood did $350,000 damage to tracks in Brownville. That casualty loss consumed some funds the railroad was planning to use for capital expenditures in 2012, said President Bob Grindrod.

**No federal aid**

U.S. Senator Olympia Snowe, R-Maine, announced earlier in October that three Brownville businesses would receive federal Community Development Block Grant funds in November: Joe’s Repair Shop $25,000, Simple Sacks $3,500, and Sebec Village $6,000.

Maine Emergency Management Agency spokesperson Lynette Miller said five businesses suffered extensive damage from the storm, counting the three recipients and MMA. But federal regulations require at least six businesses within a county to suffer a loss in order to qualify for aid, said Deborah Johnson, director of the office of community development at the Maine Department of Economic and Community Development.

State and federal officials from several agencies, including DECD, devoted weeks to getting the businesses some help, but found that most federal and state regulations required more damage be done to a wider area for aid to become available, Johnson said.

Johnson said efforts to secure aid for MM&A were continuing. The three businesses qualified for aid under a microenterprise grant. Grindrod’s company is not micro; if it does qualify for help, the aid likely will be a low-interest loan, Johnson said.

**Rail traffic up**

MMA is rebounding well from the traffic downturn that forced the divestiture of track in Aroostook County [now operated by NBSR – see 12#08A], but could still use the help, Grindrod said.

Since October 2011 MMA traffic has risen 10%. He scoffed at state estimates of NBSR growth close to 50%. Most of his increase comes from forest products, usually wood chips.

The railroad has hired eight more engineers and train service workers over the last year and is in the process of hiring three or four more workers each for its shop and train service departments. Another 14 engineers could come aboard if the company secures another contract it is working on, Grindrod said, but declined to elaborate. {Nick Sambides in Bangor Daily News 11.Oct.12}

**MASSACHUSETTS**

**CSXT-MASSDOT: DEAL CLOSED**


**Doublestack: MassDOT done**

The full transaction is now complete and in total, the Commonwealth will pay CSXT $100 million for:

- 45 miles of the Framingham/Worcester commuter rail line between Boston and Worcester
- 37 miles of rail lines running south from Taunton to Fall River and New Bedford
- 8 miles known as the Grand Junction, which runs from Allston, across the Charles River, through Cambridge, Charlestown, Everett and Chelsea
- 2 miles known as the Boston Terminal Running Track which extends from Dorchester to South Boston, including the West First Street Yard.
As part of this public-private partnership, CSXT is investing about $150 million including the investments at rail yards in Worcester, Westborough and West Springfield to expand and enhance freight services throughout the Commonwealth.

The Commonwealth and CSXT have also worked together to complete bridge work at 31 locations across the state, from the New York border to Worcester, to raise the clearance to allow for the double-stacking of full-size freight containers. Through this initiative, MassDOT also raised clearances at 14 of those locations (completed on September 19th) by investing $72 million and CSXT is completing the work for the remaining sites. {Governor Deval Patrick press release}

CSXT: TRANSFLO OPEN

6 October, Westborough. TWENTY RAILCARS WERE PRESENT IN THE NEW TRANSFLO YARD HERE. Construction Manager Patrick Lenton of the TransDevelopment Group said on 2 October that the occupancy permit would be approved on 4 October. {e-mail to ANR&P from correspondent Frank Demasi 6.Oct.12}

GU: LAWSUIT SETTLED*

30 August. JON DELLI PRISCOLI AND MARSHA PAUL SETTLED HIS DEFAMATION LAWSUIT AGAINST HER, according to documents filed this day [see 12#06A]. The terms of the settlement were not disclosed in the court documents. Delli Priscoli said in a phone interview in October that the settlement terms included a requirement that neither party disclose them. “I’m very satisfied with the result and I’m sure Mrs. Paul is also.” {Richard Price in Grafton Daily Voice 4.Oct.12}

GU: HOPEDALE OPENS*

1 October, Hopedale. THE FIRST REVENUE TRAFFIC TO THE EAST END OF THE LINE arrived this day. During the last weekend of September, several centerbeam cars with building materials were seen along the spur in Grafton Center and at the Upton Yard. On this day GU delivered the cars to the newly-opened G&U Logistix facility [see 12#08B] at the Hopedale Yard.

On 2 October, GU switched the facility again. Track crews from First Colony Development were installing an additional spur at the yard, and planned an additional runaround track alongside the building. {Dan
MC: A SALE**

12 October, DC. *IOWA PACIFIC HAS PURCHASED THE RAILROAD*, according to the (redacted) filing of a notice of exemption at the Surface Transportation Board. Iowa Pacific Holdings LLC (IPH), a railroad holding company, owns Rusk, Palestine, and Pacific Railroad and Permian Basin Railways (PBR), another railroad holding company which in turn owns seven railroads (one, Saratoga and North Creek, in the Atlantic Northeast).

Cape Rail Inc is owned by Chris Podgurski and Andrew Reardon. On this day IPH through PBR acquired 80% of Cape; Podgurski and Reardon will continue to hold 20%.

**Independent voting trust**

Because of the need to consummate the transaction as quickly as possible, IPH formed an independent voting trust and deposited into the trust the shares it acquired. Mark Cane was appointed trustee.

**Purpose of transaction**

The filing stated it sought to improve freight and passenger revenue through IPH’s greater marketing resources, and reduce overhead by centralizing administrative functions. {STB website, filings page, FD 35684}

The deal will only become final with an STB okay, IPH President Ed Ellis pointed out in an e-mail later. {to ANR&P 13.Oct.12}

**Earlier purchase history**

In 2007, Chris Podgurski and others organized as Cape Rail won the bid, over BCLR, to operate state-owned trackage on Cape Cod and other southeastern Massachusetts areas.

In 2011, Jon Delli Priscoli purchased some of Cape Rail [11#08A]. In January 2012, court cases were heard arguing that ETC Capital had a deal with Cape Rail which some of the Cape Rail officers wrongfully terminated [12#01B]. Cape Rail funds were thin.

In May 2012 Jon Delli left Cape Rail [12#05A]; in June, the two ETC court cases were settled [12#06A]. In late September, sources report, Ted Michon, one of the original minority shareholders of Cape Rail, sold his shares. {e-mails to ANR&P}

NEW BEDFORD: MEXICAN PRODUCE?*

3 October. *GOVERNMENT OFFICIALS ADVOCATE A SEA LANE FROM MEXICO, WHILE BUYERS HESITATE.* Some 13 people from Mexican growers visited to discuss shipping produce of better quality to New Bedford for local distribution, including Jose Alfredo Lopez Cardona of Mexican produce company Eco Agri Tec.

For the lane to work, officials said, a critical mass of growers and buyers must sign on, ensuring that the boats, which fit more than 100 truckloads worth of produce, will be full and someone will buy at the other end. “Right now, it’s kind of like dating. They meet, they’re talking, they’re exchanging information,” said Gabriela Trevino Laver, of ProMexico, the country’s trade commission. “The matchmakers are the officials and the shipping lines.” Laver helped organize the conference at the Whaling Museum which drew about 100 people.

Sea shipping will be cheaper for both parties thanks to rising gasoline costs and the efficiencies of bulk shipping, said David Wechsler, the president of Maritime International, who has been working to start the weekly shipping service, now called Meximar, for about 14 years. So far, the plan has stalled as buyers and growers stick to established trucking routes, which involve smaller quantities and shorter distances between

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1 In a separate filing on this case, IPH requested that the purchase price and terms be kept confidential.
2 Thus indirectly saying that Ted Michon and John Kennedy previously sold their shares to Podgurski and Reardon, and Podgurski’s wife also sold her shares to the two. Editor
3 According to his Linkedin profile, he worked for BN and Amtrak; currently he is a self-employed commodities trader in the
buyers and sellers, and therefore less risk.

**Buyer reaction**

“It's perishable stuff,” said Ralph Tejada of Top Katz LLC, a New York-based fruit and vegetable importer. “You have to have a critical mass. Who wants to go first?” said Steven Nasiff of Nasiff Fruit Company, a produce distributor in Fall River; he wasn't yet convinced of the cost savings of $1,600 per truck quoted by Wechsler.

Even as regional grocer Market Basket staff mingled with Mexican growers over a spread of doughnuts and coffee, Michael McGuire, the produce buyer for Market Basket, said the deals remain an open question. “Our 68-shop chain isn't going to fill a boat. “There's a lot of things to be determined. ... Today will be an educational venture.”

Officials in Mexico and New Bedford are pushing to open the sea lane by January 2013. {Natalie Sherman in New Bedford Standard-Times 4.Oct.12}

**Trade tariff?**

Under the current trade agreement, Mexican tomatoes enter the United States without a tariff. In the past decade, Mexican growers have ramped up fresh tomato production. In 2000, fresh tomato exports totaled $412 million; by 2011, that figure had jumped to $1.81 billion. U.S. importers of the Mexican varieties say they are tastier, cheaper and more plentiful year-round. Florida growers contend Mexico low-balls its prices and makes fair competition impossible. The have asked the U.S. Commerce Department to intervene.

In late September, the department filed notice of intent to grant the Florida growers' petition, a move that will allow them to formally accuse Mexican producers of illegal dumping. The decision, though preliminary, infuriated Mexico and a host of U.S. companies supporting the Mexican tomato, including major grocery and restaurant chains and California importers. {Los Angeles Times cited in Portland Press Herald 5.Oct.12}

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**NEW HAMPSHIRE**

**MBRX: UPDATE**

**Operations**

MBRX continued to operate, moving stone for Granite State Concrete, into October.

**MBRX v Pan Am**

Peter Leishman has decided to ask the First Circuit *en banc* to review the decision made by a three-judge panel in favor of Pan Am.

He decided to do so when told by Pan Am that it would not talk about the renewal of the operating agreement until NHDOT had awarded the operator license.

[Pan Am spokesperson Cyndi Scarano declined to comment 'on ongoing legal issues.' {e-mail to ANR&P}]

**RFP to operate the state-owned part of the Hillsboro Branch**

NHDOT in August [see 12#08B] announced it had informed any bidder with whom it was negotiating it was selected. But the department has not released the name of the bidder, nor disclosed any date to decide.

Some report that the decision won't be made until after the election, or indeed long after the election.

**Freedom of Information**

Trying to understand why NHDOT has gotten so convoluted about the RFP, your editor submitted a request to NHDOT to see relevant documents. Unfortunately, state law prohibits release internal information about the process before the award. {e-mails and discussions with Leishman}
**VERMONT**

**NECR: FINISHED**

6 October, Brattleboro. **COMPLETION OF A $72 MILLION RAIL UPGRADE THAT ALLOWS PASSENGERS AND FREIGHT TO MOVE MORE QUICKLY THROUGH VERMONT** was celebrated here. The higher-speed rail project covered nearly 200 miles of track from St. Albans near the Canadian border to Vernon in the state’s southeastern tip. {Mike Faher in Brattleboro Reformer 6.Oct.12}

A grant for work north of St.Albans was announced in June [see 12#06B].

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**MARITIMES**

**CBNS: NEW TRAFFIC**

12 October, Montreal. **THE RAILWAY EXPECTS TO BE “HEAVILY INVOLVED IN THE MOVEMENT OF PAPER” from the reopened Port Hawkesbury paper mill [see 12#09A] and possibly the inbound movement of wood fibre, said railway spokesperson Peter Touesnard.**

“We are working pretty closely with them to identify lanes that make the most sense for rail and working them on the supply of materials into the mill like fibre wood. So we hope to be as heavily involved as we could have been prior to the shutting of the mill in September 2011.”

**Need to be competitive**

The mill began producing calendared paper on 3 October. {Canadian Press 3 Oct. 12}. Touesnard said CBNS began hauling paper from the mill around 5 October, likely into the United States or central Canada where hauling by rail “is most competitive.”

The mill will not restart the newsprint machine [190,000 tonnes per year – see 11#08B], so the traffic will not return to what it once was, said Touesnard. “Obviously what we appreciate is that this mill needs to be very competitive so we are working with them to determine where rail can be most competitive for them.”

**Plan to increase service**

When the mill closed in 2011 and CBNS lost business, the railway laid off employees [12#05B]. Touesnard anticipates the railway will hire more staff and once the mill is “operating more normally it is my understanding we are looking at increasing our service by two days a week. Right now we are operating three days a week from Port Hawkesbury and we are looking at going to five.” {Discussion with ANR&P’s correspondent Tom Peters 12 Oct. 12}

**Effect on North American paper mills**

Port Hawkesbury can produce 360,000 tonnes per year of groundwood paper, 50% more than the mill in Madison, Maine. Indeed, Port Hawkesbury's capacity represents about one-third of North American capacity. {Harold Cody in Paper Age 9-10.12}

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**RAIL FREIGHT FACILITIES**

CSXT TRANSFLO (CSXT, Massachusetts) Opens Westborough facility.
G&U Logistix (GU, Massachusetts) Opens Hopedale facility.
HOST (NS, New York) Frack sand terminal opens.
NEFT (FGLK, New York) Offers competition to HOST.
Port Hawkesbury (CBNS, Nova Scotia) Paper mill reopens.

*Described in this issue.*
PEOPLE, EVENTS

Ted Michon died in early October, suddenly of a heart attack. Your editor has known Ted since he became the first president of the Bangor & Aroostook Railroad in 1995. While we disagreed on the viability of a container terminal on Sears Island, we agreed on much else. He was a gentleman. At the end of September, he sold his minority ownership in Cape Rail, which operates the Massachusetts Coastal Railroad.

Formerly a top official at Omya, Gerry Racette became vice-president of business development at Vermont Rail System on 1 October.

Shawn Smith, formerly in strategic planning at Canadian Pacific Railway, has set up his own consultancy in Edmonton: Dominion Railway Services.