**REGIONAL**

**Crude:** CN sighting? Railroads resisting order to report crude traffic.

**NECR-PAS:** NECR wants a new agreement covering PAS traffic on the ConnRiver. Map. History of line. Current agreement. Sources discuss ConnRiver traffic and VRS interest in trackage rights. Editorial questions.

**NEW YORK**

**NYA:** BRT allegedly mining on LIRR, LIPA property.

**MASSACHUSETTS**

**MMA:** Province seeks more than $409 million.

**MMACMQ:** Details of disaster made public.

**LEWIS**

**MBTA:** Operating rights in July unclear. Giles positive.

**CONNECTICUT**

**Port Authority:** Legislation signed. New Haven: Update by Judy Sheiffele.

**MAINE**

**NB&M:** Chinese manufacturer considering Loring.*

**NEW HAMPSHIRE**

**MBRX:** NHDOT contract to Governor and Council. PAR to discuss agreement. Loco nearly done.*

**NEGSC:** Hosting DODX flats for loading equipment enroute to Michigan for Guard exercise.*

**Pan Am:** Portsmouth appeals Sea-3 permit awarded by Newington.

**RHODE ISLAND**

[No report.]

**VERMONT**

[NECR – see Regional.]

**MARITIMES**

**Cape Breton update:**

1. NSPI bought Pier and SCR back from Logistec.
2. Savage contract to operate Point Tupper Marine Terminal up for renewal.
4. SCR will not operate Cape Breton trackage.

**RAIL SHIPPERS/RECEIVERS**

A cross-reference to companies mentioned here.

**PEOPLE, POSITIONS, EVENTS**

Mario Brault

**EDITORIAL**

Connecticut Port Authority? Phooey.

Don't mistake my realpolitik view of the Connecticut Port Authority with my wishes. I hope that New London and New Haven win immense amounts of new traffic with the assistance of the new state port authority. But I bet it won't happen.

- Chop Hardenbergh Next formal issue 7 July.

---

CN
On 16 June W406 ran enroute to Saint John with 138 cars, drawn by three units at the head end and one in the middle: 8 boxcars, 91 long tank cars (longest string 66), 13 shorter tank cars, 4 covered hoppers, and 22 autoracks. {RailsNB video}

On 18 June W406 ran with over 120 cars. A rail observer said most were LPG tank cars.

I hooked into the RailsNB Facebook page, which now has most sightings posted. The tank car strings continue to Saint John containing, perhaps, crude oil. Editor

11 June. SOME RAILROADS ARE RESISTING THE USDOT ORDER TO GIVE CRUDE TRAFFIC DATA TO STATE EMERGENCY RESPONSE TEAMS. BNSF and UP are asking states to sign strict non-disclosure agreements promising not to make the information public. Some states are complying, some not. Officials in Wisconsin, Montana, Illinois, North Dakota, Idaho, and Washington have declined to sign the agreements, while California, Louisiana, and New Jersey have agreed to keep the information secure. Colorado, South Dakota, Iowa, Oregon, and New York are reviewing the requests.

In some cases, states are crafting specific arrangements with railroads that get around FOIA laws. Under an agreement with Virginia, CSXT must mark documents as proprietary when submitting them to state emergency officials. “Any information that CSX has not deemed proprietary can be released outside of emergency services,” Dawn Eischen, a spokesperson with the Virginia Department of Emergency Management, wrote in an e-mail. Since state officials do not themselves marking the data for non-public use, they are presumably still in compliance with FOIA laws.

In Wisconsin and Washington state, emergency officials have received routing and shipment info from BNSF despite refusing to sign the railroad’s non-disclosure agreement.

Why keep it secret?
Railroads are often bound by strict non-disclosure agreements with the oil companies. And they state security and competitive risks.

Business Week editorial
This seems overstated and beyond the point. The world knows that the vast majority of the crude comes out of North Dakota. Putting that information in the public domain would no more increase the risk of an attack than keeping it secret. And competitive risk should not limit public safety.

Railroads worry about greater regulation. Oil is not subject to the same strict routing standards as other hazardous chemicals. Toxic chlorine must be routed away from populated areas—often via a competing company’s rail network — but crude oil may run through downtowns.

On 1 July, new rules subject oil trains to tougher routing standards. Citizen groups in several states are already starting to mobilize and station watch parties to count passing oil trains. Once more people realize just how close they are to millions of barrels of crude oil every day, it’s safe to say that the push to keep a better eye on it will only grow more intense. {AP cited by Matthew Phillips in Businessweek 6.14}

NECR-PAS: Trackage rights dispute ++
17 June, DC. NECR ASKED THE STB TO RULE ON PAN AM SOUTHERN'S TRACKAGE RIGHTS FEES OVER THE CONNRIVER, a relic of the 1988 failure of then-operator and part-owner Boston and Maine to adequately maintain its part of the line for Amtrak service.
Who owned the ConnRiver line between East Northfield and White River Junction?

Historical events [see box] created a split ownership of the line: Central Vermont (CN-owned subsidiary sold to RailTex and renamed the New England Central Railroad) held from East Northfield to Bellows Falls, B&M (a subsidiary of Pan Am Railways; this section along with much else was transferred to Pan Am Southern) owned from Bellows Falls to Windsor; and Central Vermont from Windsor to White River Junction.

Ownership changed to trackage rights in 1988

B&M lost ownership of its line in 1988 [see box], but retained trackage rights between East Northfield and White River Junction.

Two trackage-rights and payment arrangements were created by the Interstate Commerce Commission's
1990 B&M TRACKAGE RIGHTS
OVER CV

[from TERMS AND CONDITIONS OF TRACKAGE RIGHTS IMPOSED BY THE INTERSTATE COMMERCE COMMISSION GOVERNING THE USE BY BOSTON AND MAINE CORPORATION OF CERTAIN LINES OF CENTRAL VERMONT RAILWAY, INC, ICC decision 1990] (underlining added)

1. GRANT OF TRACKAGE RIGHTS

1.1 Subject to the terms and conditions of this Agreement, B&M shall have the non-exclusive right to operate B&M's trains, locomotives, cars and equipment with B&M's own crews over the Line, as more particularly defined as follows:

- All main line track and passing sidings between a point at the interlocking at East Northfield, Massachusetts (approximately B&M MP 49.67 and CV MP II 0.5l) to the Bank switch at the termination of B&M ownership at White River Junction, Vermont (approximately CV MP 13.40).

1.2 B&M shall have only overhead running rights over the CV Lines.

[The ICC defined CV Lines as the approximately 13.4-mile rail line between White River Junction, Vermont, and Windsor, Vermont, and the approximately 10.6-mile rail line between Brattleboro, Vermont, and East Northfield, Massachusetts, both of which have belonged to CV since before the Conveyance Date.]

1.3 B&M shall have the exclusive right to serve all existing shippers and shippers' facilities that were located on the Former B&M Line as of the Conveyance Date, including any and all new shippers that locate at such existing facilities after the Conveyance Date, provided that B&M makes available a minimum three-day per week service along the Line. B&M must consult with the shippers and ensure their needs are met up to three-day per week service.

1.3.1 For purposes of this Section 1.3, "existing shippers and shippers' facilities" shall mean industries and facilities at rail sidings which received or tendered rail shipments during the twelve months immediately prior to the Conveyance Date.

1.3.2 For purposes of this Section 1.3, "three day per week service" shall mean the provision of local set-off and pick-up service to shippers on the Former B&M Line at least three times per week (Monday through the following Sunday) in each direction.

1.3.3 CV shall be permitted to commence service to existing shippers and shippers' facilities upon B&M's failure to make available three day per week service during two weeks out of any four week period, unless such failure is excused by Section 9.6.

1.4 Except as provided in Section 1.3, CV and B&M shall each have the right to compete for and serve the following shippers and shippers' facilities on the Former B&M Line:

(a) shippers and shippers' facilities located on the Former B&M Line which have not received or tendered rail shipments during the twelve months immediately prior to the Conveyance Date;
(b) any other new shippers;
(c) any existing shippers and shippers' facilities to which B&M does not provide a minimum three day per week service, as specified in Section 1.3.

1.4.1 CV shall, upon request by B&M, provide reciprocal switching to permit B&M to serve such shippers and shippers' facilities as B&M may serve hereunder. CV shall not be required to switch cars on B&M's behalf at shippers' facilities which CV serves by virtue of B&M's failure to make available a minimum three-day per week service along the Line as specified by Section 1.3, but B&M shall retain the right to provide service directly to such shippers and shippers' facilities.

B&M shall pay to CV a per switch charge not greater than 180% of the CV variable cost of providing such switching service computed using CV's costs computed in accordance with formulas generally used or accepted in ICC proceedings.

1.5 CV and B&M shall each have the right to compete for and to interchange traffic at Bellows Falls, Vermont, with GMRC and at Claremont Junction, New Hampshire, with the CCR. B&M shall have the exclusive right to interchange traffic at Charlestown, New Hampshire, with the ST.

1.6 B&M shall have the right of entry over the Line for any and all B&M employees, agents or representatives, machinery, vehicles or equipment which B&M may deem necessary or convenient for the purposes of inspecting the Line, clearing any derailments or wrecks of B&M trains on the Line or otherwise conducting its operations over the Line.

1.7 B&M shall without charge to CV dispatch the interlocking CPR 50 located at East Northfield, Massachusetts, until seven (7) days after CV notifies B&M that CV is prepared to assume such responsibility and all applicable regulatory requirements have been satisfied.

1.8 Except as provided herein, this Agreement does not diminish in any way CV's right to use the Line, or CV's right to lease or otherwise allow another carrier to use the Line.

[continued in next box]
1.6 B&M shall have the right of entry over the Line for any and all B&M employees, agents or representatives, machinery, vehicles or equipment which B&M may deem necessary or convenient for the purposes of inspecting the Line, clearing any derailments or wrecks of B&M trains on the Line or otherwise conducting its operations over the Line.

1.7 B&M shall without charge to CV dispatch the interlocking CPR 50 located at East Northfield, Massachusetts, until seven (7) days after CV notifies B&M that CV is prepared to assume such responsibility and all applicable regulatory requirements have been satisfied.

1.8 Except as provided herein, this Agreement does not diminish in any way CV's right to use the Line, or CV's right to lease or otherwise allow another carrier to use the Line.

3. COMPENSATION

3.1 B&M shall have no obligation to pay for or contribute in any way towards the cost of upgrading of the Former B&M Line, except as provided in Section 3.7.

3.2 Except as provided in Section 1.7, CV shall be solely responsible for dispatching all operations over the Line and for the maintenance and repair of the Line, including the signals and the signal and dispatching system which controls operations on it. CV shall keep the Line, at all times throughout the term of this Agreement or any extensions thereof, in not less than FRA Class II condition.

3.3 In full satisfaction of any and all obligations of B&M to pay for the trackage rights provided herein or contribute towards the costs of dispatching, maintenance and repair of the Line (including the maintenance, repair and operation of the signals and the signal and dispatching system which controls operations on it), B&M shall pay to CV 20.1¢ per car mile (whether loaded or empty including locomotives, cabooses and work equipment) of traffic actually operated by B&M (or its assignee) over the Line.

Notwithstanding the foregoing, the sum of such payments in respect of the former B&M Line shall not exceed one hundred forty-two thousand dollars ($142,000) per year during the first three years this Agreement is in force and shall not exceed seventy-five thousand dollars ($75,000) in any year thereafter,

provided, however, that the foregoing limitation shall not apply if the annual gross traffic volume on the Former B&M Line attributable to B&M's overhead or local service, including traffic for interchange to GMRC, CCR, or ST, exceeds 32,500 carloads. Locomotives, cabooses and work equipment shall not be included in determining whether traffic attributable to B&M has exceeded 32,500 carloads in a given year.

In any year that the amount of traffic attributable to B&M on the Former B&M Line exceeds 32,500 carloads, B&M shall pay CV as additional compensation 20.1¢ per car mile for all the cars in excess of 32,500 cars, whether loaded or empty, including locomotives, cabooses and work equipment.

3.4 All payments to be made by B&M and CV under this Agreement (including the caps set forth in Section 3.3) shall be adjusted effective March 31, 1989, and semi-annually thereafter, for price level changes from July 1, 1988...[using AAR Indices]

3.5 B&M shall have responsibility for and shall report and pay directly to the owner of the cars, all mileage, car hire and other charges accruing on cars in B&M's trains on the Line.

3.6 CV shall issue its bill to B&M....

3.7 In the event that CV is required to undertake any major capital projects which may become necessary due to changes in applicable local, state or federal statutes, ordinances or regulations, or by catastrophic occurrences on the Line, including but not limited to floods or destruction of bridges, B&M or its assignee shall pay its proportionate share of the expenditures actually made by CV for such capital projects based upon the percentage of total car miles on the Line attributable to B&M's (or its assignee's) average traffic volume during the preceding five (5) year period.

4. ADDITIONS AND ALTERATIONS

4.1 CV shall pay for and be responsible for the construction, maintenance, repair and renewal of any additional connections to the Line which it may require.

4.2 If B&M determines that changes in or additions and betterments to the Line, including changes in communication, dispatching or signal facilities as they existed immediately prior to the Conveyance Date, are required to accommodate B&M's operations beyond that required by CV to accommodate CV's and Amtrak's operations over the Line, B&M shall pay for the construction of such additional or altered facilities, including the annual expense of maintaining, repairing, and renewing such additional or altered facilities. Notwithstanding the foregoing, CV shall have the right to approve of any such addition or alteration prior to its construction, which approval shall not be unreasonably withheld.

5. SCHEDULING OF TRAINS & MAINTENANCE

5.1 The trains, locomotives, cars and equipment of B&M, CV, Amtrak, and any other present or future user of the Line or any portion thereof, shall be operated without prejudice or partiality to any party to this Agreement or any such other user and in such a manner as will result in the most economical and efficient manner of movement of all traffic; provided, however, that CV shall give priority to intercity rail passenger trains of Amtrak to the extent required by Section 402 of the Rail Passenger Service Act. Notwithstanding the foregoing, B&M shall have the right, in consultation with CV, to establish the schedules of B&M's trains
1988 Trackage Rights Order [TO - see text in separate box]. The TO's section 3.2 placed all responsibility for repair and maintenance on CV.

Trackage rights over original CV-owned line. B&M had only overhead rights here, except that it could interchange with GMRC in Bellows Falls. B&M was assessed 20.1 cents per car mile (adjustable for inflation).

Trackage rights over 'Former B&M Line'. As long as B&M maintained 3-days per week service to existing customers, it retained the customers. B&M can CV could compete for new customers here. CV can interchange with CCRR in Claremont. B&M was assessed 20.1 cents per car mile (adjustable for inflation).

Payment of per-mile fees for traffic on the Former B&M Line could not exceed $75,000 per year.

The Trackage Rights Order (TO)

1 In 2001 Rymes Heating Oils in Claremont (on the Former B&M Line) challenged B&M's right to serve, arguing (1) it was a new facility, and (2) B&M was not providing the three-days per week service. 02#02A. The STB ruled in favor of Rymes in 2002. 02#07A.
The TO specifically provided that its provisions were binding for only twenty years, and left open the establishment of revised terms and conditions after twenty years. The Conveyance Date, when CV acquired the trackage, was 9 September 1988. Paragraph 2.2 of the TO provides in part:

After 20 years from the Conveyance Date, either party to this agreement may seek modifications from the other, and if satisfactory modifications are not agreed to after a reasonable period for negotiation, may apply to the ICC for modifications. Nothing in this section shall authorize the ICC to impose arbitration requirements upon either party to this Agreement.

**NECR dissatisfied**

According to the NECR filing:

'As a result of combining the lines covered by the TO, certain terms that had applied to the trackage rights over the CV Lines (including without limitation increases in rates to account for capital improvements, and termination provisions) were not reflected in the TO.' {page 3}

'NECR does not believe that the current adjusted rate of 44.72891 cents per car mile [up from the original 20.1 cents – see above] adequately accounts for the variable costs incurred by NECR attributable to PAS's operations, PAS's proportionate share of track maintenance and operating expenses, and compensation for PAS's use of the capital dedicated to the track by NECR.

'Further, NECR does not believe that the TO reflects current market rates for trackage rights over FRA Class 3 track. [Amtrak service, which has operated over the NECR for decades, has required Class 3 service, which existed in 2012 – see 12#09A.2]'

'NECR also believes that the other terms and conditions of the TO, including without limitation compensation (including reimbursement for capital improvements), operation, insurance and liability insurance and liability, do not reflect current standards for trackage rights agreements.

**2014 efforts to modify the TO**

'NECR met with PAS/ST on December 20, 2013, to discuss modifications to the terms of the TO, including an increase in the trackage rights fee. NECR followed up with a letter dated January 7, 2014, giving PAS/ST a reasonable period of sixty days to negotiate modifications sought by NECR.

'The parties met again on January 30, 2014, to discuss NECR's proposed modifications. PAS/ST indicated their view that the parties were at an impasse, and that they understood that after the sixty-day period set forth in the January 7 letter, either party could seek relief from the Board.

**Request for two new trackage rights orders**

NECR stated: 'The Board should in this proceeding adopt a new trackage rights order applicable to the trackage rights over the Former B&M Line, with new terms and conditions to be established by the Board.

'The Board should also in this proceeding adopt a new trackage rights order applicable to the trackage rights over the CV Lines, with new terms and conditions to be established by the Board consistent with its separate history of ownership. NECR believes that the terms of the new trackage rights orders should apply beginning with the expiration of the sixty-day notice period, i.e., as of March 8, 2014.

**Proposed Schedule**

'NECR proposes the following schedule for the proceeding:

Day 0 Board institutes a proceeding and establishes a schedule

---

2 Indeed, some parts of NECR's line is now Class 4. {VAOT-NECR power point 2010}
Day 75    NECR submits its opening statement
Day 105   PAS submits its reply statement
Day 135   NECR submits its rebuttal

NECR anticipates that each party would provide its workpapers to the other party subject to the entry of an appropriate protective order. {STB website, filings page, Finance Docket No.35842}

Pan Am serving customers now
Pan Am is limited, under the Trackage Rights Order, to serving customers between Brattleboro and Windsor, and to interchange with CCRR in Claremont and VRS in Bellows Falls.

One source said Pan Am is interchanging large numbers of propane cars to VRS for the new Dead River facility in Riverside [see 13#12A for new interchange track].

Pan Am also serves the Plains propane facility, Advanced Recycling, and Can Am Steel [see photo].

GWI does not want to lose traffic?
Another source said PAS wants to handle VRS traffic from Bellows Falls to White River Junction, but GWI is doing what it can to see that it does not happen. {e-mails to ANR&P}

EDITORIAL QUESTIONS & REPLIES
Herewith my questions and GWI spokesperson Mike Williams replies:

Q: Why now? NECR had since 2008 to re-open the agreement.
A: The line is under new ownership (Genesee & Wyoming), and there has been an increase in traffic being moved by Pan Am.
Q: Since PAS is running few trains to White River Junction can any increase be worth the attorneys’ fees to do this filing?
A: If it did not make economic sense, we would not have filed.

Q: What progress in the VRS talks with Pan Am about moving (formerly NECR) overhead traffic Bellows Falls – White River Junction [see 14#04A]?
A: We have no insight on this.

Q: Since the taxpayer paid for much of the track work to make the NECR line Class 3, can NECR recover those costs?
A: NECR costs, irrespective of any taxpayer dollars, are not being covered by the existing agreement. {e-mail to ANR&P 20.June.14}

NEW YORK

NYA: BRT UPDATES

9-13 June. A FLURRY OF FILINGS RESULTED FROM BROOKHAVEN RAIL TERMINAL ACTIVITY. The Town of Brookhaven contends that under the guise of constructing an addition to its spur, BRT is engaged in illegal sand mining and in creating a freight transportation hub, which was not permitted under a 2010 STB order permitting the opening of the terminal [see 14#05A].

The Town is proceeding at the STB, in US District Court, and at the Town level via a Stop Work order.

More evidence of BRT illegal activity
On 10 and 11 June, the Town filed with the STB and the US District Court two different letters sent to BRT by:

Long Island Power Authority. LIPA on 10 June wrote to Andrew Kaufman (head honcho at BRT) telling BRT:

As of this date, we have been notified that Brookhaven Rail Terminal and its agents have trespassed onto the LIPA-owned property [adjacent to BRT] and have illegally disturbed and removed large portions of our property's topography and compromised the adjacent high voltage electrical transmission and distribution system as well.

Long Island Railroad. LIRR on 11 June wrote to David Ralston, DC attorney for BRT:

It has come to our attention that your client, Brookhaven Rail Terminal ("BRT"), has encroached upon and may have engaged in sand mining on MTA Long Island Rail Road ("LIRR") property. This encroachment and possible mining, which is south of BRT's facility in Yaphank, includes but is not necessarily limited to BRT's placement of a fence, signs, and sand on the LIRR's right of way. At some locations, BRT's fence is more than 20 feet within the LIRR's property line. (Please see attached pictures.)

Town of Brookhaven STB filings, BRT response
The Town on 11 June filed the two letters with the STB in both its Motion to Re-open the 2010 Proceeding and in the Petition for a Declaratory Order.

On 20 June, BRT argued the filings were irrelevant to the 2010 proceeding: 'The Town raises arguments regarding Parcels B and C, whereas the Town's Motion to Reopen Proceeding is limited to Parcel A, as Parcel A alone was the subject of the proceeding in Finance Docket No. 35141.' {STB website, filings page, Finance Docket No. 35141}

Also on 20 June, BRT argued the filings were also irrelevant to the Declaratory Order: 'In Finance Docket No. 35819 (concerning BRT's Petition for Declaratory Order), the only issue there is whether the track that BRT is constructing on Parcels B and C is a spur. The Town's "Emergency Application" does not raise legal
or factual arguments on the question of whether BRT's planned track is a spur. {STB website, filings page, Finance Docket No. 35819}

**Town of Brookhaven District Court filings**
The US District Court issued a Temporary Restraining Order stopping work on 13 May. On 10 June, it extended the TRO to 1 July, to permit the Court time to rule on the Motion for Preliminary Injunction.

On 11 June, the Town asked the Court to re-open the record to include the LIPA and LIRR letters. On 13 June the Court denied the Town's motion. {Court website, Case No. 2:14-cv-02286-GRB}

**BRT motion to close STB record and decide**
In its 20 June response to the STB, BRT concluded:

"Notwithstanding the Town's continued hyperbolic spasms, there is no showing of an "emergency" here. Rather, this is another example of the Town's overstatements and misstatements, designed here to manufacture a crisis atmosphere the Town apparently believes is necessary to have the Board decide in the Town's favor. Besides conveying the Town's recognition of the weakness in its positions in both Board matters, the Town's latest filing
confirms that if the record is not closed in Finance Docket No. 35819, as BRT has requested, the Town will continue its seriatim practice of filings concerning unrelated issues. Accordingly, the Board should close the record and enter a decision on BRT's Petition for Declaratory Order, as requested by BRT in its Motion to Close the Record and Enter Decision filed on June 9, 2014 (Document No. 23 6160). {STB website, filings page, Finance Docket No. 35819}

QUEBEC

MMA: PROVINCE SEEKS RECOVERY
13 June. THE QUEBEC JUSTICE MINISTRY FILED A CLAIM FOR MORE THAN $409 MILLION in the bankruptcy proceedings. The government said it has already spent $126 million in public funds and suggests that future costs relating to the rebuilding of Lac-Mégantic could be in excess of $283 million. The latter amount could change depending on how much is actually spent.

Quebec Justice Minister Stéphanie Vallée said in a statement: 'We must act responsibly and take all legal options available to us to recover the maximum (amount)...If those responsible for the disaster, some of (whom) have very substantial financial resources [read CP and the oil companies – editor], proposed an arrangement to creditors, the government could then rely (on it) without penalizing those affected and in the interests of Quebecers who defrayed the costs through their taxes.'

In the event the total funds accessible are only the $25 million in insurance money available to the MM&A, the government has already promised those affected in Lac-Mégantic will be the sole beneficiaries, Vallée said. {Canadian Press 16.June.14}

MMA: DETAILS OF THE DISASTER'S START
13 June, Montreal. ALLEGATIONS BEHIND THE JULY 2013 SEARCH WARRANTS WERE REVEALED.
None of the allegations contained in the search warrant request has been proven in court. Parts of the 29-page warrant request unsealed Friday had been made public in February, but the document had been heavily redacted. The Gazette and the Journal de Montréal went to court to have the redacted portions of the document made public, and they were released this day.

According to the statements given to Surete du Quebec (SQ) and contained in the warrants, on 5 July 2013, the day before the derailment, one of the train’s five locomotives had not been working properly, emitting “abnormal” smoke as it carried 72 cars of crude oil from Farnham to Nantes at speeds as low as 12 miles per hour.

Also on that day, an MMA inspector and Transport Canada inspector had examined the train cars but not the locomotives in Farnham; they identified two minor problems that could be repaired, Yves Gendreau, MMA's manager of railway-equipment inspection, told the SQ.

Parked for the night at Nantes, the same locomotive was spewing a mist of oil droplets into the air. A taxi driver who went to Nantes to pick up Harding told police he had to turn on his windshield wipers to clean oil from the windshield. He also told police Harding had oil all over his arms when he got into the taxi.

Harding told SQ investigators he parked the train in Nantes around 23h05 on the railway’s main line, activated the train’s air-brake system, and then got out of the train to apply seven hand brakes. MMA’s own guidelines required at least nine hand brakes to be set on a train carrying between 70 and 79 cars, the warrant request said. An expert report prepared for the SQ estimated that hand brakes should have been applied to at least 15 cars on the train, as well as on the five locomotives and another car.

Other MMA employees told the SQ they would have applied between 10 and 15 hand brakes to a similar train, the warrant said.

Harding told police he turned off the train’s air brake system to do a brake test, and then turned off all the engines but the one on the lead locomotive — the one that the oil droplets were coming from. According to the warrant, Harding left the locomotive engine running to keep the train’s air system going and to avoid having to do another brake test four hours later.
Other MMA employees told the SQ the company’s policy was to shut down all the locomotives at night to conserve fuel, and locomotives were only supposed to be left running in the winter when freezing could cause problems.

Harding left the train parked, unattended, and headed to Lac-Mégantic by taxi. On the way, Harding told driver André Turcotte that he had trouble with one of the locomotives earlier in the day. He also told Turcotte he really wanted to contact MMA’s American employees because they had more power and might tell him to turn the locomotive engine off, the warrant said. Harding arrived in Lac-Mégantic around 23h45.

A fire broke out in the lead locomotive around 23h35. Firefighters from Nantes shut off the engine while extinguishing the fire, which also turned off the 72-car train’s air-brake system. That left only seven hand brakes securing the train, which was parked on a hill.

When MMA rail-traffic controller Richard Labrie learned of the fire, he sent track-maintenance foreman Jean Noël Busque to Nantes to check things out with the local firefighters. According to the warrant, Harding was heard on MMA’s internal communication system offering to go to Nantes, but Labrie told him not to go, and to go to sleep instead.

Several MMA employees told the SQ that Busque was not qualified to inspect the locomotive nor to decide whether it was secure after the fire. Labrie told police Busque was the only employee available to go to Nantes. MMA’s internal communication system recorded a discussion about sending another employee, “Dédé,” but that person was on vacation, the warrant said.

According to the warrant, Busque said that, using a flashlight, he looked around the locomotive but did not go inside; he repeated information from the firefighters to Labrie, plus the fact that the firefighters had turned off the “breaker.” According to Busque’s statement, the railway controller confirmed that the firefighters had acted correctly.

The train was left unattended again around 00h50, the warrant said. A few minutes later, video surveillance cameras showed the train rolling along the tracks toward Lac-Mégantic. A local firefighter spotted the train about five kilometres from Nantes and called 911. Witnesses told police the train was travelling at an estimated speed of 100 kilometres per hour as it entered Lac-Mégantic around 01h15. {Monique Beaudoin in Montreal Gazette 13.June.14}

**MMA-CMQ: OPERATING AUTHORITY**

23 June, Ottawa. MMA HAS NOT SOUGHT AN EXTENSION, AND CMQ LACKS SOME INFORMATION, according to Alexandre Robertson, CTA spokesperson. 'MMA has not applied for an extension to their Certificate of Fitness. With respect to the CMQ Certificate of Fitness Decision, I can tell you that we are waiting for CMQ to finish filing the necessary information.'

John Giles, CMQ chief, responding to a query, wrote: 'We will get this done.' {e-mails to ANR&P}

**CONNECTICUT**

**CONNECTICUT PORT AUTHORITY**

16 June, New London. GOVERNOR DANNEL MALLOY SIGNED THE LEGISLATION THAT CREATES THE CONNECTICUT PORT AUTHORITY, passed unanimously by both chambers of the General Assembly in May.

**Function**

Established as a quasi-public agency, 'The purposes of the Connecticut Port Authority shall be to coordinate port development, with a focus on private and public investments, pursue federal and state funds for dredging and other infrastructure improvements to increase cargo movement through Connecticut ports, market the advantages of such ports to the domestic and international shipping industry, coordinate the planning and funding of capital projects promoting the development of such ports, and develop strategic entrepreneurial initiatives that may be available to the state.'
The only change to existing organization: 'Recommendations on the prioritization or inclusion of projects shall be submitted to the commissioner by the Connecticut [Maritime Commission] Port Authority.' {section 8(a)}

**Business plan**
The new Authority will be established on 1 October 2015. In the interim, the legislation charges the Department of Economic and Community Development to develop, in partnership with state agencies including the Department of Transportation, Department of Energy and Environmental Protection, and the Office of Policy and Management, a business and operating plan for the consideration of the new Authority's board as well as to make recommendations to the Governor and Assembly with respect to additional legislation that would accelerate port development.

**Working Group**
The legislation creates a Port Authority Working Group comprised of representatives of the maritime industry, labor and the deep water port municipalities, which will recommend to DECD points to consider in the development of the business and operating plan and recommendations to the Governor and Assembly. It ceases to exist when the Port Authority starts up.

[It will have at least 13 members, only three of which actually represent the three deep-water ports. The actual Port Authority board has no designated seats for the three ports. *Editor*]

**Deep-water port strategy**
In 2011, Governor Malloy commissioned the Connecticut Deep Water Port Strategy Study to guide the development of a long-term economic development strategy for the deep water ports in Bridgeport, New Haven, and New London. The study analyzes the strengths and deficiencies of Connecticut’s ports, makes recommendations to protect existing commercial operations at these ports, and identifies new opportunities for business growth. ConnDOT collaborated with several state agencies, marine and port stakeholders, and local municipalities in the development of the study. 3 {press release from governor's office}

**Effect on existing port authorities**
No language in the legislation will affect the existing New Haven Port Authority or Bridgeport Port Authority. *Editor*

---

**NEW HAVEN: AN UPDATE**

18 June, Newington. **NEW HAVEN PORT AUTHORITY EXECUTIVE DIRECTOR JUDI SHEIFFELE PROVIDED AN OVERVIEW OF THE PORT** and the Port Authority (NHPA) to the Connecticut Maritime Commission.

She felt that one of the biggest challenges faced is getting the word out on what the Port of New Haven has to offer. The NHPA was chartered by City ordinance in 2003 though it took about a year to get up and running.

In 2008, the City transferred approximately 12 acres of property within the Port District to the NHPA that has subsequently been leased to terminal operators to raise revenue.

The NHPA developed a strategic land use plan that has proven to be very useful particularly when applying for grants such as TIGER.

**Two main issues**

**Maintenance dredging of the New Haven Harbor channel.** She reported that the maintenance dredging of the

---

3 The study [see 12#11A] essentially said, 'Do nothing until you have a long-term strategy.' The Port Authority legislation does not even call for, much less actually provide, a long-term strategy. See *Editorial.*
New Haven Harbor FNP [federal navigation project] as well as approaches to some of the terminals had been completed in early 2014.

Deepening dredging
NHPA is seeking to get the channel deepened from the current 35-foot authorized depth to 42 feet; funds for a study are in the federal FY15 budget.

The new depth will encounter the Cross Sound Cable buried in the channel when installed. Although the cable company agreed to be responsible/pay for relocating the cable should a deepening dredge take place, the cost of doing so will be figured into the cost-benefit analysis.

In response to a question on the timeline for the deepening dredging project, Joe Salvatore offered that the Boston Harbor improvement dredging project took over seven years to work through the approval process. Sheiffele stated that another issue to deal with is that all improvement studies are now conducted by an Army Corps unit in Alabama vs the New England District.

In response to a question from Commissioner Dubno, Chair Joe Riccio and Chuck Beck advised that until the recent passage of the new Water Resources Reform and Development Act [see Boston], Federal law prohibited the ACOE from accepting funds from the State to conduct and improvement (deepening project) study. If the ACOE cannot provide funds for a New Haven Harbor deepening study, ConnDOT is prepared to do so.

Reconstruction of Water Street. This nears completion as part of the Q Bridge project. The Water Street reconstruction reestablished the rail line that runs parallel to Water Street along the entrances to the terminal facilities. Extending the rail line into the individual terminals has not yet been done.
Traffic
Since 2008, cargo is incrementally down by ton though import/export of goods is statistically up. Sheiffele reported the predominate cargo entering New Haven Harbor is petroleum based products. Other products included dry bulk (sand, salt, cement) and some break bulk (steel coils, project material and rails).

Logistec moved their steel business from New Haven to New London but coiled steel is returning.

Chemical salt. Gateway Terminals has introduced a new cargo: a chemical salt used in bio-processing. The bio-processing plant requires 2 truckloads of the salt product per day. Bringing the salt product in by vessel saves approximately 750 truck trips per year on I-95 between New York and New Haven.

Refrigerated product. The NHPA has recently met with Ecuador’s Trade Minister to bring shipments of fresh fruits and vegetables into New Haven, despite the significant infrastructure cost in establishing refrigerated warehouse facilities.

Revenue
A steady challenge is identifying sources of revenue for port project such as extending the rail into the terminals and the deepening of the channel. {draft minutes of meeting

MAINE

NB&M: NEW CUSTOMER?
16 June, Limestone. A CHINESE RAILCAR MANUFACTURER MAY LOCATE HERE, AT LORING COMMERCE CENTER. Governor Paul LePage and Loring Development Authority officials head to Beijing on 21 June for meetings with Chinese manufacturer China North Industries Group Corporation, known as Norinco.

Carl Flora, president and CEO of the Loring Development Authority, said, “There are a lot of unanswered questions, but a healthy dialogue is still underway. I’d characterize it as a healthy level of interest but not a done deal.”

A deal could benefit the Maine Military Authority (MMA), an equipment refurbishment company, which could be a contractor for the Chinese company. MMA was forced to lay off about 140 employees last November because of contracts it lost with the National Guard Bureau. [MMA recently won a contract to rehab 32 articulated buses for MBTA at $600,000 each. {Maine Public Radio 21.June.14}]

Development Authority minutes
According to meeting minutes from the development authority, Norinco’s president was scheduled to visit in December to tour facilities, meet with the Maine Military Authority, LDA board members, and LePage.

In February, according to board minutes, the LDA approved a $40,000 option agreement with Norinco that paid to heat the Blue Goose building, occupied by MMA.

In March, Flora told LDA board members that the company wants to manufacture railcars at Loring to meet demand in the US and Canada for cars that meet new safety standards. As part of the deal, Flora said the company would seek repairs to the rail line running from Limestone to Caribou, an estimated $7 million in cost that would likely require state assistance.

Background on Norinco
Norinco, a conglomerate that manufactures products, including military weapons systems and firearms, was sanctioned in 2003 by the U.S. government for allegedly providing ballistic missile systems to Iran. In the 1990s, it was sanctioned and prohibited from selling its firearms in the United States after being implicated in a sting operation conducted by the Bureau of Alcohol, Tobacco and Firearms. That ban expired in 2007.
State funding
State officials attributed a $120 million investment in Woodland Pulp's tissue machines announced in March [see 14#034A] in part to discussions the governor had with the head of its parent company, International Grand Investment Corp., during a trade mission in 2012.

That project was among the first two to receive money through the Finance Authority of Maine’s Major Business Expansion Program, which is also the program through which Thermogen Industries received approval for a $16 million bond for a wood pellet mill in Millinocket [see 14#02B]. {Darren Fishell in Bangor Daily News 16.June.14, with assistance from Scott Thistle of Lewiston Sun}

Other interest in railcar manufacturing
Northern New Hampshire would like to attract Canadian companies [see 14#05B]. Springfield Massachusetts has had visits from Chinese transit car company Changchun [see 14#03B].

Driven by orders for light rail transit (LRT) and streetcar vehicles, CAF USA in March announced plans to expand its manufacturing capabilities in Elmira Heights, New York. The North American subsidiary of Besain, Spain-based Construcciones y Auxiliar de Ferrocarriles, S.A. (CAF) plans to add 12,800 square feet to its facility, to be used as a testing site for LRT cars now being manufactured for Houston Metro. {Douglas John Bowen in Railway Age 24.Mar.14}

Vertex Railcar announced plans for a tank car facility in Worcester [see 14#04B].

**MASSACHUSETTS**

**MC-MBTA: SOUTH COAST***

18 June, Boston. THE MBTA BOARD OF DIRECTORS AWARDED VHB-HNTB A CONTRACT TO MOVE THE SOUTH COAST RAIL TO CONSTRUCTION. The 10-year contract signed with the joint venture Vanasse Hangen Brustlin and HNTB Corporation provides $12 million in the first year to begin program management, partial design development, data collection, continued environmental permitting, and public outreach.

The remaining nearly $200 million will be awarded over the next decade, MassDOT officials reported after the director’s vote. The award also shifts the South Coast Rail project from MassDOT to the auspices of the Massachusetts Bay Transit Authority. {Michael Holtzman in Fall River Herald 18.June.14}

**BOSTON: DREDGING $$**

10 June, DC. THE WRRDA INCLUDED FUNDS TO DREDGE BOSTON HARBOR. Signed into law this day by President Obama, the Water Resources Reform and Development Act contains $216 million for the dredging. Massport will pay the additional $94 million to meet the expected cost of $310 million.

Massport's Conley Terminal has a depth of 45 feet. Massport wants to dredge the 40-foot-deep main shipping channel by 7 feet, and the outer harbor by 11 feet. {Katie Johnston in Boston Globe 13.May.14; Nick DeLuca in BostonInno 11.June.14}

**NEW HAMPSHIRE**

**MBRX: UPDATE***

18 June, Wilton. THE NHDOT-MBRX OPERATING AGREEMENT 'HAS BEEN SIGNED AND DELIVERED TO THE NHDOT,' wrote Peter Leishman.

'PAR planned to discuss a new [trackage] agreement/terms to replace the long-expired agreement once the new state operating agreement is approved by the Governor and Executive Council for the Wilton to Bennington section of the Hillsboro Branch.'
Locomotive repair
MBRX had expected to start operating in mid-May moving aggregate for Granite State Concrete, but its locomotive required more repairs than expected.

Leishman reported that he sent the wheels to Pan Am's Waterville shop for reprofiling. “They did a good job, had them back in a week.”

But then he had to get new springs made. These are done, and he anticipates starting work next week with a locomotive 'almost as good as new.' {e-mail to ANR&P; discussion 19.June.14}

NEGS: DOD WORK*

19 June, Concord. *THE NEW HAMPSHIRE NATIONAL GUARD WILL SEND TWO MASSIVE TRAINS OF EQUIPMENT* on DODX flat cars to Michigan. Spokesperson Lieutenant Colonel Greg Heilshorn said the New Hampshire Guard is the headquarters of the 197th Field Artillery Brigade [which uses the new High Mobility Artillery Rocket System].

Other units from Michigan, West Virginia, and Rhode Island, making up battalions of the brigade, will for the 2014 annual training participate in the live-fire exercise.

Use of rail
Heilshorn characterized the rail as “a good way to move equipment, and an opportunity to train in exactly that capacity,” because in an actual deployment the unit will “have to use rail to move some equipment. For the logistics side it is a great opportunity.”

Haverhill. Some 89 DODX flats enroute to NEGS for loading. {courtesy Hayden McSwiggin}
Staging is happening now in various locations, and will be centralized in the Concord area, he added. \{ANR&P discussion\}

NEGS is storing the flats, and will load them in Canterbury [more in a future issue].

**PAN AM: SEA-3 APPEAL**

17 June, Portsmouth. **THE CITY OF PORTSMOUTH APPEALED THE NEWINGTON PLANNING BOARD APPROVAL OF THE EXPANSION OF THE SEA-3 PROPANE FACILITY** [see 14#05A], filing in Rockingham Superior Court. City Staff Attorney Jane Ferrini argued that the court can grant 'a nonabutter' standing to appeal a planning board's decision if it rules 'the party has sufficient interest in the outcome.'

**Portsmouth standing**

'The city of Portsmouth is a community that abuts Newington. Although it does not own property immediately adjacent to the site itself, the city and Newington share common transportation systems of rivers, roads and rails....In terms of proximity, any catastrophic event at the site would likely require the evacuation of city residents and the loss of property and damage.'

The city will need to pay for better grade crossings, because of the Pan Am upgrade from Class 1 to Class 2, 'an estimated cost of $2.4 million....Although part of the cost may be deferred by working with (New Hampshire Department of Transportation), some 20% of these costs will be borne by city taxpayers.'

**Request**

'The city appeals the Planning Board's decision as unlawful and unreasonable ... primarily because the Planning Board failed and refused to require a safety/hazard assessment after repeated requests from the city before approving Sea-3's site plan.'

**Appeal to Board of Adjustment as well**

The city also appealed, as permitted by New Hampshire statutes, to Newington's Zoning Board of Adjustment in a separate document. In that filing, Ferrini stated that the Planning Board misapplied the town's zoning ordinance by approving the expansion plan, because Sea-3's plan involves storage tanks, which is not a permissible use when the product they hold is an 'explosive or hazardous' fluid. {Jeff McMenemy in seacoastonline.com 18.June.14}

---

**MARITIMES**

**CAPE BRETON RAIL AND PORT DEVELOPMENTS**

1. **NSPI, LOGISTEC AND COAL PLANTS**

12 June, Halifax. **THE UTILITIES AND REVIEW BOARD OKAYED THE PRICE NOVA SCOTIA POWER PAID TO LOGISTEC** to repurchase a coal pier and railway.

*Note: In June 2013, NSPI re-purchased from Logistec the Sydney assets [the International Pier, the Victoria Junction coal wash, the rail centre, the rail line to Lingan, and trucks plus other property], which it had bought in 2002. The re-purchase did not come to light until NSPI filings to add the assets to its rate base appeared at the Nova Scotia Utilities and Review Board (UARB), and until remarks about the sale appeared in Logistec's Annual Report.

Sources: Most of the information comes from documents filed with the UARB and found on its website, in case M05947. The N-2, N-8, N-12 refer to documents found there.
1.1 Timeline.

1.2 Why repurchase.
   1.2.1 Clearly coal phasing out.
   1.2.1 Current value
   1.2.2 Choices on repurchase

1.3 Effect on Logistec.

1.4 Decision and scolding.
   1.4.1 Scolding
   1.4.1 Additional funds and monthly fees.

1.1 Timeline

2001. DEVCO (Cape Breton Development Corporation), the crown corporation which owned and operated coal mines on Cape Breton, shut its last mine in November, and closed entirely in December. Emera, the parent of NSPI, bought the Sydney assets. {01#12B}

   Emera gave Logistec a six-month contract to operate the Sydney assets; Logistec hired QRC to operate the rail line as Sydney Coal Railway (SCR). {02#09A}

2002. On 14 March, Emera transferred beneficial ownership of the Sydney assets to its subsidiary, NSPI. {N-2, NSPI Responses to NSUARB Information Requests 18.Feb.14}

   Emera asked CBNS, Logistec, and perhaps another to operate the Sydney assets after the initial six-month period. {02#09A}

   Emera awarded the contract to Logistec. On 25 October Emera sought expansion of coal handling at the pier. {02#09A}

   On 14 November, SCR, a subsidiary of QRC, applied to CTA to operate the line from Sydney to Lingan. {03#01A}

   On 31 December NSPI sold to Logistec the International Terminal, Sydney Coal Railway, and other assets to land and move coal to NSPI's Lingan and Point Aconi generating stations.

   The agreement only ran for 10 years, providing NSPI options to repurchase either all the assets, or just the Railway Maintenance Centre.

   Highlights of the Agreement with Logistec and SCR: 'Logistec and SCR acquired all of the Assets, except land, for $27,785,301, which approximated the net book value of the Assets. Logistec and SCR leased all the land for lease payments totaling approximately $4,500,000.

   'The terms of the lease called for a payment of the entire amount at the commencement of the lease with nominal payments each year thereafter. These proceeds were the equivalent to the net book value of the leased land.

   'NS Power had the option at the end of the 10-year service agreement to acquire all of the strategic assets for $6,300,000. Logistec agreed to pay for all necessary capital improvements during the contract period to
maintain the level of Coal Transportation Services. Logistec and SCR were responsible for any environmental damage that may have been caused by them during the contract period.' {N-2 *ibid*, page 4}

2008. Logistec bought SCR from QRC. {09#03A}

2013. NSPI repurchased, as permitted under the sale agreement, all the assets, but hired Logistec to operate the pier and the railway line. apparently per 29 Oct filing in June. On 29 October 2013 NSPI filed to recover the costs, of $6,589,506 it stated were a capital project authorization 'unforeseen and unbudgeted.' {text of filing}


1.2 Why repurchase.
A report from Liberty Consulting Group, hired by UARB to review the NSPI application, stated:

'Located in Sydney Harbour, Nova Scotia, the International Pier operates as one of two solid fuel import facilities supplying NS Power generating stations. This facility and associated rail assets deliver coal and petroleum coke to the Lingan and Point Aconi generating stations. The facility has the capability to receive over 2 million tonnes of fuel a year. The other solid fuel import facility is Point Tupper Marine Terminal (PTMT), which supplies solid fuel to the Trenton and Point Tupper generating stations.

'On December 31, 2002, NS Power entered into a 10-year agreement that conveyed certain assets at the International Pier to Logistec, Inc. The assets comprise the buildings, equipment, and rolling stock needed to offload, store and transport solid fuel. Under this agreement, Logistec has employed the transferred assets to manage solid fuel storage and subsequently deliver it to the Lingan (by rail) and Point Aconi (by truck) generating stations.

'The agreement gave NS Power two options to re-purchase the assets involved, at the December 31, 2012 end of the 10-year term. First, NS Power could purchase the Rail Maintenance Centre and its associated assets for $500,000. Second, NS Power could purchase all of the International Pier assets transferred for $6,300,000.

'Choosing the second option, NS Power purchased the assets for $6,300,000. In response to questions from Board Staff and Liberty, NS Power has indicated that an additional $3.1 million expenditure will be required to ensure the efficient and reliable operation of the assets. While NS Power now estimates that the investment it will make in the International Pier will total approximately $9.7 million, the Company is now only requesting that the initial investment of $6.3 million, plus miscellaneous legal and other costs, for a total of $6.589 million, be included in the rate base.' {N-8 page 1}

1.2.1 Coal phasing out. NSPI acknowledged that its coal plants were on the way out [see 13#04A].

'NS Power’s coal plant retirement forecast is continuously reassessed based on the most current firm capacity requirements. At present we anticipate that Lingan Unit 2 will be reduced to limited generation (possibly retired) in 2015 or 2016 and Lingan Unit 1 in 2017 or 2018 when the Maritime Link comes online.' {N-2 *ibid*}

1.2.2 Current value. NSPI hired Eastpoint Engineering, which used Alrail, a Rasco company, to evaluate the Sydney assets. They set the value at from $20 million to $30 million above the $6.3 million NSPI paid. [Note that Provincial Energy Ventures has invested $30 million in its coal pier in Sydney harbour – see 14#05A]. {N-2 *ibid*}

1.2.3 Choices to repurchase. NSPI asserted that because Point Aconi and Lingan would operate until 2018, it would continue to use a pier to land coal, either both the Sydney and Point Tupper terminals, or just Point
Tupper.

'NS Power’s capital work order submission provided an economic analysis model comparing four options:

Options #1 and #2: NS Power as owner of the assets with a 3- (#1) or 5- (#2) year third-party operating contract.

Options #3 and #4: A third-party operator as owner of the assets under a 3- (#3) or 5- (#4) year operating contract with NS Power. {N-12 page 2 29.May.14}

Option #5. Point Tupper Marine Terminal (PTMT) only. NSPI also analyzed whether it could feed Point Aconi and Lingan from Point Tupper, and close the Sydney terminal. This was less advantageous. The Liberty Consulting Group wrote:

'A breakdown of the PVRR comparison of the International Pier option versus the PTMT-only option in the first year, illustrates the Pier advantage. In the first full year of the comparison, in the PTMT-only option, the rail and truck costs to deliver fuel from PTMT to Lingan and Pt. Aconi were $14.6 million versus $8.6 million to deliver fuel to these locations in the International Pier option, a difference of approximately $6 million. This advantage for the International Pier was somewhat diminished by the first-year capital costs associated with investment in the Pier. The capital cost revenue requirements were about $940,000 higher for the Pier than for PTMT-only, leaving a difference of approximately $5 million for the Pier, for the first full year....

'We also believe that it is reasonable to conclude that the International Pier option presents another advantage. It offers comparatively greater security of supply, as compared with PTMT. The latter option involves moving to a single discharge port and rail line, which would increase the risk of supply disruption when compared to a two terminal scenario.' {N-8 page 2-3}

'Per NS Power’s response to NSUARB IR–28, a comparison of all alternatives considered demonstrates that NS Power’s chosen alternative, per the capital work order, remained the most economic. Parties to this proceeding do not dispute this conclusion.' {N-12 page 2}

1.3 Effect on Logistec

The company discussed the end of its ownership, and its continued operation of the Sydney assets, in its 2013 Annual Report at page 65:

'Investments in Service Concession Arrangements

Two of the three investments in service contracts were service concession arrangements.

'Effective January 1, 2003, the Company entered into a service agreement with a public utility company whereby the Company unloads coal from ships, stockpiles it, and delivers by train or truck to the public utility company’s power plants (the “Service Agreement”) for an initial period of 10 years, which was extended for a six-month period at the end of 2012. The agreement ended in June 2013.

'The responsibility for producing and distributing electricity, a public service, to residents of a Canadian province has been devolved on the public utility company.

'The assets were used in the Service Agreement and the public utility company had the exclusive right to all or a portion of these assets. The Company could not sell or otherwise use these assets to service others without the consent of the public utility company, which also had the option to repurchase all of the equipment at the end of the contract for a set price of $6,300,000.

'The investments were recorded based on the return established in the terms of the initial contracts, specifically for these investments.

'The two investments in service concession arrangements bore interest at 10.16% and 7.60%, respectively, required no fixed annual principal repayments, and were reimbursed to the Company through the service revenue charged to the public utility company until the expiry of the Service Agreement, according to
the fixed rate of return established in the contracts. However, minimum volume adjustments were included in the contracts to recover the invested capital.

'During 2012, through service revenue charged to the public utility company, the Company recovered $4,767,000 in principal repayments of investments in service concession arrangements and earned $712,000 as interest revenue from investments in service concession arrangements. During 2013, through service revenue charged to the public utility company, the Company earned $418,000 as interest revenue from investments in service concession arrangements. As at December 2012, the carrying value of investments in service concession arrangements was equal to the repurchase option price of $6,300,000.

The Service Agreement was renewed on July 1, 2013 but no longer qualifies as a service concession arrangement, as defined in IFRIC 12 “Service Concession Arrangements”. The public utility company exercised its repurchase option, thus the Company received $6,300,000 in June 2013. As a result, the Company no longer has any investments in service concession arrangements.' {Annual Report}

1.4 UARB decision and scolding
While the Board did approve adding the repurchase to the rate base, it wrote:

1.4.1 Scolding. 'The option to purchase the International Coal Pier in 2012 has been known for ten years. A partial analysis of whether or not to exercise the option was not performed until 2013. The public consultation review process resulted in NSPI conducting a complete analysis. In addition, this major capital project expenditure was submitted as a U&U, it had not been included as a possibility in either the 2012/13 or 2013/14 ACE plans. Nothing has been provided to support such a delay in the required approval process.

'The handling of this major project, before submission for approval, undermines the Board's confidence in NSPI's ability to manage capital planning, in particular, as it relates to the ACE plan.

'Under the Public Utilities Act, NSPI is required to obtain prior Board approval for capital expenditures greater than $250,000. In this instance, NSPI included this project in rate base without obtaining Board approval and earned a return related to the unapproved project in 2013. The Board is concerned as to whether NSPI should be allowed to earn a return on an unapproved project for 2013. NSPI may make submissions on that point by June 27, 2014.' {text of decision on 12.June.14}

1.4.2 Additional funds and monthly fees. NSPI paid Logistec $70,000 per month to extend its repurchase option for six months. NSPI did not claim the fees as part of its submission to the UARB. {N-3}

2. SAVAGE
6 June, Port Hawkesbury. NSPI HAS THE OPERATION OF THE POINT TUPPER MARINE TERMINAL UP FOR GRABS, reportedly. When asked whether current operator Savage, or Logistec, the operator of the Sydney terminal, have bid, spokesperson Neera Ritcey wrote: 'For PTMT – it is an ongoing process at the moment and therefore we are not able to release information regarding the potential proponents.' {e-mail to ANR&P correspondent Tom Peters}

Ten-year contract up in 2015
On 28 February 2005, NSPI announced that it had signed a 10-year contract with Savage CANAC. The parties 'anticipated that Savage will receive and handle in excess of one million metric tonnes of solid fuel annually at the marine terminal. Savage will commence operation of its services on April 1, 2005....

'In addition to supplying coal to the Point Tupper and Trenton Generating Stations, the Terminal will have additional capacity for other products and is able to service various types and sizes of vessels including belted, self-loading and bulker type vessels.' {NSPI announcement}

Savage bidding on Sydney
Reportedly Savage has approached NSPI to operate the Sydney pier. NSPI would not comment, and efforts to
reach Savage were unavailing. {ANR&P correspondent Tom Peters}

3. CBNS ABANDONMENT
11 June, Montreal. **THE RAILWAY WILL ABANDON THE LINE FROM ST.PETERS JUNCTION TO SYDNEY** this autumn [see map]. Mario Brault, president of Genesee & Wyoming Canada [retiring in September – see People] the parent of CBNS, said CBNS will not attempt to renew a provincial subsidy that has kept the rail line afloat since 2003.

“There’s not enough business on this line for it to be sustainable in the long term. As good corporate citizens, we do not feel it’s the right thing for us to go ask for more money from the government. We know the business has gone down three-fold since the original request for abandonment was made in 2003. So the business is shrinking very rapidly over this line.”

The subsidy was granted by the province to prevent abandonment of the service. Since that time, the province has spent $20.6 million to keep freight services available for Cape Breton customers.

Affect on shippers

Brault could not estimate the number of customers affected; CBNS will work with customers to minimize any negative impact.

[Earlier, Sean Burke, vice-president and general manager of Polysteel Atlantic Limited, said he received a letter via email 9 June from Genesee & Wyoming Canada that the line would be shutting down operation later this year once the provincial subsidy runs out.

Abandoning the rail line would have detrimental effects, costing the businesses he operates at Sydport Industrial Park and at the Northside Business Park in the “several hundreds of thousands of dollars,” Burke said.

Polysteel Atlantic, located in Sydport, relies on its raw material — plastic resin pellets — to be shipped in by rail in order to manufacture synthetic ropes at that plant and at East Coast Rope Limited in North Sydney.

This has become a “crisis situation” because it leaves the company little time to prepare for the potential loss of the rail service. “It’s difficult for us to operate under a long-term plan without knowing that that service is going to be there for the long term.”

He believes the only way to promote stability in Cape Breton is for the province to provide a subsidy to the railway over a longer period, which would aid economic development in the region.

The province renewed the subsidy in 2011, based on the company providing receipts for infrastructure and maintenance work, and financial statements for operating losses, according to the Department of Economic and Rural Development.

The province has so far provided $20.6 million in subsidies to the railway to keep the line operating, said Toby Koffman, spokesperson. 'We have met with the company. No decisions have been made, but it is important to note that the company would need to go before the UARB if they had any plans to end rail service,' Koffman wrote in an email.

Cape Breton Beverages Inc. President Andre Coté said his company, also based at Sydport, relies heavily on rail to provide the raw materials needed for his business. “We have to make sure the province does the right thing here and get the proper plan in place to renew that subsidy and keep that line operating.”

Cape Breton Beverages is one part of an integrated company with Trans Atlantic Preforms Limited, which ships in polyethylene terephthalate resin by rail in order to manufacture plastic beverage bottles at the plant. Cape Breton Beverages is the only distributor of soft drink products on the island.

Switching over to trucking, as the only alternative shipping method, would add “significant” costs to its bottom line, Coté said. “That, no doubt, would put a serious, serious impact on our financial viability. It costs much more (to ship) by truck.”

The Cape Breton Regional Municipality, which continues to promote port development, needs rail as part of its equation to attract more commerce to the harbour. Mayor Cecil Clarke’s spokesperson Christina Lamey wrote on 8 June that port development is 'very connected to rail service. Commercial development of the port will require rail infrastructure upgrades.'
Clarke met recently with Economic and Rural Development Minister Michel Samson, and Samson intends to meet again with the mayor when there is more information to share on the status of the rail line. {Chris Shannon in *Cape Breton Post* 10.June.14}

**No safety concerns**

Brault addressed concerns raised recently by Port Hawkesbury Mayor Billy Joe MacLean and town councillor Joe Janega about rail infrastructure.

On 6 May the Town Council voted to send a letter to federal Minister of Transportation Lisa Raitt and provincial Minister of Transportation and Infrastructure Renewal Geoff McLellan, copy to CBNS general manager Shannon Toner, requesting 'a complete and immediate inspection by an independent party' of the CBNS bridges and structures.

This followed an inspection by Janega, a structural engineer, who photographed apparently crumbling concrete abutments and corroded steel trestles and bridge supports.

MacLean said in June: “We felt it was our obligation as a council. We’ve got propane gas coming out of Point Tupper, we’ve got other chemicals coming out of Point Tupper, and it’s going right through our town.”

The pair received a letter from the rail company stating it is considering legal action. “They warned us not to go on their property to take pictures again or they’ll call it trespassing and we’ll be charged,” MacLean said.

He was told by the provincial Transportation Department that the rail line is safe but, despite repeated requests, Port Hawkesbury has not yet been provided with inspection reports to ease council’s concerns.

Adding to the frustration are two recent train derailments reported on the company’s rail lines in Pictou County.

Brault said attempts were made to discuss rail safety in person with town council. However, he said, council would rather discuss the matter with the media. The concerns, noted Brault, were not a factor in the company’s decision. {Erin Pottie in *Halifax Herald* 11.June.14}

**Crude traffic to Canso, containers from Sydney or Canso?**

CBNS has three very attractive traffic sources under discussion.

**Crude traffic to Canso.** NuStar would like to use its marine terminal in Point Tupper to load out crude [see 13#09A]. This would last, if NuStar can manage it, only until construction of the Energy East crude pipeline to Saint John in about five years.

In February, David Smith, NuStar’s vice-president of international operations, said in an interview from San Antonio that NuStar wants the $12-billion pipeline to go another 500 kilometres to the company’s Strait of Canso transshipment terminal.

“We would definitely like to be part of that conversation. There have been some discussions and letters that we’ve sent to TransCanada. We also have some other people that are actively working on our behalf. … We’re obviously trying to share our message with everybody, including the government of Nova Scotia.”

NuStar’s Richmond County operation has 37 storage tanks capable of handling 7.6 million barrels of refined products and crude. {Brett Bundale in *Halifax Herald* 12.Feb.14}

**Containers from Sydney.** One usually reliable source expects an announcement in August or September that a shipping company will use the greenfield container site in Sydney Harbour [see 14#05B].

**Containers from Canso.** Maher Melford continues to make noises about starting container transloading here. [See 13#09A.]

**2003 abandonment**

More than 10 years ago, CBNS also sought to abandon the line, and got permission from UARB to do so. However, the provincial subsidy dissuaded the railway, with the thought that traffic would eventually grow. [See
4. FATE OF SCR
16 June, Sydney. NEITHER LOGISTEC NOR SCR IS INTERESTED IN OPERATING THE CAPE BRETON SECTION OF THE CBNS, said Bob Kazamel, general manager for Logistec Stevedoring Inc. in Sydney, which operates the rail line for Nova Scotia Power.

“Not at this point in time. I don’t know too much about what is happening there other than the fact that they are not interested (G&W) in renewing their subsidy with the province. It has no play with us. We are a shortline. We operate for Nova Scotia Power. Nova Scotia Power owns the line we are currently operating on so we are just an operator for Nova Scotia Power.” {Bob Kazamel in discussions with ANR&P correspondent Tom Peters 16 June 2014}

Sydney Coal Railway, bought for $20 million [see 09#03A], is owned by Logistec Stevedoring, which has the contract with NSPI to operate the Sydney assets [see #1]. One assumes that when Lingan stops operating, by 2018 or earlier, it too will cease operation and disappear. Editor

WHRC: NO CLOSING YET
14 June. WHRC AND CN ARE WORKING ON DOCUMENTATION for the short line to acquire the track from Windsor to Windsor Junction, wrote WHRC President Bob Schmidt. {e-mail to ANR&P}

RAIL FREIGHT FACILITIES

Described in this issue.
Brookhaven Rail (NYA, New York) Controversy continues.
Cape Breton Beverages (CBNS, Nova Scotia) To be abandoned.
Dead River (VRS, Vermont) See Regional.
Irving Oil (CN, New Brunswick) Continued oil?
Norinco (NB&M, Maine) Manufacture railcars?
NuStar (CBNS, Nova Scotia) Wants pipeline for export crude.
Plains LPG (PAS, New Hampshire) See Regional.
Polysteel (CBNS, Nova Scotia) To be abandoned.
Sea-3 (Pan Am, New Hampshire) Portsmouth appeals.

PEOPLE, EVENTS

PEOPLE
Mario Brault, president of Genesee & Wyoming Canada, will retire in September. GWI announced that Louis Gravel will succeed him.

Gravel joins G&W Canada from Rio Tinto/Iron Ore Company of Canada (IOC) where he was general manager of the Quebec North Shore and Labrador Railway (QNS&L) and IOC’s Canadian port operations since 2006. For the previous 15 years, he served in various capacities at both IOC and QNS&L, including as superintendent of strategic rail projects and as manager of the engineering department.

EDITORIAL

A CONNECTICUT BOONDOGGLE
Certainly Governor Dannell Malloy and other officials associated with the creation of the Connecticut Port Authority speak earnestly of the future benefits of a single state port authority.

Those benefits will most probably never materialize:
Connecticut has only two nominal “deep-water” ports – essentially Bridgeport has no offering for cargo traffic. New Haven and New London no longer meet the definition of deep-water. Compare the available depth in those two ports to the 50 feet needed for the largest ships; New Haven hopes to dredge to 42 feet.

The new Port Authority will have bonding authority and presumably the authority to make development deals and execute contracts. But no deals loom on the horizon, nor does Daddy Federal Government have money to support deals even if they existed. Proponents support M-95, the marine highway, on which smaller ships could indeed call New London or New Haven, but a viable M-95 lies ten years in the future, and always will.

While each of the three deep-draft ports will have an appointee on the Port Authority Working Group, so will lesser ports. The make-up will ensure that, just as in Massachusetts ports or Maine railroads, the available dollars will be spread according to a political process.

Once the Port Authority comes into existence in 2015, no port is guaranteed a spot on the board. The terms of the legislation require 15 members, none of which need have experience managing a port.

Finally, the Authority is not charged with creating a firm plan which would allocate dollars only to New London and New Haven, according to some rationale. The vaunted Port Strategic Study of 2012 does provide some realistic notes on what to do, but no long-term strategy [see Connecticut].