THE RAILROAD WEEK IN REVIEW
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"The only prudent move is to end this project. I can't put taxpayers on a never-ending hook."
New Jersey Governor Chris Christie re proposed new NJT Tunnel to NY

The Northeast Association of Rail Shippers (NEARS) convened for its fall meeting on Cape Cod this week. I don't know how exec Director Joe Gearing does it, but he has an unfailing nose for venues that surprise and delight. And even though the first torrential rains in four months chose Golf Day to hit, spirits were not dampened and we had a lively, engaged crowd. In point of fact, one of the speakers who makes the NARS rounds through most of the regional meetings (MWARS, SEARS, PNWARS) told me this gang was one of the most attentive and their questions were refreshingly intelligent and to the point.

The attendee list was a who-who of manufacturers, railroad suppliers and railroads large and small -- about 150 names in all. The meeting's theme, "Managing the Recovery and the Challenges it Brings," was well covered. There were five panel discussions on topics from creating, building and sustaining rail customer satisfaction (I was the moderator for this one, as I have been at a number of previous fall gatherings) to shipper experiences with railroads (good and bad) to the usual short line suspects. We heard from the STB's Tom Brugman, Wall Streeters Jason Seidl and Tony Hatch and got an update on the Worcester (Mass.) rail changes from CSX and the Massachusetts Executive Office of Transportation.

As usual at these outings, some of the most useful insights came from the Q&A following the formal presentations. Here again, there was a common theme: How do I make more use of the batch process that is the railroad to serve the custom process that is my supply chain? One speaker talked about the advantages of ramp-to-ramp over door-to-door in his use of intermodal shipments. Another brought up the short lines' flexibility in designing its first-mile, last-mile service almost daily to meet specific customer needs.

It all boils down to dependability, and if I heard the term "truck-like service" once I must have heard it a dozen times. Fact is, truck is the service standard that the railroads have to meet. However, one chap told me "truck-like service" isn't all that hot in some lanes and some of it is even moving to boxcar where there are dependable trip plans that can put the goods where they're wanted when they're wanted. But the shippers have to take the lead, as in the case of the shipper who designed his own train to run to the distant node, skipping intermediate yards.

Back in the bad old pre-Staggers days, railroaders regarded New England as a dead end, where loads went in and only empties came out. If the conference itself and the conversation around the edges are any indication, there is railroad business to be had in New England, but it takes being nimble and creative to win. I think this fall's NEARS crowd has what it takes.

The New England theme continues with some follow-up to my remarks about the "nut cases" attempting to hi-jack Amtrak's *Downeaster* service extension in Maine (WIR 9/24). A retired railroader friend who lives not far from Augusta, and who keeps his finger on Maine's railroad pulse, writes, "I must take exception to your comment about the *Downeaster* extension, and that Amtrak should forego the funds because they must buy American.

"What we need is more capital purchase from US companies, and more jobs here. We desperately need the rail service extended all the way to Rockland and further north. Adding more and more traffic to I-95 only costs the taxpayers more money and makes the Interstate more crowded. In short, we need more rail in this state."

Couldn't agree more, which makes the unions' grandstanding all the more outlandish. There are US suppliers to be sure, however they must be competitive, and nobody knows this better than the railroads. Artificial market restraints larded on by the ICC and other government arms from Congress to local school districts nearly killed the railroads and it took 1980's Staggers Act to make the railroads an attractive place to invest once again.

Happily, innovation wins the day even today as the new Maine track will be all continuous welded rail (CWR), which is as it should be. No shortage of competitive US suppliers there, to be sure. For me, it can't happen soon enough. I haven't ridden the Portland-Augusta segment of the old Maine Central since the days when it *was* the Maine Central. Maybe I can get my retired friend to meet me down at the depot.

Railroads of New York, Inc. (RONY) is the most aggressive and best informed organization of its kind that I know of. The RONY mission is, "To provide a trade association for all freight railroads that operate in the State of New York to advocate for the rights and needs of railroads and their customers, as well as to encourage economic growth within the state of New York." Not only does it represent best interests of NY's freight railroads (CSX, CN, CP, NS, Pan Am Railways and 30 short lines), but also RONY publishes a monthly newsletter that can run to a dozen pages or more of useful updates and insights.

The September 2010 issue brings news that the rail funding grants awarded in 2005 may finally filter down to the grantees. The total package in the state's announcement came to $42.1 million across 34 projects, of which short lines picked up 28 projects for a total of $29.2 million; the local match requirement is a measly $2.2 million or 7.6 percent of the total.

Genesee & Wyoming was the big winner in dollars for its Buffalo & Pittsburgh and Rochester Southern divisions with $6.8 million for track, ties and yard work. Genesee Valley Transportation took the honors in number of grants -- five -- for its Depew Lancaster & Western, Falls Road and Mohawk Adirondack & Northern lines.

But before you begin hanging the bunting on the locomotives, consider this: New audit procedures at NYSDOT will cause the suggested projects to be subjected to scrutiny based on overall value to the state's long-range transportation plan. That is expected to introduce a significant delay prior to the DOT's being authorized to tender funding agreements to the recipients. Some are suggesting that early 2012 availability is a best guess. Makes it tough to put the money in the ground or hire folks to do it when you don't know when you'll get refunded.

No surprises here, though. It's a known fact the the largest complaint that the short lines of NY have with the NYSDOT is the delay in actual funding. For example, two years ago a good-size short line was "awarded" a rehab grant and bought the ties and rail -- on the come -- because they found a good product at a good price. Then the state budget debacle began and the funds were not distributed. That's why I'm betting not a nickel will be spent nor one person hired until the check clears. And if that's not until 2012, so be it. So much for "shovel-ready" projects.

Meanwhile, this just in from New Jersey. The Philadelphia *Inquirer* reports that Governor Christie has put the brakes on something like 100 road and transit projects, including what's known here 'bouts as NJ's "bridge to nowhere," the $8.7 billion NJT tunnel to Manhattan. At issue was the state's Transportation Trust Fund that was literally running out if money. As it happened, the Assembly passed a bond issue that refinances existing debt at lower interest rates, adds *new* borrowing, and is expected to keep the workers working into Q1 of 2011.

You have to give Christie credit. He said, "We're broke and we're not going go deeper in debt." And, yes, it took a special act of the Assembly to find the cash, but all it does is prolong the day of reckoning. Whether there is any shortline money at risk the *Inky* did not say. But if there were, and I were a short line in NJ, I would not be buying any track or hiring anybody for my "shovel-ready" projects just yet. [*Somebody from NJ help me here -- rhb*]

Iowa Pacific's Ed Ellis forwards this pertinent and timely investor note from Stiefel Nicolaus: "Trucking companies pruned or eliminated their driver recruiting and/or training operations during the great recession. They are not properly geared up to address the pending driver shortage that will be created by steadily growing demand or the pending reduction of drivers who meet all regulatory requirements [*read CDLs - rhb*]. Moreover, trucking capacity is going to shrink owing to the many safety-related regulations that will be implemented by the Federal Motor Carrier Safety Administration (FMCSA) and the states over the next couple of years."

Stiefel cites specifically CSA 2010, "a rating system that is widely expected to reduce the driver workforce by anywhere from five to 10 percent" and new rules that cut permissible driving hours to ten hours from 11 hours per 24-hour day. To this add Electronic On-Board Recorders to eliminate driver log falsification, proof of citizenship required to obtain a commercial driver's license (CDL), all the drug-testing requirements railroaders already endure, and gizmos on truck engines that will limit speeds out on the road.

In short, there will be too many trucks for the available pool of drivers. Combine that with what was truck traffic northbound on I-95 now running in boxcars thanks to congestion, and the tide may be turning at last for the single-carload sector. Mike Smith, take a bow for your foresight.