

DANVILLE FLYER

A PUBLICATION OF THE DANVILLE JUNCTION CHAPTER, INC. NRHS

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The **DANVILLE FLYER** is published monthly by the **DANVILLE JUNCTION CHAPTER** of the **NATIONAL RAILWAY HISTORICAL SOCIETY** for its members and other interested persons.

The **DANVILLE JUNCTION CHAPTER, NRHS**, is a not-for-profit corporation organized to preserve the history of railroading in Eastern Illinois and Western Indiana and operates a museum located in the former Chicago and Eastern Illinois Railroad depot on East Benton Street in Rossville, Illinois. The museum is open weekends from Memorial Day to Labor Day and features many railroad displays plus a large operating HO model railroad. Membership in the Chapter is open to anyone having an interest in any aspect of railroading. Dues per year are \$20.00 for Chapter membership in addition to \$36.00 for NRHS membership. Rossville Depot Museum membership is \$20 per year. Meetings are held on the third (3rd) Sunday of each month (except June, July, August and December) at the Jocko's Depot Restaurant, Gilbert Street (Illinois Route 1) and Williams Street, next to CSX, in Danville, IL with lunch beginning at 1:00 PM Central Time followed by meeting and program.

OFFICERS FOR 2011 - Our 43rd Year

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MEMBER: Association of Illinois Museums and Historical Societies

Visit our Chapter WWW Home Page On-Line - <http://www.danvillejct.org>



UP 7401 leads a UP consist as they back south to pickup the rest of their train sitting south of Bradley Avenue in Champaign. IC SD70 1022 is the trailing unit on a southbound train waiting to depart. The UP consist just delivered 3 additional IC SD70's to Champaign that have apparently been roaming on the UP. A side note, #1022 has the IC emblem on the nose but a CN "noodle" on the rear hood. The date is November 1, 2011, photo by Rick Schroeder

Coming Events

November 20, 2011

Danville, IL - Monthly meeting at Jocko's Pizza Depot, Williams and Gilbert Street, starting at 1:00 PM.

December 3, 2011

Rossville - Third Operating Session at the museum - 12:30 to 4:30 PM

December 4, 2011

Danville, IL - Annual Meeting at Jocko's Pizza Depot

December 17-18, 2011

Indianapolis, IN - Great Train Expo at Indiana State Fairgrounds, 10-4 both days - \$7

January 7-8, 2012

Indianapolis, IN - World's Greatest Hobby on Tour, sponsored by 9 manufacturers, 300 booths, demos, new products - Indiana State Fairgrounds 10-6 on Sat, 10-5 on Sun, \$10

*C&EI HS 2012
Calendars available at
next meeting \$7
without shipping*

CHAPTER ANNUAL DINNER

December 4, 2011

*Jocko's Pizza Depot - corner of Gilbert and Williams
Streets*

1:00 to 3:30 PM

*Program by Rick Schroeder - Valuation Maps and
Mechanical Drawings from the C&EI Railroad*

Next Meeting

The October meeting will be held Sunday, November 20 at Jocko's Depot Restaurant, Williams and Gilbert Street, beginning at 1:00 PM.

The motor cars have been moved to the Monticello area by Doug Nipper and Matt Weaver. Matt is looking forward to restoring the cars and someday in the future they will operate on the MRM trackage. Doug hauled the cars to White Heath and the only problems were the fact one of the roofs wanted to come off, so much for age.

Before winter the tuckpointing should be completed and hopefully the tree limbs are down. We need to get onto the roof to clean the gutters of debris before winter. Not much time remains before bad weather to get this done. The operating sessions have started so you model railroaders plan to attend the sessions that are held on the first Saturday of each month, with the exception of January, which will be the second Saturday.

This meeting will be election, or keeping the same officers again, for Chapter positions. If you want to hold an office contact Dick. This will be the last issue of THE FLYER for the year. Since the December meeting is shortly after this one your editor needs a rest before starting one after the first of the year.

The program will be announced by Al at the meeting.

Meeting Minutes October 16 2011

Meeting opened at 1:48 P.M., President Dick Brazda presiding. Treasurer's report read and approved with motion from Jess Bennett: CD has a balance of \$3488.30, and checking is at \$1339.83 for total assets of \$4828.13. Rent has been paid Secretary's report as printed in the Flyer was approved with motion by Allen Cooke.

Old Business

Masonry work, which was quoted at \$85 to repair cracks in northwest corner of depot have NOT been done. Allen will call again... Tree removal, quoted for \$585, has not been scheduled yet. Doug Nipper will try to get this done before the snow flies... Some members reported on the Amtrak trip to Centralia the previous day. Weather was better than last time, but not many trains seen on CN... The Chapter motorcars have not been moved to Monticello yet, but Nipper will get it done soon.

New Business

Mark Ziebart said that June 1st was his 20th anniversary with the Chapter. Work plans will put him on a tie gang next week, closer to his home area... First operating session of the season at Rossville will be Saturday, November 5th... Rick brought several books that he is trying to sell... Doug Butzow reported on his attendance at the Corridor Coalition meeting in respect to the high-speed rail initiative. More detours will take place next spring, and a LOT of money is being spent on equipment.

Meeting adjourned at 2:05 P.M after motion by Rick Schroeder. Program was an attempt to show a tape of Bob McQuown's trip on the Orient Express, but the player did not cooperate. Thankfully, Mark Ziebart had brought a DVD by BNSF on their flood mitigation efforts in the great flood of 2011, which we watched instead.



Iowa Interstate sues Train Festival

The Iowa Interstate Railroad has filed a lawsuit in federal court to recover expenses it incurred operating special trains for Train Festival 2011. The Festival ran July 21-24 in Rock Island, IL

According to the complaint, Iowa Interstate is asking festival organizer Prestige Rail Marketing and its president, Jason Johnson, to pay \$93,539 in expenses and fees it incurred to run its two steam locomotives and other excursion trains during the festival.

Johnson told TRAINS, "The event ended up in the red, and we are in the process of getting the financing to cover all losses from the event. We fully expect an out-of-court settlement by year's end." Johnson said that his company would make good on all the debts it owes.

"The heat really killed us, had a tremendous impact on attendance" he said. Temperatures were at or exceeded 100 degrees during the entire course of the event. He said the books were yet to be closed for the festival, and that "there are still quite a few people out there that owe us ... We are working our way through the list." He said his company is in contact with Iowa Interstate's bosses each week to provide updates.

Johnson said that his company has already made full payments to several vendors, including the Rock Island Police Department, and partial payments to others such as the Fort Wayne Railroad Historical Society and Iowa Interstate. The Society operates Nickel Plate Road 2-8-4 No. 765. He said the Fort Wayne group has already received some money, and he expects them to be fully paid "within a couple of weeks." Johnson said Iowa Interstate has already been paid "around \$90,000." He said the lack of payment following the event is an "unfortunate situation, but we are digging out."

Rail Development Corp., whose chairman is Henry Posner III, owns Iowa Interstate. Posner said that the situation "raises serious issues about the future of such

events." He said he was concerned that there could be a "chilling effect on future events of this kind," after what happened in Rock Island. Posner said Iowa Interstate and Rail Development Corp. are aware of the value of outreach to the communities it serves, the general public, and railroad fans .. He said that IAIS went beyond what might be expected to make sure the festival was successful, and described the situation as "fundamentally demoralizing."

Iowa Interstate President and Chief Executive Officer Dennis H. Miller said that the railroad received a check from Johnson, but the check bounced. "The contract said we were to be paid in advance, and we were not," Miller said. "Johnson did give us a check the day the festival started, it bounced, and he said he just needed a couple of weeks to make good on it, but we still have not been paid." Miller said the lawsuit was filed to not only recover the money, but to be "at the head of the line" when Johnson's company begins making payments.

Mick Burkart, Iowa Interstate's chief operating officer, said, "Every train was full, every seat sold. So where is the money? If you calculate out the prices of tickets, you come to over \$1 million, or \$1.2 million, in tickets sold. So where did it go?"

Miller said that while Iowa Interstate still will run trips in conjunction with charity groups, it's unlikely to embrace future events like Train Festival. "From now on, if there was a big contract type trip, it's 100 percent cash up front," Miller said. - Steve Glischinski, *Trains Newswire*, September 27, 2011.

CSX National Gateway to be completed by 2015

CSX Transportation announced Tuesday that work is now complete or under way at one-third of the clearance projects required for phase one of its public-private National Gateway initiative, which spans a rail corridor between North Baltimore,

Ohio, and Chambersburg, Pa. This progress keeps the project on track for completion by 2015.

Vertical clearances will be raised at 61 locations to create a double-stack raised corridor between Atlantic seaports and the Midwest. To date, work is complete at five of the locations, and crews are working at 15 others. The projects already completed include bridges in Hyndman and Chartiers Creek, Pa., which were modified for double-stack usage.

CSX said work has started on other projects in its phase one construction, with five tunnel improvement jobs under way in Confluence, Pa., Hansrote, W. Va., and Magnolia, Md., where tunnel linings are being modified to provide the necessary clearance. CSX is also raising four highway bridges and lowering the tracks at three others in Ohio.

CSX recently announced that it would invest an additional \$160 million to complete the National Gateway. This brings CSX's planned private investment in the project to about \$575 million over several years.

One of the nation's largest transportation projects, the National Gateway will create more than 50,000 jobs over a 30-year period by creating a more efficient intermodal network and expanding double-stack capabilities. CSX is targeting a 2015 completion date to coincide with the expansion of the Panama Canal, which is expected to bring more traffic through East Coast ports.

Editor: In April 2009 I was contacted by a friend whom is a CSX Project Engineer asking URS to provide design services for 11 bridge structure modifications in Ohio. These were to be "shovel ready" projects with construction work to start that fall. We put 3 of our Decatur personnel and 8 of our Akron office personnel on the projects. Under the government system these were counted as "new jobs" even though current employees were used and were actually pulled off other projects. Due to permitting, decision-making, working with government agencies and other issues the 30% plans were not completed until this past winter. Some construction work

started this spring on overhead highway bridge replacement and will continue with other contracts next year. All of these projects were expedited by all parties and are being completed in 6 years instead of 10+.

NS at 30 Years

The Philadelphia Chapter “Cinders” reports that NS is planning to celebrate its 30th year (hard to believe isn’t it) by staging a photo with GP30’s of three of its predecessor roads. GP-30#2233 borrowed from the Railroad Museum of Pennsylvania will represent Conrail. Now if they would only go back to the Wabash, NKP and other roads think what a kick that would be for railfans.

Hopefully you are aware that NS has embraced steam again. Last year they announced they would work with the Tennessee Valley Railroad Museum to run mainline steam again. For those of you that get TRAINS magazine you will note in the December issue that Southern No. 630 is up and running and for the first time in 17 years steam rode the mainline of Norfolk Southern. Over the next four to five years Southern 630 will travel some 1,800 miles on the NS system promoting Norfolk Southern.



The train will consist of a power car and five other cars which are in heavy rebuild at the present time. This time riders will be employees, shippers and decision-makers and not the public, however, we are sure the public will be out in force to see steam on NS again. We will keep you posted on a schedule and we expect the former Wabash to host the locomotive at least once and probably twice over the period of time.

North Dakota Oil Boom

As the volume of crude oil pumped out of the Bakken continues to set records, oil companies are increasingly investing in rail facilities to move their product to market.

Since EOG Resources went online with a crude-to-rail transfer facility near Stanley in December 2009, several other facilities have been built and more are under construction or in the planning stage.

The capacity of rail terminals in the state is expected to reach 300,000 barrels a day by the end of this year. Terminals are projected to have capacity for 750,000 barrels a day by the end of next year and more than 800,000 barrels a day by 2013, according to the N.D. Pipeline Authority.

New terminals have yet to ramp up to their full capacity, however. In June, facilities were shipping about 70,000 barrels a day from the state, the Pipeline Authority estimated.

Terminals exist in Minot, Stampede, Donnybrook, Ross, Stanley, New Town, Zap and Dore, which is on the Montana border in McKenzie County.

R&R Contracting, which has an office in Grand Forks, built the EOG station and is involved with other oil companies to construct more facilities, including potentially another in Stanley. R&R Contracting recently doubled the capacity of a transfer station in New Town, originally built last year to handle 80 cars.

The contractor company is building a site with capacity for 400 to 600 rail cars northwest of Ross. The facility is expected to be completed by the end of November, said Mark Reimer, sales marketing manager.

Work is just getting started in Berthold on a transfer station that could be quite large when completed next year, he said. Details still are in flux on that project, which would include Enbridge and other companies.

“We are just building enough track to get them going this year so they can start bringing in fracture sand. A lot of these are doing oil and sand,” Reimer said.

A transfer station near Blaisdell was built to take fracturing sand, and similar projects also have gone on in the area, including an upgrade in Burlington to accommodate fracture sand.

In addition, R&R Contracting has been involved in projects in Dickinson and eastern Montana.

Reimer said the demand to move oil by rail has been tremendous. Before the first loaded car leaves the station, expansion plans are under way, he said.

“I average two to three calls a week,” Reimer said of oil companies interested in building. “The pipeline infrastructure is a long way out. Even when the pipeline infrastructure comes to be in place, there’s still going to be a lot of truck-to-rail done.”

Unlike a pipeline that takes everything to one place, rail opens access to various markets that often are more profitable. That’s prompted companies such as Rangeland Energy of Sugar Land, Texas, to develop rail terminals. Rangeland Energy is building a crude oil terminal and rail-loading facility on a 274-acre site in Epping, along with a 20-mile pipeline. The company has reported that the \$70 million COLT Hub will be completed by January.

Savage Companies of Salt Lake City plans to own and operate a large multi-user rail terminal in Trenton. Expected to be completed by the end of this year, Trenton Railport will bring in oil-field related materials and load and ship unit trains of crude oil.

The 270-acre site will include rail infrastructure, open space for oil field materials storage, and receiving capability for fracture sand and other materials. Once operational, Trenton Railport employment is expected to be between 40 and 60 people.

Musket Corp. of Oklahoma started a major expansion in August of its rail facility at Dore. The facility will have a total outbound capacity of 70,000 barrels a day. Additions to the facility include a loading rack for unit trains, fixed tanks and a pipeline connection to Banner Transportation’s Market Center Crude Oil Gathering System in North Dakota. Plans are to be operational in the first quarter of 2012, the com-

pany reports.

Hess Corp. of New York is building a \$48 million terminal near Tioga that will begin shipping about 70,000 barrels a day in early 2012. It will have capacity to grow to ship 120,000 barrels of crude daily on two trains, each consisting of 100 rail cars. That crude will be coming in by pipeline rather than truck. In its initial announcement, Hess indicated the terminal would operate 24 hours a day, with about 20 employees per shift.

Bakken Oil Express, a subsidiary of Kansas-based Lario Logistics, this fall opened a 100,000 barrel-per-day crude-by-rail terminal near Dickinson that has room for expansion to 250,000 barrels a day. Great Northern Power Development also is looking at constructing a terminal at Fryburg in southwestern North Dakota.

Mountrail County recently approved construction of a 500-acre transfer station at Palermo that will be bringing in petroleum products and fracture sand as well as exporting oil. Another transfer station is being talked about in Van Hook Township, east of New Town, Mountrail County planner Don Longmuir of Stanley said. It shows the strength of the industry, he said.

“People are looking at it and saying this is a real deal. It’s here for a while so they are willing to make the investment,” he said.

The railroads are investing to make sure their infrastructure and personnel are at adequate levels to support the oil industry.

Canadian Pacific Railway is rebuilding portions of rail line from Drake to New Town to handle the heavier traffic volume. The installation of more than 17 miles of rail replacement and upgrades to 41 crossings is part of \$100 million in improvements planned by the railroad in North Dakota between 2010 and 2012.

CP Rail is expanding capacity on the New Town, Portal and



Carrington subdivisions, including yard track extensions in Max, Harvey and Flaxton.

“It’s all being driven by the increase in demand that we are witnessing for the transportation service that we provide. They are, in part, related directly to the demand for Bakken crude and the transportation of Bakken crude, but it’s not limited to crude. The benefits accrue to our grain customers as well. They accrue to our intermodal customers,” said Mike LoVecchio, spokesman in CP Rail’s U.S. headquarters in Minneapolis.

The investments being made by oil companies and other industry shippers is a sign of optimism about the area’s future, he said.

“That’s a real vote for the state’s economy and a vote for the transportation services we provide, and we welcome the opportunity to do it,” LoVecchio said.



Burlington Northern Santa Fe Railway

also is investing in infrastructure. The company currently is making improvements at Gavin Yard in Minot to accommodate not only the movement of crude oil and industry supplies but demand for rail by the coal, grain and construction industries, said Denis Smith, vice president of industrial products marketing, Fort Worth, Texas.

The movement of oil from North Dakota impacts BNSF’s entire rail system because of the traffic generated to various regions of the country. In the past year, the railroad has hired 3,000 to 4,000 people throughout its system as well as upgraded rail, Smith said.

Some of the improvements target efficiency rather than infrastructure. For instance, BNSF has gained more capacity on its main lines because of system improvements that enable trains to move off main tracks onto sidings at higher speeds, he said.

Smith said more improvements can be expected as BNSF works to stay a step ahead of the oil industry and meet its

demand for transportation.

“We do feel that we will be in sync with the terminals as their capacity comes on, so we are not foreseeing any sort of issues in terms of handling the growth,” he said. “We feel that we will have enough capacity there to haul away a good portion of the Bakken crude.”

He noted railroads have been hauling crude for 140 years so the practice is nothing new, even though the volume is greater than ever.

Pipelines will never completely replace rail because of the flexibility that rail provides in reaching more markets, Smith said. Rail also can be cost effective and has the added advantage of preserving product integrity during shipping, he said.

The biggest obstacle for shippers is the lead-time necessary in ordering tank cars, he said. Rail car manufacturers scaled back during the recession so oil companies are finding less supply and longer wait times.

Editor: Much of this oil is headed by rail to Louisiana and some runs via CP Rail and Union Pacific through Villa Grove.

Grant for Bloomington-Normal -Normal to Peoria passenger rail study

The Dept. of Transportation awarded \$160,000 in funding to study the feasibility of establishing passenger rail service from Bloomington-Normal, which is currently served by Amtrak service from Chicago to St. Louis - Peoria.

“Connecting Peoria to the high-speed rail service in Bloomington-Normal opens up new possibilities for businesses and travelers from Chicago to St. Louis,” said U.S. Senator Dick Durbin.

The Amtrak station in Normal is the busiest in Illinois outside of Chicago and a

considerable amount of that ridership is from the Peoria area. According to the Economic Development Council of Central Illinois, over 5,000 people travel from the Peoria area to Bloomington-Normal to work on a daily basis, and over 2,500 travel in the reverse direction. It has been estimated that more than 95% of these commuters travel alone in a single-occupancy vehicle. Having a study investigating passenger rail options is the first step to better connecting these 2 hubs and reduce travel times and congestion while improving air quality in the region.

The only rail line between East Peoria and Bloomington/Normal is the NS (former NKP) branch line which is in relatively good condition but is not signaled and would require extensive upgrading to support passenger service that is competitive with parallel I-74. There is also the problem that NS utilizes trackage rights over two railroads from Farmersville west to East Peoria — the TP&W and P&PU. The trains would utilize the P&PU bridge across the Illinois River to reach Peoria. Also, The NS goes right past the old GM&O depot in Bloomington, but Amtrak now stops at the new station in Normal (100 East Parkinson Street).

Editor: Interesting how the interest in rail travel has filtered down to the B-N to Peoria area. What about Danville to C-U? Head east around 7 AM toward Danville and there is a steady stream of headlights coming toward Urbana from all of the towns east of that city, and especially the Danville area. From the study noted above they say there are a lot that go to State Farm or ISU that travel from Morton or East Peoria to work at those locations. They would drive to downtown Peoria, then take the train to downtown Bloomington and finally a bus to work. Lets see, 45 minutes to fight the traffic, park and wait for train in Peoria, 1 hour train time to Bloomington, 45 minutes wait and ride to work. Driving time is some 40 minutes from door to door. At around \$1 million per mile for PTC signaling looks like a good use of funding. Lets use this money to add additional trackage on the CN and improve on-time performance and add trains on the

Carbondale to Chicago segment. We will never get people out of their cars unless gas goes to \$8.00 a gallon or more.

A little known bit of railroad history!

Even if you didn't work for the rail road this story has an interest for all - read to the end!

Train station watches were just the beginning. If you were in the market for a watch in 1880, would you know where to get one? You would go to a store, right? Well, of course you could do that, but if you wanted one that was cheaper and a bit better than most of the store watches, you went to the train station! Sound a bit funny? Well, for about 500 towns across the northern united states , that's where the best watches were found.

Why were the best watches found at the train station? The railroad company wasn't selling the watches, not at all. The telegraph operator was. Most of the time the telegraph operator was located in the railroad station because the telegraph lines followed the railroad tracks from town to town. It was usually the shortest distance and the right-of-ways had already been secured for the rail line.

Most of the station agents were also skilled telegraph operators and that was the primary way that they communicated with the railroad. They would know when trains left the previous station and when they were due at their next station. And it was the telegraph operator who had the watches. As a matter of fact they sold more of them than almost all the stores combined for a period of about 9 years.

This was all arranged by "Richard", who was a telegraph operator himself. He was on duty in the North redwood, Minnesota train station one day when a load of watches arrived from the east. It was a huge crate of pocket watches. No one ever came to claim them.

So Richard sent a telegram to the manufacturer and asked them what they wanted to do with the watches. The manufacturer didn't want to pay the freight back, so they wired Richard to see if he could sell them. So Richard did. He sent a wire to every agent in the system asking them if they wanted a cheap, but good, pocket watch. He sold the entire case in less than two days and at a handsome profit.

That started it all. He ordered more watches from the watch company and encouraged the telegraph operators to set up a display case in the station offering high quality watches for a cheap price to all the travelers. It worked! It didn't take long for the word to spread and, before long, people other than travelers came to the train station to buy watches.

Richard became so busy that he had to hire a professional watch maker to help him with the orders. That was Alvah. And the rest is history as they say.

The business took off and soon expanded to many other lines of dry goods. Richard and Alvah left the train station and moved their company to Chicago — and it's still there.

It's a little known fact that for a while in the 1880's, the biggest watch retailer in the country was at the train station. It all started with a telegraph operator: Richard Sears and his partner Alvah Roebuck!

Ed: Thanks to Bob M. for this story.

Grand Opening of Progress Rail's Muncie Locomotive Plant

Progress Rail Services Corporation (PRSC) on Oct. 28 officially opened its Muncie, Ind., locomotive manufacturing facility.

The company chose the site last year and work began in earnest this past January, Progress Rail said. In less than 10 months, the plant has produced completed diesel-electric locomotives for the company's

customers.

“We are proud to be in Muncie, Indiana, today celebrating the official opening of our locomotive assembly plant. We look forward to being a part of this community’s economic future for many years to come,” said Billy Ainsworth, president and CEO of Progress Rail. “We have assembled a talented and dedicated group of local employees eager to meet our customers’ needs. As we continue to grow our business and build additional manufacturing capacity, Progress Rail will be well-equipped to produce and support the largest global population of locomotives.”

Through its acquisition of Electro-Motive Diesel in 2010, Progress Rail, a wholly-owned subsidiary of Caterpillar Inc., expanded its network and offerings. Within the past year, Progress Rail has also announced two additional locomotive assembly plants: one in Sete Lagoas, Minas Gerais, Brazil, and another in Sahagun, Mexico

RailResource - October 31st, 2011

Oil Moving by Rail

By Bill Mann, MarketWatch

PORT TOWNSEND, Wash. — Will there be “Stranded oil” in Alberta’s tar sands if the Keystone-XL pipeline isn’t built? That’s what Canada’s Financial Post worries. But an unusual solution is emerging, or at least a partial one: It’s being called a “pipeline on rails.”

A year ago, almost no Alberta crude traveled by rail. Now, Canadian railroads can’t find enough cars to ship the gooey stuff. That’s part of the reason Canada’s two biggest railroads, CN (Canadian National Railway) and CP (Canadian Pacific Railway) are wrapping up the year on an upswing. CN’s third-quarter profit climbed 19 percent.

CP saw its earnings slip earlier this year because of avalanches in the Rockies last winter and floods in the prairies in the second quarter, but had a \$186 million profit the third quarter. These days, there’s

more oil for the railroads to ship — mostly to markets where crude prices are much higher, away from the middle of the continent.

And even though railroad tanker cars will probably never ship crude as cheaply or in the large amounts that pipelines do, they have their advantages, both in costs and flexibility.

Worries about Keystone

“Anything short of a go-ahead in December for Keystone XL would plunge the oil sands sector into disarray until new solutions move forward,” the Financial Post frets, adding, “The worst-case scenario? Stranded oil sands — for years.”

Sounds pretty bad, all right. Except that the controversial pipeline from Alberta will probably get President Obama’s approval, despite heavy political opposition from environmental groups. The U.S. needs a secure way to get “ethical” Canadian crude to Gulf Coast refineries. And rail can “un-strand” at least some of that oil and get it to the coasts.

Some 2 million barrels of Canadian crude go through pipelines to the U.S. daily, and estimates are that only 10,000 to 20,000 go by rail. But as oil companies grow more comfortable shipping by rail, analysts say, there’ll be a lot more crude in — actually, on — their “pipelines on rails.”

Oil has just started moving by rail recently, after a series of pipeline leaks that created outages on such vital links to the U.S. as Enbridge’s backbone Mainland system and on Plains All American Pipelijne LP’s Rainbow pipeline.

Pipelines have long been the favored mode of transporting crude because they’re (usually) safer and cheaper. But the argument for rail these days is largely based around the prices for crude.

It may cost \$3 to \$6 to move a barrel of crude through a pipeline versus \$15 to move it by rail.

But that price difference vanishes if you get the oil to a destination where it fetches a far higher price — namely, to ports on the West or Gulf coasts, where crude (currently, anyway) sells for \$20-\$30 a

barrel more. Plus, rail can adapt far more quickly to changing oil markets — in days, rather than years. Pipelines take years to permit and build, and most pipelines on this continent run north to south, whereas trains can (and do) go any direction.

In the U.S., oil production is climbing so quickly in North Dakota’s Bakken play that pipelines can’t be built fast enough, and roughly a quarter of the oil is now moving by rail, according to BNSF Railway. “We’ve doubled it every year recently,” BNSF spokesman Krista York-Woodley said of its crude shipments. Oil companies are more and more leveraging the rapid movements of crude via an expanding rail capacity to search for added profits.

Bakken up

There have been 30 rail-loading facilities built in the Bakken, with another 40 planned.

Most industry analysts, however, still view rail as a temporary solution until more pipelines — like Keystone-XL — are built. But in the meantime, oil is getting into every market served by rail — hundreds of them. Altex Energy president Glen Perry told the Toronto Globe and Mail he’s boosting his oil shipments by rail to more lucrative markets:

“California, Texas, Louisiana. I’m not involved in all the trades,” he said, “but there’s probably some going to the East Coast, too.”

CN is now pushing using rail on the same route as the proposed and controversial Enbridge Northern Gateway pipeline to a port at Kitimat, B.C.

The large inland-versus-coast price disparity probably won’t last — certainly not when several proposed pipelines are built. In fact, oil exec Perry calls the price difference “very, very ephemeral.”

But in the meantime, northern railroads are calling out “Oil aboard!”