

## Short Lines Bridge Competitive Gap in Baltimore for LPG Firms

by [Clifton Linton](#), Editor, Energy Transport Insider

Liquefied petroleum gas (LPG) firms can improve their rail economics if they have a nearby short-line railroad that connects with two Class 1 railroads, the line haul freight railroads that own the majority of tracks in North America. Sometimes there's more than one option for that – such as in Baltimore, Maryland. There, two short lines each have connections to the two Class 1 carriers.

This confluence offers shippers an opportunity to participate in a competitive market, and access substantially lower rail rates (half of what a captive shipper would pay).

In Baltimore, a city with no pipeline service to deliver propane and butane, LPG firms can choose between the CSX Transportation and Norfolk Southern Railway by shipping via the Canton Railroad, which is a Class III switching and terminal railroad, or by short line Tradepoint Rail.

The Canton Railroad is more than 110 years old – chartered in 1906, as railroad Chief Executive Officer and President John Magness proudly told Energy Transport Insider. Canton's competitor Tradepoint Rail, owned by Tradepoint Atlantic, is located on the former site of Bethlehem Steel's Sparrows Point plant. That complex began producing steel in 1889 when it was built by Pennsylvania Steel Co. The plant's internal [railroad received its first locomotive](#) in July 1887 and the railroad began operations at that time.

### **Both short lines offer car storage, transloading and ability to handle propane and butane**

Canton Railroad, owned by the state of Maryland, has the smaller footprint of the two, with limited expansion opportunities, Magness said. The railroad is hemmed in by a gentrifying neighborhood. "There is no available industrial land along our right of way to expand," he said.



For that reason, the railroad has emphasized transloading services. That allows customers to bring rail shipments close to their facilities. The cars are delivered to Canton, where the cargo is loaded into trucks and driven to the destination.

LPG found its way onto the Canton when the railroad leased track space for tank car storage to a Maryland propane distributor several years ago. The customer, who declined to be named, has since expanded into transloading – unloading the tank cars in the storage yard directly into trucks. Canton leases transloading equipment and its staff handles the actual unloading of rail cars into the trucks, Magness said.

The railroad appears to be making a bigger commitment to handling propane. It is looking at installing 120,000 gallons of fixed-tank storage. “We’re still talking about that,” he said.

Petroleum is not a new commodity for Canton. The railroad once had a number of petroleum industry neighbors. Today one on-line petroleum customer remains – Apex Oil. That firm receives cars of refined products as well as pressure cars loaded with butane which is blended into gasoline, Magness said.



Using Canton gives customers an edge when bargaining with Class 1 carriers on shipping rates.

## Greater access cuts rail rates in half

When shippers have access to more than one Class 1 carrier, rail rates are half of what shippers pay when served by a single carrier, said a [study by Escalation Consultants](#) prepared from data from the Surface Transportation Board (STB) and published in USA Today on Sept. 27, 2007.

Magness says he stays out of the actual rate negotiations. The railroad's existence helps "the customer pit one (railroad) against the other in rate negotiations," he said. "I'm indifferent to what railroad the customer brings in."

He reveals that Canton's charges are paid by the delivering railroad. "The customer doesn't see that," Magness said, alluding to those charges.



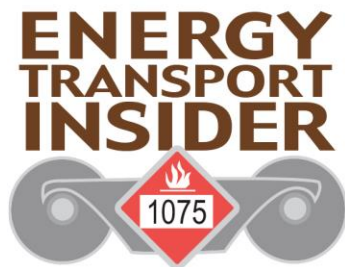
*Tradepoint Rail switch locomotive Photo source: Tradepoint Rail*

A few miles away, Tradepoint Rail is positioning itself to be an LPG tank car destination, as well. The railroad is owned by Tradepoint Atlantic, which in turn is owned by private investors Hilco Global and Redwood Capital Investments. Tradepoint Atlantic bought the 3,100-acre Sparrows Point in 2014, with the goal to turn the former steel plant into a logistics park – with access to deep-water ship berths and Interstate 95, and connections to two Class 1 railroads.

The deal also included the short line railroad, which once served the plant. Tradepoint Rail has 100 miles of track and the same Class 1 connections.

The firm offers storage and transloading. Tradepoint Rail currently has 2,400 rail cars in storage "with more capacity available," said Paul Thomas, vice president of rail operations for Tradepoint Atlantic.

Additionally, Tradepoint offers rail car cleaning, repair and scrapping services.



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This past winter, Tradepoint stored loaded LPG tank cars for propane distributors who wanted to position supply close to their markets, market sources told Energy Transport Insider.

Looking to expand its business, the company is in talks with a propane distributor to “take a lease,” said Joe Greco, vice president, marine/commercial at Tradepoint Atlantic. And Tradepoint is considering installing 60,000 gallons of fixed tank storage.

Transloading propane at a facility like Tradepoint can allow the distributor to expand volumes and customer service areas quickly, said Justin Smith, Account Manager at Tradepoint Rail. The short line has the space to handle increases in cars. And with access to the interstate highway system, trucks can easily reach Virginia, Maryland, Washington, D.C., Pennsylvania, Delaware and New Jersey in two hours or less.

Tradepoint is also looking to handle butane, another LPG product, Smith said. “That is one product we hope to store this summer.”

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