**Regional Issues**

**Tunnel and FRIP:** VAOT and RIDOT looking at autumn completion.*

**RailAmerica/PW deal:** Announced to SEC.*

Analysis of possibilities includes PW buying NECR, PW operating NECR, or merely an upcoming intermodal joint marketing.*

**PW/CSO interchange:** Could grow.*

**Wind generator:** Equipment by rail to Maine.

**Cost and service:** Moving out of synch. But Selkirk is improving!

**Connecticut**

**GRS:** Possible new customer has snag.

**Maine**

**GRS:** Embargoes Fore River Warehouse because of IP paper.*

**GRS:** Two paper mills sold.

**GRS:** Cousineau track coming.

**MMA:** Winter problems in the County.

**Maine paper:** Second-highest tonnage to Wisconsin.*

**Maine ports and containers:** Speakers praise Auburn terminal, want Maine to provide a container port.*

**Massachusetts**

**Boston:** Planning to dredge to 45 or 50 feet.*

**New Hampshire**

**NHCR:** Presby frustrated, but others justify his not getting direct rail service.

**Rhode Island**

**PW East Providence:** PW to use abandoned rail.

**East Providence:** Capital Terminal expands, but still no rail.*

**Vermont**

**VAOT:** Western corridor plans.

**VRS WACR:** WACR traffic has grown.

**VRS WACR:** Salt shed runoff.

**Maritimes/Québec**

**CN & MMA:** Fraser closes two mills for two weeks.

**CN intermodal:** Train service. Map.

**Halifax:** More traffic coming.

**People, Positions, Events**

[No report.]

**From the Publisher**

PW and NECR

The speculation I published about the reasons behind the PW SEC filing generated one scolding from an official at one of the railroads, and supportive comments from others. I congratulate the railroads on holding the content of their discussions confidential, just as President Bush kept his trip to Baghdad secret until this morning.

- Chop Hardenbergh

Next issue 30 June

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REGIONAL ISSUES

NECR/PW: TUNNEL AND FRIP

To start the possible auto traffic between West Davisville, RI and points west, NECR and PW need 19’6” clearance through the Bellows Falls tunnel, and ditto with the Freight Rail Improvement Project (FRIP) third track in Rhode Island. [See06#05A.]

Bellows Falls Tunnel

On 3 June, Richard Hosking, VAOT rail manager, reported: ‘This project is actually moving much faster then normal. We had some problems with the Village of Bellow Falls with regards to Right of Way and an issue with the canal bridge. Final plans were done June 1st.’ {e-mail to ANR&P}

FRIP

Heidi Cote, RIDOT spokesperson, reported on 1 June: ‘I am told that we are working with Amtrak and our goal is to get it done by September. Freight trains have been using part of the existing third track. However, since the new track has not yet been [finished] by Amtrak, no trains are using it.

‘We will have an event for the FRIP completion, but nothing has yet been planned.’ {e-mail to ANR&P}

PW, RAIL AMERICA DEAL?

1 June, Worcester. PW RELEASED AN ABSTRUSE STATEMENT CONCERNING ITS RELATIONSHIP WITH RAILAMERICA.

Providence and Worcester Railroad Company (AMEX: "PWX") (P&W) confirmed today that it has entered into a confidentiality agreement with RailAmerica, Inc. with respect to exploring possible business opportunities. The Company stressed that there is no agreement between the parties relating to any such business opportunities.

SEC filing

PW filed a form 8-K about its announcement of a confidentiality agreement with RailAmerica, at the SEC: ‘By press release dated June 1, 2006 the Registrant reported to the general public that it has entered into a confidentiality agreement with RailAmerica, Inc with respect to exploring possible business opportunities.’ {SEC website} [See e-bulletin(r).]

Why the 8-K?

Barring any particulars about the ‘business opportunities’, a review of the need for the 8-K may help. Per the filing, it occurred under Section 8.01, which the SEC describes as: ‘Other Events (The registrant can use this Item to report events that are not specifically called for by Form 8-K, that the registrant considers to be of importance to security holders.)’

RailAmerica response

RailAmerica, a short-line holding company, had no prior knowledge of the press release. Susan Wright Greenfield, RailAmerica spokesperson, said the announcement was done without the knowledge or participation of RailAmerica. “We talk with a number of entities about joint marketing and business development opportunities. They didn’t send us a copy of the press release. I would refer you to Providence and Worcester.” {ANR&P discussion}

Railroaders at NECR and PW had no specific idea about the intent of such an announcement. One PW insider wrote: “It was told to us that this is a marketing agreement, I don’t think so.” {e-mail to ANR&P 1.Jun.06}

One analyst’s view

“I think there’s limited interest on RailAmerica’s side,” said Arthur W. Hatfield, a transportation analyst at Morgan Keegan in Memphis, Tennessee. “There’s no such agreement existing between the companies. They talked a little, but they did not go down the path toward doing anything. It was premature and ill-advised for Providence and Worcester to put that out.
There’s nothing to say. I don’t know why they put it out. They (RailAmerica) don’t want to have to answer questions when there’s nothing to answer.”

Stock reaction
P&W’s stock rose from $16.80 to $18.50 in the half-hour following the company’s announcement, then dropped to $17.50 by about 1:15 p.m. The stock closed at $18, up $1.04, or 6.13 percent, on the American Stock Exchange. The company’s shares have risen 21.4 percent since 1 January. [Martin Lutrell in Worcester Telegram & Gazette 2 June 06]

The stock has since risen as high as 19.75. Disclosure: I have a small position in PWX and GWI. Editor

What’s going on?
A confidentiality agreement is usually used so that one party can see the other’s internal management information in order to value the company for acquisition or merger purposes. Editor

At first blush, this announcement looked like a standard announcement put out by two companies when they have begun merger talks. Such an announcement forestalls accusations of insider trading. However, given the fluid rail situation in New England, and the proximity of PW to two RailAmerica properties, observers have come up with various possibilities.

ANALYSIS: PW TO BUY NECR?
Because we lack details on the ‘business opportunity’ which PW and RailAmerica will explore, one can give free rein to speculation. Normally, I leave speculation to others, but here we have enough information on the railroads to make some informed guesses. These play out against the background of an ongoing relationship. PW and NECR have gotten to know each other quite well in planning the automotive moves and in doing the coal move, plus they have the long-standing Green Mountain Gateway arrangement (GMRC-NECR-PW) to bring traffic into New England avoiding both GRS and CSXT.

Other than a sale by either?
Joint intermodal product. PW now has two intermodal terminals, in Worcester [our Directory #s 443 and 447] and is open to a third terminal at its newly-paved Greenwood Yard, also in Worcester [see 05#10A Regional]. Perhaps the two would announce a Worcester-Montreal intermodal product to connect with CN. Certainly both NECR and MCER have voiced an interest in intermodal traffic [see 05#11A Regional].

Such a move would undercut CN’s current intermodal service to Auburn, which SLR indicates covers Massachusetts and sometimes points farther south. The Aububn traffic currently [see 26 May issue Maine] is struggling [but see Maine], as is PW’s own intermodal traffic [see 26 May issue, Regional]. What advantage would come from opening up another intermodal gateway? [Historical note: In 1978 CV initiated a 5xweek TOFC train between Palmer and Montreal.]

And if the railroads did that, it would hardly seem to rise to the level of a material event. However, one New England railroader called PW management ‘paranoid’ about SEC-required notification, implying that PW might indeed believe that a joint intermodal or automotive product would rise to that level.

Joint automotive product. Toward the end of this year, as already thoroughly reported, PW and NECR will open a route for auto traffic between Vermont and West Davisville, Rhode Island [see above]. While PW and NECR might announce a joint marketing effort, that would hardly rate the need for a confidentiality agreement.

Joint purchase of CSXT trackage. CSXT owns a cluster of track in southeastern Massachusetts, and has freight rights over Amtrak and Metro-North west of New Haven. Perhaps CSO, NECR, and PW might jointly pursue the purchase of the clusters, but PW would be better off buying each separately. PW does advertise itself as a debt-free railroad, and perhaps could look to RailAmerica for financing, but that too seems to make little sense.

Sale of PW
Would RailAmerica buy the Providence and Worcester? Possibly. Would Robert Eder, who owns a controlling interest in
the railroad, sell? Recall that he reiterated the railroad is not run solely for stockholders, but also for the employees, the states in which it operates, its unions, and the shippers [see 06#05A]. It’s hard to see how a sale would help those stakeholders.

Moreover, a sale at a normal price, usually 1.5x annual revenues [note IP sold four mills for less than 1x annual revenues—see Maine], would get nowhere near the current stock price. PW’s revenue last year was $26 million. If Eder sold for $35 million, each of the 4.5 million shares sell for only $8. It’s hard to see why RailAmerica would pay such a price.

Nor is this a sale forced by the estate of Orville Harrold, president who died in 2005. His estate holds less than 5% of the stock.

Sale of CSO or NECR or both
This possibility looked like the best bet to generate the PW announcement. It has enough weight to add to PW’s financials (NECR and PW have about the same carloads) but not to RailAmerica’s, as the latter has about 1.2 million carloads. The transaction would not look significant enough that RailAmerica should announce it.

Bear in mind the mission statement of PW, prominently featured in the 2005 Annual Report: ‘Providence and Worcester Railroad shall be the dominant railroad in southern New England, with safety as its first priority, by providing quality transportation services, maintaining its physical plant and equipment in excellent condition, and aggressively pursuing opportunities for growth, both externally and internally.’

However, officials at PW have said, in response to my inquiry, ‘The press release speaks for itself.’ The release speaks of ‘business opportunities’, reinforcing the internal message to PW employees. While I think a sale unlikely, one can illuminate the situation by examining it.

Why buy NECR?
Three reasons why RailAmerica and PW might want to make a deal on NECR:

Revenue targets. In a presentation to analysts on 4 May in Napa, California, RailAmerica executives posted a slide showing five-year goals for the company. It stated: ‘Average at least 5% annual “same railroad” revenue growth. By 2010, achieve railcar performance measures consistent with the rail industry (Class I’s).’ {RailAmerica website}

NECR has had a difficult time growing the top line. Some 75% of its traffic originates south of Belchertown, Massachusetts [see 06#04A Vermont]. Whether it could meet the 5% goal remains questionable, despite the best efforts of the marketing and operations people.

Proximity. At this point, the two railroads operate quite close to each other in Connecticut, and interchange a significant amount of traffic. Some believe competition between the two in the end weakens both.

The joint moves. The possible auto and intermodal traffic, which could work jointly, would become much more fluid if one operator had both tracks.

Why buy CSO?
Reasons RailAmerica and PW might want to make a deal on CSO:

Revenue targets and proximity. The above description on NECR also applies to CSO.

The joint moves. CSO and PW now interchange waste traffic in Hartford. This could become more fluid if one operator had both tracks.

The paper barrier. Under the agreement by which Conrail, CSXT’s predecessor, sold the CSO trackage to RailAmerica, a paper barrier exists. CSO may interchange with other railroads but must pay a significant penalty if the traffic could have
moved over CSXT [see below].

**What about an operating agreement?**

Observers have noted both that PW is one of the few, if not only, debt-free railroads, and that it does not throw off a lot of cash with its high operating ratio of 97.4%. To buy NECR, PW would either have to borrow money, sell more stock, or perhaps sell its land in East Providence which it is holding for development [see 06#05A *Regional*]. However, note that CN still owns the underlying right-of-way of NECR.

If it agreed with RailAmerica to operate the line, PW would obtain all the operating efficiencies, including the possible elimination of the St.Albans shop and management, but not need to find capital. RailAmerica would remove a low-performing asset from its 5% target calculation, probably improve the efficiency of NECR, and prepare an eventual sale.

**Who else might be interested?**

Two sources who asked not be named, one a PW stockholder and the other a New England railroader, pointed out that CN owned the Central Vermont Railway, predecessor to NECR. When CN put the CV up for sale in 1994, PW and VTR both bid on the line. They also discussed the possibility that if either won, they would split the line between them.

Ultimately, RailTex won the bidding, some say by overpaying. In 1999, RailAmerica acquired NECR and CSO when it bought RailTex.

VRS might again be interested in the northern end of the NECR, said the sources, but they knew of no approaches to VRS by either RailAmerica or PW. *{ANR&P discussions 4&5 June.06}*

Another good possibility: ethanol

Perhaps the two railroads are discussing a route to bring ethanol into New England. At this point none exists, though CSXT is looking at possibilities [see *Regional* in 06#02A]. As neither railroad has discussed this option publicly, the possibility of a major move may have pushed PW into the announcement. *Editor*

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**PW/CSO INTERCHANGE**

26 April, Worcester. *PW IS STILL BLOCKED FROM INTERCHANGING MUCH TRAFFIC WITH CSO,* because of a paper barrier, said President Scott Conti at the Annual Meeting [see 06#05A]. The rebuilt Wethersfield secondary, from Middletown to Hartford, is showing wear and tear. If the customer grows [Murphy Road, our *Directory* #604–see 05#02B], though, PW could run two trains a week. *{ANR&P coverage}*

A paper barrier exists because if traffic can move via CSXT, then a penalty is imposed to move via PW [see 02#04A].

**WIND GENERATOR**

June. *WINDMILL EQUIPMENT WAS MOVING SLOWLY THROUGH NEW ENGLAND* to Mars Hill, Maine. Bill Kutka of Progressive Rail Specialized Logistics, who has arranged the move, listed the move as 19 carloads: five PTTX cars of hubs, and 14 KRL eight-axle flatcars of nacelles. The eight axles, rather than the normal four, carry a heavy load. In this case, each KRL car carries two nacelles at 150,000 pounds each, for a total weight of more than 300,000 pounds.

The route

According to Kutka, the route was planned to provide side clearances for the nacelles. ‘On clearance moves the originating carrier handles the clearance request to any and all subsequent rail carriers. In this case to get the cars to the destination point we were required to go ST to MMA,’ to get the connection between MMA and CSXT, the originating carrier. ‘The two alternate routes we surveyed had small pinch points that would not clear the machines on rail.’

The weight

Because the cars with the nacelles weigh much more than normal (current weight limits of 286,000 pounds or 143 tons), they must move slowly in special moves, rather than in the usual manifest freights. For that reason, the cars have waited in various
rail yards for the right moment.

**Arrival**

Kutka is hoping that the hubs are interchanged to MMA by 7 June. The nacelles arrived in Northern Maine Junction on 9 January. {e-mails to ANR&P; MMA-rail e-list 11 Jun.06}

The blades went by ship to Searsport and then by truck to Mars Hill. {MMA-rail e-list 10 Jun.06}

**HIGHER RATES, WORSE SERVICE**

According to Rail Price Advisor, the cost of transportation as part of the cost of a delivered commodity increased substantially, from 18.2% in 2004, to 22.6% in 2005, and in 2006 32%.

At the same time, railroad service has gone downhill, as measured by the percent of time shippers must take to shepherd their cars to destination. In 2004, that took 18% of their time, in 2005, 19%, and in 2006 it jumped to 30%. {2Q06 issue}

Intermodal volume growth contributes to the traffic jamming the rail lanes. The rate of grown accelerated from 5.5% in 4Q05 to 6.3% in 1Q06. Domestic containers grew more than international, 8.4% in 1Q06. {Intermodal Insights 6.06}

**How’s Selkirk doing?**

Dwell time at the CSXT Selkirk Yard near Albany affects much of the New England rail traffic. The longer the dwell, the longer shippers and receivers must wait for their traffic to move. Like the times for April [see 06#05A], dwell times in May continued to improve, averaging 28.8 hours versus April’s 33.1 hours.

Moreover, Selkirk no longer ranked as worst in the system; it ranked 6th best out of 15 yards. {AAR website}

CSXT Senior Vice-president of Service Design Alan Blumenthal praised the implementation of the railroad’s One Plan for the entire system: “We are now seeing a slow but continuous improvement almost every day in terminal dwell time and how fast we are moving from origin to destination...We are really not seeing congestion issues right now.” {Rail Business 29 May.06}

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**CONNECTICUT**

**GRS: NEW CUSTOMER?**

7 June, Terryville CT. **PLANS TO BRING IN METAL BY RAIL HAVE RUN INTO A PROBLEM,** according to an official at E.S. Metal Fabrication, Inc.

**Possible use**

GRS Director of Special Projects Dick Willey wrote in the Pan Am Clipper 1Q06 [Guilford newsletter], ‘the E. S. Metals Co. has purchased property and plan to bring in steel products and distribute lumber and building products. This 7 ½ -acre site is ideally situated to serve the Southern New England, New York and New Jersey market areas.’

**Postponed**

The purchase of the site has run into “a problem”, said the official; she advised me to call back in three months. The company now has a site at 1 Allread Drive in Plymouth, about two miles from the tracks. {ANR&P discussion}

**Possible Massachusetts customer**

Note In contrast to other railroads’ reluctance to discuss future customers until the deal is nailed down, GRS was willing to name one. ‘The Nash Hearth & Leisure Company are interested in purchasing a building in the East Deerfield, Massachusetts area to haul in wood pellets for the home heating market by rail for further distribution by truck. Opportunities also exist for lumber distribution at this location.’ {Pan Am Clipper 1Q06}
MAINE

GRS: TOO MUCH PAPER!
31 May, Portland. INTERNATIONAL PAPER HAS TOO MANY CARS IN RIGBY YARD, according to one source associated with the problem. Due to the slowdown in paper purchasing, IP has been storing paper produced in its Bucksport and Jay mills in Maine warehouses, including the Fore River Distribution warehouse in Deering Junction, a part of Portland. Now, that warehouse can no longer accept additional paper, so that cars full of paper are sitting in Rigby. Another source said the number of cars in the yard was part of, but not all of, the problem.

Embargo
Consequently, on 30 May Pan Am had to embargo any further traffic to Fore River. The embargo covered all traffic to the ‘Fore River Distribution Center’ for the cause of ‘Congestions/ Accumulation’. {Consecutive Sheet:205 Railroad: ST RAIL SYSTEM, Embargo Number: 1-06, Current Status: Embargo Effective Date: May 30 2006. (from AAR embargoes website)}

Space available at NEPW Logistics
Drew Gilman, president of NEPW, said ‘we store a lot of IP paper in our North Jay (non-rail) and Mechanic Falls (rail) warehouses.’ Most comes out of the Androscoggin mill. His warehouses have more space available. {e-mail to ANR&P 31.May06}

GRS: TWO PAPER MILLS SOLD
5 June, Stamford. INTERNATIONAL PAPER HAS SIGNED A DEFINITIVE AGREEMENT TO SELL ITS COATED AND SUPERCALENDERED PAPERS BUSINESS to CMP Holdings LLC, an affiliate of Apollo Management L.P. for approximately $1.4 billion, subject to certain post-closing adjustments [see 05#09A]. The coated and supercalendered papers business includes four paper mills which generated $1.6 billion in sales in 2005: Jay, Maine; Bucksport, Maine; Quinnesec, Michigan; and Sartell, Minnesota. The transaction is expected to close in mid-summer 2006, subject to various closing conditions including receipt of financing, regulatory approvals, and other customary conditions. {IP press release}

Apollo doesn't anticipate layoffs at either Maine mill, said Steve Anreder of Anreder & Co. in New York City, a spokesperson for Apollo Management. “Those are two core facilities and there are no current plans to change that going forward.” Apollo has never owned a paper mill. Eric Kingsley, a forest industry analyst based in Portland, said the Jay mill is one of North America’s most efficient mills for producing magazine-grade coated paper, and the Bucksport plant is in the middle range for the same product. {Tom Bell in Portland Press Herald 6.June.06}

Another rating of the two mills
A source in the paper industry called the Bucksport mill “the best in the world” at making LLWC, a light-weight paper, with its two big machines. And the Androscoggin mill in Jay is “not a bad asset either.” But IP “hasn’t any idea how to manage the mills.”

Problem: IP is probably looking for a non-compete agreement, as it has in the past, meaning the two mills cannot make their most efficiently-produced product. {ANR&P interview 31.May.06}

IP’s Bucksport mill has four machines making coated paper, total output 482,800 tons per year. The Androscoggin mill has four machines, three of which make coated paper [see 05#09A], total output 500,000+ tons per year; it sends out 10 railcars a day. {Maine Pulp and Paper Association website}

GRS: COUSINEAU
June, North Anson. TRACKWORK TO NORTH ANSON is scheduled for completion by 30 June [versus the previously-reported date of end February—see 05#12A]. Work on extending rail north of Anson continued into early February of this year, but had to be discontinued due to seasonal weather conditions.
Track to the quarry
‘There is a potential that the rail line will be extended an additional five miles in the future to Embden, Maine to serve a rock quarry that is being developed by Pan Am’ [see 06#04B Regional]. {George S. Thayer in Pan Am Clipper 1Q06}

MMA: PROBLEMS IN THE COUNTY
31 May, Madawaska-Van Buren. THE RAILROAD HAD A “HORRIBLE TIME” SERVING TWO FACILITIES over the winter, said Jane Bachman, vice-president of operations for The Fiber Resource Group of Maine (TFRG). “It started at first frost, and only cleared up in April.” Bachman declined to provide any details about the poor MMA service, except to say that the problems arose on the inbound service. "Outbound service has been fine."

About Fiber Resources
Bachman, based in Beverly, Massachusetts, said the company handles unwanted paper from Fraser's mill in Madawaska. TFRG receives the scrap in various forms, including rolls, via truck or rail, at three facilities:

Van Buren warehouse and converting. This facility at 21 Ferry Street, acquired by TFRG in 2005, can receive and ship by truck or rail. TFRG converts paper here [resize it or cut it–see 04#01A], with its own converting machinery.

Madawaska warehouse/Elmo facility. TFRG also has a warehouse in Madawaska, not on rail. TFRG transloads at the Albert Farms rail-served facility on Elmo Siding, 696 Main Street, Madawaska, Maine (just west of the village of St.David), and trucks material to the Madawaska warehouse and the Van Buren warehouse. Using Albert Farms costs less because it is located right in Madawaska.

Albert Farms. This company operates a transload facility and warehouse. Principal Ken Gagnon said the company operates a common carrier trucking firm, and offers its warehouse and transload to customers such as TFRG, Fraser, and Evergreen perfume.

Total rail. TFRG uses rail mostly outbound, Bachman said, totalling perhaps 100 carloads a year. {ANR&P discussion 12.Sep.05 and 31.May.06}

Problems for Albert Farms
This company leases the siding from MMA. In January 2006, snow fell between the building and a railcar, blocking the loading door. Per Gagnon, he offered to clean out the siding, but MMA refused. “We talked to them, the customer talked to them, but the railroad would not give us service. We could have loaded two or three carloads a week,” Result: Albert Farms has lost the TFRG business, but MMA is still charging for the siding.

At this point, MMA wants to close the siding “for lack of business” yet MMA is responsible for the “lack of business.” {ANR&P discussion 31.May.06}

MMA response
‘With respect to Albert, we did have problems after an unprecedented 40" of snow caused such a blockage that if we moved the car we would have derailed it,’ wrote MMA Vice-president Sales & Marketing Dick Rushmore. ‘The roof is pitched in such a way that in a very heavy snowfall the car must move in and out very quickly to avoid being snowed or iced in. We look forward to having discussions with Albert Farms to deal positively with and to avoid this situation in the future.

‘With respect to the Fiber Resources problems, it is accurate that cars were iced in [the Van Buren yard], due to a drainage problem and the heavy snowfall, as were cars handled at the Van Buren lumber reload at the time. Our accounting people are discussing adjustment of demurrage invoices with the customer currently, although I am informed that this has been an on and off process. We do not expect to collect demurrage if we
cannot move the cars into an otherwise open customer facility.

‘There also appeared to be some confusion in communication during this period but we are hopeful that this has been solved.’ {e-mail to ANR&P 7.Jun.06}

MAINE PAPER

23 May, Milwaukee, Wisconsin. **MAINE RANKS #2 IN PAPER MAKING**, with Wisconsin capturing the top spot for the 50th year in a row. State mills generated more than 5 million tons of paper in 2003, the most recent year for which data were available, according to the American Forest and Paper Association. Maine ranked second with about 3.5 million tons.

The paper industry is facing lower demand and increasing competition from overseas, but Wisconsin's continued top ranking is promising, said Patrick Schillinger, president of the Wisconsin Paper Council, a Neenah-based trade group.

“The latest figures demonstrate that the paper industry in Wisconsin is still the global leader,” he said in a statement. “While there have been work force reductions and some streamlining in the industry, our productions numbers are still high.” {AP}

MAINE PORTS AND CONTAINERS

1 June, Orono. **PRAISE FOR THE SLR’S AUBURN INTERMODAL FACILITY WAS THE ONLY POSITIVE COMMENT** made in two presentations at the Maine International Trade Center’s annual Trade Day.

APL view

John Lauer delivered a “sobering” message to attendees. Lauer, eastern region managing director for APL, the sixth-largest shipping company in the world, called the Canada-Maine doublestack route a good alternative to US ports for Asian traffic. The land bridge route by rail from Long Beach or Seattle has an “unpredictable” shipping time. Companies can use the all-water route to East coast ports, and then dray containers for Maine to get predictable service, but it is costly. Lauer called for a US national freight policy with focus on productivity, regulation, and the environment.

Container ports not ready for growth

Peter Leach, senior editor of the *Journal of Commerce* where he covers the container industry, contended US ports and rail are not ready for the current 8-9% annual growth. Overseas ports such as Hong Kong and Singapore handle far more containers each year than the largest of American ports, and much larger ships are now bringing this higher volume to North American shores.

Leach also lamented the fact Maine industry has been slow in developing an efficient means of joining the container revolution. “Maybe it’s time for Maine to find ways to keep costs down. I’d love to tell our readers that Maine is a place to ship containers.” {ANR&P coverage by correspondent Fred Hirsch}

MASSACHUSETTS

BOSTON: CHANNEL DREDGING

29 May. **MASSPORT HAS ALMOST FINISHED A $4 MILLION STUDY EVALUATING DREDGING** of the 1500-feet-wide entrance channel, the 1200-foot main shipping lane, and the Chelsea River. “Our 40-foot channel puts us at a competitive disadvantage,” said Mike Leone, Boston’s port director; Massport would like an additional five or ten feet.

According to Deb Hadden, Massport deputy director property & transportation, the ‘Army Corps is conducting the Feasibility Study/Environmental Impact Statement, in close coordination with Massport (and co-funding 50-50 with Massport).....We were hoping [for completion of the study at the] end of 2006, but due to reduced funding on the federal side it will probably be spring of 2007.’ {e-mail to ANR&P 5.Jun.06}

The project itself could cost $100 million, with perhaps 50% of that coming from the federal government. Massport has already invested $50 million to upgrade facilities and is currently building a $25 million expansion to South Boston’s Conley Terminal. Officials fear that if Boston’s shipping channel does not get deeper, the bigger ships will go to ports such as
Halifax, which are naturally deeper or to cities that are moving ahead to deepen their harbor. [Beth Daley in *Boston Globe* 29.May.06]

NEW HAMPSHIRE

NHCR: CUSTOMER DIRECT SERVICE
7 June, Whitefield. *Presby Environmental would like direct rail service, but others deem it too costly.*

History
Dave Presby, founder and owner of the company, set up shop in the Whitefield Industrial Park in 2001, to make plastic pipe and matting for environmental application. At the time, he knew he wanted to bring in plastic pellets by rail, but when he set up, rail was not available; the site has no siding, and the nearest rail lies about three miles away. However, he was promised direct rail, per Presby, by Ed Jeffrey, owner of the New Hampshire Central, which has the right to provide freight service on the line.

At the outset, Presby drayed the pellets either from Safe Handling’s facility in Auburn, Maine, or RVJ in Leominster, Massachusetts. He then pressed to bring the cars directly to his Whitefield site. When informed that building a spur into his facility would run into environmental problems, Presby purchased land adjacent to the state-owned rail line some three-quarters of a miles distant, and planned to offload directly from the main line. Presby bought a truck to pump out the cars.

At that point, Jeffrey informed him that providing service to Whitefield would cost, operationally, too much, and suggested that Presby instead use the truck to transload from the NHCR yard in North Stratford. This Presby is currently doing, at a rate of about 40 carloads a year. Presby intends to expand to bring in 24 million pounds in three years [which translates into 12,000 tons or 120 carloads a year–*editor*].

Cost of service
Peter Riviere, development officer for the Coos Economic Development Corporation, which has discussed the issue with Presby, said on 5 June that his organization had spent some money investigating the cost to serve Presby direct: $700,000 to put the locomotive on, including track improvement. Such a figure would translate to about $17,000 per car; not worth it. As for the promise which Presby cites, “I don’t know anyone who went so far as to promise rail service.” Both Jeffrey and Kit Morgan, NHDOT rail administrator, agree with Riviere that no one promised Presby rail service.

Presby said that if he cannot get direct rail service, he may leave the current location and move to another state, and in the process take with him 200-300 jobs.

Possibly additional customer
Jeffrey pointed out that if additional customers used rail in Whitefield, the cost of service could be spread out. A bark mulch manufacturer had intended, Riviere said, to create mulch in the Whitefield Industrial Park and use the now-shuttered biomass plant to burn residue. Jeffery said the manufacturer estimated 3,000 carloads a year. “That could be worthwhile” to reopen the track. [Applying the 100 carloads per mile per year rule of thumb to the 25 miles to Whitefield, it would require 2500 carloads to break even. *Editor*] {ANR&P discussions with Presby and Morgan 1.June.06, with Riviere 5.June.06, and with Jeffrey 7.Jun.06}
RHODE ISLAND

PW EAST PROVIDENCE

12 June, Worcester. **THE RAILROAD HAS RESERVED THE RIGHT TO USE ABANDONED TRACK** in East Providence, pending the completion of the new connector track. Mary Tanona, PW general counsel, wrote: ‘In October 2005, the STB granted P&W’s petition seeking an exemption from the prior approval requirements of 49 U.S.C. Section 10903 to abandon certain portions of the East Providence and East Junction branches. The exemption was originally effective on November 3, 2005, but the effective date was deferred until May 3, 2006 to enable P&W to enter into interim trail use/rail banking agreements with third parties or public use agreements with RI state agencies. Two such agreements were entered into with RIDOT (one in February and one in April). In the April agreement, P&W reserved the right to use the property that is the subject of the agreement (which includes the East Junction track to Metals) until such time as the connector track between the East Providence branch and the East Junction branch is constructed.’ {e-mail to ANR&P}

Abandonment consummated
Tanona’s sentences make sense of a puzzling sequence. ‘The October 2005 decision provided a 180-day period to permit RIDOT to negotiate an interim trail use/rail banking agreement with PW for the 4.79± miles of rail lines. The NITU negotiating period expired on April 2, 2006; PW filed a notice of consummation on 3 April, though the public use condition did not expire until 2 May.

By letter filed on 19 April, PW stated that it prematurely filed the notice of consummation and requested permission to withdraw it on the ground that the public use condition has not yet expired. On 28 April, the Board granted the request.

Then on 4 May PW filed another notice of consummation, covering 4.31 miles of the East Providence Branch and .48 miles of the East Junction Branch. {for all decisions and filings, see STB website Docket No.AB-254 (sub-No.8X)}

That raised the question: since the connector between the East Providence and East Junction branches did not exist, how would PW move between the two? [See map 05#07A.] Tanona’s sentences answer that question. **Editor**

What about Canaan Produce?
When PW announced the abandonment [see 05#07A], it noted that Canaan [our Directory #474] used rail infrequently, and could move to a transload. Canaan did not oppose the abandonment. On 14 February 2006, principal Nathan Canaan said that his company would remain in its current location for at least a year, though his building was nearly sold. He would continue to bring in some produce by rail; “it’s very cost-effective.” {ANR&P discussion}

Canaan is moving to make way for proposed upscale development, such as student housing [see 06#04A].

EAST PROVIDENCE

1 June, East Providence. **CAPITAL TERMINALS IS EXPANDING, BUT STILL NOT USING RAIL.** Avery Noe, president, reported that a chance to move petroleum product out by rail had vanished. [In 2003, developers of a gas-fired generating station in Killingly, Connecticut had considered obtaining backup oil from Capital, and receiving it by rail. But the project never got off the ground. See 03#07B.] {ANR&P discussion}

Expansion
The terminal, a subsidiary of Capital Properties, is expanding, though. The home heating oil and diesel fuel terminal has undergone a major tank expansion in recent years. Noe said in May that the completion of the construction, slated for August, will bring the terminal’s capacity to 1 million barrels, the second-largest in Rhode Island after Motiva on Allens Avenue in Providence.

A connection to the railroad
preference and one share of PW common.

Capital Properties went on to become a major land-owner in Providence. {Justin Sayles in Providence Business News 27 May 06; PW stock offering 1998}

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**VERMONT**

**VAOT: WESTERN CORRIDOR**

9 June, Bennington. **ABRBE WILL NOT HAPPEN FOR AT LEAST SEVERAL YEARS**, said Richard Hosking, acting rail manager at the Vermont Agency of Transportation. In 2006, the agency hopes to complete work on five crossings in North Bennington, Manchester, and Shaftsbury by December.

**Work north of Rutland**

In the next few years, VAOT will do ‘a number of bridge and rail upgrades north of Rutland...to get Rutland to Florence upgraded to the [286-pound] weight and to bring the line up to Amtrak standard to allow future passenger usage.

‘This is not saying the rail passenger service [Albany-Bennington-Rutland-Burlington-Essex Junction] is on the radar screen but we want to be ready if it does show up. We will still be doing some crossings and tie jobs south of Rutland but the bulk of the work will be north of Rutland.

‘Some of the ABRBE money will be spent on the Middlebury rail spur.’ {e-mail to ANR&P 12 June 06}

**Funding limits**

In 2005, Vermont was awarded $30 million in federal transportation money to improve rail service [see 06#04B]. If the money is allocated as planned, the state will see one fifth of the $30 million each year over five years, said Hosking. But he would not predict the cost of rehabilitating the western corridor. “Anyone that can predict prices now is just guessing. The price of steel is unbelievable. The bigger picture is our priorities and where to spend limited funds.” In 2001 the expected cost of ABRBE was $70 million.

House Speaker Gaye Symington, D-Jericho, said even if Amtrak cannot provide passenger service, the western corridor railway could be used for freight. Investment in rail service is a way to protect Vermont's highways, she said. “When you close down a rail and you don't have viable rail service, you're putting weight back on the roads,” said Symington.

**The Guilford stretch**

Amtrak would have to use the GRS Freight Main between Schenectady and Hoosick Falls to get to Bennington. Hosking said the section does not meet Amtrak track standards at this point. {Clover Whitham in Bennington Banner 10 Jun 06}

**VRS: WACR TRAFFIC**

1 June, White River Junction. **TRAFFIC INTERCHANGED HERE “HAS GROWN SUBSTANTIALLY”** said Brent Brewer, WACR and GMRC general manager, in the last couple of years, after it invested “hundreds of thousands of dollars” in track improvements.

**Interchange with NECR**

In the course of commenting on the derailment of a car which WACR had left for NECR to move south to Bellows Falls, Brewer said: “On our side, coming through, it's 15 cars a day, if not 20. It used to be 20 cars a week.” {David Corriveau in Valley News 2 Jun 06}

**VRS: WACR SALT SHED RUNOFF**

5 June, Ely. **VRS AGREED TO DRAY FRESH WATER TO TWO RESIDENCES** after hearing that the salt distributed by Barrett [see 05#12A] for Cargill salt [see 06#04A] from the new salt shed was leaking into groundwater. The Thetford Selectboard last night gave WACR [part of VRS—editor] until the end of the week to restore clean drinking and bathing water
to the George family living next to the railroad's road-salt storage shed in the village of Ely, and 60 days to find and correct the source of the contamination of the family's well.

Facing the distress of the George family and increasing unrest among other residents living next to or near the rail line and the shed, the Selectboard last week sent the railroad's corporation counsel, and the secretary of the Vermont Agency of Transportation, a letter warning that the town was considering closing the shed and requiring the removal of 11,000 tons of road salt 'until the existing health hazards have been completely remediated to the satisfaction of the selectboard … and any future health hazards be completely prevented in a manner acceptable to the selectboard.’ {David Corriveau in Valley News 6.Jun.06}

**QUEBEC/MARITIMES**

**CN & MMA: FOREST PRODUCTS HIT**

6 June.  **FRASER WILL SHUTTER FOR TWO WEEKS TWO RAIL-SERVED LUMBER MILLS**, it announced today: Juniper, served by the siding about a mile away at Milepost 122.6 of CN’s Napodogan subdivision (starting at Moncton); and Plaster Rock, served by the siding about two miles away at MP 154.7. CN’s Edmundston shunter (starting at MP 219.4) serves both daily.

**Why the shutdown**

The shutdown will begin 17 June and is expected to last two weeks. Fraser Papers Vice-president Pierre McNeil said the closure will affect 340 New Brunswick workers. “Many people are saying, 'Well the market won't improve in two weeks, what are you going to do then?' and that's why I'm going to meet the key players and look at what are the different scenarios we have in front of us.” {CBC webposted 6.Jun.06}

On 19 December 2005, Fraser announced the sale of its 765,000 acres of New Brunswick timberlands to an Acadian Timber Income Fund. The fund signed an 20-year agreement to supply fiber to Fraser’s pulp mills and sawmills. {Fraser press release}

**Impact to rail: MMA affected too**

Paul McKinley, general manager of Fraser’s lumber mill operations, said on 7 June: “We ship 120-125 million board feet (MMbfm) from each of the mills. In the case of one, we use 75% rail, and the other 45% rail.” He declined to give specific figures for each mill. “We not only use CN” but also dray to MMA, McKinley pointed out. {ANR&P discussion 7.Jun.06}

[McKinley added that each railcar can hold about 110,000 board feet. Thus the two mills could move out about 2000 carloads together if all wood went by rail. Using his percentages, one mill rails about 450 carloads, and the other about 750 carloads. Thus a permanent closure would provide a significant hit to CN manifest traffic. *Editor*]

**CN MARITIME INTERMODAL PART II**

Part I (previous issue). Part I described the statistics from CN indicating the feet of train, and how the feet varies. Next, I analyzed the TEU statistics from the Port of Halifax. Comments from users indicated not only that the feet provided in March sufficed, but that CN was doing even better in April and May.

Part II (THIS ISSUE). In this Part II, I report on the overall service, describing the trains, the schedule, and the number of trains operating at any one time.

**CN TRAIN SERVICE**

The railway operates four intermodal trains (two each way) to the west side of Halifax harbor, and two manifest trains (one each way) to the east, or Dartmouth side.
Manifest, or carload traffic, in Halifax stems from companies on the Chester spur [see ???], from the lumber transload near Ceres, and from port traffic handled adjacent to HIT.

CN intermodal trains between Halifax and Montreal at noon on any day. At any one time, as shown, ten trains are either moving or loading.

**Eastbound intermodal trains**

Q120 leaves Toronto’s Brampton Intermodal Terminal at 0030. It does not stop in Montreal, but reaches Moncton at 2355 on the same day it left Toronto. It arrives Halifax at 0645 on the next morning. Approximate running time: 29 hours 15 minutes.

Q148 leaves Chicago around 1800, stops in Detroit the next morning, reaches Toronto that same afternoon, then Montreal in the early hours of the following morning. The train reaches Moncton about mid-evening on the second day after leaving Chicago, and arrives in Halifax around 0300 on the third morning. Approximate running time: 56 hours.

**Westbound trains**

Q121 departs Halifax Ocean Terminal (Halterm) at 1830 with traffic for Detroit and Toronto; it stops at Rockingham to lift a string of traffic left there from Fairview Terminal (Ceres) and Halifax Intermodal Terminal (domestic traffic, operated by CN). The train arrives in Moncton around 0100 on the first AM; it does not set off in Moncton but lifts traffic for Detroit and Toronto from Moncton Intermodal Terminal and the Port of Saint John.

The train pauses in Montreal only for a crew change, and arrives at Toronto’s Brampton Intermodal Terminal at 0345 on the second morning after leaving Halifax. Approximate running time: 34 hours 30 minutes.

Q149 departs Halifax Ocean Terminal (Ceres) at 2200 with traffic for Montreal and Chicago. It lifts at Rockingham traffic from Halifax Intermodal Terminal and Fairview Terminal (Ceres) for the same two destinations, along with a manifest block for Moncton.¹ When it arrives in Moncton around 0500, it sets off the manifest block and lifts traffic for Montreal from Moncton Intermodal Terminal and the Port of Saint John, along with freight blocks for Joffre and Montreal.

Arriving in Montreal about 2300 the day after leaving Halifax, the train sets off the remaining freight block, along with the Montreal intermodal traffic from Atlantic Canada. It lifts traffic from the Port of Montreal for Toronto, Detroit, and Chicago, and also domestic traffic from the Taschereau Intermodal Terminal for those destinations.

The train arrives in Toronto in the middle of the second afternoon after leaving Halifax, setting off Toronto intermodal traffic, and lifting Detroit and Chicago intermodal traffic.

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¹ Manifest, or carload traffic, in Halifax stems from companies on the Chester spur [see ???], from the lumber transload near Ceres, and from port traffic handled adjacent to HIT.
It stops in Durand, Michigan late on the second day after leaving Halifax, setting off traffic for Detroit (that traffic gets to Detroit the third morning), and lifting traffic from Detroit for Chicago. It is scheduled to arrive in Chicago 0830 on the third day after leaving Halifax. Approximate running time 60 hours 30 minutes.

**Length of trains.** According to rail observer Mark Rushton, ‘it’s not uncommon for 121 to be over 7000 feet, with approximately 1500-2000 feet of that being domestic traffic. 149 is normally 8,000-9,000 feet leaving Rockingham, with up to 3000 feet of that being manifest traffic and domestic intermodal. There are days, of course, when the trains are shorter than that, but an average of 20,000 to 25,000 feet of traffic (inbound and outbound) per day seems reasonable. {e-mail to ANR&P 1.Jun.06}

**TRAINS MOVING IN SYSTEM**

The map captures all trains moving on one day, say 1 May, at noon between Chicago and Halifax, according to the above description.

**HALIFAX**

5 June. **MORE TRAFFIC WILL COME,** according the CN IMX chief Paul Waite. “Still more diversions [from the West coast ports] are in the offing.” He cited Canadian Tire, Hudson’s Bay [not members of the Canadian Retail Shippers’ Association which set up a distribution system in Halifax in 2005–see 05#06A], and a third retailer.

A new shipping line will soon announce calls at Halifax, said Waite, with up to 400 TEUs heading west.

Waite and George Malec, Halifax Port Authority vice-president, view Halifax service as complementing that of New York. It “can provide incentive for the large ships to increased their carrying capacity by using Halifax in tandem with a port like New York”–lightening or topping off loads.

Waite envisons the port reaching a million TEUs a year without strain [as does a recent study for an inland terminal–see 06#03B].

**Long dwell time**

The port has a target of 90% of boxes out within 48 hours [see about CN intermodal, 26 May issue]. Malec reported that statistic now stood at three days.

**Someone else noticed the lack of statistics**

The Halifax Port Authority [see footnote in same article] ‘[a]stonishingly... has no public statistics for performance so far this year. The embarrassed explanation given is that the port authority has changed information systems and that something has gone wrong: the data is not clear enough, or straightforward enough, or something, for all to be allowed to see. The data is adequate to present to existing or potential customers, but not generally.

“‘We’re on track,’” one is told, which is said to mean that growth estimates are being met. What are the estimates? Can’t say.’ {Courtney Tower in Shipping Digest 5.June.06}
operating.

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