Common abbreviations:
NS AND ST FORM ‘PAN AM SOUTHERN’

15 May, North Billerica and Norfolk. **THE LONG-RUMORED DEAL BETWEEN NS AND ST FINALLY HAPPENED.** According to the press release [see below], the deal has these main points:

- The two railroads will form a joint venture called **Pan Am Southern** to own and operate ST’s line between Ayer and Mechanicville, as well as White River Junction to New Haven [see map].
- ST [actually Pan Am Group] will contribute the two rail lines. As it does today, Springfield Terminal Railway will operate the lines.

- NS will contribute $140 million in cash and other property, with $87.5 million to be invested what the railroads call the ‘Patriot Corridor’ between Ayer and Mechanicville.

- The deal will require STB approval, which will require three to eight months.

**ENTIRE PRESS RELEASE**

May 15, 2008
Pan Am Railways and Norfolk Southern Create the Patriot Corridor to Improve Rail Service and Expand Capacity in New York and New England

NORTH BILLERICA, MASS., NORFOLK, VA. – Pan Am Railways (PAR) and Norfolk Southern Railway Company (NS) have agreed to create an improved rail route between Albany, N.Y., and the greater Boston, Mass., area called the “Patriot Corridor.” Investments in the Patriot Corridor are expected to improve track quality and customer service, boost train speed and reliability, and increase capacity on the route. PAR and NS each will have a 50 percent interest in the newly formed railroad company, called “Pan Am Southern.”

PAR has agreed to transfer to the joint venture its 155-mile main line track that runs between Mechanicville (Albany), N.Y., and Ayer, Mass., along with 281 miles of secondary and branch lines, including trackage rights, in Connecticut, Massachusetts, New Hampshire, New York, and Vermont. NS has agreed to transfer cash and other property valued at $140 million to the joint venture, $87.5 million of which is expected to be invested within a three-year period in capital improvements on the Patriot Corridor, such as terminal expansions, track, and signal upgrades. The companies also anticipate the construction of new intermodal and automotive terminals in the Albany area. PAR’s Springfield Terminal Railway subsidiary has agreed to provide all railroad services for the joint venture.

“We are excited to partner with Norfolk Southern on the Patriot Corridor. Since the Conrail transaction was implemented in 1999, both Pan Am Railways and Norfolk Southern have been working to bring additional high quality rail transportation options to our New England customer base. This joint venture is the culmination of those efforts,” said David Fink, Pan Am Railways’ president. “With energy prices continuing to rise, the Patriot Corridor will give our customers additional capacity and speed to get their products to market.”

“Norfolk Southern has been working with Pan Am Railways to improve rail service and increase transportation options between the Norfolk Southern system and the Boston area,” said Wick Moorman, Norfolk Southern’s chief executive officer. “The Patriot Corridor creates a new level of rail competition in upstate New York and New England by improving train speed, reliability, and capacity, as well as strengthening connections between the region’s short line and regional railroads and Norfolk Southern’s 22-state network.”

The parties will seek approval for the transaction with the U.S. Surface Transportation Board. Additional materials describing the transaction will be posted on Norfolk Southern’s Web site, www.nscorp.com, and will be furnished to the SEC as part of a Current Report on Form 8-K.

Norfolk Southern is currently improving the Heartland Corridor, a high-capacity rail route linking the Port of Virginia (Norfolk), Columbus, Ohio, and Chicago, and has announced the Crescent Corridor, an initiative to divert freight traffic from highways to rail between New Orleans, Memphis, and the Northeast.

Pan Am Railways is the Northeast’s largest regional railroad. It operates over 2,000 route miles in Maine, New Hampshire, Massachusetts, Vermont, Connecticut, New York and Atlantic Canada. Pan Am Railways interchanges traffic with fifteen railroads throughout its network.

Norfolk Southern Corporation (NYSE: NSC) is one of the nation’s premier transportation companies. Its Norfolk Southern Railway subsidiary operates approximately 21,000 route miles in 22 states and the District of Columbia, serving every major container port in the eastern United States and providing superior connections to western rail carriers. Norfolk Southern operates the most extensive intermodal network in the East and is North America’s largest rail carrier of metals and automotive products.
Any statements contained in this news release which are not related to historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties (noted in Norfolk Southern’s filings with the SEC) which could cause actual results to differ.

**Further details from the railroads**

Cynthia Scarano, ST spokesperson, and Rudy Husband, NS spokesperson, provided these points on 15 May:

**Governing body.** The two railroads will form a board, with equal representation from each railroad.

**Labor.** Employees on the railroad will still be ST employees, and labor contracts will remain.

**What not included.** ST will continue to own and operate separately significant parts of its network, including the lines in Maine, the New Hampshire Main (North Chelmsford to Concord), and the Worcester Main (Ayer to Worcester), as well as its trackage rights to Boston.

**A connection to the national network.** NS does not directly connect with ST, but uses trackage rights over CP from Binghamton, New York. Husband said, “We have a solid agreement with CP” and that remains in place.

**Marketing.** ST will do all the non-auto, non-intermodal marketing and pricing, with all connecting railroads including NS, as they do today.

Husband emphasized that while the focus is on intermodal and autos, “All the commodities will receive an operating benefit from an upgraded corridor.” Coal and merchandise traffic will see better transit and cycle times.

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**Connections to other railroads.** Scarano said NS will have a connection via haulage, and do its own pricing and terms, with three railroads: PW, NECR, and VTR.

**The location of investments.** The board will decide into which projects the $87.5 million will go, but it will all go into the Ayer-Mechanicville line. Asked whether any locomotives were included in the deal, Scarano said “there are no specifics at this point.”

**Patriot Corridor.** Husband noted that NS is developing a ‘corridor’ brand with the Heartland Corridor (Virginia to Chicago) and the Crescent Corridor (New Jersey to New Orleans). The Patriot Corridor will now be added to the portfolio.

**Albany terminal.** The proposed Albany terminal, tentatively titled the ‘Capital Region Facility’, will not necessarily be created at ST’s Mechanicville Yard. “The site remains to be determined.” Scarano said that ST employees would operate the new terminal.

**Ayer auto terminal.** The railroads anticipate an auto terminal in Ayer, possibly at the site which ST has already chosen for an auto terminal. [ST’s intermodal terminal already exists in Ayer. Editor] But here too, “the site remains to be determined.”

**STB filing.** Husband expected a filing at the Board in ‘a couple of weeks.’ The actual proceeding should take three to six months (Scarano) or four to eight months (Husband). During it, “we will do a lot of outreach to customers, legislators, and DOTs, and discuss the transaction and any concerns.”

**Management.** The deal will leave ST’s current management to continue to operate the railroad, a fact not welcome in some quarters. However, said Husband, “I’ve known Dave Fink [pere] for the last 15 years. They’ve done a lot
of good up there.”

One source mentioned the possible existence of performance clauses in the agreement, permitting NS to take over.

**KEEPING THE FUNDS IN THE JOINT VENTURE**

A long-term observer of ST and the New England rail scene who preferred to remain anonymous, wrote:

‘This is pretty clever. At least on the surface it enables NS through its 50% ownership to maintain sufficient control of the money. It also keeps the money confined to the new company so it doesn't get absorbed into the rest of the operation or used to offset airline debt. It doesn't appear to me that there is much if any cash going beyond the joint venture. My guess is that the "other property" mentioned in the press release is 24 or so GP 38/40 locomotives and that they will provide substantial benefit to the whole system.

‘Giving short lines direct interchange with NS will provide the short lines with a lot of value as it offers two major connections CSXT and NS.

‘As we discussed there has been a lot of talk within NS about what they really want and the auto/intermodal markets were the prime desires. They got what they wanted and from their perspective limited their exposure to anything beyond Ayer/Mechanicville. Maine traffic is valuable but they will get it anyway.

‘With a new board and NS involvement there will definitely be a lot more involvement from the outside watching over the operations and that I believe will bring more discipline to the whole system. ST will be running the trains but NS will have to be very involved in the management through the new sub. I would guess that there are trigger points that permit more control if performance measures aren't met as NS will protect their brand.

‘My guess is that the total cash is probably the $87.5 million for the 3 year rehab and cash for working capital for the new company. I suspect the remainder is locomotives and other goods and material being contributed by NS for things like expanded intermodal terminals and auto terminal ops. I would also guess that NS has very strong control over both the intermodal and auto ops.

‘To the extent that this removes a "burden" from ST it should help the eastern part of the system. It will take time though and will be interesting to see how the "joint" management of the new sub works with the operating railroad, ST.’ {e-mail to ANR&P}

**POSSIBLE TRACK IMPROVEMENTS**

**Run time**

If the investment of funds can increase track speed, the Ayer-Mechanicville run can be considerably shortened, said one source aware of the track conditions.

The official track speed for much of the distance is stated as 40 miles per hour in the ST Timetable No.5. Slow orders have reduced that to 10 miles per hour for much of the distance, because even when some track sections have higher posted speeds, “you can't get a 100-car train up to a higher speed in a mile or so, and then have to reduce back to 10.”

When the track was “almost 25 the whole way,” an engineer could move a train the distance in eight and half hours. If the speed is moved up to 40, the stretch could be run in four and half hours.

**Yard track**

Intermodal trains are routinely 5,000 to 6,000 feet long, said the source. They can’t go longer because Ayer has only two intermodal tracks, each 3,000 feet. Because of that limit, sometimes blocks of cars are held back at NS yards.

**ADDITIONAL OFFICIAL INFORMATION**

On 16 May, NS filed a Form 8-K (public notice of a significant event) with the Securities and Exchange Commission, and posted a Power-point presentation (PPT) on its website. These provided additional information on the transaction:

Formal structure, 8-K: ‘On May 15, 2008, Norfolk Southern Corporation’s (“NS”) wholly-owned subsidiary, Norfolk Southern Railway Company (“NSR”), entered into a transaction agreement (the "Transaction Agreement") with Pan Am Railways, Inc. ("Pan Am") and its wholly-owned subsidiaries, Boston and Maine Corporation (“B&M”) and Springfield Terminal Railway Company (“Springfield Terminal”), providing for, among other things, the formation of Pan Am Southern LLC (“PAS”), a newly formed railroad company in which each of Pan Am
(through its B&M subsidiary) and NSR will have a 50% equity interest.’

**Contributions.** PPT slide 10: Transfer of cash and property valued at $65 million from NS at Closing. Transfer after first full year $35 million. Transfer after second full year $30 million. Transfer after third full year $10 million.

PPT slide 2: ‘Pan Am is transferring 436 miles of track, associated facilities, and underlying property.’

**Capital improvements.** PPT: After STB approval, ‘the capital improvements are expected to take less than 30 months to complete’.

**Track and terminal improvements.** 8-K: $87.5 million...to be invested within a three-year period in capital improvements on the PAS Line, such as track and signal upgrades and terminal expansions. The parties also anticipate the construction of new intermodal and automotive terminals in the Albany area.

PPT slide 6: ‘A faster, higher capacity railroad between Albany and the Boston market...Creation of infrastructure to accommodate heavier cars (286k) between Albany and Ayer (and other Pan Am points).’

[NS’ Rudy Husband declined to comment on the use of the remaining $52.5 million, suggesting that the STB filing might discuss it.  
{e-mail to ANR&P 21.May.08}]

The line will receive ‘new continuous-welded rail and crossties as well as two new passing sidings for increased capacity. Signal equipment upgrades will allow for fewer train delays due to malfunctions.’  
{Pan Am President David Fink letter to employees 16.May.08}

**Management.** PPT slide 12: ‘Pan Am Southern will be led by a General Manager. The business, property, and affairs of the joint venture company will be managed by a management committee composed of an equal number of Pan Am and NS representatives. This management committee will determine future capital projects and oversee operations.’

From the 8-K: ‘PAS will be managed by a management committee, a capital project committee, and a joint operating committee, each of which will be composed of an equal number of NSR and B&M representatives, and which together will determine future capital projects and oversee operations’

**Operations committee.** PPT slide 8: ‘Pan Am Southern will be managed by a Management Committee composed of half NS managers and half Pan Am managers. Reporting to the Management Committee will be the joint operating committee, people who have more day to day dealings with the railroad

‘Pan Am Southern will contract with Springfield Terminals (ST) to operate all facets of the railroad, including maintenance, pricing, management, train operations, and other railroad functions.

‘ST will perform pricing functions for all non-intermodal and non-automotive freight.’

PPT slide 9: ‘Non-Intermodal and non-automotive customers will be required to add “PAS” to their waybill routes once the Transaction is approved.’

**Competition.** PPT slide 13: ‘The Patriot Corridor is the only current competitive rail option to the single line reach of CSX Transportation Inc. (CSXT) into the Boston area. NS gains extension of current Intermodal haulage service between Albany, NY and Ayer, MA and will gain Automotive haulage to the Boston area.

‘Strengthened Intermodal and Automotive haulage service will provide an important competitive option to CSXT’s Intermodal and Automotive service in the Boston region.

‘NS will have exclusive Intermodal access to Ayer from points west of Albany via haulage on Pan Am Southern.

‘No competitive options will be eliminated. CSXT retains single line service to Worcester and Boston, and the remaining Springfield Terminal system will have trackage rights to maintain its connection with CSXT at Barbers, MA. CSXT retains unfettered interchange rights with the Pan Am Southern at Rotterdam Jct. for local customers on Pan Am Southern or as an overhead route to the remaining Pan Am or other short lines.

‘In sum, for traffic moving into the Boston area from the west, the proposed Transaction will strengthen the
Norfolk Southern intermodal train MOAY picked up by ST in Mohawk Yard (Schenectady) enroute east to the Hill Yard (Ayer) on 19 April. Note the even stacking of the containers in the forty-foot wells: a 40-foot 8'6" box below a 53-foot 9'6" box, or a 40-foot 9'6" box below a 40-foot 8'6" box. {courtesy David Eades}

More on the strength of intermodal traffic
One source knowledgeable about the ST intermodal trains said they are routinely 5000 to 6000 feet long, sometimes limited by the intermodal tracks in the Hill Yard, which has only two 3000-foot tracks. Only on Tuesdays, when ST picks up the NS traffic originating in Chicago on a Sunday, is the train shorter. {ANR&P discussion 15.May.08}

Traffic has steadily increased, ST has said. See 07#03A.

existing Norfolk Southern –Springfield Terminal competitive option to the CSXT single line service.’
Labor. PPT slide 14: ‘NS and Pan Am anticipate no adverse effects on any existing railroad employees:
‘Lines will be operated for the foreseeable future by the same railroad, Springfield Terminal, and the same employees that now provide rail transportation services (such as maintenance) over the lines and under the same collective bargaining agreements.’ [NS’ Rudy Husband declined to comment on the term ‘for the foreseeable future’ {ANR&P discussion }]

Haulage for short lines and NS auto and intermodal traffic.
8-K: ‘In addition, the parties will also enter into a joint-use agreement under which NSR will be granted haulage rights:

‘between Mechanicville, New York, and Gardner, Massachusetts to/from an interchange with Providence and Worcester Railroad;
‘between Mechanicville, New York, and Hoosick Junction, New York, to/from an interchange with the Vermont Railway Company;
‘between Mechanicville, New York, and East Northfield, Massachusetts and/or Millers Falls, Massachusetts to/from an interchange with the New England Central Railroad;
‘and between Mechanicville, New York, and certain intermodal and to be constructed automotive transfer facilities located in Ayer, Massachusetts for the local delivery of intermodal and automotive traffic.’ {NS website}

THE INTERCHANGE
AND NEW TERMINALS

NS-ST connection. NS currently interchanges with ST at Mohawk Yard in Schenectady NY. The Patriot Corridor extends only to Mechanicville. PAS will include the trackage to Rotterdam Junction and to Mohawk Yard. {e-mail to ANR&P from NS spokesperson Rudy Husband 21.May.08}

New York terminal sites. Husband told an Albany newspaper: “We have identified the Capital Region as being an area that certainly is in need of some new facilities. We've cobbled together a service we operate over Canadian Pacific lines between Binghamton and the Albany area. [The new partnership] gets Norfolk Southern into the New England market, which is something we've been trying to do since we acquired 58% of Conrail. There's a lot of opportunity in New England and the Capital Region....We hope we're going to bring a higher level of competition to the Capital Region.”

Mechanicville Mayor Anthony Sylvester said much of the land in his community that was once occupied by Boston & Maine has been sold off. He worked for the railroad for 17 years as an engineer, and noted the B&M route could compete with the CSXT Boston-Albany line because it travels through the nearly five-mile Hoosac tunnel in western Massachusetts, eliminating at least some of the climb CSX faces on its own route between Albany and Boston. “I'm keeping my fingers crossed.” {Eric Anderson in Albany Times-Union 21.May.08}

Ayer terminal sites. Husband was asked by a Lowell paper about an auto terminal in Ayer at the site where ST has started construction [see 07#02A]: “That is certainly something we are looking at, but that is a detail we haven't worked out yet. We are looking to expand our automotive franchise in Greater Boston and Ayer would be the logical place for that terminal.”

[The Ford terminal in Ayer is closed. CSXT consolidated the work to terminals on its own line, but still leases the property long-term. See 06#03B.] {Jack Minch in Lowell Sun 21.May.08}

MORE ON THE BRANCHES
INCLUDED IN THE DEAL

The map accompanying the announcement showed four branches in addition to the Patriot Corridor, the line between White River Junction and New Haven (mostly trackage rights), and the Waterbury Branch:

- Adams Industrial Track, 4.29 miles from North Adams to Adams. This serves Holland Company (chemicals) [our Directory #154] and Specialty Minerals [our Directory #155].

- Ayer (mile post 316, roughly, on the Freight Main) to Harvard Station on the Worcester Main Line. This will permit PAS to serve the Hill Yard in Ayer and the GMX siding [#123]. ST has one customer on the Worcester Main beyond these: Regency Warehouse in Clinton.
- Greenville Industrial Track, from milepost 316 on the Freight Main 1.9 miles to end of track. This serves Fox Packaging [our Directory #132].

- MBTA Fitchburg line from Ayer (milepost 313) to Littleton. [East of this point, the MBTA is planning to double track the line—editor.] One customer exists on this stretch: Veryfine in Littleton [#209].

Thus PAS will serve every ST customer west of CPF 312. {editor's analysis}

**COMMENT FROM THE SHORT LINES WITH NEW HAULAGE**

As described above, NECR, PW, and VTR will receive haulage rights with NS under the new agreement.

**NECR view**

Doug Low, NECR manager of marketing & sales, wrote: ‘NECR already has interchanges with ST at Brattleboro and at White River Junction as well as with NS at Bellows Falls through NS's arrangements with CPRS (including CPRS’s underlying arrangements over VRS east of Whitehall, NY...you will recall that this "Green Mountain Gateway" via expanded commercial scope of the Bellows Falls, VT interchange was established about 10 years ago).

‘If the proposed NS-NECR commercial routing via these same existing ST-NECR interchanges, with ST providing the haulage service for NS over the proposed PAS (after the involved PAS lines have had the benefit of the contemplated physical plant improvements), offers a more truck-competitive alternative between NS and NECR stations and customers, then we could see increased traffic. It’s too early to gauge potential impact.

‘The STB must first agree to PAS's creation then ST's operations over PAS must see some benefit from the contemplated physical plant improvements.

‘Our objective at NECR has always been to grow commercially-attractive rail traffic.’ {e-mail to ANR&P 19.May.08}

**VRS**

David Wulfson, VRS president, wrote: ‘We are still digesting this whole thing...At this point the only direct interchange with NS will be at Hoosick Junction through a haulage with the new Pan Am Southern. Not sure yet what will happen at [Bellows Falls and White River Junction].’ {e-mail to ANR&P 19.May.08}

**PW**

Marie Angelini, PW general counsel, wrote: ‘It is difficult to comment with any specificity on the implications for P&W of the proposed transaction between NS and Pan Am since we have no information beyond that made available to the public. Generally, P&W welcomes the news of NS's entry into New England, believing improved connections and access to another Class I carrier will benefit the market as a whole.’ {e-mail to ANR&P 22.May.08}

**COMMENT BY OTHERS**

**Labor comment**

The Brotherhood of Locomotive Engineers’ Mike Twombly, general chair combined general committee, ST, D&H, SLR, and MMA, said Scarano had notified him before the deal was announced. “It’s a pretty fantastic deal for all of us, businesses and otherwise.”

**New England Southern remark**

Peter Dearness, owner of NEGS which operates in Concord, New Hampshire, has two legal proceedings against ST: an adverse discontinuance filing at the STB by ST against NEGS, and a NEGS lawsuit in federal district court seeking $400,000 from ST in unpaid car revenue [see 07#12B].

“Putting that kind of money into the track has got to be a good thing, no matter what,” Dearness said. “It’s a
good thing for New England railroading, all New England shippers.”

He sees the NS-ST STB filing as an “opportunity to get things resolved on my legal matters” and to improve rail operations to Concord. “But I’m not overly optimistic.”

{ANR&P discussions}

Roy Blanchard

The editor of Railroad Week in Review wrote: ‘Recall also that Conn DOT has asked why it too could not be part of the nascent NS Crescent Corridor (WIR 5/9/2008) [see 08#01B]. Getting from Springfield to New Haven may require some horse-trading between and among PAR, NS, RailAmerica’s CSO and Amtrak, but it’s certainly doable.

‘A nice carrot would be putting the Vermonter back on the River Line between Springfield and East Northfield. Moreover, this may afford RailAmerica to link up its CSO and NECR, avoiding the CSX jog between Palmer and Springfield. Keep a close eye on the NS website for further details.’ {16 May 2008 issue}

Short line moves generally

Note the NS project with New York short lines, as described by Tony Hatch at the American Short Line and Regional Railroad Association meeting in San Antonio: ‘Norfolk Southern announced (perhaps a bit earlier than they might have wanted) a fascinating new freight “Corridor”: the Empire State Initiative, where they will work with short lines to make a solid run at traffic moving at very short hauls (less than 500mi, often well less). In the pilot program in New York NS is looking to add perhaps 30K carloads of profitable business, so it’s a small start but like Heartland and Crescent, one with big potential system (and eventually) network) wide.’

Jeff Stagle in the Progressive Railroading blog adds: ‘Any short line can market a move, originating or terminating on their line, that involves another short line or two and NS as the bridge carrier. NS initially would provide all the equipment (the short lines would have the option to use their own) and rates would involve a series of per-car charges based on the commodity, such as salt or paper.’ The lines involved connect between Binghamton and Silver Springs, NY, a distance of perhaps 200 rail miles.

[Could the Patriot Corridor serve a similar New England effort? Editor]

National industry viewpoint

A national industry insider, who wanted to remain anonymous, responded to the lack of national commentary on the Patriot Corridor deal: ‘I think it's a combination of these factors:

1. The amount of current traffic involved is rather small.
2. This deal will not create a large traffic opportunity down the road, or at least nothing that has been identified by the participants.
3. Pan Am is not a Class I railroad, and it's not a publicly-traded company.

'I see this deal as a way for NS to maintain some semblance of access to New England, for reasons that its management may know but has not shared with the rest of the world.

She quoted Mike McLellan, NS vice-president for automotive and intermodal marketing, speaking at the North American Rail Shippers Association meeting in San Francisco this week, mentioning ‘the Patriot Corridor as one of four corridor projects that NS is involved in (Meridian Speedway; Heartland Corridor; and the Crescent Corridor, which is still in the early planning stages, being the others). He didn't go into any detail other than to say that, in contrast to the others, all of which are expected to carry considerable volumes of international traffic, the Patriot Corridor will be carrying primarily domestic traffic.’ {e-mail to ANR&P 21.May.08}
CSX
Declined comment. {email to ANR&P 21.May.08}

Larry Kaufman
Kaufman, a former Class I railroader, writes for Rail Business
and other rail journals.

‘...Do not underestimate NS. Those Southern boys really
know how to run a railroad, and their marketing people are
focused on bringing good business to the railroad. They
undoubtedly have written a contract that will give them all
the control they need and want to make PAS work for them.
If you want verification, take a look at the Meridian
Speedway, where NS put up the money, took 50% [30%—see
below] of the ownership of the joint venture, and allows KCS
to operate the choo-choo trains. I suspect that’s the reason
they have gone joint venture and not stuck with trackage or haulage rights, where they still would be dependent on
ST. This way, they are at least a 50% owner. 50 still is more than 49, last time I checked.’ {email to ANR&P 22.May.08}

MERIDIAN SPEEDWAY

COMPARE THIS 2005 DEAL WITH THE PATRIOT CORRIDOR

In December 2005, the Norfolk Southern Railway and the Kansas City
Southern Railroad announced a joint venture strikingly similar to the Patriot Corridor. Like the Patriot Corridor trackage, KCS was already providing haulage for NS between Meridian, Mississippi, and Dallas, Texas. The two railroads announced agreement ‘subject to the approval of the Surface Transportation Board, to form a joint venture involving the portion of the Speedway between Meridian and Shreveport, Louisiana.’ {NS announcement 2.Dec.05}

KCS will continue to operate trains on the Speedway while NS will be the sole operator of certain intermodal trains. As part of the deal proposed in December, Speedway owner KCS
agreed to contribute the line to the joint venture but retain a 70 percent interest. NS agreed to invest $300 million during the next four years to expand the Speedway’s capacity — such as by installing signal systems, extending sidings and building portions of double track — in return for a 30 percent interest in the line.  [Progressive Railroading 4/11/06]

On 1 May 2006, after gaining STB approval, the two companies announced they had closed the deal. The joint venture involves the contribution of KCS’ 320-mile line between Meridian, Miss. and Shreveport, La. to the joint venture company and an NS investment of $300 million in cash, substantially all of which will be used for capital improvements to increase capacity and improve transit times over the line. The transaction was subject to regulatory review from the U.S. Surface Transportation Board (STB), which was completed April 10, 2006.

With the closing KCS has contributed the rail line to the joint venture entity, the Meridian Speedway LLC, and NS has made an initial cash contribution of $100 million. NS will make additional cash contributions over time, resulting in a total cash investment of $300 million. Also upon closing, KCS will begin operating the line according to the joint venture operations agreement.  [joint press release]

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**PAN AM AIRWAYS**

**PAN AM LEAVES PORTSMOUTH**

15 May, Portsmouth. *THE PEASE DEVELOPMENT AUTHORITY HAS AGREED TO TERMINATE THE LEASES* on four properties former airline Pan Am was using to operate its flights.

The leases on some of these properties extend to 2017. Pan Am and its subsidiaries, such as Boston-Maine Airways, and parent company, Guilford Transportation Industries, currently pay about $450,000 a year to the PDA for leases on those properties.

Over the course of these leases, Pan Am would owe the PDA as much as $6 million, said the authority's finance director, Irv Canner.

The deal Pease Executive Director Dick Green has worked out with Pan Am involves the company paying its lease costs through the lease termination date of July 31. Pan Am would also give the PDA its ownership share, valued at $1.5 million, of the building located at 62 Durham St.

There Pan Am Services, a fixed-base operator, fueled and serviced smaller aircraft at the airport.

Terminating the leases, rather than pursuing the matter in court now that Pan Am is no longer flying planes [it announced in March it would halt flights—see 08#03A], is in the best interest of the PDA, Chief Counsel Lynn Hinchee said. “This is one of the newer buildings, and now we get the properties back and they're available for lease.”

“There has been substantial interest in all the properties,” Green said. [Shir Haberman in Portsmouth Herald 18.May.08]

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**RAIL SHIPPERS**

Described in this issue.

*Our Directory of Rail Freight Facilities in New England has more information on the companies denoted with their directory number.*

Fox Packaging (ST, Massachusetts #132]
GMX (ST, Massachusetts #123)
Holland Company (ST, Massachusetts #154)
Regency Warehouse (ST, Massachusetts)
Specialty Minerals (ST, Massachusetts #155)
Veryfine (ST, Massachusetts #209)

**PEOPLE**

**Mike Twombly** became a national vice-president of the *Brotherhood of Locomotive Engineers and Trainmen*. He has served as general chair of a New England Combined General Committee of Adjustment for 11½ years, representing approximately 300 members on four different railroads: the Delaware & Hudson, Springfield Terminal, St. Lawrence & Atlantic, and the Montreal, Maine & Atlantic (MM&A). During his tenure, he led negotiations for 10 separate contracts that greatly increased membership pay and improved working conditions and quality of life for the locomotive engineers and trainmen he represented. He is currently negotiating a first contract for members on the MM&A.

As vice-president, Twombly is assigned to a number of short lines, including: D&H, ST, SLR, MMA, NECR, plus: Union Railroad; Birmingham Southern; New York, Susquehanna & Western; South Buffalo; Iowa, Chicago & Eastern; Indiana & Ohio; Indiana Southern; Louisville & Indiana; Meridian Southern; Talleyrand Terminal Railroad; and the newly organized Connecticut Southern. [BLET NewsFlash Service 22.May.08]

**ATLANTIC NORTHEAST RAILS & PORTS**

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**Coverage**

The newsletter covers the operating freight railroads and ports in New England, the Maritimes, and eastern Québec, as well as the government environment they function within. Coverage includes passenger rail and ships when relevant to freight operations.

**Frequency and the e-bulletin**

*ANR&P* appears at least four times a month. We send a formal issue twice a month, via post or e-mail. Between the issues, we send out the *e-bulletin*, only by e-mail. All information in the *e-bulletin* is included, and often updated, in the issue.

Stories not updated for the issue are noted with an asterisk. I urge readers to look at the issue’s updated stories (those without an asterisk).

Readers building a personal archive of the newsletter should discard the e-bulletins. All subscribers have access to the newsletter archive on the web, via password, at [www.atlanticnortheast.com](http://www.atlanticnortheast.com). If you do not have a password, merely request one from me.

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**Purpose**

*Atlantic Northeast Rails & Ports*, née *Maine RailWatch* (1994-1997) and later *Atlantic RailWatch* (1998-1999), is dedicated to the preservation and extension of the regional rail network. The editor believes that publishing news on railroads and ports spotlights needed action to preserve the rail network. The publication also imbues the region with a sense of an interdependent community, employing the network to move rail and port traffic. ‘No railroad is an island, entire onto itself.’