REGIONAL ISSUES


Duke Energy: A discussion of its three sources of supply.

CONNECTICUT

CSO: Wine Merchants wants more rail traffic.

MAINE

BAR: Update on Presque Isle intermodal facility. Walter Travis on the IRR management.

SLR: Is Auburn Maine’s largest port? Not yet.

PORTLAND: Merrill’s opens new warehouse. Update on coal handling. Map

 MASSACHUSETTS

GRS: WBC Extrusion needs market rebound.

MBTA: Bidders for T commuter rail down to 2.

MCER: No deal with EOTC, NEGS doing track work, possible new customers.

PVRR: Duncan Galvanizing decides against site.

PW: STB stays LB Railco’s notice of exemption proceeding.

NEW HAMPSHIRE

NECR/GRS: Saxonville and Cushman share a facility.

NEGS: ConProCo won’t use rail yet.

RHODE ISLAND


VERMONT

[No report.]

MARITIMES/QUÉBEC

CBNS: Possible sludge shipper.

WHRC: Both Progress and the B&A estate have a lien on the railway’s stock.

Halifax: Ceres got judicial aid. 3rd quarter results for Halterm. Estimated lease payments for Halterm.

RAIL SHIPPERS/RECEIVERS

A cross-reference to companies mentioned here.

PEOPLE, POSITIONS, EVENTS

Chris Hall, Sharon Libby-Jones.

FROM THE PUBLISHER

News, news

Given the short time since the last issue, I thought you would hold in your hands a short issue. But enough news came out, or was found, to fill this, including MMA’s management announcement.

Other major stories not yet public: Logistec’s possible purchase of the Sydney Coal Railway, and....and? The dearth gives me time to focus on customers, as I have this issue.

- Chop Hardenbergh

Next issue: 6 December

My Thanksgiving: to you, my readers, as well as family, friends, and wider community.
MONTREAL, MAINÉ & ATLANTIC

27 November, Chicago. **THE CLOSING WILL TAKE PLACE 31 DECEMBER** rather than the projected 1 December date [see 28 October issue]. MMA President Ed Burkhardt said: “While this process is taking somewhat longer that we had hoped, we want to cover all bases in preparing for MMA’s startup, now planned for January 1, 2003. Also, there is considerable benefit in starting up at the beginning of an accounting period, which affects interline settlement of revenues between railroads and taxation issues.”

Bob Grindrod new president

MMA also announced that Robert (“Bob”) Grindrod would become president. He previously served as assistant vice-president equipment management for Wisconsin Central Ltd., and filled senior car management positions with Canadian National Railway after CN purchased Wisconsin Central last year.

Grindrod is a career railroader, starting his career with the Baltimore & Ohio, and working in operations and marketing positions with Chicago & North Western Transportation Company before joining Wisconsin Central at its startup in 1987. He is a native of Massachusetts, and received a B.A. degree from Drew University, Madison, New Jersey, in 1969.

Burkhardt said that announcement of the entire senior management at MMA would be made closer to startup date. {MMA press release}

DUKE ENERGY

**DUKE HAS THREE MODES FOR SUPPLYING NEW ENGLAND.** Bill Waldheim, who heads Duke Energy NGL Services (the marketer of propane, and a subsidiary of Duke Energy Field Services), listed them: The TEPPCO pipeline wellhead in Selkirk, NY; the six proprietary rail-served distribution facilities around New England; and the TEPPCO-owned, Duke-utilized tank on the Providence waterfront [see 16 January issue].

Why would Duke offer all three? Waldheim explained that together they “provide an efficient distribution network for wholesalers and retailers.” With numerous locations to load product, the users get a “diversity of supply, which translates into security of supply and more efficient propane distribution for truck delivery.”

Prices for the three modes “are competitive in the market place. Each customer has different needs and therefore is able to tailor its supply arrangements accordingly. Generally, Duke offers similar pricing across each location but is flexible depending on customer’s specific delivery location or circumstance.” {ANR&P discussion 26 November 2002}

CONNECTICUT

CONNECTICUT SOUTHERN

25 November, Hamden. **WINE MERCHANTS OF CONNECTICUT WOULD LIKE MORE RAIL DELIVERY.** Located on Amtrak’s Springfield line north of the Cedar Hill Yard, and served by CSO, the facility is constructed around receiving by rail. But Wine Merchants official Steve Hager said he received only 18 railcars last year. The balance he receives by truck from Tighe Warehouse in Springfield.

Two years ago, a major winery he declined to name went to a regional distribution system for the entire country, “thinking it is saving money,” noted Hager. That antagonized a large number of its distributors who want to receive by rail. Receiving by truck instead of rail costs Hager much more money, because it has “tripled the workload.” {ANR&P discussion 25.Nov.2002}
BANGOR & AROOSTOOK

25 November, Presque Isle. **MMA INTENDS TO MARKET THE INTERMODAL FACILITY HERE** when it assumes ownership of the BAR assets, according to the executive director of the Skyway Industrial Park, Larry Clark. The last load left in March 2002; Ken Liepold of Logistics Management Systems explained that McCain, the french fry company, had pulled out.

Clark took pains to explain that shippers remain interested in using the intermodal facility. Customers stopped using the facility because BAR could not supply enough equipment, and because customers wanted a long-term commitment.

The facility remains “operational,” said Clark, with the rail, the packer, and the personnel still on-site. MMA “wants to begin bringing freight in and out.” Earlier this year, a representative of Rail World met with shippers and prospective companies in the area. Clark understands that MMA is discussing the situation with Class I railroads. {ANR&P discussion 25 November 2002}


One intermodal marketing company official, writing in October 2000, noted: ‘There was never a chance for this ramp to work and it was a waste of taxpayer money. It is located at the end of a lightly-travelled branch. This means that the cut off is mid-afternoon instead of early evening and by the time a load gets to Brownville Junction a truck would be in Chicago. Also the target market includes many flatbed and reefer shipments; intermodal operators have issues with these types of equipment in terms of both damage to the vehicles and availability.’ {e-mail to ANR&P from official 2.Oct.2000}

25 November, Northern Maine Junction. **FORMER BAR PRESIDENT WALTER TRAVIS OPENED UP WITH BOTH BARRELS,** at a farewell gathering of railroad and other officials and retirees. “I’m sad and angry about the way things have been done in such a short time,” he declared, reflecting on Iron Road Railway’s takeover since 1995. “They caused problems, no question about it.” He had heard problems were cropping up even before IRR closed on the purchase.

Travis also disparaged the myth that IRR saved the vital connections west of Brownville Junction, arguing he went to Montreal and negotiated the deal, closing on the properties just days after CP abandoned the trackage on 1 January 1995.

Travis proudly stated the BAR always paid its bills on time in contrast, he said, to the 346 Maine creditors IRR had compiled. “It’s going to take a long time to live down [the bad reputation].”

About his style of management, Travis said, “We decided to learn the [employees’] culture, and it paid off.”

Rail World’s choice of the Montreal, Maine, and Atlantic name came within Travis’s sights as well. He wished “the new owners had looked around before changing the name.” Maine already has two MMAs: Maine Maritime Academy (of which Travis is on the Board of Directors) and the Maine Municipal Association.

Travis even took a potshot at MDOT, suggesting Maine “does not have a good transportation policy conducive to the BAR,” though he did not elaborate.

At his conclusion, master of ceremonies and bankruptcy trustee Jim Howard commented: “Some day Walter will learn not to pull punches.”

Other comments

Among others, DOT freight transportation chief Rob Elder thanked BAR employees and management for working to create a strong and healthy future which he envisions evolving from the bankruptcy, adding, “the place has not changed in DOT’s estimation.” Elder added he and DOT were “quite optimistic” about how things have turned out, suggesting, “change has become strength.”
US Representative-elect Michael Michaud, a long-time employee of BAR’s biggest customer, Great Northern Paper, noted, “rail transportation is extremely important to the northern Maine economy,” and assured the 50 or so present that rail will be an issue, “I’ll be very active in Washington.”

Great Northern was represented at the BAR farewell by transportation head Dana Burleigh, who presented the bottom line on the two companies’ relationship over the years: one million cars moved, more than half of them being outbound paper, totaling 50 million tons of newsprint, catalog paper, and other variations.

Current BAR President Fred Yokum particularly complimented Howard’s work as trustee through the bankruptcy, characterizing him as having the “speed, skill, passion, and humor” to negotiate a settlement, calling the case one of the fastest to come out of bankruptcy. {ANR&P coverage by correspondent Fred Hirsch}

ST.LAWRENCE & ATLANTIC
26 November. ISAUBURN MAINE’S LARGEST PORT? Certainly importers such as L.L.Bean are delighted with service via Vancouver. To bring in goods from Asia, Bean’s uses steamship lines which unload in Vancouver, meaning that the company did not suffer during the October lockout at the US West coast ports. While other companies watched their Asian goods sit idle, Bean’s flowed through. “They were one of the few customers, including Wood Products of Guilford and our longest standing importer FMC in Rockland, who heeded our warning,” Foley said, “and used Vancouver.”

Rich Donaldson, Bean’s spokesperson, said “certainly being aligned with the Auburn terminal was advantageous as the work action was going on.” Beyond that, “the way the terminal has evolved is increasingly advantageous over time,” noted Donaldson, in referring to the improved Customs clearance.

But does this make Auburn the largest port?
Roland Miller, Auburn’s director of community and economic development, confesses that the claim Auburn boosters make depends on what measure is used. For the state, petroleum products constitute by far the largest commodity coming in from overseas. Auburn has a major propane terminal, but cannot compare with Portland, which holds a commanding lead in petroleum-related imports.

Nor, at least now, can Auburn claim the title of largest foreign container handler. Portland imports and exports roughly 2,000 containers via a feeder ship to Halifax. Auburn’s numbers are increasing but will fall below that.

So Miller uses a different measure: containers inbound or outbound from the state. This includes boxes with a domestic US or Canadian destination. Measured that way, Auburn does lead the state, over Portland and the other intermodal terminal, in Waterville.

By one other measure, Auburn falls just short of Portland for the title of largest port in Maine: total non-petroleum tonnage. By adding the container tonnage to other non-petroleum cargo moved by rail, Auburn reaches 736,000 tons, while Portland gets to 786,000 tons. Auburn proponents believe their city can top Portland next year.

The future looks brighter
Auburn will at least top Portland as the largest foreign container handler soon. SLR officials have identified potential customers that could result in 35,000 international containers coming through the facility each year, with the arrival of customs clearance. Not all of these stay in Maine: truckers already are moving the boxes to as far away as Rhode Island.

And Miller wants to add another common port accoutrement: a free trade zone. “We have significant interest from some local companies.” With the concentration of manufacturing, “we are very seriously considering this." {ANR&P discussions 26. Nov.02}
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# Assumes that the average loaded container weighs 20 tons. MDOT figures the average 40-foot container weighs 20 tons. {ANR&P discussion with Kevin Rousseau 25.Nov.2002}

* Includes South Portland’s kaolin clay in slurry form. Some 630,000 tons of this passed through Merrill’s Marine Terminal [see 9 August issue]. For Portland container number, see 30 August issue, second section.

** For Auburn container figures, see 19 November issue. Safe Handling, SLR’s largest customer, reports about 300,000 tons/year rail direct. SLR handles another 148,000 tons for another six companies (New England Feed, Saxonville USA, Grimmell Industries, Pioneer Plastics -Panolam, Fore River Distribution, and Cascades Auburn Fiber). The propane of Auburn rail receivers Dead River and Duke Energy is not counted because it is a petroleum cargo.

PORTLAND

21 November, Portland. **P.D.MERRILL INTRODUCED THE NEW WAREHOUSE** to a crowd of customers (especially the chief user, Kruger), builders (a Rubb Company building erected on a Cianbro foundation), truckers, city officials, state officials, and Merrill workers. It will hold 12,000 rolls of newsprint at a temperature of 65 degrees or higher. The Maine Port Authority paid much of the cost of the building and has the option of purchasing the site, which formerly was used for coal storage [see 9 August issue]. Merrill already had five Rubb buildings, the first erected in 1984.

Coal

To create the space for the warehouse, Sprague assumed the coal handling. Merrill explained his terminal was handling the coal for Sprague in any case, which supplied it to S.D.WARREN. The cost of handling the stockpile was high, and consumption variable. “It went from 90,000 tons one year to zero to 50,000 tons.” Merrill was handling it because Sprague can only use self-discharging ships. But with the trend toward self-dischargers, Sprague is receiving and storing the coal.

Merrill continues to handle coal for Mead Paper in Rumford.

More business for Rubb and Merrill

Bob Blanchard of Sprague said Merrill and Sprague have an agreement to enter into a joint venture under which Merrill would do the break-bulk cargo for the new Mack Point facilities, though the two parties have not yet created the joint venture. And Sprague is considering using a Rubb building very similar to the one on display. Brian Nutter, director of the Port Authority, said the Mack Point port work remained on track for an August 2003 completion. Eastport is also getting a Rubb
MAS S A C H U S E T T S

GU I LFORD RAIL SYSTEM
7 November, Haverhill. MORE ON THOSE FANCY NEW SIDINGS BELONGING TO WBC EXTRUSION was provided by a company official. WBC, which makes plastic film for bags, began in 1979 in Lowell, and moved to Haverhill in 1989. It receives plastic pellets from the South via a dray from plastic transloading sites; the official said the pellet manufacturer decided how to deliver them to Haverhill.

About one years ago, the company began to construct its own sidings and pressure unloading system to receive the pellets directly; it paid for the entire setup itself. Due to the soft economy, the company is still obtaining pellets by transload.

MBTA
21 November, Boston. TRANSITAMERICA LLC WAS ELIMINATED AS A BIDDER FOR THE T CONTRACT because it failed to include insurance costs in its bid. The company, a consortium of Stagecoach and Herzog Transit, was “disappointed,” said Ray Lanman, vice president of corporate development for Herzog Transit Services. [The eliminated bidder is variously referred to as Bay State Transit Services and Massachusetts Bay Transit Services, but Lanman states that TransitAmerica LLC is the correct name. {e-mail to ANR&P from Lanman.]

Now Guilford Rail Systems and the Massachusetts Bay Commuter Rail Corporation (a consortium of Bombardier/Connex/Alternate Concepts) remain [see 11 October issue]. An MBTA-appointed bid review committee is
expected to make a recommendation to T General Manager Michael H. Mulhern on 22 November. After reviewing it, Mulhern will make his recommendation to the T board, which must vote on the commuter rail system's operator, at its December or January meeting. {Mac Daniel in Boston Globe 22 Nov. 02}

MASSACHUSETTS CENTRAL
21 November, Palmer. **THE RAILROAD IS IMPROVING WARE YARD** to upgrade the level of service to customer A&R Transport. Mike Smith, manager, said MCER had hired Peter Dearness of NEGS to provide equipment and some workers to upgrade the transfer site and some supporting trackage.

**How about the lease renewal?**
Smith allowed “not much progress on this front” [see 13 September issue] and he expressed pessimism about any result until after the new Massachusetts governor and EOTC secretary had taken office.

**New customers**
“We’re talking to about five at any one time,” Smith remarked; the railroad must broaden its base beyond the plastics market, which he characterized as “soft” at this time.

To do so may require the support of the towns through which MCER operates. “Localities have the ability to stop potential customers” by attempting to “zone us out of business.”

For example, a reputable firm is proposing a construction debris transfer facility in Ware, out of public view. Smith estimated going through the permitting process will take two to three years. {ANR&P discussion}

PIioneer Valley Railroad
4 November, Westfield. **DUNCAN GALVANIZING WITHDREW ITS PROPOSAL TO BUILD A 140,000SF PLANT** here on Servistar Industrial Way. According to Don Wetzel, general manager, the company would have brought in oversized galvanizing equipment by rail. After startup it would have received two to four carloads a week of steel a year for coating, “and build into the future.”

**About Duncan Galvanizing**
Founded in 1890, Duncan Galvanizing has evolved into the recognized leader in providing quality coatings for steel. DELTAGALV®, PRIMERGALV®, and COLORGALV® systems are the state of the art finishes which combine long term corrosion, according to the company website. Its current plant, at 69 Norman Street Everett, does not use rail. The steel is trucked in, galvanized, and then trucked out.

**A new rail customer**
The new facility, which would permit Duncan to galvanize pieces as long as 90 feet, had drawn customer attention because of its rail access. Wetzel said that customers in the Midwest were looking at railing in shiploads of steel, and then railing it to their sites. Canadian customers had also expressed interest in railing in their steel, and possibly sending it back out by rail.

Working with PVRR, Duncan has completed the design for the spur, which would have permitted another potential customer access to rail also. “We are comfortable working with the Pioneer Valley, it was going to be a very good relationship.” {ANR&P discussion 14 November 2002}

**Why withdraw**
Residents, organized as Concerned Citizens of Westfield, voice opposition in part because of chemical emissions from five proposed smokestacks. The Planning Board would have made a decision on the application on 5 November. {WGGB 5 Nov. 02} In a prepared statement issued 11 November, company President Richard Brooks said that the campaign “has poisoned the atmosphere, making it impossible for Duncan to consider a future in Westfield.” But Brooks told a reporter on 11 November that he has not ruled out the city for another try. “It’s not over until the fat lady sings.”

Brooks said the campaign against Duncan was funded by Connecticut Galvanizing, based in Glastonbury, CT and a
division of Highway Safety Corporation. But W. Patric Gregory, the chief executive officer of Highway Safety Corporation, said while he followed the controversy here with great interest, he played no role in the Westfield Concerned Citizens campaign. {George Graham in Springfield Union-News 12.Nov.02}

What now?
Wetzel said that the company had not completely given up on Westfield. He added that he is “interested in talking [about] other locations.” {ANR&P discussion 14 November 2002}

PROVIDENCE & WORCESTER
22 November, DC. THE STB STAYED THE EFFECTIVENESS OF A NOTICE OF EXEMPTION filed by LB Railco on 18 November, which would have had an effective date of 25 November. Railco, a Class III rail carrier, invoked the class exemption at 49 CFR 1150.41 to lease certain track and lands in Millbury, MA, owned in part by the Providence and Worcester Railroad Company (PW) and to enter into an interchange agreement with PW and other carriers for movement of rail cars and equipment in common carriage service between Railco’s terminal in Millbury and destinations in other states. [See 11 October issue.]

Due to filings by US Representative Richard E. Neal, the United States Department of the Interior, and the John H. Chafee Blackstone River Valley National Heritage Commission, the Surface Transportation Board found that:

‘Railco’s notice contains insufficient information to enable the Board to determine the extent to which environmental review is required. Nor does the notice describe the track involved. The Board has received communications expressing concerns about the fact that Railco is seeking to use the property to be leased for the purpose of operating a solid waste rail/truck transloading facility within the Town of Millbury, on land that is within 50 feet of the Blackstone River, and requesting the Board to give any such project environmental scrutiny for this reason. These communications have raised significant environmental concerns. To allow Railco to provide further information on these matters and to allow the Board time to assess this further information, the effectiveness of the notice will be stayed until further order of the Board.’

Town of Millbury argument
Ray Houle, the town manager, was aware of the findings against the Town of Ayer in its fight against the GRS auto facility and the award of attorney’s fees [see 28 October issue]. He noted differences between Ayer’s case and Millbury’s case:

- The town is part of Blackstone Valley National Heritage Corridor Commission, and as such can expect some federal protection.

- The site is very close to the town aquifer.

- The site is on the Blackstone River.

Millbury has other sites which would generate much less objection, Houle said. The designated site affects the town aesthetics and a major shopping plaza. One alternative, along Route 20, would provide easy access to the Massachusetts Turnpike. However, Houle noted the town had not approached the owner of the property along Route 20. {ANR&P discussion 22.Nov.02}

Massachusetts DEP argument
In a motion filed on 22 November, the Department of Environmental Protection asked the STB to reject the notice as void ab initio.

‘LB Railco proposes to accept both containerized and uncontainerized solid waste at the Site, specifically contaminated soils and construction and demolition debris, not "non-hazardous waste and aggregates" as characterized in the Notice of Exemption. ‘Railco’s submission to DEP on 29August 2002 described its proposed operations, inconsistent with the Notice
of Exemption language. Uncontainerized contaminated soils and building debris that will likely include asbestos-containing materials (such as shingles, tiles, insulations and mastics) will be dumped from trucks at the Site into open enclosures, and then loaded into railcars. Given that the materials handled at the Site are solid wastes, the "terminal" is more accurately identified as a combined solid waste handling facility and a railcar loading facility for the truck-to-rail transfer of uncontainerized contaminated soils and construction and demolition debris.’

DEP also argued that LB Railco neglected ‘to discuss the Department's regulation that prohibits siting of solid waste management facilities in a riverfront area or in a Zone II of a public water supply. What LB Railco intentionally ignores is the prohibition on siting solid waste management facilities in the riverfront area, adopted under Massachusetts General Laws c. 111 §150A, the Solid Waste Management Act. Although neither the Department's wetland regulations nor its solid waste regulations categorically prohibit development of the site as a rail yard, the solid waste regulations do not allow for the handling of waste materials in this sensitive area....

‘Because a notice of exemption that contains false and misleading information is void ab initio under the Board's regulations, the Department respectfully requests that the Board reject the Notice of Exemption filed on November 18, 2002.’

{text from DEP}

Other proposed facilities
In addition to the Millbury station, the Commonwealth has under review an application for a rail-served facility in Ware, on MCER [q.v.]. Spokesperson Ed Coletta said the Commonwealth knows of two additional proposals for transfer stations, in Pittsfield. {ANR&P discussion 25.Nov.2002}

NEW HAMPSHIRE

NECR/GRS
21 November, Charlestown. MORE ON THE CHARLESTOWN LUMBER TRANSFER OPERATIONS was provided by Scott Jenks of the North Pacific Group, parent of Saxonville USA [see 19 November issue: Massachusetts], and an official of Cushman Lumber.

Saxonville USA distribution
Saxonville, founded in 1955, has operated a distribution center in Charlestown since the early 1970s. Served by GRS [see 4 and 18 February 2000 issue: New Hampshire], it receives 450-500 carloads a year under cover.

Cushman Lumber/Charlestown Transfer
Cushman Lumber Company, headquartered in Bethel, Vermont, operates a wholesale distribution company. A subsidiary, Charlestown Transfer, leases Saxonville acreage north of the distribution center. [Cushman formerly used a site in Sharon, Vermont, and then Riverside, Vermont. See 4 February 2000 issue: Vermont.] At the open-air site, NECR serves (1) Cushman Lumber Company, and (2) a joint venture with Saxonville. Jenks said the facility is not open to other users.

The joint venture, Northeast Structural Wood Products, was created by Saxonville and Cushman Lumber Company
in 1999. Northeast distributes engineered wood products for the New England and eastern New York areas, manufactured by Oregon-based Roseburg Forest Products: I-joist, laminated veneer lumber (LVL), and international beam solid flange joist. Sales and technical offices of the joint venture are based in Sutton, MA.

Abby Kill, inventory control specialist with Cushman, explained that Charlestown Transfer receives about 800 carloads a year. The structural products, and the lumber, are unloaded and distributed by trucks contracted by Charlestown Transfer directly to the customer. Cushman receives “90-95%” of its wood products via rail {ANR&P discussion 21.Nov.2002}

NEW ENGLAND SOUTHERN

22 November, Bow. THE NEW FACILITY HERE WILL NOT YET USE RAIL. Richard Berube, plant manager for ConProCo (formerly Concrete Products Company), said the company is constructing a concrete facility next to Ciment Quebec in order to use the cement, which will reach his new building by a 75-foot pipe.

He anticipated no immediate need for rail. However, the site does have space for a siding and Berube will evaluate the possibility in “a couple of years” for outbound concrete.

ConProCo, located in Hooksett and owned by a single person, bought half of Ciment Quebec’s parcel in Bow. {ANR&P discussion}
RHODE ISLAND

SEAVIEW TRANSPORTATION

The two descriptions below continue our effort to cover all the rail-served facilities in Quonset Point/Davisville. Seaview serves as a industrial switcher; PW as the billing railroad.

14 November, Davisville. **STAR GAS ANTICIPATES ABOUT 100 CARLOADS** this winter, or 60-70% of its total propane throughput for its facility here. Ted Jeffcoat, regional manager for New England, explained that the gas would arrive from Canada.

Sources of supply for Davisville

Star’s Davisville facility takes propane from three sources. Traditionally, it has used rail from the Canadian refineries in southern Ontario. However, in 2001 Sarnia suppliers boosted the price for rail delivery, so Star went to other sources. [Eastern Propane switched because it could not lay off its risk; Sarnia offered no futures market, while Mont Belvieu, Texas did. See 16 January 2002: second section].

Instead, Star received propane by truck, either from the TEPPCO wellhead in Selkirk, NY or the Duke Energy tank in Providence, Rhode Island [see *Regional*].

Other sources

Star has a tank in Swansea, Massachusetts, and others in Maine. Western Rhode Island customers get propane by truck from Davisville; customers east of Narragansett Bay get it by truck from Swansea, which receives its supply by truck either from Selkirk or Duke’s Providence tank.

Jeffcoat explained that using a ship to supply the small 30,000-gallon Swansea tank made no sense. Rail tank cars contain about 32,000 gallons of propane. Long-haul delivery trucks hold 10,000-12,000 gallons, local delivery trucks 2800-3200 gallons.

Maine facilities

A Star Gas subsidiary, Maine Gas, operates the only other Star facilities on rail: on Warren Avenue in Portland, and another in Fairfield, both served by Guilford Rail.

Other propane in Rhode Island

In September 2001, Star bought trucks and some other assets of Valley Propane, a Rhode Island distributor, from Southern Union Company. This expanded Star’s customer base in the state by 2800 customers, with annual propane volume of about 2 million gallons. The acquisition followed Star Gas Partners' August 2001 purchase of the assets of Southern Union's Rhode Island-based heating oil distribution business, ProvEnergy.

Valley (now New England Gas—see box) retained a million-gallon propane capacity in Cumberland RI. Valley will use those tanks to supplement its natural gas in the event of a price shift or supply disruption. {ANR&P discussion 21.Nov.02; company press release 28.Sept.01}

MORE ABOUT STAR GAS

Star Gas Partners, L.P. is a diversified energy distributor and services provider specializing in the sale of heating oil, propane, electricity and natural gas. Star is the nation's largest retail distributor of home heating oil, and the Partnership is the nation's seventh largest retail propane distributor. Star also sells natural gas and electricity in the Northeast and Mid Atlantic through its controlling interest in Total Gas & Electric (TG&E). The Partnership is a publicly traded master limited partnership. The
Common Units, representing limited partner interests in the Partnership, are listed and trade on the New York Stock Exchange.

MORE ABOUT NEW ENGLAND GAS COMPANY
New England Gas Company, a supplier of natural gas, was formed in 2000 with the acquisitions of the former Providence Energy Corporation, Valley Resources, Inc. & Subsidiaries, and Fall River Gas Company. In turn, New England Gas is a division of Southern Union Company, an international energy distribution company serving approximately 1.5 million customers through its divisions in Texas, Missouri, Pennsylvania, Rhode Island, Massachusetts and Mexico. {company website}

26 November, Davisville. **TORAY RECEIVES BOTH PELLETS AND PLASTICS** at its facility here, totalling 900-1000 carloads a year. Deborah Brayall, Materials Specialist, said the pellets come mostly from Texas, the chemicals from the Midwest.

She rated the railroads locally as “fine” and the Class Is as “generally not too many issues” after the Conrail congestion cleared. “P&W is very good to work with. I miss Joe Landry” [who left to work in operations]. {ANR&P discussion 26.Nov.02}

MORE ABOUT TORAY
Toray Plastics (America), Inc. (TPA) is an affiliate of Toray Industries, Inc., the world’s leading manufacturer of synthetic fibers and textiles. With 200 subsidiaries and affiliated companies in 16 countries and around the world, Toray Industries generates more than $8.7 billion in sales worldwide.

The facility in Davisville makes Lumirror PET film (using the inbound chemicals) and Torayfan OPP (using the inbound plastic pellets). A facility in Virginia makes the Toraypef brand of crosslinked olefin foam. {Toray website}

QUEBEC/MARITIMES

CAPE BRETON & CENTRAL NS
25 November, Sydney. **THE RAILWAY MAY MOVE SLUDGE** from the former Sydney Steel property to a landfill for hazardous waste in Sarnia, Ontario. Peter Touesnard, general manager, said he is talking with Safety-Kleen about the 4,000 tonnes but would not disclose details.

Liberal MLA Caroline Di Cocco worries the material, destined for the Safety-Kleen site near Sarnia, won’t be properly treated beforehand. “You're trucking it a great deal of distance,” she says. “And it concerns me that our importation of hazardous waste that's been going on in Ontario is also going to hinder our capacity to be able to deal with our own hazardous waste long term.” {e-mail to ANR&P from Touesnard 25.Nov.02; CBC webposted 21.Nov.02}

WINDSOR & HANTSPORT
26 November, Bangor. **OWNERSHIP OF THE RAILWAY LOOKS SOMEWHAT UNCERTAIN** in the wake of the order resolving many creditor claims for the B&A System [see 11 October issue: Regional ‘Who gets what’]. It contains this language:

Provided however that to the extent that Progress Metal has a lien on the stock in the Windsor and Hantsport Railway Company Limited and/or the Iowa Northern Railroad Company (the “Stock”) to secure the claims of Progress Metal under the Tax Indemnity Agreement-Stock, and to the extent that Progress Rail has lien on the stock to secure its claims for goods and/or services sold and/or leased to the Debtors, Progress Metal and Progress Rail shall retain such liens, which retained liens shall be of the same priority as the lien of the Trustee on the Stock to secure the assigned Progress Claims (as defined below), and further provided that the Trustee, on one hand, and Progress Metal and Progress Rail, on the other hand, shall share the proceeds of the Stock equally.
Jim Howard, the trustee for the B&A System estate in the United States, said that Progress agreed that it would assign all its security interests to the estate in return for receiving $7 million from the $50 million sale proceeds. But as the parties got down to the deadline for writing the draft order, Progress realized that part of the security interest included the lien on the WHRC stock. The company asserted that it had never intended to let that lien go. The estate and Progress reached agreement on sharing any proceeds from the stock.

He could not predict the future of the lien. Howard did not know the value of the stock (owned by Iron Road Railways), nor whether any other security interests had claims on the stock ahead of the Progress lien. {ANR&P discussion}

HALIFAX

November. A FEDERAL COURT INJUNCTION SAVED THE CERES BID just a week before the Halifax Port Authority announced that Cerescorp had won the right to operate the Fairview Cove Terminal [see 19 November 2002 issue]. Here’s how ALLnovascotia.com, a provincial business daily, described the events based on its review of the court documents.

[HPA initially asked for bids by 6 September, a date extended to 27 September–see 30 September issue. On 24 October HPA announced a short list of four firms–see 28 October issue. It apparently asked for irrevocable offers to lease the Fairview terminal to be presented to the HPA by 3 November at noon, a time which later extended to 5PM. It had set a board meeting for 4 November to review the bids.]

On 15 October, HPA officials first broached the issue of a financial guarantee at a meeting on 15 October. In defence, HPA Vice-president Dennis Creamer said in an affidavit submitted to the court: ‘The HPA wanted to know who would be its tenant at the terminal and who would be guaranteeing the obligations of that tenant.’

The conversation flowed from a discussion about the recent sale of all the shares of Ceres Terminals Inc to NYK. {Creamer affidavit}

On 31 October, the HPA team met with the three other terminal operators on the short-list. Christos Kritikos, chair of Cerescorp Company and president of Ceres Terminals Inc. in his affidavit alleged HPA provided the three other bidders with instructions “in a clear and unambiguous fashion” re the identification of a financial guarantor.

On November 1, the HPA team (CEO Karen Oldfield, Dennis Creamer, Vice-president of operations George Malec, and Vice-president of marketing Patricia McDermott) met with Cerescorp President Ron McBrearty, Ceres Halifax Vice-president Calvin Whidden and Peter Keller, COO of NYK Line.

The HPA officials received from the Ceres/NYK team a draft letter setting forth Cerescorp’s irrevocable offer to lease the Fairview terminal, to be presented to the HPA by 3 November.

HPA officials instructed Cerescorp to detail any equipment it might purchase for the facility over the next five years, and provide financial guarantees of $150 million re the lessee’s obligations under the terms of the lease. ‘In the course of our meeting, Dennis Creamer advised us on a number of occasions that the HPA had received a number of extremely attractive offers to lease the Fairview Cove Terminal. He invited us to use this opportunity to enhance the proposal which was submitted on behalf of Cerescorp.’

Ceres President Kritikos did not attend the meeting but, per his affidavit, swung into action. Ceres knew getting the financial guarantees from new parent NYK Line in Tokyo would be impossible under such short notice. When the Cerescorp team was informed the final deadline would be 3 November, it was 3PM on Friday, 1 November in Halifax, but already 5AM on Saturday 2 November in Japan. ‘I knew that in the time frame allotted by the HPA, it would be impossible to obtain approval for a guarantee in accordance with the internal rules of governance of NYK.’

Ceres argued that the bid was being ‘fully supported’ in Tokyo and that NYK would “likely” guarantee the obligations ‘if given sufficient time to complete its internal approval process as usually required by a company of such size....[Kritikos] told Karen Oldfield that this request was unreasonable, impossible to meet and was dead wrong.’

Oldfield replied that the board did not require a letter of guarantee of performance, but only a letter identifying the responsible party. Kritikos responded in his affidavit: “I do not know how Cerescorp is expected by the HPA to identify the names of potential guarantors of its lease - and to be evaluated in its proposal on the basis of those potential guarantors - when the potential guarantors have not confirmed their willingness to guarantee the performance under the lease.” NYK has total
On 3 November, Ceres sought an injunction to prevent HPA from ‘considering or awarding’ the Fairview lease before 8 November. Ceres accused HPA of acting in ‘bad faith’ by not giving it enough time to prepare a final and binding Offer to Lease letter. In a telephone conference call, Justice Douglas R. Campbell of Vancouver agreed to extend the deadline to 6 November and to order HPA not to award the contract until 8 November. The judge sealed details of the bid to prevent public scrutiny. Justice Campbell also forbade both parties from “discussing” the tendering process until a decision by the HPA was announced. {text of order}

HPA had set a board meeting on 4 November to review the four bids and a staff recommendation.

In opposing the injunction, HPA Vice-president Dennis Creamer was also concerned about a delay on the award of the contract. ‘It is possible, that one or more of the proponents will withdraw their offers. Making a decision (after November 4) will prove extremely difficult.’ {Allnovascotia.com 13.Nov.02}

8 November. **EXACTLY HOW MUCH IS HALTERM PAYING ON ITS LEASE?** The question became more relevant because the new agreement with Ceres means Halterm payments will change to be commensurate with the Ceres agreement. The Halifax Port Authority and Halterm agreed in 2000 that Halterm would not be placed at a disadvantage to Ceres [see 15 September 2000 issue], as the Annual Report 2001 stated:

‘The year 2001 was the first year of a new 20-year lease renewal with the Halifax Port Authority. The rental increases are being phased in over three years. The rationale for the three-year phase-in is two-fold; i) to allow Halterm to maintain stable distributions moving forward, and ii) to coincide with the expiration of the lease of Halterm’s chief competitor within the Port. Contained within Halterm’s agreement is a parity clause which will ensure that Halterm is not placed at a competitive disadvantage vis-à-vis any other terminal operator in the Port.’

**The amount due**

The Annual Report 2001 also stated: ‘The Fund has an obligation under an agreement for the rental of its container terminal site and buildings to December, 2020. The estimated minimum aggregate payments required during the remaining term of the agreement is approximately $125 million. Under the terms of the agreement, the Fund is obligated not to disclose the amount of its annual payments. The estimated minimum aggregate annual payments should not exceed 10% of estimated annual revenues over the next five years.’

The report notes that annual revenues in 2001 dropped to $48,892 from $52,863 in 2000. So 10% would come to about $5 million. That figure comports with a reading of the Annual Report 2000 in conjunction with the 2001 report. The 2000 report stated: ‘The estimated minimum aggregate payments required during the term of the agreement is approximately $130 million.’

Since the minimum payment required dropped by $5 million from 2000 to 2001, one may conclude that the minimum due under the lease comes to $5 million. In addition to the minimum, the lease probably includes a per-container charge and other variable fees. {ANR&P analysis - thanks for ALLnovascotia.com for pointing out these figures}

**Customer base**

The Annual Report 2001 also notes: ‘Halterm has a very narrow customer base which is common within the container terminal industry. In 2001, three customers represented 75% of the terminal’s overall volume. If the volume from one of these customers were to vary materially, it would materially affect Halterm’s financial performance.’ {2000 Annual Report issued 9.Apr.01; {2001 Annual Report issued 3 April 2002}

14 November. **HALTERM ANNOUNCED A DECREASE IN CONTAINERS FOR THE 3rd QUARTER.** Despite the drop, to 43,789 containers compared to volume of 45,021 in the 3rd quarter of 2001, Halterm cash flow increased from $2.1 million to $2.4 million. “The increase in distributable cash flow was achieved due to continued operational improvements and lower interest rates despite the decline in volume and the commencement of principal repayments relating to the post-Panamax crane acquisition,” said Patrick Morin President of Halterm Limited. Halterm paid about half a million dollars toward the crane
in the third quarter. {Halterm press release}

RAIL SHIPPERS

As a precursor to our forthcoming *Directory of Rail Shippers & Receivers: Southern New England* this section lists the companies discussed in this issue.

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PEOPLE

Greenville, Maine area citizens did not re-elect two-term Democratic incumbent Sharon Libby-Jones, who spearheaded the legislative effort to help railroads [see Rail Task Force in 28 October issue]. She lost by 33 votes to Republican Earl Richardson.

But another pro-rail candidate, Democrat Chris Hall of Bristol, was awarded the State Senate seat for District 16 after a recount which found him 9 votes ahead. Hall as a transportation consultant has done work on many of the railroads and rail projects in Maine.
Coverage
The newsletter covers the operating freight railroads and ports in New England, Atlantic Canada, and eastern Québec, as well as the government environment they function within. Coverage includes passenger rail and ships when relevant to freight operations.

Pricing
ANR&P appears twice a month, via post or e-mail. Subscriptions cost $375 for professionals, $95 per year for students, young and old. Introductory prices available.

Updates between issues
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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.’

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