ATLANTIC RAIL WATCH
operating railroads + their intermodal facilities, ports, and government environment

Issue 99:23  3 December 1999

REGIONAL ISSUES
RailTex/Rail America: Support from NECR shippers.
NE governors: Support regional rail plan.
American Tissue: Buys mills in Vermont and Maine. Details on company.
Sable gas: To start in December.
FTR: VHB rail and transit projects in NE.

CONNECTICUT
CSXT: Stop & Shop rail access? TransFlo.

MAINE
Amtrak: Track modulus. Track work ending.
B&A: GNP mills could provide more traffic. Track upgrading increasing traffic. Presque Isle intermodal traffic saved.
MC: Shippers in east Augusta.

MASSACHUSETTS
Doublestack: Study due first part of 2000.
GRS: Westover, railroad still seeking solution.

NEW HAMPSHIRE
SLR: Settlement due on ownership issue.

RHODE ISLAND
[No report.]

VERMONT
FTR: Closing on Wells River planned for 10 December.

MARITIMES/QUÉBEC
CBCS: Draft of gypsum mine study out.
NBSR: Intermodal traffic.
QCR: Early spring 2000 startup.

ATLANTIC NORTHEAST PORTS
Halifax: Autoport details.
Portsmouth: Master plan study underway.
Eastport: RFP coming, no bulk traffic yet.

Favorite story? Vermont about to buy the Wells River line. Maybe New Hampshire and Vermont could choose the same operator for the short White River Junction-West Lebanon stretch - that would certainly make operations easier.

Candidates: Claremont Concord, which wants to operate both, and Green Mountain, the Wells River interim operator who will also bid on the West Lebanon branch.

- Chop Hardenbergh  Next issue: 17 December

REGIONAL ISSUES
RAILTEX - RAIL AMERICA
8 November, DC. THE PROPOSED MERGER RECEIVED SUPPORT FROM 11 SHIPPERS and one railroad in the Atlantic Northeast, out of 51 letters of support from all 17 US subsidiaries [an interesting ratio!]. Letters included in the

Barrett Trucking. George Barrett, president of this Burlington VT based company, said his White River Junction facility received over 600 carloads of salt a year. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

Cargill. Rod Cheney, location manager of Cargill’s feed production facility located in Franklin CT, said his facility received 700 carloads of grain [1,100 less 400 at Swanton]. It distributes feed throughout New England by truck. He is pleased with the NECR service and supported the merger because ‘there will be no adverse competitive consequences or disruption of service.’

Cargill - Nutrena Feeds. Steven Osgood, district plant manager of this Swanton VT facility, said it manufactures more than 100,000 tons of poultry and animal feed for customers throughout Vermont, eastern New York, New Hampshire, and western Maine, and receives more than 400 carloads a year. He is pleased with the NECR service and supported the merger ‘because Rail America plans to have the same people in place who have served us well in the past.’

Cushman Lumber. Edwin Cushman, the president of this Bethel VT company, said his Charlestown NH reload facility ships or receives over 900 carloads per year. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

The Fonda Group. Gary Coon, director of distribution for this St.Albans VT company, said his paper-converting plant has annual sales in the $50 million range, and receives over 300 carloads a year. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

Maple Leaf Distribution Facilities. David Barber, general manager of the Bondsville MA company [see 22 March 1998], said Maple Leaf handled 180,000 tons of rolled newsprint and other paper each year, has revenues of about $3 million annually, but he did not state how many carloads the company did. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

Poulin Grain. Alden Bowman, senior vice-president of the Newport VT company, said his company, which has $29 million in revenue, has two facilities. The Swanton VT facility recently received a $2.5 million renovation, expects to produce and ship 55,000 tons, and ships or receives over 525 carloads a year. He is pleased with the NECR service and supported the merger ‘because Rail America plans to have the same people in place who have served us well in the past.’

Quaboag Transfer. Kirk Bryant, president of this Bondsville MA company [see 22 March 1998 issue], said Quaboag operates transload/distribution terminals at Bondsville and Belchertown, with revenues about $7 million, shipping or receiving over 3,000 carloads a year. He is pleased with the NECR service and supported the merger because ‘there will be no adverse competitive consequences or disruption of service.’

Quality Service Technology. Lawrence Monty, general manager of QST (a Teknor Apex Company) in St.Albans VT, said QST manufactures specialty elastomer and plastics in five major lines: Monprene, Ever-Flex, Synres, M-Batch, and XTPE. QST began in 1991 with a capacity of 15 million pounds, and has added several million pounds to capacity each year. The St.Albans facility ships and receives over 70 carloads a year. He is pleased with the NECR service and supported the merger because ‘there will be no adverse competitive consequences or disruption of service.’

Transplastics. Robert Johnson, president of this company headquartered in Exton PA, said that as a bulk trucking company it provides service to the dry bulk industry from two facilities in Palmer MA [see 22 March 1998]. With sales in excess of $50 million, it receives over 500 carloads a year. He is pleased with the NECR service and supported the merger ‘because Rail America plans to have the same people in place who have served us well in the past.’

Vermont Railway System. David Wulfson, VRS president, noted that his system interchanges with NECR in Burlington and Bellows Falls. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

Windsor Distribution Terminal. Neil Richardson, president of this Windsor VT company, said that his transload and warehouse facility handles woodpulp, recycled paper, clay, and other products primarily used in the paper industry, receiving about 350 carloads a year. He is pleased with the NECR service and supported the merger to get expanded service and marketing opportunities.

RailTex breakout

The petition also noted that in 1998, RailTex transported in the United States and Canada almost 550,000 carloads for 1,100 customers. Of its 1998 revenue, 76.5% came from interline traffic, 13.6% from bridge traffic, and 9.9% local traffic. ‘The rates for interline traffic are generally established and collected by the connecting Class I carriers. The railroad subsidiaries [of RailTex] are paid a fee pursuant to agreements entered into by each of the RailTex subsidiaries and the Class I carriers.’

Next steps

The STB held in a decision issued 16 November: ‘To minimize the period of uncertainty for employees and to permit the petitioners and their customers to realize the projected benefits of the transaction as soon as possible, petitioners have asked the Board to establish an expedited schedule under which comments would be due by December 6, 1999, petitioners’ reply would be due by December 15, 1999, and a decision by the Board on the merits of the proposed exemption would be due on January 14,
NEW ENGLAND GOVERNORS
23 November, Boston. SUPPORT FOR REGIONAL RAIL emerged at this meeting, which was principally devoted to regional airports. Massachusetts Governor Paul Cellucci noted that the governors also agreed to develop a comprehensive regional rail plan for New England which incorporated each state’s assets and needs. They will strategically assess all rail projects before funding is sought.

“This is a significant change from the past, when each state went its own way,” said Greg Maguire, transportation marketing and development specialist at the Vermont Department of Tourism and Marketing, after attending the meeting.

Rhode Island Governor Lincoln Almond said that the governors had agreed to cooperate on transportation needs. “The New England states no longer compete with each other. New England competes on a national and international basis.”
{ARW discussions 2.Dec.99; Martin Finucane of AP in Boston Globe 24.Nov.99}

AMERICAN TISSUE
24 November. THE COMPANY ANNOUNCED THE PURCHASE OF TWO PAPER MILLS in the Atlantic Northeast, raising its total to five. It ranks as North America’s fifth largest producer of tissue.

Centennial Mill, Gilman VT
On 24 November, officials with the American Tissue Company signed a purchase and sales agreement with Simpson Investment Company of Seattle. Kurt Goldschmidt, American Tissue senior vice president, said the company’s bid for the plant “came up rather quickly,” as he was unaware of the company’s plans to make an offer as late as last week, the bid deadline. [See 22 November issue. In addition to Jim Wemyss, Presby Environmental of Sugar Hill expressed an interest. The company makes a unique plastic environ-septic leeching field system. {Edith Tucker in Coos County Democrat 3.Nov.99} As a correction to last issue, the name of Simpson’s business broker is Fieldstone.].

Goldschmidt said the Vermont mill would operate under the name American Paper Mills of Vermont. He did not say what the Gilman plant would produce.

Under Simpson Paper, the 103-year-old mill made specialty papers employing about 155 people, ranking as the second-largest employer in Essex County VT. About half its employees came from New Hampshire. Union President Roy Daigle reported that American Tissue officials said they would rehire as many employees as possible and plan to run the mill 24 hours a day. {AP in Bangor Daily News 26.Nov.99}

Tree-Free Fiber Mill, Augusta ME
Goldschmidt said his company was in an expansion mode, having recently made an offer for the shuttered Tree Free Fiber paper facility [formerly Statler Tissue]. Don Walsh of the seller Thermal Fiber Tek, based in Waltham, Massachusetts, affirmed that the seller has a purchase and sale agreement with American Tissue. Citing confidentiality, he declined to provide a closing date.

According to officials at the state Department of Environmental Protection (DEP), American Tissue has filed a ‘notice of intent’ to transfer the existing DEP permits to American Tissue. {ARW discussions 1.Dec.99}

The plant has been closed since November 1997 when Tree-Free Fiber was $12.8 million in debt. Tree Free had employed about 115 workers. Stein said American Tissue intends to reopen the mill, but he had no estimate on the number of workers who would be employed there. {Kennebec Journal and Morning Sentinel, 17.Nov.99}

Other Atlantic Northeast mills
American Tissue bought the Berlin and Gorham mills in July [see 13 August issue]. The company already owned a mill in Winchester NH, and three just outside the region, in Greenwich NY, Mechanicville NY (rail-served) and Hauppauge Long Island.

Actual ownership
Edward Stein, chief financial officer of American Tissue, corrected newspaper accounts: the two purchases are made by the principals of American Tissue, in the name American Tissue of Vermont, and American Tissue of Maine. Similarly, the Berlin NH mill is owned by Pulp of America; the Gorham NH mill is owned by Paper of America; the Berlin Mills Railway is owned by Rail of America; and the hydropower dam and the landfill for the Berlin-Gorham Mills are owned by other companies.

Moreover, American Tissue itself is owned by direct parent Middle American Tissue, which in turn is owned by Super American Tissue. The corporate hierarchy is erected for legal and tax reasons; all companies are owned 50-50 by two families: Nourollah Elghanayan, chair of the Board, and members of Elghanayan's family, and Mehdi Gabayzadeh, president and chief executive officer, and trusts for the benefit of certain members of Gabayzadeh's family.

The Centennial mill is the only customer for the Twin State Railroad (TSRD) and the only one (albeit overhead) for the New Hampshire and Vermont Railroad (NHVT). Revival of the Augusta mill would help Maine Coast (MC) which is negotiating to serve customers on the GRS line in East Augusta. And the Berlin-Gorham Mills comprise a large part of the SLR’s traffic. So four Atlantic Northeast railroads now depend in part or entirely on the health of American Tissue. For that reason, I have included some detail on the company.

The company
According to an S-4 Registration Statement filed with the US Securities and Exchange Commission on 29 September 1999, American Tissue Inc. is ‘a leading integrated manufacturer of tissue products in North America, with a comprehensive product line that includes jumbo tissue rolls for converting (75% of revenue) and converted tissue products for end-use (41% away-from-home, 26% in-home revenue). Since our inception in 1981, we have grown primarily through the opportunistic acquisition and integration of underperforming paper mills and converting assets. We currently operate a pulp mill, six paper mills (including five tissue mills), seven converting facilities and two...
printing/packaging facilities.’

It has headquarters at 135 Engineers Road, Hauppauge, New York 11788, (516) 435-9000. American Tissue is issuing senior secured notes at 12.5% interest to replace notes privately sold in July 1999 to finance the acquisition of the two paper mills in Berlin and Gorham NH from Crown Vantage. The new notes are secured by a first lien on the equipment and buildings in Berlin and Gorham.

‘With the acquisition of the Berlin-Gorham Mills, we became effectively 100% vertically integrated with respect to virgin pulp, increased our toweling capacity by approximately 17.7% and extended our product offering in the commercial market with uncoated freesheet papers.

Company production

‘Since fiscal 1997, demand for our products has increased. Accordingly, we have increased production at our operating tissue mills, re-opened two of our smaller mills, and consolidated the operations of our Tomahawk, Wisconsin and Winchester, New Hampshire facilities by moving one of our Tomahawk facility tissue machines to Winchester [on the former track from Ashuelot to Keene]. We have developed a network of tissue converting equipment to support and enhance our converted product business.’

Berlin and Gorham

On July 9, 1999, we purchased from Crown Paper [see 13 August issue] the fully integrated pulp and paper mills located in Berlin and Gorham, New Hampshire and certain related assets, with the exception of certain short-term assets. As consideration for this purchase, we paid $47.1 million in cash, subject to adjustment, and assumed certain ongoing contractual liabilities related to the assets we acquired. The Berlin-Gorham Mills include the pulp mill at Berlin, New Hampshire and the paper mill at Gorham, New Hampshire. The pulp mill has an annual capacity of approximately 350,000 tons of northern bleached hardwood and softwood pulp and produced approximately 280,000 tons in the LTM Period. The paper mill has four paper machines and a toweling machine. The four paper machines have a total annual capacity of approximately 179,000 tons of various grades of uncoated freesheet papers and produced approximately 150,000 tons in the 12 months to March 1999.

The toweling machine has an annual capacity of approximately 39,000 tons of commercial toweling and produced approximately 28,000 tons in those 12 months. The Berlin-Gorham Mills include electric generating facilities and a solid waste landfill. In 1998, the electric generating facilities produced an average of 31 megawatt hours of electricity, representing approximately 82% of the Berlin-Gorham Mills’ requirements, at approximately 31% of the cost of purchased electricity.

‘In connection with the acquisition, we have entered into certain agreements intended to facilitate our entrance into the uncoated freesheet paper business, facilitate the integration of the pulp and paper making operations of the Berlin-Gorham Mills with our existing operations and give us sufficient time to establish our own marketing capability in the uncoated freesheet market. Under these agreements, Crown Paper will for three years: (1) continue to purchase at least 40,000 tons annually of virgin pulp from the Berlin-Gorham Mills, at a contractually determined, market-based price; and (2) bear all marketing costs and selling responsibility for an annual minimum of 150,000 tons of certain grades of uncoated freesheet papers produced by the Berlin-Gorham Mills at market prices, in return for specified discounts or commissions. In addition, Crown Paper has agreed not to compete with us, for three years following the closing of the acquisition, in the manufacturing and marketing of tissue, toweling and certain limited product categories of uncoated freesheet papers.’

Improvements at Berlin-Gorham

‘We are using our expertise in tissue manufacturing to lower the cost of manufacturing toweling at the Berlin-Gorham Mills by using lower cost paper manufacturing by-products and double lined kraft (i.e., recycled corrugated containers) in place of the significantly higher cost, internally produced bleached virgin pulp historically used by Crown Paper. We believe that these lower cost raw materials, which we use at certain of our other facilities, produce toweling which is comparable in quality to that produced using bleached virgin pulp. We estimate that these substitutions would have lowered costs by approximately $6.8 million over the 12 month period. In addition, as a result of recycling such paper manufacturing by-products, we will avoid the cost which was previously paid by the Berlin-Gorham Mills for transporting these by-products to our landfill, which we estimate would have lowered costs by approximately $0.9 million over the 12-month period.

‘Prior to the acquisition, Crown Paper, at our request, returned an existing wet lap pulp machine to operation at the Berlin pulp mill. Wet lap pulp has a high moisture content, making it uneconomical to transport over long distances. While wet lap pulp could not be economically used by Crown Paper because of its lack of nearby paper mills (other than the Gorham mill, which uses slush pulp rather than wet lap pulp), we are currently transporting the wet lap pulp produced at the Berlin-Gorham Mills to our nearby tissue mills in Winchester, New Hampshire and Greenwich, New York. We believe we would have realized savings of approximately $3.7 million over the 12-month period as a result of the difference between the cash cost to produce wet lap pulp and the purchase price that our Winchester and Greenwich mills have historically paid for virgin pulp over the same time period.

‘We are supplying our Neenah, Wisconsin tissue mill with virgin pulp from excess pulp production at the Berlin-Gorham Mills. Previously, our Neenah mill purchased its virgin pulp requirements in the spot market. By supplying our Neenah mill’s virgin pulp requirements from internal sources, we believe that we would have increased our operating profit by approximately $2.4 million in the 12-month period, based on the difference between the lower realized market price for pulp that the Berlin-Gorham Mills received during the 12-month period and the spot prices paid by our Neenah mill.’ {American Tissue S-4 filing with SEC, including quotes}
<table>
<thead>
<tr>
<th>Mills</th>
<th>Fiscal Year Acquired</th>
<th>Products</th>
<th>Capacity(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winchester, NH</td>
<td>3Q 1994</td>
<td>100% recycled and 100% virgin tissue</td>
<td>24,000 tons</td>
</tr>
<tr>
<td>Greenwich, New York</td>
<td>3Q 1996</td>
<td>100% recycled and 100% virgin tissue</td>
<td>24,000</td>
</tr>
<tr>
<td>Mechanicville, NY</td>
<td>1Q 1995</td>
<td>100% recycled and 100% virgin tissue</td>
<td>50,000</td>
</tr>
<tr>
<td>St. Helens, Oregon(2)</td>
<td>1Q 1993</td>
<td>20% recycled and 100% virgin tissue</td>
<td>50,000</td>
</tr>
<tr>
<td>Neenah, Wisconsin</td>
<td>1Q 1997</td>
<td>100% recycled and 100% virgin tissue</td>
<td>72,000</td>
</tr>
<tr>
<td><strong>Total tonnage</strong></td>
<td></td>
<td></td>
<td><strong>220,000 tons</strong></td>
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<tr>
<th>Converting Facilities</th>
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<tbody>
<tr>
<td>Calexico, California</td>
<td>1Q 1998</td>
<td>Converted Tissue</td>
<td>1,500,000 cases</td>
</tr>
<tr>
<td>Mexicali, Mexico</td>
<td>4Q 1996</td>
<td>Converted Tissue</td>
<td>1,000,000 cases</td>
</tr>
<tr>
<td>Coram, New York</td>
<td>2Q 1997</td>
<td>Converted Tissue</td>
<td>2,000,000 cases</td>
</tr>
<tr>
<td>Hauppauge, NY(3)</td>
<td>3Q 1990</td>
<td>Converted Tissue</td>
<td>4,000,000  cases</td>
</tr>
<tr>
<td></td>
<td>3Q 1991</td>
<td>and Plastic Products</td>
<td></td>
</tr>
<tr>
<td>Waterford, NY(4)</td>
<td>3Q 1996</td>
<td>Converted Tissue</td>
<td>4,000,000 cases</td>
</tr>
<tr>
<td>Neenah, Wisconsin</td>
<td>1Q 1997</td>
<td>Converted Tissue</td>
<td>2,500,000 cases</td>
</tr>
<tr>
<td><strong>Total cases</strong></td>
<td></td>
<td></td>
<td><strong>15,000,000 cases</strong></td>
</tr>
</tbody>
</table>

(1) All annual capacity amounts are approximate.
(2) We have leased a portion of Boise Cascade’s St. Helens, Oregon facility from Boise Cascade pursuant to a lease expiring in December 31, 2022 in connection with the operation of a tissue paper machine which we purchased from Boise Cascade in November 1992. Boise Cascade operates such tissue machine for us on a cost-sharing basis and, pursuant to its agreement with us, retains an option to repurchase the machine under certain circumstances.
(3) We operate two converting facilities in Hauppauge, New York, one of which is leased.
(4) This distribution center is held in the form of a leasehold estate granted by the Town of Waterford Industrial Development Agency and, upon the expiration of the related lease on January 1, 2009, will be reacquired in fee by us for nominal consideration.

**SABLE ISLAND GAS**

2 December. **SABLE ISLAND GAS WILL SOON FLOW INTO THE ATLANTIC NORTHEAST**, providing gas to processing plants which will in turn provide rail traffic. However, it will also replace coal or oil at other plants, thereby reducing rail traffic.

Maritimes & Northeast Pipeline, an interstate natural gas transmission company owned by affiliates of Duke Energy Corporation, Westcoast Energy, Inc., Mobil Corporation and Nova Scotia Power, owns and operates the recently-completed pipeline from Goldboro NS through New Brunswick and the states of Maine, New Hampshire and Massachusetts. The pipeline has a lateral to Point Tupper NS, and Maritimes will build laterals to Halifax and Saint John, with others planned.

Environmental award
Coastal America, a DC-based organization seeking to protect the nation’s coastal resources, recently awarded Maritimes Coastal America’s 1999 Partnership Award for the company’s participation in the Penobscot Watershed Anadromous Fish Restoration program. [e-mail to ARW from spokesperson Krista Jenkins]

**FOR THE RECORD:**

**REGIONAL**

VHB STILL HAS AN ACTIVE RAIL CONSULTING PRACTICE. ‘While Vanasse Hangen Brustlin sold its rail systems consulting (signals, communication and power) subsidiary (Transit & Rail Engineering Systems, Inc. - TRS) in early 1998 [see 15 November issue] the firm continues to provide high-quality transit and rail planning, engineering and construction services to clients throughout the East Coast. In fact, Engineering News-Record ranked VHB among the nation’s top 20 transit and rail design firms this year. VHB is continuing to
progress a number of New England’s major passenger rail projects including, but not limited to: NNEPRA Boston-Portland; MBTA New Bedford/Fall River; MBTA North-South Rail Link; MDOT Rockland Branch; NDOT/NRPC Lowell-Nashua-Manchester; and VAOT On-Call RR services. (e-mail to ARW from Michael J. Carragher, P.E., Director - Transit & Rail VHB)

CONNECTICUT RAILROADS

CSXT: STOP & SHOP
30 November, North Haven. THE COMPANY IS CONSIDERING USING RAIL TO ACCESS ITS DISTRIBUTION FACILITY HERE. According to one official, people from the company have walked the spur and found it in good repair. If distribution officials decide to make the North Haven facility “full service” by adding produce, then the produce would arrive by rail.

At this point, Stop & Shop has three distribution facilities in New England: Chicopee [see 22 November issue: Westover], Readville (part of Boston), and North Haven. Among them they receive nearly 2 million cases a week of dry groceries and roughly 700,000 cases of produce (now only Readville) and similar amounts of meat, deli, and dairy (now at North Haven), but none directly receive by rail. The Readville facility now uses its rail dock for selection locations because the building has so little available space. The company is growing so rapidly that the distribution facilities cannot hold all the product; Stop & Shop rails product first to rail-served public warehouses such as C&M in East Hartford and Foxboro Terminal in Massachusetts, and as needed drays it to the distribution facilities.

Which railroad?

While, according to the official, CSO first approached Stop & Shop about rail service in North Haven, CSXT later came forward to say it would provide the switching should the grocery chain decide to use rail.

The North Haven facility, according to Bill Davies of Farmington Canal Rail to Trail, lies on the former Air Line (now called Middletown Branch) right next to CSXT’s Cedar Hill Yard, just northeast of Exit 9 on I-91. Stop and Shop’s health and beauty care stuff is housed next to the food distribution facility. CSXT assumed ownership from Conrail of a stub of the Air Line extending about 4.8 miles out of the yard to Tilcon ownership (Tilcon owns 10.2 miles of the Middletown branch, as far as Reeds Gap). {ARW discussions & 30 Nov. 99; State of Connecticut Rail Plan Update 8.96}

30 November, North Haven. CSX IS EXPANDING ITS TRANSFLO OPERATION HERE at Cedar Hill Yard. At this point, Transplastics operates the liquid transfer facility, receiving about 20 railcars a week and sending out 60-70 trailerloads a week, according to an on-site official. In the future, Transplastics will operate the facility for CSX Transflo. {ARW discussion} [More in a future issue.]

MAINE RAILROADS

AMTRAK
24 November, Portland. UPDATE ON THE NEED TO MEASURE TRACK MODULUS. Mike Murray, NNEPRA executive director, said Guilford had forwarded to him its unsolicited opinion on the additional work it believed needed to satisfy the track modulus parameter (track modulus measures vertical stiffness of rail foundation) as set forth in the STB decision: $234,000 per mile. Murray believes, conversely, that a “large majority of the track will meet the necessary track modulus right now.”

How to measure $k$?

Noting that a track-loading vehicle which can measure track modulus exists at the American Association of Railroads’ Transportation Test Center in Pueblo, Colorado, Murray said he will ask the assistance of the FRA in leasing the machine, since the FRA financed the purchase of the car. Unfortunately, “it’s contracted out until next June.”

Murray would actually prefer to evaluate the track structure by using the current FRA track safety standards which measure the class of track. Using the track loading vehicle “is an extremely onerous requirement and is not the route to go.”

Track work winding down

All track gangs will work until about 3 December; Guilford will start winding it down at that point, though a number of separate groups will continue on. {ARW discussion}

B & A - MAINE
26 October, Millinocket. IMPROVEMENTS TO GREAT NORTHERN PAPER MILLS COULD BENEFIT THE B&A. Brian Stetson, GNP spokesperson, said Inexcon bought the stock of the company from Bowater earlier this year. Geoff Pohanka, a director of the BAR, described the implication for the railroad of the announcements by Stetson.

East Millinocket mill

Under Bowater, this mill produced directory (yellow page) and newsprint paper. Inexcon will convert the East Millinocket Mill to 100% directory paper. According to Pohanka, much of the newsprint was transported by truck to several New England destinations including the Boston Globe. Directory paper, much less time-critical, moves more often by rail.

Millinocket mill

The four paper machines here will receive improvements to increase production. The large machine which now makes
Precipitated calcium carbonate
GNP will soon name a vendor for the $200 million PCC plant to be constructed in spring 2000. {Barbara Waters in Katahdin Times 26.Oct.99; ARW discussions 1&2.Dec.99}

Negative impact on B&A
Pohanka noted that several Pennsylvania customers are embargoed for traffic until the massive NS/CSXT congestion is cleared up. Empties are also slow to return to the railhead at Montreal, creating a shortage of several types of cars and especially centerbeam flats.

30 November. TRACK UPGRADING IS RESULTING IN INCREASED TRAFFIC for the railroad, explained Dan Sabin, chief operating officer of the B&A System, and Bob Schmidt, president.

Problems with the track
The track which Iron Road Railways, B&A’s parent, purchased from CP in 1995 had three problems, said Sabin. First, because VIA was operating the Atlantic passenger train to Saint John, CP maintained the track for high-speed operation which requires considerable superelevation (banking of the road bed in curves).

Second, CP had installed some head-free rail (a different head than usual) which was intended for light-density tangent track in the prairie provinces. When freight trains, moving at slower speeds than the VIA trains, run over head-free rail in curves, the weight of the cars falls much more on the lower rail, causing excessive wear, and the truck is pressed against the upper rail, also wearing that.

The third problem stemmed from the success of the B&A in reviving traffic: it was running significantly more than CP had anticipated for the track condition.

[Partly as a result, B&A had some derailments on the Moosehead subdivision, between Brownville Junction and the Quebec border - see 30 April issue: NEARS.]

Successful track renovation
From its purchase in 1995, the B&A has worked to reduce superelevation and to change out the head-free rail. It began with the sharpest curves (7-degrees) and is now working on the most gradual (1-degree) curves. For example, one 7-degree curve had 6.5 inches of superelevation, but for a 35 miles-per-hour freight train needs only 2.5 inches.

On the Moosehead subdivision, Sabin said, the railroad began a three-year renovation of stretches totaling 40 miles in August 1999. During 1999 it will complete 20 miles; in 2000 another 10-15 miles; and the balance in 2001. The subdivision once had 22 miles of sloworders, which is now reduced to under five.

To pay for some of the upcoming work, the B&A expects to use the $2 million from MDOT promised five years ago [see 9 June issue] and funded by the November 1999 bond issue [see 12 November issue]. MDOT’s Rob Elder said the department is working out a letter to give the railroad the go-ahead to start spending the money.

Improved traffic
The track problems led to inconsistent train schedules. That, per Sabin and Schmidt, along with the congestion on NS and CSXT as a result of the Conrail splitup, led to a loss of traffic. CN offered good rates and attracted some intermodal and steel-wheel traffic over Moncton. Because of the lower traffic, the B&A suspended its dedicated intermodal train in July [see 13 August issue].

With the track work done to this point, the B&A has provided consistent, good service and customers have begun to return. Bob Schmidt, B&A president, said traffic has recently reached levels close to that before the track problems. Improvement in the performance of NS and CSXT is helping as well.

Schmidt expects the traffic to grow, not only with past customers returning, but also with some new log, chip, and intermodal projects now under discussion.

How to handle the traffic
Sabin said the railroad would continue, as it has since July, to run intermodal traffic on the regular freights. “The dedicated train was an interesting experiment” but ultimately unsuccessful [see 13 August issue]. By offering intermodal on the four trains (two each way) B&A now operates, the railroad can serve the several different sources of intermodal traffic it now draws: Sunbury Transport of Saint John, Kent Lines of Saint John, other Canadian traffic loaded at Saint John [see Quebec/Maritimes], and the traffic coming down from the new Presque Isle terminal [see below]. Running intermodal traffic on two or more regular freight trains means the railroad can offer two cutoff times to customers, instead of the one time offered by the one dedicated intermodal train.

In addition, Sabin holds that the B&A trains run best at about 4500 tons; that weight works best for its locomotives while minimizing track damage. Even as traffic grows, the railroad will not return to the dedicated train. “I’ll start a third train” rather than go to two heavy trains. “It’s impractical to run a 12-car intermodal train and two big freights,” versus spreading the cars more evenly over three trains.

Post-Christmas plans
Sabin will ensure that the service is running smoothly before calling for new business. “You can lose the traffic once, and get it back, but if you lose it a second time.....”

At this point, with B&A maintenance-of-way crews doing three more miles of track renovation for 1999 in December daylight hours, the railroad is running trains outside that time. In January, Sabin will start running a “highly-disciplined, on-time” schedule which will fit into CP intermodal schedules. CP’s ‘Expressway’ service, utilizing the Iron Highway technology, has openings on its Montreal-Toronto run which leaves Montreal at 1PM. The B&A will bring in a train 9-10AM at the B&A’s Saint-
Luc yard in Montréal, ground Toronto intermodal traffic, and
dray it the one mile to CP’s Lachine Intermodal Terminal to catch
the Expressway.

This will put the B&A back in competition with CN service,
which right now has “good connections to Toronto” from
Montréal, said Sabin. B&A is sending a lot of traffic already to
Toronto, and can, with the new connection, add time-sensitive
cars as well. {ARW discussions}

1 December, Presque Isle. SENATOR COLLINS
INTERVENTED TO SAVE SOME SIGNIFICANT TRAFFIC
for the new Presque Isle intermodal facility.

Alliance Shippers Inc., with offices in New Jersey, has a
contract to dray trailers of unspecified merchandise from New
Brunswick into the Presque Isle facility and then via piggyback
to the west, according to Ken Liepold of B&A company
Logistics Management Services (LMS). Alliance is the nation’s
largest privately-held intermodal marketing company, with annual
revenue of more than $415 million, according to the company’s
website.

Problems with a port of entry
LMS, which operates the interim intermodal facility and will
operate the permanent one, contracted with local carriers to move
the loads from Canada, beginning on 22 November. (Liepold
pointed out that LMS will provide drayage for any customer of
the intermodal facility.) The loads had to cross the border
through Van Buren by 1PM each day. That same week, US
Customs officials halted the dray. US Customs viewed the Van
Buren port of entry as not a full commercial port, and required
any commercial traffic bound for other states to pass through a
full commercial port. Use of Houlton, the only commercial port of
entry in northern Maine, would have added 125 miles to the dray,
more than two hours to the shipping process, and probably force
the loads to another intermodal ramp.

Van Buren’s port of entry is a permit port for imports used
locally. To get the permit would take weeks. The potential delay
caused Alliance to stop shipping the week it started, and
consider canceling its contract that called for shipping five
trailers daily, according to Collins.

Collins intervention
Collins’ office in Caribou was contacted by Larry Clark, executive
director of the Presque Isle Industrial Council. The senator called
Deputy Customs Commissioner Samuel Banks on 24 November
and explained that the delay created by the permitting process
would be “unacceptable and unfair.” After Collins intervened,
the necessary permit was issued this day. The shipper plans to
resume, shipping six trailers daily from the Presque Isle facility
beginning 6 December.

This Alliance-related contract is expected to provide a base
amount of business for the brand-new facility, according to
Collins spokesman Phil Bosse. The contract has the potential to
grow to 200 trailers monthly, according to Collins. “This is a
further illustration of the need to make Van Buren a commercial
rather than a permit port and why I have been working to have
the U.S. Customs make that change,” Collins’ statement said.

Earlier this year, two Quebec meat producers had trouble
bringing in meat to Aroostook County through Van Buren,
causing financial hardship to a Van Buren abattoir. Intervention
by members of the delegation caused the required permits to be
issued. “Since Van Buren’s rail crossing already is
acknowledged as a commercial port, it stands to reason that it
should have been designated as a full commercial port of entry
some time ago,” Collins’ statement said. {ARW discussions with
Liepold 2 Dec.99; Debra Sund in Bangor Daily News 3 Dec.99

Other Presque Isle traffic
McCain Foods of Easton is using the ramp for an inbound trailer
“every once in awhile,” said traffic manager Brent Cronkite.
Because of a lack of reefers, he has not used it for outbound
product. McCain is still shipping boxcar CO2 traffic.

Status of the new intermodal facility
Clark related that Maine Track Maintenance had installed the
track, as a subcontractor to New England Rail. The yard
surfacing is completed; lights must be installed. Will the Presque
Isle Industrial Council hold a grand opening? Not this month,
said Clark. The Council prefers to wait until spring, and better
weather. {ARW discussion 2 Dec.99

MAINE COAST

2 December. EAST AUGUSTA SHIPPERS WHICH COULD
USE MAINE COAST SERVICE include Beal Seal Feeds, Cives
Steel, a gas company, a scrap yard, and, when Tree-Free Fiber
reopens as American Tissue of Maine [see Regional], it could
also receive by rail.

According to Robert Felt, head of the Blue Seal operation,
it receives the equivalent of 20 carloads a week by rail or, if
necessary, by truck. GRS had provided service three times a
week and is working on getting it up to five times a week.

Status of the negotiations
Rob Elder of MDOT said his department is still talking with
Maine Coast about renewing its lease and fixing up the bridge to
permit traffic to cross into east Augusta [see 29 October]. In
addition, gravel laid over the track to provide parking in
downtown Augusta must be removed. {ARW discussions

EOTC - DOUBLESTACK

30 November. A REPORT ON CREATIVE FUNDING OF
FULL DOUBLESTACK access for the Commonwealth’s major
railroads should emerge in the first part of the year, according to
the lead person, Jim Molloy, a professor and associate dean at
the Northeastern University Business School. The team,
composed of other professors and students at the business
school, is working with an outside firm, Adelphi Capital. As a
first step, the report team is evaluating the market potential of
providing the full doublestack.
The market potential
Molloy pointed out that the team will look at how doublestack access could improve container flows through the port of Boston for international origins and destinations, and container flows on the major railroads for domestic origins and destinations. Doublestack will lower costs and should lower rates.

The team will evaluate how, if the rates decrease, that will affect traffic flows. In addition, a “crucial part of the model” will represent the response of other ports and domestic destinations to the lower rates in Massachusetts. As Molloy pointed out: “Do you think New York will stand still while Boston lowers rates and draws traffic away?”

The railroads
Molloy is beginning a round of interviews with the major players in the doublestack effort, especially PW, CSXT, and GRS. PW presents the possibility of diverting traffic to the proposed Quonset Point marine container terminal [see 15 October issue: government conference]. Guilford’s intermodal terminal in Ayer could play a role in traffic flows to the port of Boston. {ARW discussion}

GRS: WESTOVER TRACK
1 December, Chicopee. OTHER OPERATORS ARE INTERESTED IN THE TRACK, said Bob Pyers, marketing director of Westover Metropolitan Development Corporation [see 22 November issue]. Some have contacted GRS directly, others have called WMDC. “We have referred all calls to Guilford, as the company which owns the track.”

If, in the future, GRS did not want to operate the track, then WMDC would like to look at other operators. Current attention is focused on trying to improve the track to restore service to the customers in the Westover Airpark West. {ARW discussion}

NH RAILROADS

SLR
30 November, Coos County Superior Court. HOW THE RAILROAD OWNS ITS RIGHT OF WAY forms the issue of a lawsuit filed in June 1996 by the St.Lawrence & Atlantic Railroad (SLR). The action, according to Assistant Attorney General Nicholas Cort, derived from the 1991 passage of a statute, RSA 228:60-A, converting all state incidents of ownership in railroad rights of way into fee simple [see 22 November issue]. That statute addressed the status stemming from an 1852 lease by the state of the corridor to the SLR (then the Atlantic & St.Lawrence Railroad, a predecessor of the Grand Trunk Railroad).

Under RSA 228:60A, persons who had a claim of title to the corridor had five years to file; the railroad filed just under the wire.

The Superior Court action
According to Cort, the SLR had two causes of action: the passage of the 1991 law constituted an unconstitutional taking of property; if the taking was constitutional, then New Hampshire had to pay for it.

Negotiating a settlement
For the last three years, SLR and the state have negotiated on the question of compensation, “and we have pretty well settled it,” said Cort. “A little money will change hands, and the railroad will get a permanent easement.” He is waiting for a redraft of the settlement agreement, to come from railroad counsel. It should be complete “within a few weeks.” {ARW discussion}

The GRS settlement
Cort negotiated a similar settlement in January 1994 with Guilford. GRS agreed that the state acquired all of the non-operating lines in return for $7.4 million. New Hampshire conveyed all its title in the operating lines in return for $1.5 million. {text of settlement}

FOR THE RECORD: NEW HAMPSHIRE

ANOTHER RAILROAD APPEALS BOARD DECISION [see 22 November issue]. For many years, the Village of North Walpole has wanted NECR to fix up or close two pedestrian tunnels under the causeway which splits town. In 1998, NHDOT Hearing Officer Paul Sanderson ordered the railroad to pay to dismantle one, and refurbish or replace the other. On 22 October 1999, the Board decided that the town must provide more information on alternatives, and told NHDOT to conduct another hearing. However, the railroad remains on the hook for at least some of the cost. {Jane K. Mills in Keene Sentinel 4 Nov.99}

Paul Sanderson, NHDOT hearings officer, said a pre-hearing conference will occur on 27 December.

THE MANCHESTER AIRPORT BRANCH HEARING was postponed [See 29 October issue. Sanderson said attorneys for the two sides had requested a continuance. Under the new schedule, each side will provide a brief on the legal issues by 6 January. Thereafter, if Sanderson or either side requests a hearing, it will take place on 22 February. {ARW discussion 2 Dec.99}

PURCHASE OF THE HAMPTON AND PORTSMOUTH BRANCH SECTIONS [see 29 October issue] will go before the Governor and Council on 15 December, according to NHDOT’s Kit Morgan. A closing could take place before the end of the year. {ARW discussion 2 Dec.99}

OUTBOUND GRAVEL FOR AMTRAK STOPPED on 16 November, according to Milford-Benning ton owner Peter Leishman. {ARW discussion 24 Nov.99}

VERMONT RAILROADS

FOR THE RECORD: VERMONT
AMERICAN TISSUE BOUGHT THE PAPER MILL IN GILMAN VT thus possibly preserving TSRD’s only customer [see Regional].

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THE STATE WILL CLOSE ON THE WELLS RIVER BRANCH tentatively on 10 December, buying it “entirely” from Guilford, said Assistant Attorney General John Dunleavy. VTrans [new name for the Vermont Agency of Transportation] will turn over the interim operation to GMRC, and begin a Request for Proposals process to select the ultimate operator.

GMRC would inherit GRS’ right to run onto the bridge toward West Lebanon, but, according to Kit Morgan of NHDOT, the track condition would not permit it to move much farther [to actually serve customers prior to NHDOT awarding a bid to operate the West Lebanon branch.] {ARW discussion}

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**MARITIMES/QUÉBEC RRs**

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**CBCS**

2 December, Milford NS. A DRAFT STUDY OF RAIL TRANSPORT FOR THE GYPSUM MINE which Georgia Pacific wants to open here is now complete [see 15 October], said Richard Morykot of ADI. A transportation committee struck to review the transportation reports, composed of local residents, NSDOT officials, and others, is now looking at the draft. Regulators are also reviewing it.

Morykot is awaiting responses from the committee, and whether it wants to hold a hearing on the question. {ARW discussion}

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**NBSR**

1 December, Saint John. RUNNING TWO FREIGHTS MAKES MORE SENSE than one freight and one intermodal, said General Manager Dale Thibodeau, in agreeing with Dan Sabin of the B&A [see Maine]. At this point, NBSR is running only one freight between Saint John and Brownville Junction, which handles three different sources of intermodal: Kent Lines, Sunbury Transport, and other domestic intermodal (some of which comes from CP customers). {ARW discussion}

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**QCR**

1 December, East Broughton PQ. THE RAILROAD AIMS TO START UP IN EARLY SPRING, now that the question of financing is resolved, said Michel Champoux, who is heading the restart project for Jean-Marc Giguère, the owner. Although the track is operable, QCR prefers to wait until spring for safety reasons. “It will give us time to train our people.” Some other details:

- The railroad has met with several groups of citizens who had a concern about the operation of trains, and “we have always been able to find a compromise,” said Champoux. He has not yet met with one group from Disraeli, but anticipates the railroad will work something out there, too.

- For example, in the Beauce section QCR is permitting promoters of a bicycle trail to install one along the ROW. The promoters are working on a design right now. Such a trail would not be unique, Champoux pointed out. Along Lac Saint-Jean in the Roberval area CN has permitted 35 miles of trail along its main line.

- QCR has no one large customer, but has many smaller (“of the order of magnitude of 30”, is all Champoux would say). One such would be Prolab,

- The company Prolab wants to build a a new oil recycling factory at Black Lake. Prolab has said it needs rail service, and if QCR cannot provide it, the factory will be built elsewhere. {ARW discussion}

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**Trains Touristiques de Chaudière-Appalaches**

Martin Laflamme, president of the tourist operation, and QCR held a joint press conference 30 November at the old station of Vallée-Jonction. They announced the opening of operations in the spring of year 2000; Laflamme said operations will begin as soon as the snow melts and the inspection is made. Schedule and ticket prices will be released early 2000. A major press conference with an inaugural train will occur as the weather permits.

‘The trains will operate in the Chaudière Valley and the surrounding hill tops and plateaux, with a landscape of farms and small French-Canadian villages. It will be a nice experience for the Americans, who will discover a new culture.’ {e-mail to ARW from Laflamme 2.Dec.99}

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**ATLANTIC NORTHEAST PORTS**

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**PORTLAND**

19 October. PORTLAND SURPASSED BOSTON on largest throughput port in New England, based on tonnage, because of oil imports. It ranks as the largest crude oil port on the US East coast, and the third-largest oil-terminal port on the US East coast.

Jeff Monroe, director of the Port of Portland, told the Coast Guard gathering [see 29 October issue] that Portland beat Boston in 1998 by 786,000 tons. {ARW coverage; Sara Kehaulani Goo in Wall Street Journal 27 Nov.99}

24 November. A NEW CRANE WILL CUT HOURS OFF LOADING TIME, according to Jack Humeniuk of ITO. MDOT just awarded the contract for the crane a second time to Liebherr. The first award was challenged so the bid was redone.

With the new machine, due in February, stevedores will not need to stop to manually change the spreader bar, and can load two hatches without moving the ship. Right now, the old crane cannot move more than 50 feet, so stevedores find it easier to move the ship. But the Elisabeth must be moved three times, and each move takes 15 minutes.
Records set
Two weeks ago, ITO set a record with 140 boxes. The facility did
109 last week, all Maine freight. Numbers are increasing, per
Humeniuk, because of new accounts into Australia and changes
from shipping out of Montréal to Europe.

The Ocean Shipping Reform Act ended conference rate
control and permitted private contracts and therefore more
natural movement by permitting lower prices. Formerly Portland
did have a disadvantage with respect to Montréal of about $200-$300 per box.

ITO is not marketing its service to other carriers for lack of
space, so Hapag Lloyd remains the sole carrier.

Breakout
Twenty-foot containers used to be about 30% of cargo, 40s 70%. In
the last few months, 20s have moved up to 40% because of
the cargoes of printing paper going to Australia. Shippers can use
the less costly 20s to ship the same weight - 57,000 pounds -
as a 40. More than that, the container bottoms cannot hold.
{ARW discussion 24.Nov.99}

UPDATE ON ITO
The International Terminal Operating Company, in addition to
Portland, handles in the Atlantic Northeast:

Boston. The Black Falcon cruise ship terminal, Moran Autoport.
Providence. The ProvPort terminal though right now little is
moving via water.
New York. The auto terminals, and the West Side Passenger
Terminal. It has bid to operate the Universal Terminal, where
Maersk currently operated.

Ownership
Two months ago, P&O Ports bought ITO. P&O Ports is part of
the P&O Group, which also owns P&O Nedlloyd, P&O Ferries,
and Prince Cruise Lines. P&O Ports has doubled in size in the
last 3-5 years. P&O ruled out investing in Quonset Point,
because of environmental factors. {ARW discussion with
Humeniuk}

HALIFAX
1 December. AUTOPORT HANDLES BATCHES OF EXPORT
FROM TIME TO TIME. It recently did a Ford shipment which
arrived via CN. However, most waterborne shipments consist of
imports.

More about Autoport
The facility can hold up to 18,000 vehicles in its 100-acre storage
yard. In 1998, the port processed more than 90,000 vehicles, and
for 1999 it should do about 117,000. Ships arrive several times a
week (about 140 per year) carrying between 300 and 2,000
vehicles, which are unloaded at the rate of 200/hour. In addition,
CN rails in Japanese and South Korean vehicles from the west
coast.

After unloading, Autoport unwraps, paints, and inspects
each vehicle. Workers then prepare the vehicle for its specific
market (20 different auto companies use Autoport), installing
accessories such as sunroofs and CD players.

The finished vehicles then move out by truck to the
regional market, or by rail to central and western Canada.

Autoport also handles CN’s vehicle unloading facility in
Moncton, and compound operations in Charny PQ, Toronto,
Thunder Bay, Saskatoon, and Edmonton.

History
CN and the Province of Nova Scotia established Autoport in
1971 to handle imports; soon after, it began to handle domestic
imports as well. CN became sole owner in 1976; Autoport exists
as a separate entity within CN, with its own board of directors
and management team. {ARW discussion with Mark Hallman, CN
spokesperson, 1.Dec.99; Port of Halifax 11-12.99}

PORTSMOUTH
23 November, Watertown MA. VHB WILL GIVE TWO
MAJOR PRESENTATIONS ABOUT THE FUTURE OF THE
PORT, according to David Spillane, Vanasse Hangen Brustlin
project director on the port master plan for the next five years.
RKG Associates of Durham NH will work with VHB on the
economic aspects.

Over the next two weeks, Spillane and others will interview
the stakeholders in the port. They will meet with a steering
committee from the Port Authority on 20 December to review the
process and present alternatives.

At a workshop on 12 January in City Hall at 7PM, the
consultants will present a range of different ways of thinking
about the port to the public. VHB will take the input from that
workshop and narrow down the alternatives to one preferred
approach. On 2 February the consultants will return to the same
forum for a second presentation. Under the $23,000 contract, the
consultants will present a completed report by mid-February.
{ARW discussion; Christine Gillette in Portsmouth Herald

Status of Geno Marconi
At last report, Marconi was dismissed and his position as
operations manager eliminated [see 27 August issue]. On 15
November, he returned after the Port Authority board voted
unanimously to re-instate him. {Justin Martin in Foster’s Daily
Democrat 15.Nov.99}

EASTPORT
2 December. THE RFP TO STUDY A RAIL TRANSFER
FACILITY has not yet come out, said MDOT’s Rob Elder. He is
working out the terms with Skip Rogers, head of the Eastern
Maine Railroad Development Commission.

No bulk yet
Rogers is still pursuing inbound bulk cargoes. The latest
possibility [see 12 November issue] did not pan out because one
customer did not want to accept goods from Russia. {ARW
## Discussions

Portland waterfront. Cruise facility lower left, container just beyond. BIW drydock top right, site of new cruise facility.

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