**REGIONAL ISSUES**

**Massey:** Correction on customers and numbers.*

**Oil, coal, LNG:** Consumption to continue.*

**New England Railroad:** Doubt on viability.*

**New Haven:** Gateway moves sand for Tilcon.

**MERR:** Ames wins Dragon track contract.

**Clarke/Shamrock/feeder:** Clarke takes possession;* feeder starts in January.

**SLR:** Morse Brothers handles bark by container.*

**Biodiesel:** Bangor contract means rail delivery.*

**BCLR:** Mirant to receive ammonia by rail.

**GU:** Cape Breton abandonment postponed.*

**CBNS:** Cape Breton coal mine may re-open.*

**MNSR:** New customer in East Saint John, another possible.

**QCR:** MMA not buying, but still for sale.

**Halifax intermodal:** Discussion of problems with CN’s service. Detailed views of Paul Waite (CN), Fritz King (ACL), and George Kuhn (CIFFA).

**Saint John:** Offers competition to Halifax for small- and mid-sized container lines.

**RAIL SHIPPERS/RECEIVERS**

A cross-reference to companies mentioned here.

**PEOPLE, POSITIONS, EVENTS**

Bill Schauer, Fred Jones, John Bubier, Eddie Malinowicz, David Dill, Sam Lewis.

**FROM THE PUBLISHER**

Much of this issue is taken with a discussion of how CN could do better with intermodal service to Halifax. While we may moan about lack of sufficient space on CN intermodal trains for Halifax, astute readers of my newsletter will recall that CN is only trying to bring up the profitability of intermodal to the level of other parts of the railway.

Note carefully Waite’s point, echoed by King and Kuhn. The links in the supply chain can work better together, without additional capital, to significantly improve Halifax service.

- Chop Hardenbergh  
Next issue: 31 December  
Merry Solstice!

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REGIONAL ISSUES

MASSEY COAL CORRECTION
8 December, Richmond VA. **CORRECTIONS ON MASSEY COAL CUSTOMERS** in New England. Per Gary Smith [see 3 December issue], he has UMass as a customer, as well as Solutia, both rail-direct. He will go after the Connecticut Resource Recovery plant to be served from Portland, Maine.

Total imported coal
About 20 to 25 million tons comes into the United States, all but about one million tons for utilities. {ANR&P discussion 8.Dec.04}

OIL, COAL, LNG USE TO CONTINUE
9 December, DC. **THE REGION’S PORTS AND RAILROADS CAN COUNT ON THEIR CARBON-BASED TRAFFIC** at least through 2025, according to the US Energy Information Administration (EIA). In a report issued this day, while cautioning that long-term predictions about price and production are difficult, EIA concluded:

C Crude is likely to cost about $35 a barrel in 2025 (not including inflation).

C World oil production will grow from about 80 million barrels a day to 120 million barrels a day in 2025.

C In 2025, US imports will account for two-thirds of the oil the US consumes, up from the current 56% percent.

• Natural gas prices will rise over the next six years, followed by declining prices after that as more gas becomes available, especially from imports of liquefied natural gas, or LNG, which will increase significantly.

• Coal will produce half of the country's electricity in 2025, about the same as today.

• Carbon dioxide emissions, linked to climate change, will increase at an annual rate of 1.5 percent a year, although the rate of growth will decline. {AP in Lewiston Sun-Journal 10.Dec.04}

ENERGYUSA PROPANE
23 November, Taunton MA. **THIS COMPANY HAS RAIL ACCESS AT TWO FACILITIES**, according to John Miller, an official at company headquarters here.

History
In February 1999, NIPSCO Industries (later named NiSource) bought Bay State Gas. At the time, Northern Utilities was owned by Bay State Gas; the two are operated by the same management. In March of 2003, NiSource spun off some of the propane facilities of Bay State and Northern to private investors, who formed EnergyUSA Propane. The newly-formed company has no relation to EnergyUSA - TPC, which remains a NiSource subsidiary.

The Portland facility
Here, alongside the harbor on West Commercial Street, Northern Utilities owns the real estate and three 30,000-gallon propane tanks. The gas is put into Northern Utilities’ pipeline [see map of pipelines in 14 April issue] at times of peak demand.

EnergyUSA [our Directory #16] leases a portion of the real estate and two 60,000 tanks. All tanks are supplied by truck, though propane has arrived by rail in the past.

The West Springfield MA facility
Here EnergyUSA owns the facility located at 1275 Union Street Extension, and is currently bringing in propane by rail. It also leases two tanks to Bay State Gas [our Directory #391] which also receives by rail; the gas is put into Bay State’s pipeline [see map of pipelines in 14 April issue] at times of peak demand. {ANR&P discussion 23.Nov.04}
NEW ENGLAND RAILROAD?

November. **DOUBT ABOUT THE VIABILITY OF A PRIVATE PASSENGER SERVICE BETWEEN PORTLAND AND BANGOR** was expressed by Nathan Moulton, MDOT’s manager of rail transportation. Responding to an inquiry from citizen Rick Dowling, Moulton wrote: ‘We are aware of New England RR and some of their proposals. They have contacted the Department but we are not actively involved with them developing any operations at this point. We have been trying to set up a meeting with them to find out if they have the funding and knowledge to actually operate service. In my mind there is no way that you would see any service in the near term if indeed they do have funding available, certainly not next summer.’ {e-mail to ANR&P from Rick Dowling}

New England Railroad

Douglas Adams of Richmond Maine stated he has a partner willing to invest $137 million to start passenger service between Portland and Bangor in June 2005, and then go farther. He has sought support by writing to legislators in New Hampshire and elsewhere. See [www.newenglandrailroad.com](http://www.newenglandrailroad.com). [While I wish this were a serious effort with a serious investor, no evidence indicates this project consists of more than a nice website and a dream. I cover it only because of Adams’ outreach to many officials. Editor]

CONNECTICUT

PW - NEW HAVEN - BELLE DOCK

9 November, New Haven. **GATEWAY LANDS SAND AND DRAYS IT** to its transload terminal at Chapel Street, said Coy Angelo, operations manager. The sand [possibly originates in Tilcon Capaldi’s quarry in Acushnet–see future issue] comes out of New Bedford, is barged to New Haven, and is railed to Tilcon out of the Chapel Street terminal. Angelo noted that barging it from New Bedford to New Haven, draying it to Chapel Street, and raling it from there was cheaper than draying it to a rail point in Massachusetts [New Bedford still lacks rail service–see 3 December issue.]

Gateway has handled the sand for twelve years. “It’s good C33 [a sand specification] fine aggregate concrete sand” also used in asphalt, said Angelo. It moves in a 5,000-ton barge. {ANR&P discussion}

Rail service to the Gateway facility

PW services the customers around New Haven with switcher NH-1. [#s refer to our Directory of Rail Shippers and Receivers.] It begins by switching Belle Dock Running Track (customers Gateway Terminal #544 and Simkins Industries #543), pulling loads of sand back to Cedar Hill, or by making a train in Cedar Hill and then heading to Belle Dock.

NH-1 then heads east on the Northeast Corridor, with possible stops at Pine Orchard for Tilcon/Branford Steam Railroad #540 if cars are moving to Old Saybrook, at Clinton for Stanley Bostitch #537, and reaches Old Saybrook for interchange with NR-2. Sometimes NR-2 has cars with Tilcon stone from Wauregan #513.

Returning to New Haven, NH-1 can stop at Unilever #536 in Clinton, Landon Lumber #538 in Madison, Tilcon in Branford again, and Atlantic Wire #541. {PW e-list}
Replacement vessel
Jack Humeniuk of P&O Ports, the terminal operator in Portland, reported that the new feeder ship will not until arrive until after Christmas. “She’s still refitting in Europe.” {ANR&P discussion  7.Dec.04}

SLR - MORSE BROTHERS
10 November, Auburn. MORSE BROTHERS HAS REVAMPED HOW TO GET WOOD RESIDUE TO ITS FACILITY HERE. Russ Spinney, head of MDOT’s multimodal project development, said Morse had originally planned to purchase boxcars and cut off the tops for use as large gondolas. However, the scrap steel price rise led to the scrapping of most old boxcars, and hence Morse rethought the need for its own 3/4-mile rail spur into the facility.

Now, per Spinney, the agreement between MDOT and Morse, under which the state will contribute $193,504 [see 16 June issue], covers the purchase of old waste containers. These will be loaded with bark from a mill in Quebec and placed on flatcars.

Upon arrival at the Maine Intermodal Terminal (MIT) in Auburn, packers will move the container from the flat car to chassis for drayage to the Morse Brothers facility, adjacent to MIT. The chassis will run over a new haul road between MIT and Morse, not on a public road.

Morse has a long-term contract with the Quebec mill. Morse will transform the bark into mulch. {ANR&P discussion} [More in a future issue.]

MAINE - BIODIESEL
9 December, Chelsea MA. A MAJOR BIODIESEL CONTRACT COULD PROVIDE WIDE DISTRIBUTION IN NORTH-CENTRAL MAINE, according to Michael Rubino, an official with World Energy in Chelsea, Massachusetts.

Bangor will buy biodiesel
On 6 December, the City of Bangor and the US Environmental Protection Agency (EPA) announced an agreement to resolve hazardous waste and clean water complaints by the federal government. The City of Bangor has agreed to pay a nearly $60,000 fine and convert its fleet of vehicles to clean-burning biodiesel at a cost of $165,432. {AP in Lewiston Sun-Times 7.Dec.04}

Who will supply the biodiesel
The City currently has a contract with Irving to supply petroleum products, said Bob Dawes, Bangor’s fleet maintenance director. He has asked Irving about obtaining biodiesel, and Irving is working with World Energy, headquartered in Chelsea, Massachusetts.

Michael Rubino of World Energy said on 9 December that trucking the product from Massachusetts for smaller users had been prohibitive, but with the Bangor contract, he could start railing product into northern Maine, and make it more widely available. Dawes agreed: once available, “anything military will start using biodiesel” as will other fleets. “The Acadia National Park has also called.”

More about World Energy
World Energy owns some production facilities and contracts with others to supply B-100, pure ethanol. It rails one car at a time into the CSX Transflo terminal in Allston [our Directory #228] for drayage to customer Burke Oil in Chelsea. Burke then mixes it with regular diesel to make B-20 (20% ethanol) and trucks it to several large fleet account customers, and also operates a retail station. {ANR&P discussion 9.Dec.04}

MASSACHUSETTS

BAY COLONY
15 December, Sagamore. MIRANT WILL BRING IN AQUEOUS AMMONIA by rail or truck for its Canal generating station on Cape Cod Bay, and store it in two 60,000-gallon aqueous ammonia storage tanks to be built. The ammonia is used in the chemical reaction that strips the pollutant nitrous oxide - a component of smog - from smokestack emissions.

For the past year and a half the plant has relied on frequent small deliveries by tanker truck, with the truck serving as storage. ‘The proposed permanent storage tanks will be much safer than the current temporary truck storage due to increased
monitoring with industry standard controls and a method for controlling spills,’ Mirant consultants wrote to the Cape Cod Commission, which must approve the project before it can move forward.

**Need to reduce emissions**

In 2001, Massachusetts enacted stricter standards for nitrous oxide, sulfur oxide, and carbon dioxide from six power plants across the state. Four of the plants had to meet the new standards by 2006, but the Cape Cod Canal plant and a plant in Salem were required to meet the stricter standards by October 2004. Mirant first tried ammonia pellets, but switched to more effective ammonia dissolved in water (aqueous ammonia).

When Mirant last summer sought to extend the permit for the temporary ammonia storage system, the Commission asked for a permanent facility, which the Commission will consider at a public hearing on 20 December.

**Why rail**

The project description submitted by the engineering firm Stone and Webster states that trucks would move approximately 7,000 gallons to the plant daily. Using rail cars ‘considerably more ammonia would be transported at one time to the site: approximately 25,000 gallons every three to five days.’ {Sean Gonsalves in *Cape Cod Times* 14 Dec. 04}

According to Shawn Konary, the plant’s director of environmental safety and health, the company wants the flexibility to bring in the ammonia by either truck or rail, depending on the supplier’s needs. Some town officials would like Mirant to use rail as the primary method, with truck as a backup. {ANR&P discussion 16 Dec. 04}

**Fly ash traffic also generated**

Fly ash produced as a byproduct of burning oil is trucked by Gallo to its siding here in Sagamore and then railed to US Vanadium (a subsidiary of Strategic Minerals) in Arkansas to extract the vanadium [see 12 March 2003 issue].

The oil arrives by barge through the Cape Cod Canal. {editor}

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**GRAFTON & UPTON**

10 December, Worcester. *AN UPDATE ON THE RAILROAD* came from owner Brigitte Lucey. She assumed oversight after Florence Sairs, the manager, retired about two months ago.

The effort to site the Boston Railway Terminal in Milford has ended.

The yard [see 17 September issue] remains for lease. Lucey is also offering at a very good price around 100 GURZ trailers. Lucey needs the space for a non-railroad-related project. {ANR&P discussion}

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**NEW HAMPSHIRE**

**GUILFORD v. MBRX**

16 November, Boston. *THE RAILROAD AND GRANITE STATE APPEALED THE STB DECISION* [see 19 November issue] finding that GRS did not treat either party unreasonably. The case before the United States Court of Appeals for the First Circuit has docket No. 04-2551 {STB website}

**GUILFORD v. SPRAGUE ENERGY**

3 December, Concord. *SPRAGUE WON A NH SUPREME COURT EASEMENT BATTLE AGAINST GUILFORD*. The Supreme Court heard the matter on appeal from the Superior Court, and affirmed all decisions of the Superior Court.

**Facts**

Guilford (technically the Boston and Maine Corporation, B&M, part of the Guilford Rail System) owns the 3.5-mile Newington Branch from Portsmouth to Newington. ‘Sprague markets energy products, including gasoline, natural gas and oil. It owns property and related facilities along the Newington Branch, including petroleum holding tanks and pipelines at the Gosling Road Terminal, the Avery Lane Terminal and the River Road Terminal....

‘Sprague’s Avery Lane Terminal is a commercial fuel and petroleum facility with docks located on the Piscataqua River where Sprague receives gasoline, among other products, that is shipped by barge. The gasoline is unloaded and piped across Sprague’s property to loading racks where it is loaded into trucks and delivered to service stations.

‘Sprague’s pipes run from the docks to the loading racks and pass beneath B&M’s Newington Branch. Sprague owns
the property on both sides of the Newington Branch at its Avery Lane Terminal. The Newington Branch separates Sprague’s docks and storage tanks from the Spaulding Turnpike.

‘In January 2001, an internal review of B&M properties suggested to B&M management that Sprague had modified, installed, relocated, or overburdened certain appurtenances on the Newington Branch in violation of the applicable license agreements. B&M proceeded to terminate the agreements and offered to negotiate new arrangements with Sprague for any licenses it wanted to continue.

‘When no new agreements were negotiated, B&M filed suit seeking an injunction to prevent Sprague from any unlicensed and unauthorized occupation and use of B&M’s property, to require Sprague to remove certain appurtenances, and to require Sprague to replace and restore railroad track it had allegedly removed in violation of a 1973 deed.

‘Sprague counterclaimed, seeking a declaration that RSA 373:1 imposed a duty upon B&M to provide suitable crossings over and under its track for the accommodation of Sprague’s pipelines and other facilities at the Avery Lane Terminal and a declaration that Sprague’s easement for a vehicular grade crossing at Avery Lane also covered Sprague’s seven underground pipes.’

Sprague may keep its pipes under the Newington Branch
RSA 373:1 states: “[i]t shall be the duty of every railroad to provide . . . suitable gates, crossings, cattle passes and other facilities for the accommodation of persons whose lands are divided, or are separated from a highway, by a railroad.”

The Court stated: ‘The language of RSA 373:1 is straightforward and its intent is plain: to accommodate landowners whose property is divided or separated from a highway by a railroad. Here, Sprague’s property is separated from the Spaulding Turnpike by B&M’s railroad, and its underground pipes constitute a suitable crossing that is reasonably necessary for the conduct of its business. We reject B&M’s argument that the provisions of RSA 373:1 do not apply because Sprague bought the property at issue after the railroad was already established. We fail to see a difference whether the property is separated from a highway by a railroad before or after its purchase. In either case, the statute’s requirements apply.’

Taking without compensation?
‘B&M argues that the trial court erred by "failing to find" that RSA 373:1 "does not create sufficient legal authority for the taking of railroad property" and "by failing to rule" that "any taking of B&M’s property requires the payment of just compensation, which should be based on fair market value." Accordingly, B&M argues that RSA 373:1 as applied by the trial court amounts to an unconstitutional taking for which B&M is entitled to just compensation. We hold that this issue was not properly preserved for appeal.’

The Court ruled that since B&M did not make ‘specific arguments to the trial court on this issue,’ it would follow its rule: ‘We will not review constitutional issues on appeal that were not presented below.’

The pipes do not fit within a grade crossing easement
The Supreme Court agreed with the lower court, that the easement for a grade crossing granted in 1873 would be unreasonably burdened if it were extended to encompass seven underground pipes carrying commercial gasoline.’ The change of use of the grade crossing to seven underground pipes by Sprague is not "a normal development from conditions existing at the time of the grant" and therefore Sprague must rely on the statute cited above to justify the location of its pipes.

Sprague must compensate Guilford for a removed siding
By deed dated December 18, 1973, B&M conveyed a 5.48 acre parcel of land located at the River Road Terminal to Sprague’s predecessor-in-title, except ‘any and all tracks’. Despite this, in 1997 Sprague upgraded its River Road Terminal and removed about 375 feet of railroad track, and argued that B&M responded to this too late. The Supreme Court agreed with the lower court that ‘B&M’s action is one to enforce a right to ownership in real property, and therefore the twenty -year limitations period set forth in RSA 508:2 applies.’ {Boston and Maine Corporation v. Sprague Energy Corporation, argued: June 10, 2004, opinion issued December 3, 2004 case # Rockingham No. 2003-72, slip opinion}

Impact on other terminals
Portsmouth and Newington have many terminals which now, or may need to, run pipes or roadways across the Newington Branch, including NU’s Schiller Station. This decision should prove of some relief to them. {editor}
impact, filed this day at the Surface Transportation Board, stated: ‘The purpose of this letter is to advise you that, on or about January 10, 2005 the Twin State Railroad Company intends to file a Notice of Exemption and/or an Adverse Abandonment Application with the United States Surface Transportation Board pursuant to the provisions of 49 CFR 1152.50, Subpart F, seeking authority to abandon and discontinue service over a line of railroad having a distance of approximately 8.36 miles between railroad milepost P-111.56 in Gilman, Vermont, and railroad milepost P-103.20 in Whitefield, New Hampshire.’ {STB case AB 862-2-X}

Attempts to reach David Anderson, attorney for TSRD owner Clyde Forbes, for an explanation were not successful yet. {ANR&P discussion}

The dispute in Vermont
John Dunleavy, VAOT’s assistant attorney general, wrote: ‘Because of the unresolved dispute between MEC and TSRD as to salvage rights for the St. Johnsbury-Gilman segment [see 18 October issue], VAOT has not taken any further action to acquire this line. If we are directed to do so, we probably would have to begin with some sort of declaratory proceeding. Because of MEC’s claim that it has residual common carrier status, it's not at all clear what the appropriate venue for such a proceeding would be.’

What’s up here
Dunleavy mused that ‘The future filing [for adverse abandonment] may represent an escalation in the TSRD claim that the MEC-TSR lease grants TSRD salvage rights along the line. If the STB grants TSRD authority to abandon the Gilman-Whitefield line, then the next logical step would be for TSRD to try to force the issue by announcing its intention to receive proposals for scrapping the entire St. Johnsbury-Whitefield line.’ {e-mail to ANR&P 10.Dec.04}

RHODE ISLAND

PW - PAWTUCKET YARD
16 December, Pawtucket. PAWTUCKET TRANSFER OPERATIONS is still deciding on its next step, according to Daniel Poggi, one of the owners [see 18 October issue].

BRT using the yard
Boston Railway Terminal, principal Alan Marsh [see 11 February issue], is using some of the Pawtucket Yard, now leased by PTO, to bring in steel. “Cars keep coming and coming,” reported one observer. {ANR&P discussion with Poggi; e-mail to ANR&P from observer 17.Dec.04}

VERMONT

VERMONT LEGISLATURE
15 December, Burlington. A TAX INCENTIVE TO PROMOTE RAIL-SERVED LAND PARCELS was conceived by Dave Wulfson, VRS president. “I’ve seen it happen too many times: a developer will get a prime piece of railroad property permitted for development, then sell it to someone who is not a rail user. Land with rail access is like waterfront property: they’re not making any more of it.”

While in other parts of the country, railroads can build in to access new parcels, in Vermont, noted Wulfson, “there’s either a mountain or a river next to you.” When the prime rail-access parcels are taken, “That forces us to look at property either not as developable, or perhaps prime agricultural land.”

For an example, he cited the former Fassetts Bakery parcel in South Burlington, a prime industrial site which has a siding already. Freihofer bought Fassetts five years ago, and two years ago closed the bakery. A developer could find a user for the parcel which did not want rail, “and ship widgets out by UPS.”

Provide an incentive to sell to a rail user
Reviewing ways to promote the use of parcels for rail uses, Wulfson viewed the land as deserving protection akin to that
which Vermont affords to agricultural land, or land preserved for environmental purposes. Protecting the land slows sprawl, promotes railroads, and promotes manufacturing.

He has found a receptive ear at the Vermont Rail Association (a group of the state’s railroads), and has engaged the Association’s lobbyist, Anthony Otis, to consider the best vehicle to provide the incentive. It could take the form of a property tax break, or relief from Vermont’s land gains tax, which hits heavily those who buy land and sell it again in a short time.

On 16 December, Wulfson and Otis will present the idea to the Vermont Rail Council, “bouncing the ideas around to see what people think.” {ANR&P discussion 15.Dec.04}

VERMONT RAIL SYSTEM

15 December, Burlington. **THE STATE IS GETTING PERMITS FOR THE PROPOSED MIDDLEBURY SPUR,** a rail route into OMYA’s quarry which will take trucks off Route 7 between Middlebury and OMYA’s Florence facility [see 03#02A].

The state labelled the A-1 alternative, the most direct route to the VRS line, as the LEDPA (least environmentally damaging practicable alternative), but must go through the federal permitting process as well, because the work will involve federal funds.

Dave Wulfson, VRS chief, related that the consultant handling the permitting, McFarland -Johnson, estimated June 2006 for completion of permitting. {ANR&P discussion with Charlie Miller of VAOT and Wulfson}

QUEBEC/MARITIMES

CAPE BRETON & CENTRAL NS

6 December, Halifax. **THE UTILITIES AND REVIEW BOARD POSTPONED THE ABANDONMENT HEARING** for the Cape Breton section of the railway to 9 and 10 February 2005; it was originally scheduled for 15 December [see 19 November issue]. The text of the notice stated: ‘An adjournment was requested by formal intervenors and several customers of the service and the Board has granted this adjournment request.’ The hearing will occur at Days Inn, 480 Kings Road, Sydney. {board notice}

A dozen customers including Copol International, Scotia Rail Services, Eyking Farms, Imperial Oil, and Polysteel Atlantic complained the 15 December date would not give them enough time to get a presentation together for the board. In a memo dated late last week, board regulatory affairs officer Nancy McNeil wrote that while the board always tries to act in an expeditious manner, it has to balance that against the ‘seriousness of harm’ in granting or not granting requests.

But a letter to the board from CBNS lawyer Harry Munro of MacIntosh, MacDonnell and MacDonald called the adjournment an abuse of board process. CBNS will start to lose money as of 1 January (the end of the coal shipping from Sydney) and the harm to the applicant should outweigh the inconvenience to the intervenors. {Steve Proctor in Halifax Herald 7.Dec.04}

Coal mining eventually returning?

On 9 December, Premier John Hamm announced that the province will seek proposals in the next few weeks from private operators to reopen the Donkin Mine, near Glace Bay, a source of at least 300 million tonnes of coal. After an operator is chosen, months, possibly years, may pass before the mine reopens; it closed 20 years ago.

Demand has increased in the wake of high prices for oil and natural gas. This year, a new coal mine opened in Alberta and half a dozen more are being developed in British Columbia.

American energy companies are also promising to build a record number of coal-fired plants and the Bush administration is spending billions to find ways to make coal burn cleaner.

“Coal is a very low-cost and very effective energy source,” said Murray Stewart, of the Energy Council of Canada. “There’s a number of technologies that are in development or are now in the demonstration stage. You can actually have a coal power plant that is totally clean and has no emissions to the environment.”

Frank Corbett, an NDP member of the provincial legislature, said the decision is long overdue and called for Nova Scotia Power to burn coal mined in the province. Unemployed Cape Breton coal miners have long been frustrated by watching imported coal arrive in Sydney harbour to be burned in local power plants, he said. Bobby Burchill, who represents Nova Scotian coal miners, urged the province to move as soon as possible. “Now is the time to get it going. The demand for the
product is now. Get the mining going while the operators are out there looking.”{CBC webposted 9&10.Dec.04}

Viability of Donkin
The mine has two tunnels costing $100 million leading to the coal seam; these were allowed to flood. To re-open could cost as much as $200 million. Burchell believes that unless Nova Scotia Power agrees to buy the coal under a long-term contract, “the mine isn’t worth opening.”

Former Cape Breton miners have pooled resources to partner with a coal company to make a proposal to re-open Donkin. {Matt Hunt Garder in Halifax Herald 12.Dec.04 via Transport 2000 Canada}

Allen Wright, executive director of the Coal Association of Canada, said on 10 December that a tonne of metallurgical coal that sold for $40 US a few years ago is now trading for almost $125 US. {Steve MacLeod in Canadian Press 12.Dec.04 via Transport 2000 Canada}. Donkin formerly had direct rail, but that was removed. {editor}

NEW BRUNSWICK SOUTHERN
14 December, East Saint John. NEW CUSTOMER MACDONALD APPLICATORS WILL RECEIVE STRUCTURAL STEEL to abrade and then coat, said co-owner Andrew MacDonald. His company began seven years ago in the McAllister Industrial Park [see map 04#04B, site to the east of the line and first parcel on the right after entering the park] with a spur already installed to the parcel.

Because the spur was never used, the company recently refurbished the spur with its own equipment, as well as some of the branch, overseen by NBSR.

MacDonald Applicators is undergoing its fourth phase, tearing down the 5000SF building of the first phase, and constructing an 11,000SF new building. It will install new machinery and refurbish some existing equipment.

MacDonald expected a few cars as the first shipment; it will be trucked to its final destination two hours away. He has no further definite rail shipments; he is open to rail both in and outbound. {ANR&P discussion}

Another company interested in rail
William Dolan, owner of the Canada Industrial Castings foundry located at 85 Whitebone Way in the McAllister park, said his foundry had wanted to use rail to bring in sand, scrap, and other material. But CN, the operator at the time, noted the foundry did not have its own spur. Dolan asked if he could use the main branch since no customers existed beyond Canada Castings, but CN responded that the main line track sloped too steeply downhill. Now, the foundry is out of business.

Dolan also owns a company at the same location which trucks in castings from Quebec: Canada Municipal Castings. He is interested in bringing them in by rail. Unfortunately, while the track right at his location remains, someone ripped up the track between the level Whitebone Way crossing and his location. {ANR&P discussion 14.Dec.04}

QUEBEC CENTRAL
5 December. THE MMA IS NOT BUYING THE RAILROAD, wrote President Robert Grindrod. ‘This appears to be a totally unfounded rumor....If there is an American railroad about to sign a purchase deal with the QCR, it is not the MM&A.’ [See 3 September issue for QCR sale offer.] {e-mail to ANR&P 5.Dec.04}

Another report
A firm agreement has not yet been reached with any buyer. Negotiations to sell are underway with a non-railway party. {Journal de Quebec early.Dec.04 via Canadian Railways e-list}

HALIFAX INTERMODAL
December. CAN HALIFAX IMPROVE THROUGHPUT AND DRAW TRAFFIC FROM VANCOUVER? Vancouver is still suffering from congestion. “A lot of the major importers have been lobbying carriers to provide East coast service,” said Bernie Dumas, general manager of sales and marketing in Canada for China Shipping Company, one of the biggest global transport companies. The top retailers, such as The Bay, Wal-Mart Canada Corporation, and Canadian Tire Corporation, have all added the Port of Halifax to their supply lines.

Times vary, but most shippers can move a container from Shanghai or Hong Kong to Vancouver in about two weeks. If they bypass Vancouver and head for Halifax via the Panama Canal, the journey can take anywhere from a month to 37 days.

About a half-dozen shipping lines have introduced a Halifax stop for their Far East routes, including China Shipping, Zim, and Hapag-Lloyd.
Observers say freight volumes between North America and China began to increase dramatically two years ago but they skyrocketed this year. Vancouver’s port has experienced a 56% increase and the growth is expected to continue for the next few years. [CN and CPR said] their networks are running smoothly. In a recent interview, Mark Hallman, spokesperson for CN, said any delays at the western end are mainly the responsibility of the shipping lines and terminal operators.

But according to TSI (Terminal Systems Inc), the biggest container terminal operator, the railways are to blame. Morley Strachan, TSI’s vice-president of business development and strategic planning, said there is a two-week backlog of containers waiting to be loaded on to rail cars. {John Greenwood and Paul Vieira in Financial Post 10.Dec.04}

**Question about CN service for Halifax**

Fritz King of Atlantic Container Lines’ Halifax office described CN intermodal service in Halifax about 2 ½ years ago as excellent, with cargo being unloaded from a ship, put on a train almost immediately and shipped out shortly thereafter.

But with CN’s IMX [intermodal excellence] service, that changed. Now CN aims to have 80% of the cargo moving out within 48 hours. “That is a far cry from the ideal service we were getting a little more than two years ago. We’ve been monitoring CN and they aren’t even reaching that (new) goal.”

**Halifax traffic**

Patricia McDermott, the Halifax Port Authority's vice-president of marketing, saw early signs that containers from Asia are being rerouted to Halifax. This should mean Halifax will report about the same level of container activity at year-end as it did in 2003. In an interim report, the port authority said traffic declined in 2004, to 441,605 TEUs through October compared to 455,402 during the same period in 2003.

McDermott says she expects the true influx of Asian cargo to begin in 2006, as the Suez Canal route to North America becomes more popular. The Halifax Port Authority has been steadily working to improve the infrastructure in the port, she says. It is also working with CN, which uses Halifax as its eastern North American gateway, to improve service.

While ships coming from China to Halifax, via the Panama Canal, could take about 35 days to complete the trek, McDermott says a ship coming from Singapore, for example, could make Halifax in just 23 days. {Roger Taylor in Halifax Herald 11.Dec.04}

*Much more detail on the situation in Halifax was provided by CN’s Paul Waite, by ACL’s Fritz King, and by CIFFA’s George Kuhn. Calls to Karen Oldfield of the Halifax Port Authority were not returned.*

**THE VIEW OF CANADIAN NATIONAL**

On 16 December, the vice-president for IMX, Paul Waite, commented on some of the issues facing intermodal service for Halifax:

**Car availability**

CN characterizes its cars as either high-capacity (120,000 pounds and above) or low-capacity (below 120,000 pounds). [Cars have from one to five wells, each well generally containing at least 40 feet in length. Editor] The railway’s intermodal car fleet consists of 35% high-capacity (including 300 cars which can hold up to 157,000 pounds “sprinkled around the system”), 65% low capacity. Twenty-foot containers can weigh up to 50,000 pounds, and 40-footers over 60,000 pounds. That means two forties may a high-capacity car, and a low-capacity car can only hold two heavy twenties.

CN tries to spread the more-desirable high-capacity cars across the three international ports: Montreal, Halifax, and Vancouver, “so that no port suffers unduly.” Halifax stayed in the 30-35% range for high-capacity cars over the last year.

Problem: international boxes tend toward the heavy side; some 50-60% could use high-capacity cars. In some instances where the railway cannot provide the right mix for a discharge of containers, Waite’s group will “issue a pass” so that the terminals can load cars single-stack only.

In the past, in an effort to improve utilization, “we told the lines that if the cars were not doublestacked, then we would not pull them.” But now “we have a guy on the ground every day to make sure” CN is providing the best mix possible.

Waite has considered buying more high-capacity cars, but “unless we can keep them in the corridor, we have wasted the money.” Car blocks which go to Montreal or Toronto will turn around and go back to Halifax. But blocks which reach Detroit or Chicago contain cars which may interchange to BNSF, or NS, or CSX. “If the same number of foreign cars could be loaded to go back [to Halifax], that would work well.” But that does not happen: “it’s a very complex thing to do.”
**Premium service**

CN has offered different kinds of premium service, with as yet no takers:

- “We have offered to run a hot train, which would accept all discharges” from a particular ship, and move quickly to its destination on a guaranteed basis. “No one bid on it last year.” The price is too high. He compared the cost of a truck between Toronto and Vancouver at $6000 versus an intermodal rate of about $3000.

- “We have offered to leave extra cars at the terminals for use as needed,” so the shipper would know it had a car and would go out on the next train. But leaving an empty means paying the lease price per day. “TTX charges $250US to lease a car.” Neither terminals nor steamship lines are willing to pay, fearing the vessel will arrive late.

**Balancing loads**

The container lines tend to cluster their weekly arrivals in Halifax, which means the terminals and railway receive high traffic on some days. “We’ve said when a carrier schedules a new call, ‘Please call on Sunday, Monday, or Tuesday.’” But the Halifax call “is an afterthought,” since most lines discharge many more boxes at ports farther south on the Atlantic coast.

Another problem comes from the unpredictability of how terminals work vessels. Do they strip cars before unloading a vessel, or unload the vessel first? “They tend to focus on the vessel.”

**SmartPort Initiative**

The meetings initiated by the Halifax Port Authority on how the port could function better are, said Waite, “very useful in getting the minds” of the stakeholders together and exchange comments “out of the press” [moi? *editor*]. “We can bat around ideas. We have a separate meeting soon on how to grow the port: a couple of terminals, a couple of lines, and some of my sales people....I applaud Karen [Oldfield] and Pat [McDermott] for doing this.”

**Diversion from Vancouver**

“The Canadian retail industry, the big ones, are looking very closely at Halifax as an alternative,” said Waite. But none are diverting via Panama, rather they are signing on for Suez service. Bay and Zellers are going to add 100 boxes via Suez which formerly arrived on the West coast. Waite will meet with two other major retailers soon about using Halifax. Some may transload to domestic containers.

One problem: vessel capacity on the Suez route. The steamship lines are using that route to serve the major ports such as Norfolk and New York, and may have little capacity to add for a Halifax call.

**Profitability of intermodal sector**

Waite said this was “moving in the right direction, but we are still not where want to be.” But the growing profitability “at least gets me a seat at the table.” Earlier, when top management had to choose between purchasing a centerbeam lumber car or a five-well intermodal car, “the choice was overwhelmingly obvious. The centerbeam always won.”

**Car allocation among Maritime terminals/reservations**

CN runs intermodal cars out of Saint John, Halifax (two international and one domestic terminal), and Moncton (domestic). CN trains are limited to about 9200 feet by the length of sidings [the railway spent about $24 million to lengthen or add sidings to permit extended trains - *editor*], so Waite’s group must allocate train length among the four terminals.

The domestic users are entirely operating by reservation, so determining the demand from the domestic terminals is easy. Not so on the international side. “That’s a road I’d love to go down, but nobody is willing to do that,” said Waite. CN has offered the reservation system to the steamship lines, but they don’t want to pay for slots which they fear they might not end up using.

**How to get better service**

While mentioning the offers of premium service, Waite emphasized that the process in Halifax can work more efficiently without the need for additional investment. “There’s lots to do collectively working closely together to move the boxes faster.”
But even if the port works faster, the entire supply chain must improve to provide really good service. For example, the Brampton Intermodal Terminal in Toronto runs for only two shifts five days a week. Even if a box arrived in Halifax and Thursday morning got on a train for the 48-hour trip to Toronto, it would arrive on a Saturday. “No one can pick up the box on Sunday, Monday is too busy, so the box does not reach its destination until Tuesday.”

Then the question: what’s the point of the 48-hour rail service? “The whole supply chain is thinking in the 1960s.”

ACL’s FRITZ KING
On 13 December, King of Atlantic Container Lines’ Halifax office added details to his analysis of the problem:

The problem with monopoly
King acknowledged that he finds it difficult to tell a private entity like CN not to capitalize on a business opportunity. At the same time, he would like recognition that CN has a monopoly on rail service for Halifax: “There has to be some consideration given to historical service levels, to maintain the corridor.” Restricting the service is “not in the best interest of the community.”

Should CN charge more?
King reported that revenue for the supply chain through Halifax “is barely remunerative to begin with....The shipping public have to realize” that the rates they have paid are “squeezing transportation component,” so in the end they “must pay more, or accept the level of service.”

But CN, in instituting the IMX service, “have gone overboard. The service may not have been the most lucrative, but it is profitable, it maintained the direct from ship to rail” operation. CN changed “too much too quickly, it moved too fast.”

Can CN and the other operators differentiate service?
King said that CN appears to be moving toward charging more for a service which will move containers more quickly out of Halifax. But instituting that in practice is “extremely hard.”

C The ocean carrier must load the ship so that “hot boxes” can get unloaded first.

C The terminal operator must identify the hot boxes and move them toward the first train out.

C The outbound train must have enough of the right kind of slot to load the hot box.

The railway must provide some guarantee for premium service. If the box does not move in a timely fashion via rail, the railway will agree to get it on a truck to get the box to its destination on time.

Can the steamship line pass on the increased costs?
Even if a differentiated system would work logistically, King doubted that ACL and other carriers could pass on the increased cost to the shippers. At this time in history, the ocean carriers provide a door-to-door rate to their shippers or to third-party logistics providers. To put together that chain, the carriers negotiate separate rates with the railway, terminals, and with truckers, and then present a total rate to the shippers or their agents.

If CN asked for, say, an additional $100 per box to deliver a box one or two days faster, ACL would tell the agents the price increased by $100. But agents, contended King, would tell ACL they were not going to pay the increase, and take their business elsewhere. ACL and the other carriers would then undercut each other to keep the business, and become unable to pass on the increased costs.

Does truck present any competition to CN
No, said King. A truck rate to Toronto costs three times “at least” more than the intermodal rate.
What about going to another port?
ACL has an “A” service between Europe and the East coast down to Baltimore, using its own ships, and a “B” service which it provides with Hapag Lloyd down to Savannah. Why not just skip Halifax and unload containers in New York, for CPR move them to Montreal or Toronto? “That service is even poorer than the Halifax service,” said King. [See below.] Indubitably, Halifax is providing the best service in this congested climate, but the Halifax service is still poor.

He feared that if more boxes came to Halifax due to congestion elsewhere such as at Vancouver, “it would strain the system, and we would get worse.” Halifax could provide better service for only a few months.

What about Saint John as competition?
ACL looked at Saint John as an alternative during the strike at CN in early 2004 [see 5 March and 1 April issues]. King said he found these problems:

- The port does not have a facility to handle ro-ro and containers at the same time, as both the Halterm and Ceres terminals do. [Erroneous—see Saint John.]

- The extreme tides would affect the scheduling of the ships. “Halifax is an ‘incremental’ port. ACL uses it as the first port of call westbound, and the last port of call eastbound.” Fitting large ships into the tidal window makes difficulty for treating Saint John as an incremental port.

- The container infrastructure cannot now handle our ships, “not in the volume we need.” He cited the rail infrastructure in particular, which would use MMA and then CPR.

Saint John looked at container business “significantly differently,” concluded King. It had not “planned to compete in the [general] container business.” With some investment, though, he believed it could in a few years.

What does CN need to do?
According to King, he and other stakeholders “work effectively” in the ‘SmartPort’ group, sponsored by the Port Authority to examine ways to improve service. “We meet with IMX on a regular basis, but every organization comes from its own perspective. We have not solved the big nut which would make this work.” Still, he underscored, “It’s not a disaster, it’s better than anywhere else.”

More appropriate railcars. King listed this as the best improvement. CN sometimes provides cars which normally handle domestic containers, which are not capable of handling heavy international containers. “They often turn around empty.”

“The best cars are doublestack, built for international containers. But only 30-45% are of that type.” Some time ago, CN promised that 80% of the cars could handle international, but CN officials have now told Halifax stakeholders that the number will never reach 40%.

King averred that CN “cannot keep the cars in the corridor, the railway turns them somewhere else.”

No balance on a daily basis.
Per King, export boxes arrive in a steady stream each day, while Halifax gets “a significant dump of import boxes” on the weekend. It does not “balance on daily basis.”

Limited capacity. Due to space constraints (including limited trackage at Ceres), sometimes export boxes sit on railcars while the import boxes come off the ship. So the import boxes are grounded and have to await the export boxes moving off the cars and onto the ship.

To add capacity, the Port Authority has considered a third terminal, but “that seems to be on the back burner now.” King suggested one super terminal so that CN was not required to shuffle intermodal cars between terminals, as it does now.
The hot load idea
When CN began instituting IMX, it realized that the speed for some boxes would slow down, so it considered offering speedier service for boxes the carriers labelled “hot”. King said that service was not provided “to any great degree,” because the “logistics become very difficult.” {ANR&P discussion 13.Dec.04}

CIFFA GEORGE KUHN
On 14 December, Kuhn, who serves as executive director of the Canadian International Freight Forwarders Association, wrote a response to King’s comments.

Freight forwarders want premium service
Kuhn called “utter nonsense” King’s assertion that his members would not accept and pass on a premium for premium service. ‘As long as it is offered as an option. Only too many members of the import community would have been pleased to pay a premium to have their containers arrive as scheduled, believe you me!’

Rates can be passed on
‘As a matter of interest, we are quite sick and tired of hearing railroads and ocean carriers 'moaning' of not being able to pass on rate increases. There is a broad consensus that higher rates are a necessity if we want to see substantial performance improvements in the transport network. The caveat, however, is that improvements are demonstrable and higher rates are not simply siphoned into higher margin performance!

Who is pocketing the rate increases?
Kuhn continued: ‘There is a latent perception, for example, that it is the ocean carriers first and foremost that keep the railroads on a short financial leash and use their volume leverage to up their own margins without regard to the financial needs of the railroads. Ocean carriers have, over the past year, had at minimum three General Rate Increases and more are forecast for 2005. All to cover increased operating costs. Well how about passing on some of it to the railroads?’

E-portal, work as one
‘I totally agree with [Fritz King and Paul Waite] that we are still operating in solitudes. Though we finally can see some efforts to make the supply chain partners 'one'. This is absolutely critical if we want to achieve considerably improved efficiencies such as direct unload et al. We require a process-based system that incorporates all players: ocean carriers, ports, railroads, truckers and carters, and intermediaries. We need an e-portal that affords accessibility by all players to effectively track and trace the movement from ETA of ships to final delivery. This would allow every player to pre-plan, prepare and introduce immense efficiencies that are totally lacking today.’ {e-mail to ANR&P from Kuhn 13.Dec.04}

TWO VIEWPOINTS ON NEW YORK SERVICE

CPR viewpoint
CPR spokesperson Michel Spenard said his intermodal people acknowledge congestion in New York earlier, but "it has eased somewhat in the last month" so now boats could stop and unload. Line capacity is not a problem for running to Montreal, Toronto, or the Midwest. Most CPR intermodal loads run southbound, so it has empty cars and boxes northbound. {ANR&P discussion 14.Dec.04}

CSXI congestion
On 14 December, CSXI announced that its Columbus, Ohio terminal ‘could not accept empties billed to Elizabeth [New Jersey] Marine Terminal. As congestion at the facility and the back up of empty units moving to the pier has been alleviated, CSXI will reopen the gate to Dockside empties.’ {CSXI press release}
SAINT JOHN

16 December. **THE PORT CAN OFFER COMPETITION TO CN SERVICE IN HALIFAX**, said Andrew Dixon, vice-president marketing for the Saint John Port Authority.

Facilities ro-ro with container
Rodney Slip, a facility within Rodney Terminal, provides the ability to load or unload ships which provide both ro-ro and container cargo. The ramp was built in the last few years.

“We have used that for combination vessels with Wallenius Wilhelmsen when it did handle containers” as well as the auto traffic it continues to handle.

Tides
Dixon reported that Rodney has 12.2 meters alongside (40 feet) at low water. But the determining factor to reach the berths is tides. Ships like those of Tropical Shipping, which have a draft of 8.5 meters (28 feet), and hold 1200-1600 TEUs, can disregard the tides.

“Some ships need to fit into the slot two hours either side of high tide,” those with a draft above 28 feet.

Many shipping lines have planned this into their calls over the years. Wallenius does this.

Rail service: real competition
Saint John’s rail infrastructure provides real competition because NBSR connects with either CN, which runs to Moncton, or MMA to CPR, or Guilford, with connections to CSXT and NS.

Niche port
“We consider ourselves more of a niche container port, as we are not set up to handle the very large container carriers. For the small- and mid-sized lines, we can offer a guaranteed berth and guaranteed container handling equipment (up to 13 containers wide), a tremendous advantage over other ports. Because the port has one regular line at this point, “we can offer great service to additional lines.” Tropical is “proof that Saint John can provide great service.” {ANR&P discussion 16.Dec.04}

**RAIL SHIPPERS**

Described in this issue.
*Our Directory of Rail Shippers & Receivers in Southern New England has more information on the companies denoted with their directory number.*

Boston Terminal Railway (Rhode Island, PW), Canada Industrial Castings (NBSR, New Brunswick), Dragon Products (MERR, Maine), EnergyUSA Propane (Regional, CSXT #391 and GRS #16), Granite State Concrete (New Hampshire, MBRX), MacDonald Applicators (NBSR, New Brunswick), Mirant (Massachusetts BCLR #305), Morse Brothers (Maine, SLR), OMYA (VRS, Vermont), Sprague Energy (New Hampshire, GRS), World Energy (Massachusetts, Maine)

**PEOPLE**

On 30 November, **Bill Schauer**, vice-president sales and marketing for **Montreal, Maine & Atlantic Railway**, retired. On 1 December, his successor **Fred Jones** took office. Fred had covered New England and the eastern seaboard for CN up to mid-2003, when he became a consultant for two former customers, and did sales training. How did he wind up with **Atlantic Northeast Consulting**

Market analysis and project development for shippers and railroads, using proprietary database. Working relationship with all railroads, as well as state, regional, and local governments in New England.

Contact Chop Hardenbergh
consulting@atlanticnortheast.com
207-846-3549
MMA? Per Jones, he met Bill Schauer over the summer and began talks. Jones’ strong background in paper and chemicals helped convince MMA to hire him. {ANR&P discussion 8.Dec.04}

John D. Bubier, city manager of Bath, Maine, has joined the Northern New England Passenger Rail Authority board of directors. Joseph Mokarzel submitted his resignation to the NNEPRA Board for personal reasons. {Downeaster Weekly Summary 6.Dec.04}

Eddie Malinowicz took the reins as general manager of the Bay Colony Railroad around the beginning of October. He began his career with Penn Central and then Conrail, worked later for transit agencies, and just prior to taking the BCLR position completed the construction of the Hiawatha transit line in Minneapolis.

At the Vermont Agency of Transportation, Secretary Dawn Terrill promoted David Dill to deputy secretary. He had served as director of operations. Sam Lewis became director of operations. Lewis, formerly the deputy director of operations, served the agency for over 12 years in differing roles. For those that may not know, Sam has had assignments in the Planning, Program Development and Operations Divisions. His previous responsibilities have included the creation of a program of municipally-managed transportation projects and management of enhancement, bicycle and pedestrian projects. As assistant director of program development, Lewis coordinated the development of Multi-Modal Transportation Centers and participated on teams involved with Canadian Border Crossings, intelligent transportation systems and relations with the Province of Quebec.’ As director of operations, he will oversee the rail division. {VAOT announcement from Dill}