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June 23, 2020

The Honorable Ann D. Begeman
Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Patrick J. Fuchs
Member
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

The Honorable Martin J. Oberman
Vice Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Docket No. AB 1296X, *R. J. Corman Railroad Property, LLC – Abandonment Exemption – in Scott, Campbell, and Anderson Counties, Tennessee*

Dear Chairman Begeman, Vice Chairman Oberman, and Commissioner Fuchs:

The North East Tennessee Railroad Authority (“NETRA”) respectfully submits this letter in support of the offer of financial assistance (“OFA”) filed herein by Arkansas-Oklahoma Railroad Co. (“AOK”).

Pursuant to TN Code § 64-2-101 (2016), NETRA was created in the counties of Anderson, Campbell and Scott, Tenn. These are the counties in which the above-referenced abandonment is being sought. NETRA is intended to secure economic benefits to these counties, by providing for the continuation of railroad service in this area. Under state law, NETRA, within this region, may acquire, construct, operate, maintain and dispose of railroad facilities, properties and equipment and may provide any other rail service in the region as the rail service is needed and feasible. TN Code § 64-2-103 (2016).

R. J. Corman Railroad Property, LLC (“RJC Railroad Property”), filed a verified notice of exemption under 49 C.F.R. part 1152 subpart F—Exempt Abandonments and Discontinuances of Service to abandon a railroad line extending from milepost 0.95 at or near Oneida, Tenn., to the end of the line at milepost 42.0 at or near Devonia, Tenn., a distance of approximately 41.05 miles in Scott, Campbell, and Anderson Counties, Tenn. (the “Line”).¹ This Line has a single rail connection at Oneida, Tennessee with Norfolk Southern Railway. The notice of the exemption was served and published in the Federal Register on March 9, 2020 (85 Fed. Reg.

¹ Notably, RJC Railroad Property did not include the Line from MP .95 to MP 0, the interchange point. This small portion is crucial to the Line as it connects it to the rest of the interstate rail system. NETRA believes this portion of the Line should be included in the OFA and abandonment as a result.

13,696). On March 19, 2020, AOK, a Class III rail carrier, timely filed a notice of intent to file an OFA to purchase the Line from RJC Railroad Property.

AOK has been operating as a rail carrier in Oklahoma for approximately 24 years. David Donoley of Wilburton, OK is the majority shareholder of AOK. AOK is interested in expanding into new markets and has a legitimate interest in the Line. Based on its successful history, AOK clearly has the ability to provide common carrier service on the Line.

It is provided in 49 C.F.R. § 1152.27(c)(1)(ii) that an offeror submitting an expression of intent to file an OFA must demonstrate that it is financially responsible, under the definition set forth in 49 C.F.R. § 1152.27(c)(1)(iv)(B), for the calculated preliminary financial responsibility amount ("PFRA"). An offeror is financially responsible if the offeror "has or within a reasonable time will have the financial resources to fulfill its proposed contractual obligations." PFRA is calculated as follows: (1) \$80 per ton (national average as of March 19, 2020 according to iscrapapp.com) times 132 tons per mile times 41.05 miles = \$433,488 (2) \$4,000 per mile times 41.05 miles times 2 = \$328,400 (3) TOTAL \$761,888. Attached to AOK's notice of intent is a copy of AOK's 2018 Income Tax Summary, which demonstrates AOK is financially responsible pursuant to this requirement.

An OFA to acquire a line for continued rail service need not be detailed, but an offeror must show that it is financially responsible and that the offer is reasonable. *See Conrail Abandonments Under NERSA*, 365 I.C.C. 472 (1981). AOK is clearly financially responsible and has made a reasonable offer to purchase the Line.

Under 49 C.F.R. § 1152.27(c)(1)(iv)(E), an offeror must demonstrate that there is a continued need for rail service on the line. In Pioneer Tenn., Evergreen Packaging Royal Blue Chip Mill Site Supervisor Roger Alley stated that loggers from the region remain in need of this Line in order to move logs from the three-county area to this wood chip mill and other destinations. Additionally, the Tennessee Wildlife Resources Agency is actively managing the forests along this Line for ongoing timber harvests for many markets.

Furthermore, Scott County's Industrial Development Board ("IDB") is working on a purchase of land that is served by the Line. Also, IDB is working with a company that has an interest in shipping on the Line on this land. The company is a large volume importer of foreign wood. Therefore, rail service should be needed on the Line in the near future for these two wood companies.

Moreover, there is a coal mine located on the Line owned by National Coal. In its AOK OFA support letter, the Tennessee Mining Association ("TMA") has made clear in this proceeding its grave concerns regarding the potential abandonment of the Line. TMA explained that an abandonment of this Line would jeopardize any future mining of coal reserves in this mine. Also, TMA stated that preservation of this Line will protect future, affordable access by Tennessee mining companies to undeveloped coal reserves in Anderson County, in addition to supporting imminent freight needs.

Outside of building back up the freight business on the line, AOK also has secured a company wanting to set up a car repair business on the Line.

Furthermore, prior to the purchase of this Line by RJC Railroad Property, there was a successful excursion train service on the Line. The Line traverses a scenic area that is perfect for this type of operation. This service could be restarted and help support the needed maintenance and rehabilitation of the Line. In fact, there is a reputable company that would like to begin this service immediately. The Director of Tourism of Anderson County Stephanie Wells stated as follows:

The line has great potential for economic development through tourism. The New River/Rosedale Community has seen tourism business growth, including lodging assets, in the last few years and an excursion train experience would complement the area's history in addition to bringing new visitors to the area to spend money. I feel that preserving the line would be in the best interest of Anderson County's overall economic health.

The economic impact for the region from this type of tourist railroad is estimated to be over \$15,000,000 annually.

In Tennessee, as elsewhere, short-line railroads are an increasingly important source of freight mobility. Small railroads effectively link many Tennessee communities to an array of regional, national, and global markets that would, otherwise, be beyond reach. Short-line traffic originating or terminating in Tennessee grew by more than 36 percent between 1999 and 2016. The number, nature, and ownership of the state's short lines during this period changed very little, suggesting a fair amount of stability.

James "Andy" Wallace, President, Anderson County Economic Development Board, emphasized the importance of the Line to this community:

Anderson, Campbell and Scott Counties have a rich history with the railroad and coal over the past 100 years. The area with its natural resources and unparalleled beauty lends itself to industry and tourism. The Oneida-Devonia line runs through this area and would play a vital role in the growth of coal in new markets (carbon fiber) and also as a scenic railway. Both opportunities promote growth to an area where high unemployment and poverty have been a problem in the past. I give my full support and ask the North East Tennessee Railroad Authority to offer financial assistance for the purchase of the line by the Arkansas Oklahoma Railroad.

In sum, keeping this Line in the national rail system would be crucial for this area that needs more industrial development for new jobs and an influx of capital to help the local economy. In addition, granting of the OFA here would promote the Rail Transportation Policy by ensuring the development and continuation of a sound rail transportation system with effective competition and coordination between rail carriers and other modes, reducing regulatory barriers to entry into and exit from the industry, encouraging honest and efficient

management of railroads, and encouraging and promoting energy conservation. 49 U.S.C. § 10101(4), (7), (9), and (14).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on June 23, 2020, I served the foregoing NETRA Letter of Support using the below email addresses on all parties of record in this proceeding:

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